



# Sustainability Report 2019

**WE SEAL, DAMP AND PROTECT  
CRITICAL APPLICATIONS  
IN DEMANDING ENVIRONMENTS**



WE SUPPORT

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## EXTERNAL ASSURANCE

The auditor has performed a limited assurance of the Sustainability Report 2019. Refer to the Assurance Report on page 48.

## SUSTAINABILITY REPORT ACCORDING TO GRI STANDARDS

Trelleborg's 2019 Sustainability Report is based on GRI standards, the Global Reporting Initiative's Sustainability Reporting Guidelines, according to the Core option. The scope of the sustainability report is commented on page 33, and is further outlined in the GRI Content Index on page 38.

## TRELLEBORG AND THE UN GLOBAL COMPACT

Since 2007, Trelleborg has been affiliated with the UN Global Compact network, an initiative to promote responsible business practices in the areas of the environment, labor, human rights and anti-corruption.



# TRELLEBORG AND 2019 IN BRIEF

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications. The Group comprises three business areas – Trelleborg Industrial Solutions, Trelleborg Sealing Solutions and Trelleborg Wheel Systems, and a reporting segment, Businesses Under Development.

## SALES

**SEK 36,588 M**

**+8%**

Net sales for 2019 increased 8 percent to SEK 36,588 M. Organic sales were unchanged compared with 2018.

## ENERGY CONSUMPTION

**1,414 GWH**

**-11%**

Energy-efficiency measured as consumption relative to sales, improved 11 percent, which is clearly better than the annual internal goal of 3 percent.

## EBIT, excluding items affecting comparability

**SEK 4,658 M**

**-1%**

EBIT, excluding items affecting comparability, declined 1 percent to SEK 4,658 M, corresponding to an EBIT margin of 12.7 percent.

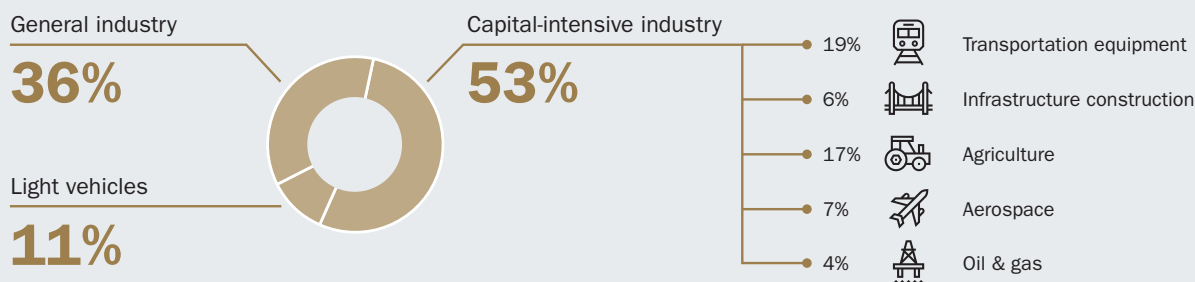


## EARNINGS PER SHARE

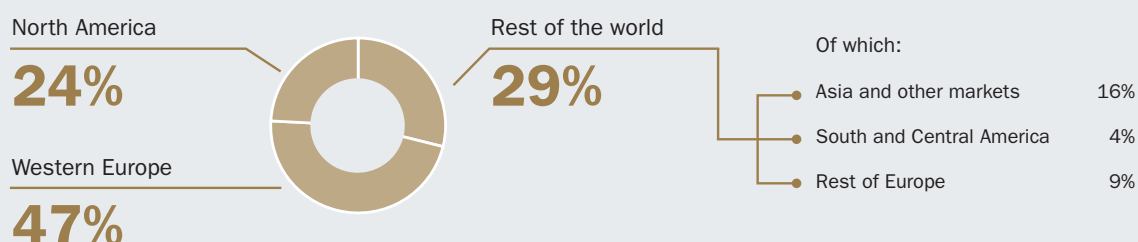
**SEK 11.89**

Earnings per share, excluding items affecting comparability, amounted to SEK 11.89. For the Group in its entirety, earnings per share amounted to negative SEK 0.73.

## SHARE OF THE TRELLEBORG GROUP'S NET SALES



## NET SALES PER REGION



# TRELLEBORG PROTECTS WHAT MATTERS

Modern-day society would not function without polymer materials, or rubber and plastics as they are commonly known. Machines, tools and accessories need sealing, damping and protecting using a material that is durable, elastic and tough.

Polymers are long chains of molecules that serve as building blocks in rubber and plastics. While there is only one chemical variant of natural rubber, synthetic rubber is available in some 20 variants. Using additives and mixes of various types, and when combined with other materials, such as metals and textiles, polymers gain very different properties.

## SEAL

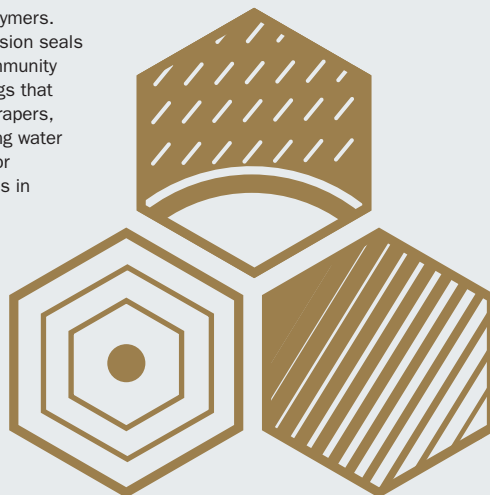
To seal is to fill a gap when joining two static or moving (dynamic) surfaces, thereby separating different media from each other.

A variety of applications can be sealed thanks to polymers. In aircraft, these could include various types of precision seals in control systems, landing gear and engines. In community infrastructure, applications include seals and bearings that extend the service life of bridges, tunnels and skyscrapers, or flexible pipe seals that provide sustainable drinking water and wastewater systems. A large product category for Trelleborg is seals for static and dynamic applications in machinery, tools and vehicles.

## PROTECT

To protect is to help the environment, people, infrastructure and other assets to manage the impact from natural and man-made forces.

Polymers can withstand fire, corrosive materials and gases. Hoses in composite materials provide secure transfer of aviation fuel and aggressive chemicals. Boots for drive shafts and control systems protect vehicles. Seals protect industrial applications from wear. In agriculture, advanced tire and wheel solutions protect the soil through low compaction and spare the environment through low fuel consumption. A growing area is the use of polymer components in healthcare & medical.



## DAMP

To damp is to absorb energy, thereby achieving vibration damping and shock absorption.

The ability of polymers to absorb pulsating forces makes them a key material for vibration damping and thereby extending the service life of rail vehicles, vessels, industrial equipment and buildings. Polymers are also used as energy-optimized sealing solutions to minimize energy loss from friction. Sandwich constructions using rubber and aluminum can control both noise and vibrations in vehicles. Trelleborg's fenders dampen forces from vessels as they arrive at port.

## SATISFACTORY YEAR IN A CHALLENGING BUSINESS CLIMATE

Trelleborg's net sales increased during the year by 8 percent compared with 2018 due to acquisitions finalized and the positive impact from exchange rates. The Group's EBIT, excluding items affecting comparability, was in line with the preceding year, and was the second best result so far for Trelleborg.

**Peter Nilsson, President and CEO of Trelleborg, how would you summarize 2019?**

We experienced a more challenging business climate in 2019. The agricultural and automotive industries, together with general industry, faced a more difficult economic situation during the year. We adapted to these downturns: in terms of costs and through inventory adjustments, and we initiated measures, for example, that will reduce the workforce by more than a thousand employees.

However, and this is important, we also maintained our focus on advancing our positions in the long term.

Sales to various infrastructure construction projects and the aerospace industry were favorable in 2019. Healthcare & medical continued to perform well. Acquisitions completed in recent years made a positive contribution to this. With our reorganization that will take effect in 2020, we are continuing to focus the Group to further improve and develop our leading positions in the segments and niches we serve.

Our net profit for the year was therefore satisfactory overall and one of our very best in several respects. We have strong, global positions and broad exposure to several different segments and markets.

**Are you satisfied with this result and performance?**

We are never fully satisfied. We can always become better and operate more effectively. I always come back to the fact that there are improvement opportunities in all areas and on all levels of the Group, irrespective of where we are, and encourage a sense of responsibility and commitment among all employees.

**In concrete terms, how do work on improvements?**

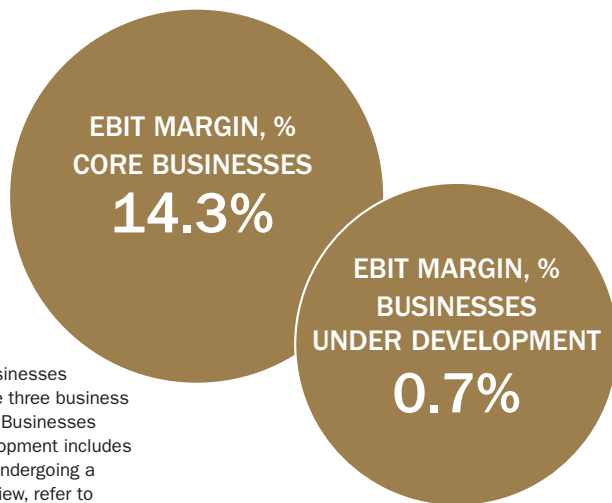
We work, for example, systematically with improvement activities through our Excellence programs in purchasing, production, sales, logistics and leadership. A shared feature of the programs is a continuous exchange of experience, which enables us to raise the bar for what can be achieved in our core processes. This is important in our decentralized organization.

An area that is equally important is our continuous portfolio management, which ensures that Trelleborg is represented in attractive niche positions and works toward the right customers and the right geographies. We evaluate our position on a continual basis and assess how it can be improved.

**The reorganization, was it part of the same philosophy?**

Yes, our clear ambition is to continue to develop and strengthen already high-performing and well-positioned business areas that have significant global operations, while at the same time highlighting areas where positions and profitability must be improved.





The core businesses comprise the three business areas, while Businesses Under Development includes operations undergoing a strategic review, refer to Annual Report 2019, page 28.

A number of businesses are now undergoing a strategic review. These have been transferred to a new reporting segment that we call Businesses Under Development. They are required to improve their positions and profitability considerably within 12 to 24 months if they are to remain part of the Group. We will also continuously evaluate various structural alternatives in parallel with operational improvement activities.

In fact, this is not particularly that exceptional. It is *business as usual* in our decentralized organization, but we have chosen to highlight the operations in which we want to see an improvement in a way that we haven't done previously. It is our hope that this will also be simpler and clearer for external target groups that want to understand Trelleborg and where we are headed.

**How has Trelleborg been impacted by various trade barriers and the uncertainty surrounding Brexit?**

In total, we are not affected to any great extent by direct trade barriers. We have a major local presence in our markets and thus have no significant export flows. Furthermore, with our decentralized organization, we can adapt quickly and make changes – for example, in choosing where to locate our production.



**With our decentralized organization, we can adapt quickly and make changes.”**

But we are not immune to the political uncertainty during the year, which affected customers' investment decisions and future ventures.

For instance, a change of behavior has been seen with farmers that are currently buying far fewer tires than expected and not to the level that is required for the long-term growth of the market. It is abundantly clear that to manage both future population growth and environmental challenges, we need larger harvests per cultivated area, and accordingly, significant investments

in more efficient agricultural machinery. The same applies to demand for efficient, smart transport solutions, which inevitably must be created if the world's increasingly connected markets are to function.

It is therefore important for us to focus on our long-term positions and offerings, and not become caught in short-term economic fluctuations. We cannot influence the overall trend, but naturally, we adjust our operations and adapt to short-term demand levels.

**How do you see the role of the Chinese market in your growth?**

China is in the process of becoming the world's largest economy, which makes it a country in focus for Trelleborg. It is investing heavily in innovation and the country will soon be the global leader in several different segments.

We have never regarded China primarily as an export country, not even back when it could be considered a low-cost country. Instead, we accompanied our customers from Europe to China and became global with them. But now, more Chinese companies are becoming our customers. In their turn, they develop products for their very large domestic market, which could then become global.

In 2019, we continued to improve our positions in China and our ambition is no different moving forward.

**And what about Africa?**

Yes, definitely. Africa is expected to follow Asia as a growth region, but it still has a strong focus on raw materials and less focus on the domestic processing industry. We have some business operations in Africa and our first manufacturing facility is being established there. But our strategy is still to build initial positions to be prepared when domestic processing increases.

**And your more traditional markets in Europe and North America?**

It is easy to overlook these well-established areas with all of the media focus on the development of high-growth countries. But they are and will remain very important to us. It is there that we have the absolute majority of our

operations. We are continuing to acquire and invest in Europe and North America whenever it strengthens us as a Group. We can see many opportunities to continue this journey.

In mature markets such as these, the challenge is more in innovations that create attractive and effective customer offerings, which ultimately make us a more attractive partner, rather than finding new customers. This is our primary focus in these regions and to date we have succeeded well.

#### **Can you explain the continued high level of investment in the Group?**

We have had a high rate of investment for a few years, driven by a number of major individual investments. The level will remain relatively high during 2020, before it begins to decrease. We see that these investments are generating a healthy return for us in the form of reduced costs and higher sales, and it is therefore money well spent.

We work steadily and continuously to develop the Group, adjust our portfolio and improve our structure. Sometimes investments are directly connected with positive synergies following acquisitions, but in recent years, they have also been made to better leverage the opportunities of digitalization.

#### **How are you working with digitalization?**

Our ambition with digitalization is to use the new technology to simplify both internal processes and external offerings, which ultimately gives the customer a simpler and better solution.

It is incredibly important that there is an openness to think in a new and different way, and not merely take an old process and digitalize it. It is challenging to think afresh and to realize that an entirely new logic may apply, such as a different behavior with customers. In order to utilize the opportunities offered by digitalization, we need to constantly think innovatively.

At the end of the year, we had listed nearly 400 focused ongoing digitalization projects in various parts of the Group. They involve the development of smart and intelligent products, communication with our customers, as well as new business models or methods to sales.

Robots have been part of our production for some time, but naturally, we are also looking at increasing general automation of our manufacturing and various ways of enhancing the efficiency of our administrative processes through robotization, Artificial Intelligence (AI) and other tools.

#### **Can you describe Trelleborg's sustainability ambitions?**

We continue to have high ambitions in the area of sustainability. To us, it is a success factor that our

customers and other stakeholders regard Trelleborg as a company that has extensive knowledge of innovative solutions for a sustainable society. Having our customers use the right products, be it seals, tires or tunnel seals, is perhaps where we can impact the world's sustainability most.

At the same time, we obviously assume responsibility for our own operations in terms of the impact on people, the environment and the surrounding communities. We want to create an internal culture, in which sustainability is a natural part of our daily jobs. We are continuing to work systematically in Manufacturing Excellence so that all of our employees can be inspired to save further on resources and become even more safety conscious.

An important action in 2019, was renewing the knowledge of our Code of Conduct. For our employees, the Code of Conduct represents the most important regulatory and sustainability document. For this reason, we also offer training in 15 languages. Our Code of Conduct is central to our relationships with our suppliers and has long been a recurring feature of our assessments of those suppliers. A new activity awaits in 2020: sustainability training for all employees, which will make it easier to apply the UN's Sustainable Development Goals and to take a circular approach on a daily basis.

#### **What about the climate issue?**

The climate is naturally also high on the agenda and in this regard, we have spent time identifying effective ways forward. We are switching over our local energy supply at the pace that is possible, and we select renewable electricity where available. For example, during the year, we installed a biomass boiler that is powered by the remains of rubber trees in Sri Lanka. This has significantly improved our climate footprint in that country. In 2020, we will announce our new climate targets which address the 1.5-degree target for society and improved climate cooperation with our suppliers.

#### **You have relatively high climate emissions in relation to other Swedish industrial companies?**

Both in total and relative to sales, CO<sub>2</sub> emissions decreased in 2019.

However, tire manufacturing is relatively energy-intensive and is difficult to influence. In addition, we have operations in a number of countries with poorer climate footprints, where there are no alternatives to fossil energy sources. In this respect, it is fairer to compare Trelleborg with other tire manufacturers, where our goal is to demonstrate clearly lower climate emissions than our competitors. It is a fact that without tire manufacturing, we would more than halve our emissions in relation to sales.

**Can you name some product categories with major potential?**

We have leading positions in all of our main segments and we are investing in various ways to develop the Group further: expanding to new geographies, introducing new technologies, products and solutions, increasing or redistributing production capacity, and so forth.

Our largest and most profitable product category is our precision seals. Continuing the development of this part of the Group is high on our agenda.

Healthcare & medical is another exciting area in which we have both developed our own and acquired knowledge in polymer components, such as those used in the manufacture of pharmaceuticals, in direct patient contact or in medical devices. There is major potential for us in medical devices from a broad perspective, not least considering the trend of an aging, but also growing population.

In the entirely different area of rail transport, new and improved solutions are being developed, for example, axel bush technology, which reduces noise for passengers and the need for railway maintenance.



**It is in the close relationships with our customers that we can generate the greatest value for them, and for us.”**

And then we have our complete offering in agricultural tires. With a growing population and a greater sustainability focus, we believe strongly in this market in the long term. Agricultural equipment, and thus also tires, must become smarter, more efficient and more environmentally friendly, to be able to meet needs in the long term.

**You are placing greater importance on offering complete solutions?**

Yes, we are working actively to offer integrated solutions, that is, a complete solution and not only a product solution. Value generation exists in the customer relationship itself; being able to give them the best service in combination with the best product.

Today, we have an increasing share of such solutions in several areas of the Group, such as industrial tires, seals and harbor infrastructure. I am convinced that it is with our complete solutions that we will identify and be

able to create the most value for the customer, and thus also for ourselves. It is in the close relationships with our customers that we can generate the greatest value for them, and for us, when we can offer our capabilities in the best way.

**Are you tired of questions about dependence on the automotive industry?**

We have gone from being a major supplier to the automotive industry, with about a third of our sales ten years ago going to the industry, to about one tenth of our sales today. The reduction has been a highly deliberate strategy in this exciting, but demanding industry.

We are satisfied with the level of exposure to the automotive industry that we have now. We are world-leading and have found profitable niches, for example, in brake shims, selected seal segments and boots for drive shafts. We see opportunities in the ongoing electrification of vehicles and during the year we launched, for example, a new range of seals for electric and hybrid cars, which was very favorably received.

**You are continuing to acquire companies?**

Trelleborg certainly has a long history of acquisitions, but I want to emphasize that the Group is driven by an interaction between organic and acquired growth. Acquisitions are part of our portfolio management activities and we work continuously with potential acquisitions that could strengthen the Group, but it is organic development that primarily drives the growth of the Group.

That said, the acquisitions we work with are nearly exclusively smaller bolt-on acquisitions that complement us in our existing segments and niches, and strengthen our positions. These could be acquisitions that enable us to access new solutions, new customer categories or new geographies, and then strengthen an already existing position.

**Are the required talents available?**

You could say that it is an eternal talent hunt. There are now clear recruitment challenges in several areas of the Group, and in certain geographies there is also a shortage of qualified labor. Even though we are well-respected, established and have a good reputation in most of the locations that we are in, there is also competition for talent. When establishing new operations and making investments, we must increasingly consider whether the right capabilities and qualified labor are available. Companies are built on individuals, their ideas, capabilities and commitment.



Over time, we also need to keep our current talents motivated. They are Trelleborg and they are the ones who ensure that we continue to develop. We want them to stay at the company for a long time and therefore work with internal training in such areas as leadership, specialist courses and training within the scope of our Excellence program, and we let people develop with new responsibilities.

**What benefits do internal diversity and inclusion offer the company at large?**

You need to find the talent where it actually exists. In this respect, gender, age and religion, for example, play no part at all. We want to recruit locally where we are, because our employees must understand local developments to best be able to do business there. So, it is quite simply a matter of giving ourselves the best possibilities.

Our employees are our foremost resource on all levels. We must enable them to grow and develop with us. Those with most talent must be given the opportunity to change and be assigned greater responsibility over time. It is a process that is constantly ongoing, which we must never stop if we are to remain successful. In this, diversity and inclusion represent a strength for us.

**What is your own role in the company's continued development?**

Good leadership at all levels and in all geographies is a question of maintaining a high pace of activity built on recognition, trust, openness and humility.

We ensure that we have the right managers in the right places and that major strategic decisions are implemented in an effective and correct manner. This includes keeping everyone motivated, getting us to constantly challenge ourselves and to seek new ways. We also need to be one step ahead, dare to make decisions and drive change, and have a helicopter view that challenges our decentralized organization so that necessary changes actually occur and that they occur quickly when decisions are made.

A successful Trelleborg requires motivated employees. I want us all to stand with our feet firmly on the ground, see reality as it is, act accordingly and do so both methodically and swiftly.

*Trelleborg, February 2020*

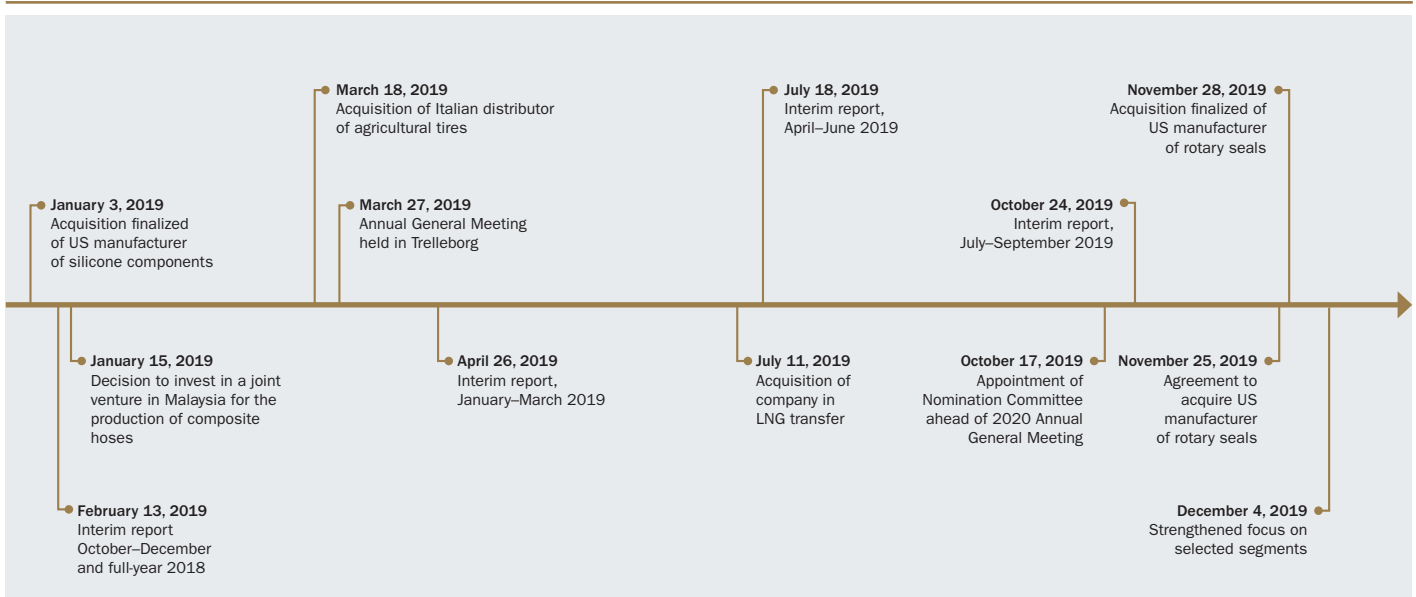
**3,600**

employees have completed the course on diversity and inclusion.

**95%**

of employees work outside Sweden.

**KEY EVENTS IN 2019**



# TARGETS AND OUTCOMES 2019

Several market segments experienced a more challenging business climate in 2019, which had an adverse impact on earnings at the same time as the Group overall reported continued high efficiency and cost control. The selected key sustainability figures demonstrated a continued positive trend.

## FINANCIAL TARGETS

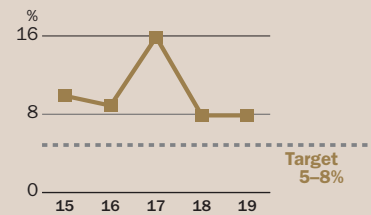
### Sales growth

#### TARGET 5–8%

Total sales growth, including organic growth in excess of the underlying market growth for continuing operations over an economic cycle.

#### OUTCOME 8.0%

Sales growth was 8 percent (8). The organic sales increase was SEK 28 M, corresponding to about 0 percent. Structural changes made a positive contribution of 3 percent and exchange rate effects had a positive impact on sales of 5 percent compared with 2018.



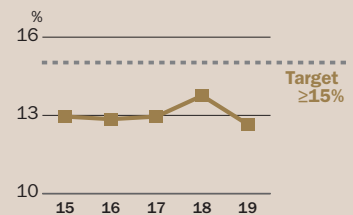
### EBIT margin

#### TARGET ≥15%

EBIT margin, excluding items affecting comparability for continuing operations over an economic cycle.

#### OUTCOME 12.7%

The EBIT margin was 12.7 percent (13.8). It was mainly impacted by a sharp decrease in sales of tires for agricultural machines.



### Return on shareholders' equity

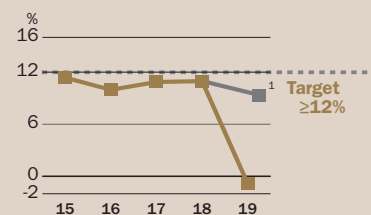
#### TARGET ≥12%

Return on shareholders' equity (ROE) including items affecting comparability for continuing operations over an economic cycle.

#### OUTCOME -0.7%

Return on shareholders' equity for continuing operations declined to -0.7 percent (11.1). The negative change was primarily a result of impairment losses on capital employed in the Businesses Under Development reporting segment.

The return on shareholders' equity excluding items affecting comparability amounted to 10.9 percent (11.7).



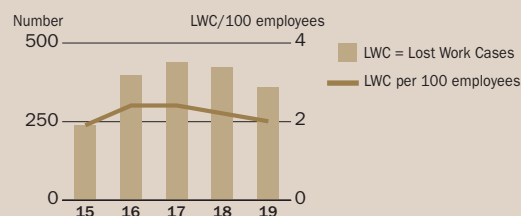
<sup>1</sup> Excluding items affecting comparability.

## RESOURCES

### Health & safety

**Target/focus:** To reduce occupational injuries and illnesses with at least one day's absence – Lost Work Cases (LWC). In addition, the average number of working days lost due to occupational injuries and illnesses is to decrease.

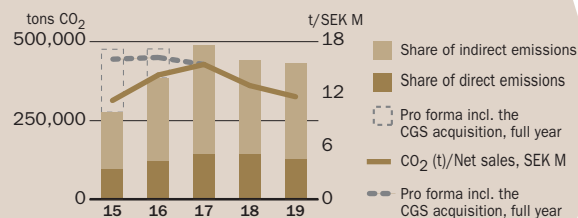
**Outcome:** In 2019, the average was 2.0 LWCs (2.2) per 100 employees. The average number of days lost per injury was 28.3 (28.7).



### Climate

**Target/focus:** The "20 by 20" target aims to reduce direct and indirect carbon emissions (Scope 1 and 2) by at least 20 percent relative to sales by 2020 (compared with base year 2015 of 16.0 metric tons/SEK M).

**Outcome:** In 2019, the value was 11.7 tons per SEK M, which corresponds to a 27 percent decrease compared with the base year.



## COMPLIANCE

### Anti-corruption and human rights

**Target/focus:** Zero tolerance applies to bribery, corruption, cartel and other criminal behavior, child and forced labor, as well as discrimination (reported and reviewed).

**Outcome:** 0 cases (0) of significant breaches of laws and permits that resulted in legal consequences or fines were reported in 2019. Furthermore, 0 cases (0) of child labor or forced labor were reported. Of 11 reported cases of discrimination (7), a settlement was reached between the parties or other measures were taken in 6 (4), while 5 cases (3) are still being processed.

During the year, 17 matters (18) were dealt with that originated from the whistleblower system. In some cases, reviews were carried out, which identified non-compliances with the Group's Code of Conduct, and relevant measures were taken in these cases.

### Suppliers

**Target/focus:** Suppliers corresponding to at least 80 percent of the reported relevant purchasing spend in the production units are to have completed a self-assessment in accordance with Trelleborg's Code of Conduct.

**Outcome:** Trelleborg met the defined target level in 2019. Suppliers corresponding to 86.4 percent (85.5) of the reported relevant purchasing spend were reviewed.

## SOCIAL ENGAGEMENT

### Local communities

**Target/focus:** Trelleborg supports local communities through various activities. This takes place at selected locations by supporting the development of young people, an activity that is to continuously develop over time.

**Outcome:** In most of the locations where Trelleborg operates, the company has partnerships with, for example, schools and universities. Youth and community activities are prioritized in sports sponsorship. Trelleborg is also involved in a number of special programs for children and youth development in such countries as Sri Lanka, India and Sweden. A new youth program was started in China in 2019.

# VALUE GENERATION AT TRELLEBORG



## BUSINESS CONCEPT

**To seal, damp and protect.** Trelleborg's business concept is to seal, damp and protect critical applications in demanding environments.

## STRATEGY

### Strategy for leading positions.

Trelleborg's strategy is to secure leading positions in selected segments. This means that Trelleborg seeks segments, niches and product categories that – by virtue of the Group's market insights, core capabilities and offering of advanced products and solutions – provide market leadership. In this manner, long-term shareholder value and added value are generated for customers.

Trelleborg works with the strategy, both Group-wide and in the business areas, supported by four strategic cornerstones that – individually and in combination – underpin the strategy. The strategic cornerstones are:

- » Geographical balance
- » Portfolio optimization
- » Structural improvements
- » Excellence

Read more in the Annual Report 2019, pages 34–35.

## CORE VALUES

**Trelleborg's core values** – customer focus, innovation, responsibility, and performance – are long-term commitments that, together with Trelleborg's business concept, targets and strategies, guide the Group when making decisions and conducting business. Read more on page 62 in the Annual Report 2019.

## CORPORATE CULTURE

**Trelleborg's internal culture.** The Group is characterized by far-reaching delegation of responsibilities and powers and encourages rapid decisions. Trelleborg has a culture that promotes commitment, responsibility, good ethics in business relationships, and positive interaction with the community in which the Group conducts operations.

## CORE CAPABILITIES

Polymer engineering and local presence combined with global reach form the basis of Trelleborg's offering. Together with the value-driving factors of applications exper-

tise and customer integration, these act as a business accelerator for Trelleborg's customers.

- » **Polymer engineering**  
Trelleborg should be best at developing polymer-based solutions that optimize and accelerate customers' applications and processes.
- » **Local presence, global reach**  
Trelleborg leverages global strength and capabilities, while acting as a local partner to customers.
- » **Applications expertise** Trelleborg should be best at understanding customers' applications, thereby adding the most value.
- » **Customer integration**  
Trelleborg makes it easy to do business with the Group and integrates in close partnerships with its customers.
- » **Business accelerator**  
Powered by these core capabilities, the aim is always to improve, accelerate and grow customers' businesses. Trelleborg grows together with its customers.

## SUSTAINABILITY CONSIDERATIONS

Read more about outcomes for the year in sustainability and about Trelleborg's preventative work on pages 14–27 and 34–37.

### Raw materials

The Group's most important raw materials comprise polymers, usually natural or synthetic rubber, that are combined with metal components or textiles as well as additives, such as softening agents, fillers and vulcanizing agents.

### Energy and climate

The Group's energy consumption and climate impact mainly relate to its own generation of steam for production purposes (direct energy/direct emissions) and to purchased electricity, steam or district heating (indirect energy/indirect emissions).

### Impact on people and the environment

Trelleborg's manufacturing and the materials used impact people and the environment in several ways. Examples include occupational accidents and illnesses, energy consumption, climate impact, water consumption, waste and emissions, mainly to air.

### Upstream in the value chain

The production of raw materials and components upstream has itself a significant environmental impact. Moreover, the environment is affected by transport activities and historical soil or groundwater contamination.

**INNOVATION**

**Better function, better business, better sustainability.** The core of Trelleborg's product development is engineered polymer solutions that meet customer-specific requirements for functional properties. In various ways, the purpose of these is also to improve business factors – productivity, costs, sales and profitability – and the sustainability profile for customers.

**MARKET SEGMENTS**

**Trelleborg's market segments.** The seven selected market segments are a mix of general industry, capital-intensive industry and light vehicles, which represent as a whole a favorable balance between early and late cyclical industries. The Group's exposure to various market segments has changed over time to balance the demand. Read more in the Annual Report 2019, page 33.

**COMPETITORS**

**Few comparable competitors.** Competition in the various markets largely comprises smaller companies that are regional specialists in one or more niche markets in various market segments or product categories. Read more in the Annual Report 2019, page 20.

**Circular business and production**


A clear and closely related challenge is improving a circular approach in processes and products. This includes the gradual replacement of input raw materials with recycled materials and of petroleum-based materials with materials from renewable sources. Refer also to page 14.


 **GENERAL INDUSTRY**


 **TRANSPORTATION EQUIPMENT**

 **INFRASTRUCTURE CONSTRUCTION**

 **AGRICULTURE**

 **AEROSPACE**

 **OIL & GAS**

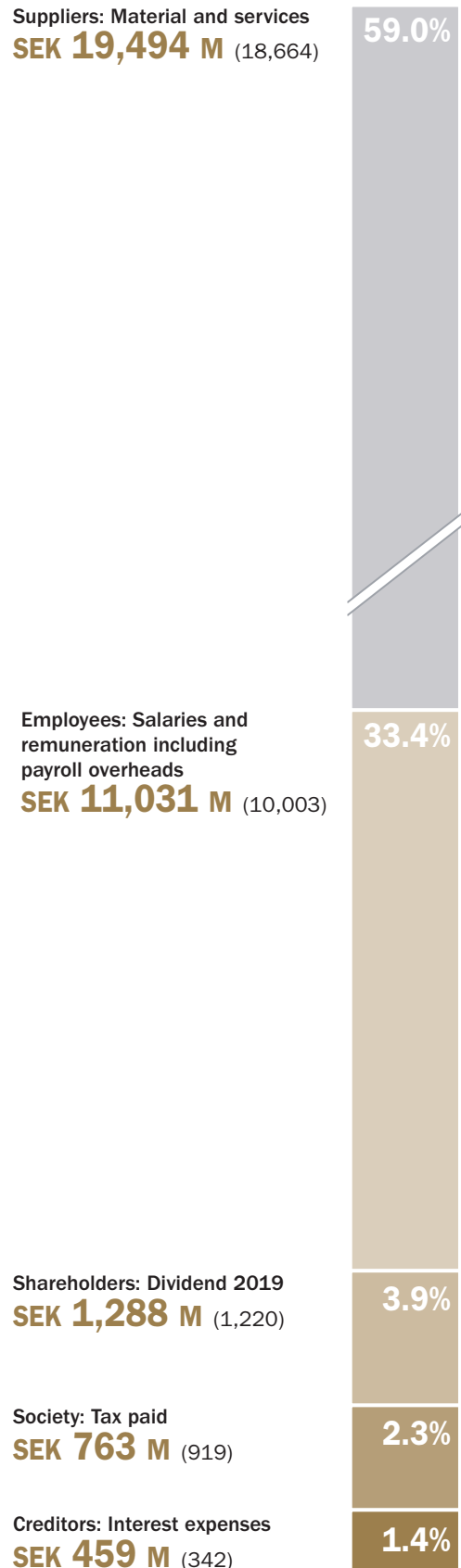
 **LIGHT VEHICLES**

**VALUES FOR STAKEHOLDERS**

- **CUSTOMERS:**
  - » Innovative solutions that seal, damp and protect
  - » Better functionality, business and sustainability
  - » Customer satisfaction via Trelleborg's core capabilities
- **SUPPLIERS:**
  - » Payment for material and services
  - » Evaluation according to Trelleborg's stringent requirements
- **EMPLOYEES:**
  - » Salaries and benefits
  - » Health and safety
  - » Job satisfaction
  - » Personal development
- **SHAREHOLDERS:**
  - » Share price trend
  - » Dividend
- **SOCIETY:**
  - » Job opportunities
  - » Tax revenue
  - » Trelleborg's social engagement
- **CREDITORS:**
  - » Interest income

**CREATED AND DISTRIBUTED ECONOMIC VALUE**

In total in 2019, Trelleborg's operations generated economic value totaling SEK 36,670 M (34,601) of which SEK 33,035 M (31,148) was distributed among stakeholders as shown in the description below and the diagram:



## INNOVATIONS THAT PROTECT WHAT MATTERS

Trelleborg's solutions contribute to sustainable development at the same time as digitalization facilitates the use of new technology that increases efficiency and value creation for customers.

**New technology** enables new ways to generate value for and interact with customers. Trelleborg offers various services supported by digital tools to make life easier and increase value for its customers. This involves smart products with built-in sensors and tracking systems, but also making it easier to do business with Trelleborg via online design programs and other digital channels, such as web-based and mobile applications. As a result, Trelleborg's business is increasingly shifting from solely supplying products to also delivering services and solutions. The Group is also investing in smart technology in its manufacturing and in various smart logistics solutions.

Trelleborg offers, for example, SmartPort, a collective term for Trelleborg's marine systems solutions. These include products and equipment for berthing, docking and mooring but also a technology platform that communicates with and provides valuable data to vessels, pilots and port authorities, in order to make navigation and berthing more efficient and safe.

Trelleborg's solutions also contribute to sustainable development. They improve sustainability for Trelleborg's customers and for society in general.

**To seal and damp** is to use the unique properties of polymer materials, particularly rubber and plastics, and when correctly composed these materials are suitable for use in critical applications in demanding environments.

*To protect* means that Trelleborg's solutions effectively protect what matters – people and the environment as well as infrastructure and other assets in society. This means they are designed to withstand the impact of natural forces or manage other strong man-made forces.

Trelleborg's products and solutions offer a range of solutions that satisfy the vital needs of society. This becomes clear in a comparison with the UN Sustainable Development Goals, particularly for:

- » Sustainable environmental and energy solutions
- » People's health and food supply
- » Sustainable cities and infrastructure

The Group's commercial progress is based on these solutions and is therefore also connected to sustainable development. See examples on the following page. The triangle Trelleborg – Customers – Society forms a relationship where all parties reap the benefits achieved from innovative solutions for better sustainability.

**Circular business** is a consistent ambition to find different ways to close the loop for whole products, parts of products or input materials, with the primary aim of reducing resource consumption or alternatively reusing resources – or as a last resort – to recycle them, in accordance with the Reduce–Reuse–Recycle model.

One example of greater circularity at Trelleborg in recent years is in its production of industrial tires, which successfully raised the use of recycled raw materials in the form of carbon black and rubber powder and also completely different materials, such as recycled textiles or coconut powder. All with the aim of improving circularity.

There are also examples within Trelleborg where the focus is on service offerings. These could be smart systems that optimize stock management for customers who need seals and other components, or smart tire services, which allow the customer to lease industrial tires instead of buying them. Trelleborg also offers trenchless and "no-dig" technology that provides an effective alternative to replacing sewer pipes: the technology seals pipes from the inside.

**Classic corporate responsibility** naturally forms a basis for Trelleborg's offering: Compliance, Resources, Diversity and Social Responsibility (see pages 16–27). With these focus areas, customers and society can feel secure that Trelleborg delivers solutions that are manufactured in a responsible manner.

## UN GOALS THAT ARE RELEVANT FOR TRELLEBORG'S SOLUTIONS

### SUSTAINABLE ENVIRONMENTAL AND ENERGY SOLUTIONS



#### Clean energy

**Goal 7** is to ensure that everyone has access to reliable, sustainable and modern energy at an affordable price.

#### Examples of solutions from Trelleborg:

Grout seals for offshore wind farms, sealing profiles for solar panels, energy-optimized sealing solutions for pneumatics and hydraulics with minimal losses from friction, sealing profiles for windows and doors as well as entire facades.



#### Climate action

**Goal 13** is to take immediate action to combat climate change and its effects.

### PEOPLE'S HEALTH AND FOOD SUPPLY



#### Zero hunger

**Goal 2** is to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.

#### Examples of solutions from Trelleborg:

Components for healthcare & medical and to the food sector with a direct effect on people's health and food security, mattress material for healthcare that prevents pressure ulcers, antivibration solutions that reduce noise and vibrations in vehicles and machinery, agricultural tires designed to protect crop yield and save fuel.



#### Good health and well-being

**Goal 3** is to ensure healthy lives and promote well-being for all at all ages.

### SUSTAINABLE CITIES AND INFRASTRUCTURE



#### Clean water and sanitation

**Goal 6** is to ensure availability and sustainable management of water and sanitation for all.

#### Examples of solutions from Trelleborg:

Solutions that offer increased safety and extend the service life of bridges, tunnels, buildings and pipe systems, watertight solutions that protect cities and cultural sites, seals for pipe systems for freshwater and wastewater that remain sealed during earthquakes, railway solutions that prevent abrasion damage to wheels and track profiles and reduce energy losses.



#### Sustainable industry, innovation and infrastructure

**Goal 9** is to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



#### Sustainable cities and communities

**Goal 11** is to make cities and human settlements inclusive, safe, resilient and sustainable.

Read more about Trelleborg's work with the UN Sustainable Development Goals, sustainability issues and key figures on pages 16–27 and 34–35.

## SAFE AND EFFICIENT USE OF RESOURCES



The Resources focus area is clearly linked to the UN goals in categories 7, 8, 12 and 13. Read more about the connection to each goal on page 49.

Health & safety is a prioritized area for all of Trelleborg's employees within the scope of Trelleborg's program for Manufacturing Excellence. Continuous work focused on process efficiency is also carried out within the parameters of the program. This includes all types of resources, such as energy and raw materials, toward the aim of achieving a circular approach. For energy, the proportion of renewable energy is to steadily increase to reduce climate impact.

The most important program to achieve efficient resource management and a safe workplace is Manufacturing Excellence, which also includes the occupational health & safety program Safety@Work.

The Manufacturing Excellence framework takes a systematic approach to improvements for enhanced safety, quality, delivery precision and efficiency that also yields distinct positive effects on resource consumption by focusing on minimizing all resource waste. Refer also to the Annual Report 2019, page 35.

# -9%

The number of accidents per 100 employees declined 9 percent.

**Work environment – health and safety.** Trelleborg's Safety@Work program aims to create a shared safety culture and to prevent occupational accidents and injuries at all of the Group's production units. The program includes all staff, both employees and insourced, without exception.

The program is monitored by performing annual internal audits in which the facilities are assessed in relation to best practice in terms of Occupational Health and Safety (OHS) management, machine safety and accident follow-ups with the aim of avoiding a recurrence of the same type of incident.

One fatal accident occurred in 2019. Refer to page 34.

The total outcome for the year for OHS-related indicators is shown in the table on page 132, including the share of sites that have a safety committee. The number of units with certified systems for occupational health and safety management according to OHSAS 18001/ISO 45001 is also reported as of this year.

**Raw materials and chemicals.** The Group's principal raw materials in Trelleborg's processes are polymers (rubber, composites and plastics), metal components, as well as

additives comprising softening agents (oils) and fillers such as carbon black, and vulcanizing agents (sulfur, peroxides).

The Trelleborg's Group environmental policy – available on [www.trelleborg.com](http://www.trelleborg.com) since 2019 – stipulates that the precautionary principle shall be observed, and that hazardous substances and materials are, to the greatest extent possible, to be reduced and replaced in products and processes. As a chemical user, Trelleborg is affected by the EU REACH regulation. In addition to the local work with REACH compliance, the Global Chemical Task Force, a corporate-level team, continued to pursue its works related to chemicals during the year. The team assists the business units in their efforts to phase out and replace substances that are currently considered harmful, and monitors such substances that may be of interest in the future. An internal Restricted Materials List has been compiled, and work efforts were again actively pursued in 2019 by the Global Chemical Task Force focusing on such prioritized materials.

Within the scope of ETRMA, the European organization for tire and rubber manufacturers, Trelleborg is represented and participates in work monitoring and undertaking EU legislation in, for example, chemicals.

**Energy.** A significant portion of the Group's energy consumption – and thus its climate impact – is connected to fossil-fuel combustion for the production of steam (direct energy and emissions) and purchased electricity, steam and district heating (indirect energy and emissions).

**Energy Excellence**, a long-standing initiative for systematic energy optimization at all units, is an integrated part of the Manufacturing Excellence program. All production units must present an activity plan to



# -11%

Energy consumption relative to sales, decreased 11 percent in 2019, which is clearly better than the internal goal of 3 percent.



reduce energy consumption. In addition to process-related measures, many units are focusing on different types of systems for improved monitoring of energy consumption and on increasing energy awareness among personnel.

The positive outcome for the year of energy consumption (see table on page 34) reflects ongoing efficiency enhancements that can be most clearly seen in the improvement in results of the Group's most recently acquired units.

**Renewable energy.** The proportion of renewable energy is reported as a separate indicator in the table on page 34. A significant project was completed in Sri Lanka, where biomass has replaced fossil fuel to produce steam for production as of 2019.

Internally generated electricity is being produced using solar cells in Modena, Italy (new installation in 2019), in Malta and in Bengaluru, India.

**Climate.** A special overview of targets and challenges in the climate area adapted to recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) is presented on page 19.

Trelleborg's "20 by 20" climate objectives address and reflect the carbon intensity (no other greenhouse gases are included), meaning the total size of CO<sub>2</sub> emissions within Scope 1 and 2 relative to the size of operations, as well as work on a transition to emission optimization of energy sources in each country. The outcome in 2019 for these climate-related indicators is shown in the table on page 34. Trelleborg has corrected the value for the preceding year for CO<sub>2</sub> emissions due to inaccurate emissions deductions made in 2018 regarding the purchase of renewable energy.

The acquisitions of recent years have entailed that operations have become more energy-intensive as a result of an increased proportion of tire manufacturing. For the next few years, one key goal is to continue work to make all units more energy-efficient.

The base line for the Group's "20 by 20" climate goal was set on the basis of the performance of all Trelleborg units in 2015. Using this baseline, developments in 2019 were favorable and provide a solid foundation at the end of this 2020 target period. Read more about the next target period from 2021 on page 19.

The calculation of CO<sub>2</sub> emissions from the consumption of purchased electricity, steam and other indirect types of energy is mainly based on national conversion factors from the International Energy Agency (during the past year, these factors were updated to the version from 2018).

Conversion factors reflect the average total energy mix of each country. Emissions are lower from hydro and nuclear power, but higher from coal and oil. All adjustments of emissions compared with national conversion factors must be attested by a certificate from suppliers of the energy mix and net emissions delivered.

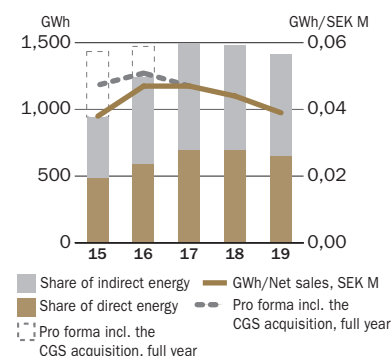
Only two of the Group's units – Prague in the Czech Republic and Tivoli in Italy – are included in the EU Emissions Trading System (EU ETS).

Described simply, operations are allotted emission allowances (1 allowance = 1 ton CO<sub>2</sub>). Each year, the operations concerned must report their emissions of CO<sub>2</sub> and transfer emission allowances corresponding to the emissions caused. The actual number of allocated emission allowances for Trelleborg in 2019 was 34,008.

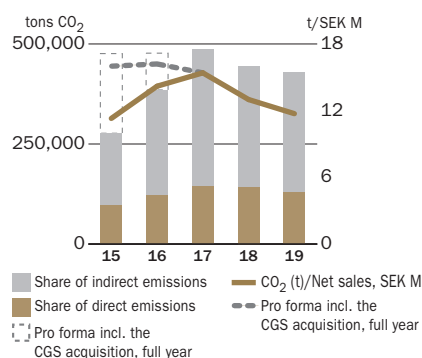
**Water.** Water is mainly used for cooling and washing in the production processes. The outcome for the year for water-related indicators is shown in the table on page 35. Major reductions in consumption have been made on an ongoing basis by using, for example, improved cooling and recycling systems.

Emissions to water are limited. They mainly comprise organic matter. An evaluation of water supply has been carried out for regions where Trelleborg's production units are located, and indicates that certain units are located in regions where water scarcity may


## ENERGY



## CLIMATE



**-7%**



Water use decreased during the year, despite growth in sales and production volumes. In total, the Group reduced water use by 7 percent relative to sales.

**-7%**  
Relative to sales, total waste decreased 7 percent (5).



become an issue, such as in China, Italy, Malta, the US and Sri Lanka. The focus for central water follow-up activities is on these regions.

**Waste.** Continuous efforts are taking place within local operations to cut production waste, which helps to reduce the amount of waste, and to increase the rate of recycling. In the same manner the volume of hazardous waste is gradually decreasing.

- » Recycling is carried out by external partners and internally, see the diagram on page 35.
- » Refer also to the section on circular resource efficiency on pages 36 and 19.

**-14%**  
Emissions to air of volatile organic compounds (VOC) were clearly reduced during the year, in part through increased recycling.

**Emissions to air.** In addition to energy-related emissions – such as CO<sub>2</sub>, sulfur dioxide and nitrogen oxides – the Group's emissions to air mainly consist of volatile organic compounds (VOCs). Trelleborg uses the same definition of VOC as the EU.

The reduction of VOC emissions is a priority, both from an environmental and health perspective, and these emissions have been continuously reduced in recent years, refer to the table on page 35. Emissions are mainly derived from the use of solvent-based adhesives, and are critical only for a limited number of products and production units.

#### ALL DISPOSABLE PLASTIC BOTTLES ARE TO BE REMOVED FROM TRELLEBORG

In 2019, a global campaign was launched to eliminate all disposable bottles made of plastic before the end of 2020. Each facility in every country is to decide on the most suitable approach, as the situation and the best solution to the issue varies locally. A global section on the intranet page has been set up to exchange ideas and successful approaches.



The original idea for the campaign came from an employee who was inspired when attending the *One Young World Summit* for younger employees in international companies, see also on page 27.

#### TRELLEBORG ADVANCES TO THE HIGHEST LEVEL FOR REPORTING CLIMATE DATA



Since 2007, Trelleborg has participated in the CDP's (formerly referred to as the Carbon Disclosure Project) voluntary reporting of greenhouse gas emissions. This involves reporting relevant key figures and data, measures to prevent adverse climate impacts, and products, solutions and initiatives to improve society in this respect.

In the Annual CDP Report for 2019 on climate issues, Trelleborg received a score of A- (2018: B), which means the Group has advanced and demonstrates the highest level, Leadership, of how environmental concerns are inter-related with operations. This is higher than Europe's regional average.

A company's path towards a high level of environmental protection/administration is described by CDP using a process in four scoring levels that begin with Level D (Transparency), continues with C (Awareness), followed by B (Governance), and finally A (Leadership).

Water issues were also reported for the second time, and here Trelleborg received a score of B- (B-).

#### TRELLEBORG THIRD AGAIN IN ITS CATEGORY IN SUSTAINABILITY RANKING 2019

Trelleborg came third in the Durable consumer goods category in the new Swedish sustainability ranking Hållbara Bolag 2019, arranged by the business daily *Dagens Industri* and the *Aktuell Hållbarhet* magazine. Trelleborg was also third in its category in 2018.

In addition to information from company reports and websites, the companies have completed a survey about how they work with strategy and the UN Sustainable Development Goals, environment, climate, human rights, anti-corruption, standards and certificates and HR issues.

The ranking was carried out by the Lund University School of Economics together with an advisory committee.

# TRELLEBORG AND CLIMATE 2019: THE WAY FORWARD

Based on the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), this page describes how Trelleborg's climate work is organized, how the Group is strategically contributing to lower emissions in society, risks/opportunities and goals and metrics.

## STRATEGY AND ORGANIZATION

Trelleborg's current climate target of "20 by 20" is to increase energy-efficiency by 20 percent, using 2015 as the base year, by the end of 2020.

The CO<sub>2</sub> emissions in question are the direct emissions caused by energy produced internally (Scope 1) and the indirect emissions caused by energy purchased for own consumption (Scope 2). By the end of 2019, Trelleborg had achieved a reduction of 27 percentage points since 2015, when the base value was 16.0 tons/SEK M.

**Green energy is key.** In addition to becoming more emission-efficient every year through activities carried out under the Manufacturing Excellence program (see page 16), Trelleborg is aiming to reduce CO<sub>2</sub> emissions over time by transitioning to renewable energy from sources such as wind, solar and hydro power.

In 2019, a significant transition to renewable steam production using biomass from rubber plantations was carried out at Trelleborg's facilities in Sri Lanka.

**After "20 by 20", Trelleborg will draw up a new climate target.** The target will use 2020 as the base year. In the new climate target, which will be communicated in 2020, Trelleborg will:

- » take into account the scientific practice of how to achieve the 1.5 degree goal for society. The target will not only address Scope 1 and 2, but will also address emissions throughout the value chain, Scope 3, that are linked to Trelleborg.
- » In its new climate target, Trelleborg intends consider how the transition to renewable energy can be implemented in different countries through investments, technical innovation and other factors that influence the potential rate of emission reductions.

Climate change has been an important issue on Trelleborg's sustainability agenda for many years. The organization and governance is the same as for other sustainability issues. The Board – which regularly includes sustainability/climate on its agenda – and its Audit Committee are the highest governing bodies.

For society as a whole, many of Trelleborg's solutions help to save energy and reduce emissions, and play a part in renewable energy supply. With regard to climate issues, Trelleborg therefore has an important role to play in the transition of the global society.

Internally, the target to continuously become more energy-efficient, and thus more climate efficient, is a fundamental part of the Group's efforts to achieve world-class manufacturing. This systematic effort in all of the Group's units is associated with the strategic Trelleborg Excellence program, which aims to improve core processes (see the Annual Report 2019, page 35). In addition to this, the Group is pursuing a systematic transition of its own energy supply toward renewable energy.

## INDIRECT EMISSIONS ALONG THE VALUE CHAIN

**In 2018, Trelleborg conducted an analysis** in cooperation with EY aimed at obtaining an initial general picture of indirect emissions along the value chain of operations, Scope 3.

The analysis showed that these emissions are significant and overall clearly exceed the total emissions in Scope 1 and 2. Purchased products and services were the single largest emission category. Next were purchased transportation, downstream and upstream. Back in 2016, EY estimated emissions from Trelleborg's transportation downstream to be substantial and approximately on a par with total Scope 2 emissions.

**As a consequence of this report**, and in preparing a new climate target, Trelleborg will further expand monitoring of emissions by major suppliers. Focus will be on polymer suppliers and transportation.

## RISKS AND OPPORTUNITIES

**Climate risks.** The overview of the Group's risks on pages 42–47 includes a description of material sustainability-related risks managed at Group level. Climate-related risks are described separately below.

**Opportunities.** Trelleborg has identified opportunities associated with greater energy-efficiency for some time and engaged in systematic work in this area, as part of Manufacturing Excellence, see the Annual Report 2019, page 35.

**Energy sources.** Renewable energy reduces Trelleborg's CO<sub>2</sub> footprint over time. See page 17.

**Products and solutions.** Many of Trelleborg's products and solutions help customers and society save energy. Refer to pages 4, 15 in this report and page 33 in the Annual Report 2019.

## TARGETS AND METRICS

Trelleborg monitors on an annual basis both direct (Scope 1) and indirect (Scope 2) CO<sub>2</sub> emissions. These are measured relative to sales to relate these to the scale of production. Refer to the table on page 34, as well as Strategy and organization above.

## REUSE OF RESOURCES

**Circular business.** Recycling, greater resource efficiency and circular business models offer considerable potential to reduce CO<sub>2</sub> emissions in society. In Trelleborg's case, industrial tire operations have played a particularly pioneering part in increasing the share of renewable and recycled raw materials and introducing service and lease-based business models. Refer also to page 14.



The Task Force on Climate-related Financial Disclosures (TCFD) is the call for climate action from the financial markets. It describes how companies should handle their climate-related information, including risks and opportunities.

## COMPLIANCE WITH LAWS AND CODES



The *Compliance* focus area is clearly linked to the UN goals in categories 8 and 16. Read more about the connection to each goal on page 49.

On the basis of the Group's Code of Conduct, Trelleborg pursues work both internally and across the value chain to ensure compliance with laws, rules and international agreements.



### >85%

of all Group employees underwent training in the new Code of Conduct in 2019.

**Trelleborg's Code of Conduct** applies to all employees without exception. Together with the whistleblower policy, it constitutes an important foundation for regulatory compliance in operations.

A cumulative assessment is that the Code of Conduct, together with Trelleborg's Compliance Program, aligns well with both Transparency International's guidelines on anti-corruption and with the Code of Business Conduct from the Swedish Anti-Corruption Institute.



### 2,893

individuals underwent training during the year in anti-corruption, competition law, contract management and so forth. The clear increase compared with the preceding year is primarily the result of the launch of e-learning programs.

**Anti-corruption and competition law.** Trelleborg has a zero tolerance policy toward all forms of corruption, including bribery and extortion, blackmailing, nepotism, racketeering and embezzlement. The contents of Trelleborg's Group-wide Compliance Program have been continuously developed and, in addition to issues related to competition law, also include issues of anti-corruption, export control, data protection and employee relations, as well as matters relating to professional conduct and business ethics.

Recently introduced elements are aimed at achieving excellence in the management of contracts, and in issues related to global distributors and agents. The program also provides information and guidance on the relevant legislation, such as anti-corruption law.

In the area of data protection, the General Data Protection Regulation (GDPR) has been rapidly rolled out to relevant target groups in Europe in 2018–2019, with roll-out continuing to target groups in Asia, Oceania and North and South America in 2020.

The Group's Compliance Program supports senior and middle management, as well as employees in the field and on the shop floor. They are supported by Compliance Officers in each Group company, who undergo special training in which they are encouraged as a group to share best practice in compliance issues to help others respond to the situations that may arise in their daily work.

Compliance with laws and regulations is an ongoing and long-term commitment for Trelleborg, and this has been monitored by a Compliance Task Force with senior representatives from staff functions that was established in 2015. The Task Force has been assigned to lead and coordinate initiatives across the broader area of compliance.

During 2019, the Compliance Task Force held four meetings that addressed, among other aspects, an update to training courses for the Code of Conduct and Group policies (see pages 22 and 36), trade restrictions, compliance and effects of new legislation such as new rules for data protection, information security, a review of legal entities and the integration of acquired businesses.

All employees are required to comply with applicable Group policies and internal governance documents, which have been strengthened at senior management levels of the company with acceptance documents that must be signed annually.

The Group's Whistleblower Policy also entitles all employees to report any suspected legal or regulatory violations without repercussion. Refer to the table on page 36 for matters reported via the whistleblower system. This system was supplemented with employee surveys carried out at regular intervals that receive a high response rate. In 2019, this was 81 percent (76). In addition to drawing attention to areas for local improvement projects, these surveys provide a clear indication of any problems with management or similar shortcomings.

In 2019, Trelleborg's Compliance Task Force continued its initiated review of Group policies to ensure that the messages they contain are understood by all individuals representing Trelleborg.

Specific legislation must be followed in certain countries, such as the US (the Dodd-Frank Wall Street Reform and Consumer Protection Act related to conflict minerals, and Technology Transfer Control legislation) and the UK (Bribery Act, Modern Slavery Act – which is designed to prevent forced labor and sex trafficking).

**Compliance with laws and permits.** Being a listed company with global operations, Trelleborg is subject to a range of laws, regulations and directives. Significant breaches of laws and permits leading to legal consequences or fines as well as breaches of environmental and Occupational Health and Safety-related (OHS) laws are shown in the table on page 36.

**The area of human rights** comprises fundamental rights defined by conventions and declarations, including those pertaining to child and forced labor, freedom of association, discrimination/diversity, gender equality and the right to collective bargaining. All of these areas are addressed in Trelleborg's Code of Conduct.

Within the framework of Trelleborg's ERM processes for internal risk identification and assessment, none of the Group's units has assessed the risk of human rights violations to be significant internally.

**Child labor.** A number of potential risks in the supply chain have been evaluated. Among those leading to measures was the risk of child labor at rubber plantation level. For many years, Trelleborg has cooperated with Save the Children in joint community initiatives, which has also strengthened internal know-how in the field of child labor. This has, in turn, been strengthened through dialogue with suppliers and by visiting natural rubber producers in Sri Lanka, Southeast Asia and Africa.

**Forced labor** includes various phenomena, from slavery to forced relocation and forced exploitation of human beings (trafficking). The risk of this is also judged to exist primarily in the supply chain.

During 2019, Trelleborg's corporate website renewed its annual statement regarding the management of issues concerning forced labor and trafficking, mainly in accordance with the UK's Modern Slavery Act and Californian law, and has also now incorporated child labor into the statement.

**Freedom of association.** Trelleborg's policy is to recognize local union clubs, and the right to collective agreements. No units are assessed to be at serious risk of violation in this area. In China, however, certain restrictions related to freedom of association apply.

The percentage of employees with union representation is shown in the table on page 36.

**Discrimination.** No discrimination of employees is permitted on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views or social or ethnic origin, which is presented clearly in the Code of Conduct. Special training initiatives are continuing in efforts to prevent harassment.

Read more about outcomes for the year in relation to discrimination in the table on page 36 and about Trelleborg's diversity activities on pages 24–25.

**The environmental area** comprises regulatory compliance with local environmental laws and permits, as well as certified environmental management systems.

*Environmental management systems.* A cornerstone of the Group's environmental strategy is that major production units must have an ISO 14001-certified environmental management system. Facilities that are incorporated following an acquisition are allowed a certain period of time to achieve this certification. The percentage of certified units is presented on page 36.



At the end of 2019, 89 units (87) were certified under ISO 14001, corresponding to 73 percent (73) of all facilities.



**51%**

51 of all employees (54) are represented by a trade union through collective agreements.



During the year, 17 matters (18) were reported via the whistleblower system, most of which concerned complaints about local management and measures such as staff reductions.



Contaminated soil is currently being remediated at 9 units (9).

**Environment laws and permits.** Fines or sanctions for breaches of environment or OHS-related rules are shown in the table on page 36. This also applies to unplanned emissions.

**Contaminated soil.** Historically, the handling of oil and solvents has given rise to soil and groundwater contamination, which is described in the table on page 36.



In 2019, 16 environmental studies (18) of facilities were performed in conjunction with potential acquisitions or closures.

**Environmental studies.** For potential acquisitions and divestments, Trelleborg performs environmental studies of the companies to assess and outline their environmental impact and to identify potential environmental liabilities. The number of environmental studies conducted in 2019 is presented in the table on page 36.

**Suppliers.** A total of about 23,000 suppliers are concentrated in Europe, North America and Asia. Trelleborg's main raw materials are synthetic and natural rubber, (see also page 16), metal components and various additives.

While purchasing is based on a joint process, it is distinctly decentralized to the operational units, in line with a decentralized responsibility for performance. The exception to this is when purchases at the business area or Group level yield cost benefits. This applies in particular to rubber material and material and services that are not directly included in products.

**Supplier assessment.** Supplier assessments have continued in 2019, primarily via Group-wide questionnaires, containing questions related to human rights, OHS, environmental management and social responsibility. Unsatisfactory responses are investigated. Refer to the table on page 36 for the year's outcome. A new internal system for supplier assessments will be launched in 2020, which will further streamline the process.

In conjunction with the launch of a new climate target, follow-up of climate performance of suppliers and other selected sustainability performance measures will be further developed during the coming five-year period.

**Supplier audits.** Work auditing "at-risk suppliers" through site visits continued in 2019, see page 36. The focus has been on textile suppliers, chemicals suppliers and natural rubber suppliers. The basis for selection of suppliers to audit through site visits is both a geographic and material risk assessment.

Underperforming suppliers are given a deadline of one to three months for corrective measures following an audit. The time limit varies depending on the severity of the breaches.

**86%**

Sustainability assessments took place of suppliers corresponding to 86.4 percent (85.5) of the reported relevant purchasing spend.

THE CODE OF CONDUCT IS THE BASIS FOR ALL COMPLIANCE

**Trelleborg's Code of Conduct** in the areas of environment, OHS and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. A comprehensive review of the Code of Conduct was carried out in 2018 and the new version was published in 2019. A global training initiative was conducted during the year, and more than 85 percent of all employees received training. E-learning and other training material is available in 15 languages.

The new Code of Conduct from 2019 is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact, and contains new regulations in areas such as trade restrictions, information processing and diversity. It is available for download from [www.trelleborg.com](http://www.trelleborg.com).

Trelleborg's Whistleblower Policy and system mean each employee is given the right and opportunity, by telephone or online, to report suspicions of legal or regulatory violations in their own language, without repercussions.



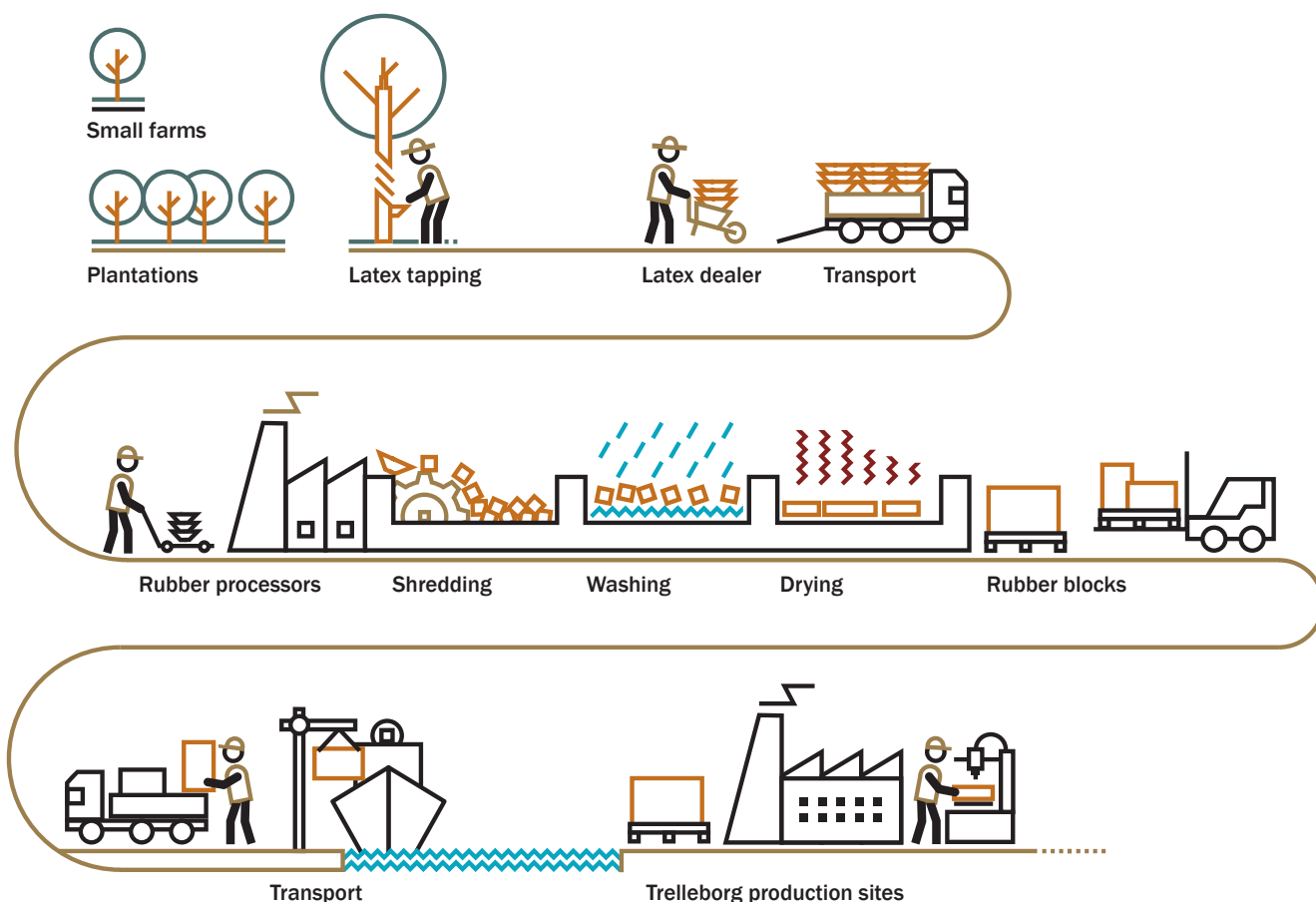
Trelleborg's Code of Conduct, Whistleblower Policy and Compliance Program form a base that aligns well with both Transparency International's guidelines on anti-corruption and with the Code of Business Conduct from the Swedish Anti-Corruption Institute.

GROUP POLICIES IN THE AREA OF COMPLIANCE

All relevant employees sign an Acceptance Letter every year where they confirm knowledge of and agree to comply with all of the Group's policies. The following Group policies are considered to form the core of the regulations Trelleborg applies in the area of Compliance:

- » Anti-corruption Policy
- » Competition Law Policy
- » Whistleblower Policy
- » Policy for Handling of Agreements
- » Policy for Transactions with Related Parties

PRODUCTION OF NATURAL RUBBER



**Natural rubber.** The value chain is relatively long from grower to Trelleborg's production facilities. Three or four stages is not unusual, but this varies depending on the country/continent. Trelleborg has a continuous dialog with natural rubber suppliers with themes such as working conditions, human rights and biodiversity. Dialogs include both meetings and visits to the production chain. Over the past five years, major training initiatives and visits have taken place in Sri Lanka, while meetings and visits have been conducted in Southeast Asia and Africa (Ivory Coast).

## FOR DIVERSITY AND DEVELOPMENT



The *Diversity* focus area is clearly linked to the UN goals in categories 5 and 8. Read more about the connection to each goal on page 49.

Trelleborg believes in offering employees opportunities to become engaged, learn and grow to advance in their careers. Greater gender equality and more female managers is an integrated part of work with diversity and inclusion.

# 38%

The proportion of women on the Board in 2019 was 38 percent (38).

The Diversity Policy at Group level recognizes that diversity is a strength for the Group. Enhanced diversity and inclusion has the potential to further drive Trelleborg's performance and results, both at team level and individually. Better communication with customers and problem solving are only a few such examples of the advantages of diversity.

Trelleborg therefore works to achieve a balanced mix of ethnicities, ages and genders, taking into consideration the type of operation being pursued.

Diversity and inclusion are generally seen as important elements in situations such as recruitment, training, evaluation, pay structures and succession planning. Trelleborg is continuing the work started to identify and establish targets and key figures in the focus area of Diversity, for continuous follow-up and reporting.

Alongside the fundamental rules against special treatment and discrimination in the Code of Conduct (see page 22), the company values knowledge wherever it is found, with no other criteria than the fundamental view that all people are equal and have the same rights. See more about discrimination on pages 21 and 36.

**Ethnicity.** A basic rule is that the company's senior management and other managers should have local roots, which naturally leads to ethnic diversity in the management of a company that operates in some 50 countries.

**Age.** A core issue for all knowledge organizations, including Trelleborg, is the ability to recruit young talent.

Trelleborg has for a number of years increased focus on the younger generations – employees born 1980 and later (Generation Y), and different initiatives have been carried out, for example, that selected young employees take part in the *One Young World Summit*, an annual global congress on the theme of sustainability, innovation and diversity. In addition to this, the Group has expanded its Graduate Program to two programs per year instead of one.

Trelleborg has also established an internal key figure to measure the retention of young talent within the organization.

**Gender.** In an engineering-dominated company like Trelleborg, efforts to achieve a more even gender balance for this type of operation present challenges that require work at all levels. Higher Group and business area levels remain dominated by men, but the gender distribution is significantly more balanced in the business operations.

An internal key figure was introduced to measure the number of female managers down to management level 5 in the organization, with the ambition to raise the percentage of women managers at these levels from year to year, and over time create a better gender-balanced recruitment base at higher levels.

Efforts to achieve an improved gender balance include actively seeking women candidates for all executive and managerial positions, and for all of the Group's training and development programs, particularly its leadership.

Trelleborg has also put new emphasis on Employer Branding, meaning the type of employer the company is and how its wants to be perceived, both internally and externally. To this end, a motto has been written that reflects Trelleborg's promise as an employer as part of an initiative to increase focus on attracting, retaining and developing talented people. This motto – *Shaping industry from the inside* – is used internally and externally, in both digital channels and in print as well as at career days, trade fairs and other events.

**Trelleborg Group University**, the Group's joint training organization, increased the number of training participants during the year by 24 percent, to a total of 27,904 (the same employee may have completed several training courses). The number of hours in classroom training had fallen due to the greater focus on virtual learning and e-learning.

Leadership is the learning area that increased most during the year. More than 1,000 managers have completed the new Local Leadership program, of which 500 supervisors from production.

The Excellence program remains by far the largest learning area in the portfolio.



## TRELLEBORG'S GLOBAL PRESENCE

The number of employees in the Group at year-end, including insourced and temporary employees, was 23,935 (24,045). Of the total number of employees, 95 percent work outside Sweden.

During the year, the average number of employees in the Group's operations increased to 22,952 (22,420), of whom women accounted for 25 percent (25). Refer to the Annual Report 2019, Note 10, page 89.

Salaries and other benefits for employees (excluding insourced employees) in the Group's operations amounted to SEK 8,733 M (7,770).

Personnel turnover (not taking terminations and retirements into consideration) varies between countries and facilities, and usually reflects the local labor situation.

### NUMBER OF EMPLOYEES AT YEAR-END <sup>1</sup>

Distributions by country	2019	2018
Czech Republic	3,964	4,561
US	3,303	2,911
UK	2,017	1,631
China	1,599	1,693
Italy	1,338	1,316
Sweden	1,181	1,240
Germany	1,141	1,116
France	1,054	1,051
Sri Lanka	945	937
Slovenia	925	942
Other	6,468	6,647
<b>Total</b>	<b>23,935</b>	<b>24,045</b>

<sup>1</sup> Including insourced and temporary employees.

## MORE DIVERSITY AND DEVELOPMENT INITIATIVES IN 2019

In 2019, Trelleborg undertook several initiatives related to diversity and development:

- » The Group e-learning program on the topic of diversity and inclusion to increase awareness of the significance of diversity and unconscious prejudices was expanded to 13 languages. A total of about 3,600 employees have completed the course. The Group's training course on core values was also expanded to 13 languages in 2019.
- » Questions were added to the Group's annual employee survey regarding diversity and inclusion with the aim of identifying specific areas of improvement, globally and locally. The outcome in 2019 reflects a better understanding of the importance of diversity.

- » The Group noted a positive and strong move toward greater gender balance in the recurring programs for graduates, where the average for the two latest programs launched in 2019 comprised 60 percent men and 40 percent women. Trelleborg has chosen to incorporate a stronger focus on cultural differences in the accompanying training material.
- » In general, the Group can see improvements in gender balance in the global leadership programs run by Trelleborg Group University, where the proportion of women has gradually increased every year.
- » Trelleborg has also increased focus on inclusive leadership in the global leadership programs.

## BROAD-BASED SOCIAL ENGAGEMENT



The Society focus area is clearly linked to the UN goals in categories 4 and 17. Read more about the connection to each goal on page 49.

Trelleborg engages with the community wherever the Group operates. Some of its most visible programs are in countries where the initiatives make the greatest difference, including Sri Lanka and China, where youth development is supported through school projects. Global partnership and guidelines form another aspect of Trelleborg's community engagement and sustainability dialogue.

**Trelleborg's value for society.** In the longer term, Trelleborg's products and solutions represent the company's broadest and clearest opportunity to contribute to improving the sustainability of the whole of society in accordance with the UN Sustainable Development Goals. This is achieved through the ability of its products and solutions to protect what matters in society, such as people, infrastructure and assets, which is described on pages 14–15.

Trelleborg's total value creation and its distribution in 2019 between various stakeholders in society is presented on page 13 and in the table on page 37.

**Local development programs.** In all of the different places in which the Group operates, Trelleborg aims to promote the social integration of groups, such as children/young people as well as people with disabilities. This is usually through educational and development initiatives, which include meaningful recreational activities, such as culture, physical activity and sports. Development programs with this focus are taking place in countries in which Trelleborg operates. One positive, long-term effect of these initiatives is that young talent are made aware of Trelleborg as an employer.

Similar cooperation – support or sponsorship – of activities with an environmental, health or social focus are in progress locally at a significant number of Trelleborg units. In local collaborations with sports clubs, the issue of diversity is prioritized, primarily through activities targeting young people. An inventory during 2019 found more than 240 such local, regional, national and global initiatives involving Trelleborg, 70 percent of which targeted young people.

In addition to these, Trelleborg collaborates with a number of schools and universities, such as internships with the University of Malta, Örebro University and Lund University/the International Institute for Industrial Environmental Economics in Sweden (refer also to page 29) as well as with various interest groups.

**Sri Lanka.** In partnership with Star for Life, a school program has been ongoing in Sri Lanka since 2012 and this was extended over time to include two schools in the Colombo area: Kelani College and Bellana College. The formal start of the collaboration with Bellana College took place in 2017.

The program aims to inspire and support school children to believe in their future and their dreams through regular coaching sessions and sports and music activities.

After three years of the program at Kelani College, the program was evaluated, and was found to have resulted in improvements in attendance, positive attitudes, better study results, physical and mental balance and a reduction in absenteeism and fewer conflicts.

In Sri Lanka, Trelleborg has also been running a pre-school under the name Antonio Bianchi's House since 2010. The pre-school has daily Montessori activities for children from families with limited resources.

**India.** In 2019, partnerships with several different voluntary organizations in India continued. One important initiative is a scholarship program that supports further educations for talented young people. A *Village Uplift Program* was run in cooperation with the Hand in Hand organization, with the aim of creating an environment and an infrastructure to promote local development for the Maralukunte community in the Bengaluru region, located some 70 km from Trelleborg's facilities.

**China.** The latest major initiative was launch in 2019 in China and addresses school children in rural areas, whose parents have moved far away to work and handed over responsibility for their children to the older generation.

Trelleborg has committed to cooperate with the aid organization Soong Ching Ling Foundation in a three-year project to help set up 10 centers for these young people. The centers will alleviate the situation for the school children left behind, where a lack of parental care, declining motivation to study and insufficient supervision are common problems.

# >240

More than 240 global, regional and local cooperative initiatives were ongoing in 2019.

**For integration and diversity in Sweden.** Trelleborg also runs local initiatives in Sweden to contribute to social integration. For a number of years, the company has had a recurring cooperation with Trelleborgs FF and Ramlösa Södra clubs, organizations that stand out as having used sport as a method for community initiatives, such as creating social interaction and meaningful recreational activities for groups of young people, for example, newly arrived refugees and functionally diverse groups.

**Global partnerships and guidelines.** Trelleborg signed the UN Global Compact already in 2007, and has since presented its report every year of developments in the areas covered by the document: environment, labor, human rights and anti-corruption.

Since 2008, Trelleborg has applied applicable Global Reporting Initiative's (GRI) guidelines for sustainability

reporting, and Trelleborg's auditors have conducted a third-party review of the results.

Since 2007, Trelleborg has also reported climate data to CDP (refer to page 18), for transparency in terms of emissions, risks/opportunities and other material climate-related information. Water reporting was added later.

Trelleborg will continue to develop its reporting in accordance with the UN Sustainable Development Goals as this framework gains ground as the basis for sustainability communication and dialog between companies, the finance market, politicians and citizens in respect of the shared agenda until 2030. A detailed index of the link between Trelleborg's operations and the UN goals is available on page 49, while the commercial relevance is described on pages 14–15.

SUSTAINABILITY INITIATIVES IN TRELLEBORG'S WORLD



**CHINA** Starting in 2019, Trelleborg Wheel Systems is investing in about ten centers in China for school children who have been left behind in their home villages in rural areas when their parents moved to find work. Together with the aid organization Soong Ching Ling Foundation, these centers will offer support to young people in motivating study and in supervision.



**SRI LANKA** In two schools and one pre-school in the Colombo area in Sri Lanka, Trelleborg has worked with a local aid organization for many years to offer various types of support to young people for a better start to their lives. The Star for Life concept helps them find meaningful recreational activities and realize their dreams for the future.

**INDIA** Since 2016, Trelleborg Sealing Solutions in India offered a scholarship program together with Akshaya Patra Foundation. The scholarships help students to continue with their studies despite financial constraints. In 2019, a total of 255 students received a scholarship.



**DENMARK** Sustainability is a common thread for the prize-winning canteen at Trelleborg Sealing Solutions in Denmark. The team who runs the canteen has had a strong focus on the UN Sustainable Development Goals, which they use in day-to-day work and that demonstrate how significant results can be achieved by working together.



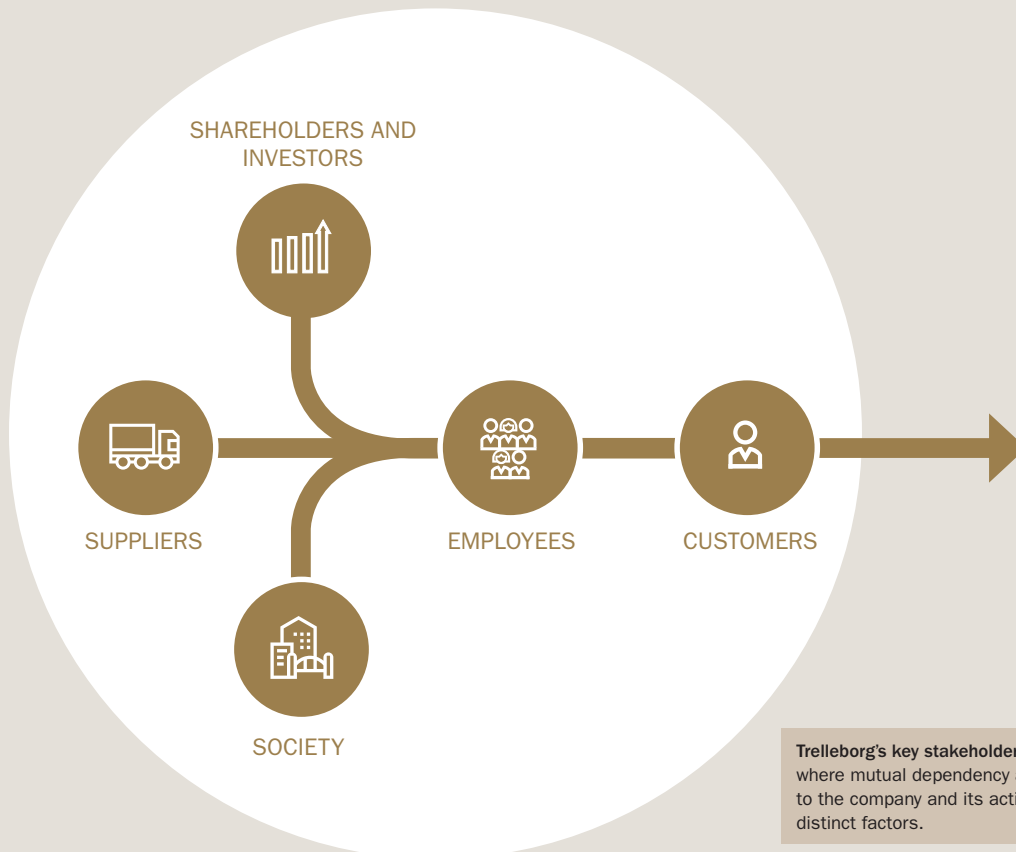
**MESSAGE IN A BOTTLE** Trelleborg's ambition is to eliminate all disposable plastic bottles from workplaces before the end of 2020. Well aware that this requires planning, the Group has created a section on the intranet to exchange ideas, share success stories and inspire each other.



**ONE YOUNG WORLD SUMMIT - LONDON 2019** Four young Trelleborg employees from three continents of the world took part in the One Young World Summit 2019 in London. Following the conference, all participants presented their ideas for future projects to decision makers at Trelleborg.

# STAKEHOLDER DIALOG FOCUSING ON MATERIAL ASPECTS

## TRELLEBORG'S KEY STAKEHOLDERS



**Trelleborg's key stakeholders.** Groups where mutual dependency and proximity to the company and its activities are distinct factors.

**Trelleborg's stakeholder engagement** in 2019 has continued the trend from the preceding year where stakeholders are more active in asking questions about and commenting on the company's sustainability work. Activity is still dominated by the key group "Shareholders and Investors". Refer to the diagram of Trelleborg's key stakeholders above.

The main issues addressed by stakeholders in 2019 were:

- » the company's responsibility regarding the climate issue (see pages 17, 19 and 34), respectively
- » various aspects of the UN Sustainable Development Goals (refer to page 49).

And also greater interest in:

- » how the company takes into consideration and plans for sustainability risks (refer to page 47)
- » how sustainability-related products contribute to value generation (refer to pages 14–15)

MATERIALITY ANALYSIS

Significance to stakeholders' perceptions and decisions	VERY IMPORTANT	<ul style="list-style-type: none"> <li>• Open and honest communication</li> <li>• Corporate governance and transparency</li> <li>• Environmental performance of products</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with legislation and human rights</li> <li>• Measures against corruption and bribery</li> <li>• Measures against anti-competitive behavior</li> <li>• Use of hazardous chemicals</li> <li>• Supplier practices</li> <li>• Energy and climate</li> <li>• Emissions</li> <li>• Waste</li> <li>• Occupational health and safety</li> </ul>
	IMPORTANT	<ul style="list-style-type: none"> <li>• Labor/Management relations</li> <li>• Investment and divestment practices</li> <li>• Risk and crisis management</li> <li>• Public policy and lobbying</li> <li>• Talent attraction and retention</li> <li>• Training and development</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity</li> <li>• Community relations</li> </ul>
		IMPORTANT	VERY IMPORTANT

**Significance of financial, environmental and social impact**

**2019 review.** Trelleborg's priorities for sustainability work (refer to the Materiality analysis diagram) were again reviewed. The stakeholder engagement referred to previously was more intensive, and in October 2019 exercises were again conducted with about 30 students from Örebro University and the master's program in *Sustainable business*, (refer to the picture below). The goal of the exercises was to evaluate Trelleborg's latest Sustainability Report from the perspective of key stakeholder groups. Students were offered an opportunity to comment on and criticize the Report in two workshops and in work during the intervening period.

ÖREBRO STUDENTS 2019



**Qualified feedback.** Trelleborg uses Master's students to receive feedback on the Sustainability Report and materiality analysis. Örebro University has the Sustainable business profile as part of the Master's Program in Business Administration. Students work in teams in workshops to behave as various stakeholder groups. The picture shows one of the student teams.

*Sustainable business* is Sweden's first two-year Master's program in business administration with this specialization. It is addressed to students who are interested in working with sustainability issues and has strong support from the business community.

## TRELLEBORG'S MOST SIGNIFICANT AREAS IN SUSTAINABILITY 2019



The conclusions, together with the most common questions raised by the stakeholder dialog and review, are presented on page 31.

Overall, *Trelleborg's products and solutions for sustainability* have become an increasingly important focus area that requires its own space in the materiality matrix. The strong connection to the UN Sustainable Development Goals and benefit to society (refer to pages 14–15 and 49) are a decisive factor.

The UN Sustainable Development Goals have emerged as one of the most important tools in a joint dialog about a sustainable future. The use of the goals has the advantage that they are well known, not only by industry and the business community, but also by politicians and citizens, and have a clear objective in the agenda for 2030. The UN goals also have the potential to reflect how Trelleborg's products and solutions for sustainability come into the picture of society's sustainability agenda in a natural manner.

The views collected from the stakeholder engagement were addressed during work on the 2019 Sustainability Report and corresponding websites on [www.trelleborg.com](http://www.trelleborg.com).

## STAKEHOLDER ENGAGEMENT 2019: EXAMPLES AND MAIN AREAS FOR DIALOG

**SHAREHOLDERS AND INVESTORS**

**Examples from 2019:** Folksam, Carnegie, CDP, Hermes, Ethibel etc.

**Main areas:** Sustainability in general, Climate, UN SDGs, Suppliers.

**SOCIETY**

**Examples from 2019:** Dagens Industri (media), Aktuell Hållbarhet (media), Lund University School of Economics and Management/International Institute for Industrial Environmental Economics (IIIEE) (researchers/students), Örebro University (researchers/students), etc.

**Main areas:** UN SDGs, Education, Sustainability in general.

**SUPPLIERS**

**Examples from 2019:** Polymers and transport providers.

**Main areas:** Climate, UN SDGs, Human rights, Social responsibility.

**EMPLOYEES**

**Examples from 2019:** The Board, Representatives from community projects, Participants in the One Young World Summit.

**Main areas:** Code of Conduct, UN SDGs, Energy/Climate, Social responsibility.

**CUSTOMERS**

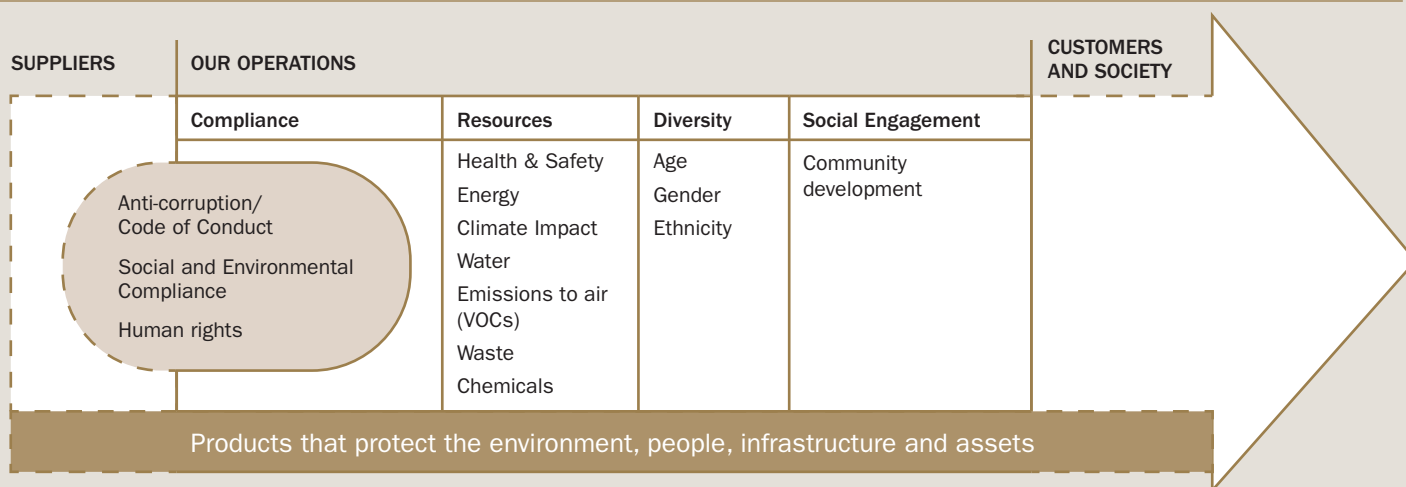
**Examples from 2019:** Volvo, PSA, CNH Industrial, the CDP Supply Chain survey primarily from vehicle customers.

**Main areas:** Climate, Water.

The main areas for dialog refer to sustainability aspects addressed in this report on the following pages:

- » Sustainability in general (the entire report)
- » UN SDGs (pages 14–15, Index on page 49)
- » Energy/climate (16–17, 34–35)
- » Water (17–18, 35)
- » Code of Conduct (21, 22, 36)
- » Suppliers (22, 36)
- » Human rights (21, 36)
- » Education (24–25, 36)
- » Social responsibility (26–27)

TRELLEBORG AND THE VALUE CHAIN



SOLUTIONS FOR BETTER SUSTAINABILITY

**Trelleborg and the value chain.** While Trelleborg’s focus areas in terms of sustainability have historically been based on the Group’s operations, they have been expanded over time to include other activities both upstream and downstream in the value chain. In terms of materiality, an additional aspect that extends across the value chain should be highlighted: Products that protect the environment, people, infrastructure and assets, and that thereby contribute to the sustainability of customers and society.

COMMON QUESTIONS AND SUGGESTIONS DURING THE YEAR:

» **How is Trelleborg taking into account the 1.5 degree goal for maximum global warming as announced by the IPCC for society as a whole?**

**Trelleborg’s comments:** The company’s climate impact has been a top priority at Trelleborg for many years. The climate target established for the end of 2020, “20 by 20”, intends to reduce emissions by 20 percent in relation to sales, compared with 2015.

For the next period, from 2021, Trelleborg will take into account the 1.5 degree goal for society – by using a science-based analysis – and emissions across the value chain (Scope 3 emissions), mainly via purchased products and services, but also from transportation.

Read more in “Trelleborg and climate” on page 19.

» **How is Trelleborg working with the UN Sustainable Development Goals?**

**Trelleborg’s comments:** For Trelleborg, the sustainability goals moving forward will be used as guiding principles for product and business development, and provide support for how our operations and processes can be improved.

Trelleborg has existing products and solutions that protect what matters in various areas and contribute toward a more sustainable society in several of the areas covered by the goals (refer to

pages 14–15). Even more important is the material expertise and applications know-how Trelleborg possesses as a world leader in engineered polymer solutions, and which continue to provide innovation in these critical areas for the world.

For internal operating improvements in sustainability, the company already complies with the GRI’s guidelines and the UN Global Compact’s principles, and as the UN Sustainable Development Goals for society also become useful guidelines for internal improvements, then Trelleborg will provide information about this. Refer to the table on page 49.

» **How is Trelleborg working to make its business and entire operations more circular?**

**Trelleborg’s comments:** One pilot area for circular business has been industrial tires, where a number of activities have already been tested and put into production, such as a greater share of recycled raw materials, read more on page 14.

During 2019, work has progressed drawing up a general model for Trelleborg’s view of circular business and resources, and at its simplest level presented to the Board as an additional step toward more efficient use of resources. Using this general model for circularity, training and the further application of the approach will continue in 2020 and in the years ahead.

# GOVERNANCE OF SUSTAINABILITY AT TRELLEBORG

## TRELLEBORG'S SUSTAINABILITY GOVERNANCE



**Code of Conduct and monitoring.** A pillar of the internal sustainability work is Trelleborg's Code of Conduct (new version launched in 2019, see also page 20 and 22) and policies in the areas of environment, Occupational Health and Safety (OHS) and ethics. The Code is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact, which Trelleborg signed in 2007.

The Code of Conduct applies to all employees without exception, and training in the content of the Code is mandatory for all employees.

Internal sustainability governance is further supported by various types of internal audits, for example, within the framework of the occupational Safety@Work program and the ISO 14001 environmental management system. Random internal and external audits are also carried out, for instance to monitor compliance with the Code of Conduct.

**Whistleblower Policy.** Trelleborg's Whistleblower Policy also supports the sustainability framework. The Whistleblower Policy enables all employees to report suspected legal or regulatory violations without repercussion. Reports can be submitted by phone or online in the employee's own language.

**Reporting and external reporting.** The internal collection of data is mandatory for all units included in the Group during the relevant period and is mainly performed within the framework of monthly reporting via Manufacturing Excellence (see the Annual Report 2019, page 35) and via specific sustainability reporting from all Trelleborg units twice per year. The same system is used to report both financial and sustainability data.

The external reporting of sustainability issues that is published in Trelleborg's Annual Report and in the annual, more comprehensive, Sustainability Report is based on GRI Standards guidelines, according to the Core option. The separate Sustainability Report contains detailed descriptions and an index to clarify exactly how the report follows the GRI guidelines.

From 2019, there is a supplementary index that considers Trelleborg's operations relative to the UN SDGs, see page 49.

In addition, there is a Sustainability section under *About Us* on Trelleborg's website [www.trelleborg.com](http://www.trelleborg.com), from where Annual

and Sustainability Reports can be downloaded, including those published in previous years. The Sustainability Reports also serve as Trelleborg's annual Communication on Progress (COP) reports for the UN Global Compact.

**Organization.** At Board level, the Audit Committee has been assigned to monitor the Group's work with sustainability issues.

Starting in 2016, the entire Board was regularly presented with case stories related to Trelleborg's ongoing sustainability work at Board meetings. A more in-depth review of sustainability targets and indicators for each focus area for the coming period is also presented at the annual Board meeting after mid year. Overall, this clearly reflects the Board's commitment to the strategic direction.

The operational sustainability organization is led by a Steering Committee comprising the managers of Group Legal, Group Communications and Group HR staff functions, while the day-to-day activities take place in the Sustainability Forum, a group comprising representatives from the Communications, Legal, Environment, HR, Purchasing and Finance/Treasury staff functions, and from the Manufacturing Excellence Program, as well as out in the operational units.

Direct responsibility for environmental and Occupational Health and Safety (OHS) issues is locally delegated – each production plant has an environmental coordinator and an OHS officer.

### ORGANIZATION

Board of Directors/Audit Committee

CEO/Management

#### SVP Steering Group

Senior Vice Presidents of Group functions, Legal, Communications, HR

#### Sustainability Forum

Representatives for Legal, Environment, HR, Communications, Purchasing, Manufacturing Excellence, Finance

#### Trelleborg's operational units

Environment/health and safety coordinators at each facility



# SUSTAINABILITY REPORTING – SCOPE, CHANGES, PRINCIPLES AND ASSURANCE

**Scope.** This is Trelleborg Group's Sustainability Report for 2019, which is the second reporting year according to the GRI Standards – Core guidelines. The Sustainability Report is published annually (previous release was in March 2019). It is integrated into the Annual Report as well as in the form of an extended standalone Sustainability Report in pdf format.

The standalone version also serves as a yearly Communication on Progress to the UN Global Compact, which Trelleborg signed in 2007. The aim is that the report shall give an accurate overview of the Group's activities, performance and commitments related to environment, health, safety and social issues, including business ethics.

The intended target group is everyone concerned about Trelleborg: shareholders, investors, employees, customers and suppliers, authorities, the media, students and researchers, and local stakeholders/neighbors.

- » Unless otherwise stated, the data presented refer to calendar year 2019.
- » Figures for the preceding year (2018) are shown in parentheses. A ten-year overview of the company's sustainability performance is available at page 52.
- » The report covers all Trelleborg's legal entities where ownership exceeds 50 percent, including all production and non-production units, except where otherwise stated.

**GRI Index.** The extensive GRI Index in this Sustainability Report contains the required

Management Approach Disclosures (MAD:s) as well as omissions related to certain disclosures.

This report is in line with the requirements in the Swedish Annual Accounts Act concerning the seven responsibility areas it mentions: business model, risks, policy/target, anticorruption, environment, human rights and social conditions, see the table on page 41.

**Significant changes from previous report.** The basis of this Sustainability Report 2019 is a materiality analysis made by Trelleborg.

The four focus areas *Compliance, Resources, Diversity and Social Engagement* continue to comprise important sustainability aspects and indicators from internal and external stakeholder perspectives. The focus area *Products/solutions for better sustainability* has been added, see pages 30–31.

Changes in the 2019 report are that climate figures for 2018 have been updated due to a previous calculation error regarding indirect energy. In general, corrections to previous years' figures or data are only made when really significant, and are always highlighted.

**Reporting principles.** For this Report, each Trelleborg unit submits data into the common reporting system, in accordance with the Group's standards for Sustainability reporting and Manufacturing Excellence reporting.

Reports from units acquired or divested cover the period of the year when they have actually been part of the Trelleborg Group.

It is the responsible manager for each

unit that carries ultimate responsibility for the sustainability data provided, while the reporting itself, including data correctness and quality assurance, is carried out under the supervision of each unit's financial controller/director, also involving input from environmental, HR, purchasing and other specialists.

In addition, quality checks are performed by relevant Group functions, whereby data is compared to figures from previous years and data from similar facilities, and verified through random sampling against other available information.

- » The reporting of indirect carbon emissions complies with CDP's recommendations, which means that 2018 conversion factors from the IEA were applied (update made for this year's report).
- » Safety@Work is a production facility program exclusively, which affects the Health and Safety reporting of Lost Work Cases, LWC, and other connected indicators.

**External assurance.** Deloitte has performed a limited assurance of Trelleborg's Sustainability Report 2019. The assurance report is to be found on page 48.

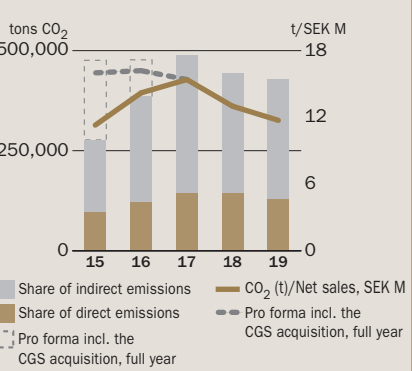
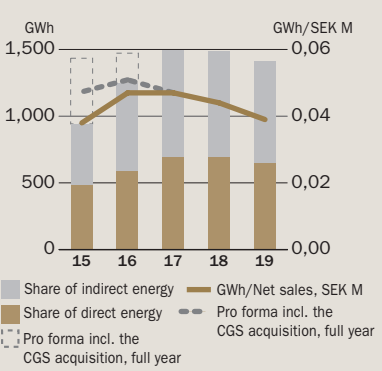
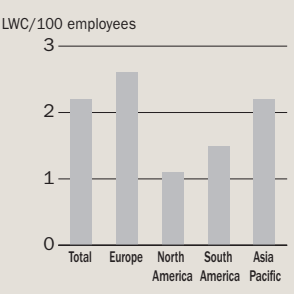
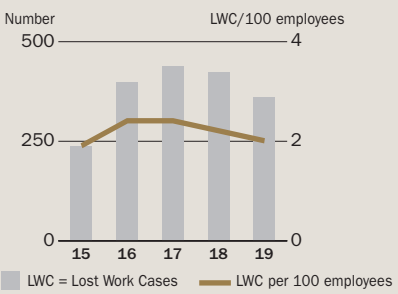
An overview of Trelleborg's sustainability work is also found at [www.trelleborg.com](http://www.trelleborg.com) under About us/Sustainability. Also Environmental, Sustainability and CR reports from prior years are available from this website.

## PRODUCTION FACILITIES INCLUDED IN TRELLEBORG'S SUSTAINABILITY REPORT 2019

Australia	Brisbane	Italy	Lodi Vecchio	UK	Bridgwater	
	East Bentleigh		Livorno		Cadley Hill	
	Kewdale		Modena		Great Yarmouth	
	Perth		Pianezza		Halesowen	
Brazil	Barueri, São Paulo	Tivoli	Hawarden		Leicester	
	Feira de Santana	Latvia	Liepaja		Nottingham	
	Macaé	Lithuania	Tauragė		Rochdale	
	São José dos Campos	Malta	Hal Far		Rotherham	
Bulgaria	Pernik	Mexico	Guanajuato		Skelmersdale	
China	Hebei		Tijuana		Queretaro	Tewkesbury
	Pudong		Queretaro		Tijuana (Pipe Seals)	Trinity Park
	Qingdao		Netherlands		Ridderkerk	Westbury
	Xiaogan	Norway	Mjøndalen		USA	Aurora
	Ximei Road, Wuxi	Poland	Bielsko-Biala			Berryville
	Xingtai	Czechowice-Dziedzice	Czechowice-Dziedzice	Bone Terre		
	Xinzhuang	Serbia	Ruma	Boston		
	Zhongtong	Singapore	Singapore	Bristol		
Czech Republic	Hradec Králové	Slovenia	Kranj	Broussard		
	Mladá Boleslav	Ptuj	Ptuj	Charles City		
	Nachod	Spain	Izarra	Delano 1		
	Otrokovice	Sri Lanka	Kelaniya (Trelleborg Lanka)	Delano 2		
	Praha	Kelaniya (Trelleborg Tyres Lanka)	Malwana	Denver		
	Velké Porici	Sweden	Ersmark	El Segundo		
Zlin (Šedesátá)	Forsheda (Mixing)	Gävle	Elk Rapids			
Zlin (Šternberská)	Havdhem	Havdhem	Fort Wayne			
Zlin (Vavreckova)	Kalmar	Kalmar	Monson			
Denmark	Helsingør	Trelleborg (Agri)	Milford (Pipe Seals)			
Estonia	Kuressaare	Trelleborg (EF/Mixing)	Morristown			
Finland	Kiikka	Trelleborg (Industrial Solutions)	New Haven			
	France	Värnamo	New Haven, Indiana			
		Cernay	Niskayuna			
		Clermont-Ferrand	North Smithfield			
		Condé-sur-Noireau	Northborough			
Lyon	Paso Robles					
Mirambeau	Rankin Road					
Nantes	Rutherfordton					
Sancheville	Salisbury					
Germany	Grossheubach	Stein am Rhein	Spartanburg			
	Lathen	Turkey	Streamwood			
	Velten	Gebze 1	Toledo			
India	Bengaluru	Gebze 2	Tustin			
	Husur, Bengaluru	Tokat				
	Jigani Link Road, Bengaluru					

OUTCOME IN 2019 IN THE AREA OF RESOURCES

Resources	Where?	Outcome 2019	Goals and main governance
<b>HEALTH AND SAFETY</b>		The curve shows the number of work-related injury/illness cases per 100 employees resulting in more than one day's absence (LWC). This figure has gradually declined. In 2019, the figure declined approximately 9 percent.	<p>The Safety@Work program aims to establish a shared safety culture through improvement programs and preventive measures at all production units. Self-assessment is combined with internal and external audits.</p> <p>By 2020, the number of accidents is to decrease so LWC per 100 employees falls below 2.0.</p>
Fatal accidents		One fatal accident (2) occurred during the year in South Africa. A fitter was crushed by a forklift during tire service at a customer.	
LWC		361 cases (422) resulting in at least one day's absence (LWC). Of these, 22 (9) were insured staff, and 41 (21) women.	
LWC per 100 employees		2.0 LWC per 100 employees (2.2). For insured employees, the figure was 1.3 (1.3), and for women 1.2 (0.3). See the diagram to the right for the regional situation.	
LWD		28.3 work days lost on average per injury (28.7).	
Safety committee		89 percent of facilities have a safety committee (89) with representatives from both employers and employees.	
Absenteeism in Sweden		5.4 percent of normal working hours (5.0).	
Systems for occupational health and safety management		At the end of 2019, 29 units were certified under OHSAS 18001 or ISO 45001, corresponding to 24 percent of all units.	
<b>ENERGY</b>		In total, energy consumption has been at a slightly lower level year-on-year, despite volume increases. Relative to sales, consumption is clearly decreasing, which is consistent with the expectation that Trelleborg's systematic measures for energy efficiency over time will lead to improved results despite the fact that acquisitions may have a temporary impact.	<p>Energy efficiency has been a prioritized area for Trelleborg for some time through the Energy Excellence initiative, which is part of the Manufacturing Excellence program (refer the Annual Report 2019, page 35).</p> <p>The internal target for the Group is to improve its energy-efficiency by at least 3 percent annually.</p> <p>Local energy coordinators are trained via global training sessions, and a shared toolbox is available.</p> <p>The proportion of renewable energy is to gradually increase, both direct and indirect energy.</p>
Energy consumption		Total of 1,414 GWh (1,486). The share of direct energy is 648 GWh (692), and the share of indirect energy is 766 GWh (794).	
Energy consumption relative to sales		0.039 GWh per SEK M (0.044). Energy consumption relative to sales declined approximately 11 percent.	
Renewable energy		3.6 percent (12) of total energy consumption, consisting of renewable electricity, biomass and internally generated electricity. Lower production volumes in the energy-intensive tire manufacturing resulted in less need for renewable electricity certificates in 2019.  The internally generated electricity is produced from solar cells and amounted to 546 MWh (524).	
Energy cost		SEK 816 M (789).	
<b>CLIMATE</b>		Both in total and relative to sales, CO <sub>2</sub> emissions decreased in 2019, which is primarily due to efficiency enhancements and investments. Trelleborg's systematic measures for energy efficiency contribute to results, which at the end of 2019 reached a decrease of almost 27 percent in CO <sub>2</sub> emissions in relation to sales compared with the base value of 16.0 tons/SEK M from 2015, which was a pro forma value based on Trelleborg plus the CGS acquisition.	<p>The "20 by 20" climate goal aims to achieve a 20 percent reduction of CO<sub>2</sub> emissions (within Scope 1 and 2) in relation to sales in the 2015–2020 period.</p> <p>Energy efficiency is supported by the Energy Excellence initiative (pages 16–17) and has been a prioritized method to reduce emissions. This is supplemented by investments and a transition to renewable energy. Read more in "Trelleborg and climate" on page 19.</p>
Total CO <sub>2</sub> emissions		429,400 tons (442,800), of which direct emissions amounted to 128,800 tons (142,500), and indirect emissions 300,600 tons (300,300). The values of the preceding year have been adjusted due to an earlier miscalculation of emissions from indirect energy.	
CO <sub>2</sub> emissions relative to sales		11.7 tons per SEK M (13.0). Value for preceding year adjusted, see above. Compared with last year, there was an improvement during 2019, both through greater energy efficiency and investments.	



Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units □ = External, suppliers

Resources	Where?	Outcome 2019	Goals and main governance
<b>WATER</b>		In 2019, water usage, meaning water for production and sanitary water, increased slightly in absolute terms but declined relative to sales.	<p>Even if water use is one of the central environmental key figures reported, a decrease in consumption is most crucial in production areas with water shortages, or where water shortages can be expected. Refer to pages 17–18.</p>
Water use		2.31 million m <sup>3</sup> (2.29)	
Water use relative to sales		63.1 m <sup>3</sup> per SEK M (67.4)	
Water withdrawal		60 percent municipal water (60) 20 percent from the company's own wells (19) 19.5 percent surface water (rivers, lakes, etc.) (20) 0.5 percent other sources (1)	
<b>WASTE</b>		In 2019, the amount of waste decreased slightly in absolute terms despite rising production volumes, and declined even further relative to sales. The volume of hazardous waste decreased clearly, which was in line with goals. Waste management methods, both for hazardous waste and other waste, are shown in the diagram on the right below.	<p>Waste minimization is an expressed goal in the Manufacturing Excellence initiative, which is conducted in all production units and is followed up on a monthly basis, see also the Annual Report 2019, page 35.</p> <p>The volume of hazardous waste is to gradually decrease.</p>
Waste volume		54,600 tons (54,700). Of the total volume, rubber accounted for 30 percent (30) Hazardous waste totaled 4,780 tons (5,240), a decrease of 9 percent since the preceding year.	
Waste volume relative to sales		1.5 tons per SEK M (1.6)	
Waste cost		SEK 69 M (59)	
Waste management		<p>1 percent to internal material recycling (1) 46 percent to external material recycling (48) 15 percent for energy recovery (15) 4 percent to incineration (3) 27 percent to landfill (23) 8 percent for other disposal (11)</p> <p>The distribution between methods for handling non-hazardous waste and hazardous waste is presented in the diagram to the right.</p> <p>The handling method was chosen by the supplier in just under half of the cases. In about a quarter of cases, the method was chosen by Trelleborg, and in about a third of cases the chosen method was the only available.</p>	
<b>EMISSIONS</b>		Emissions of volatile organic compounds (VOC), both in total and relative to sales, clearly declined during the year despite increased production volumes.	<p>Reducing <i>volatile organic compounds</i> (VOC) emissions is a priority both from an environmental and health perspective. Significant emissions comprise mainly VOC, defined according to EU standards.</p>
VOC		564 tons (655)	
VOCs relative to sales		0.015 tons per SEK M (0.019)	
Sulfur dioxide		113 tons (181)	
Nitrogen oxides		55 tons (62)	

Symbols: = Internal, all units = Internal, all production units = Internal, certain units = External, suppliers

## OUTCOME IN 2019 IN THE AREA OF COMPLIANCE

Compliance	Where?	Outcome 2019	Goals and main governance
Anti-corruption and competition law	■	2,893 employees (630) underwent training in anti-corruption, competition law, contract management and so forth. This included both traditional classroom training and, increasingly, online training (e-learning, webinars).	Zero tolerance applies to all types of bribery, corruption, cartel and other criminal behavior. Knowledge about relevant Group policies and the Code of Conduct is a requirement that is ensured through recurring training sessions for all employees, which are supplemented with special training programs in the area.
Training in the Code of Conduct	■	A new Code of Conduct was launched in 2019, and 85 percent (83) of all Group employees underwent training in the new Code of Conduct during the year.	In line with this aim, employees underwent training sessions, through e-learning or classroom training during the year.
Compliance (general)	■	There were zero (0) reported significant breaches of laws and permits during the year.	Local governance in accordance with the Code of Conduct and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting. The Compliance Task Force is a central forum for all compliance issues, refer to pages 20–21.
Compliance (environmental)	■	3 cases (2) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported, totaling SEK 243,000 (40,000)	Local governance in accordance with the Code of Conduct, permits and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting.
Whistleblower cases	■	During the year, 17 matters (18) were reported via the Whistleblower system, most of which concerned complaints about local management and measures such as staff reductions. In some cases, reviews were carried out and identified non-compliances with the Group's Code of Conduct and policies, and relevant measures have been taken in these cases.	Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussions.
Discrimination	■	11 cases (7) of discrimination from the US, UK and Mexico were reported and reviewed. In 8 of the cases, a settlement was reached between the parties or other relevant measures were taken. 3 cases (3) are under investigation.	Zero tolerance applies to discrimination (reported and reviewed cases). Local governance in accordance with the Code of Conduct. Reported cases are dealt with at local level and reported centrally.
Freedom of association	■	51 percent (54) of employees are represented by a trade union through collective agreements. In China, however, certain restrictions related to freedom of association apply.	The right to freedom of association, through union or other personal representation, and collective bargaining, is highlighted in the Code of Conduct.
Child labor	■ □	Zero breaches (0) were reported in 2019.	Zero tolerance applies to child labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in part through selected cases in supplier audits.
Forced labor	■ □	Zero breaches (0) were reported in 2019.	Zero tolerance applies to forced labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in some cases via supplier audits.
Suppliers	□	Supplier reviews were carried out corresponding to 86.4 percent (85.5) of the reported relevant purchasing spend. 2 ongoing investigations were reported in December 2019 (0). 1 supplier relationship (1) was terminated in 2019 for reasons related to the Code of Conduct. 10 supplier audits (22) were conducted in 2019 in China, which involved visits to suppliers. The most serious breaches that were rectified included the lack of evacuation plans.	The goal is to only work with suppliers who adhere to applicable sections of Trelleborg's Code of Conduct. Reviews, including self-assessments, are to be completed with at least 80 percent of the reported relevant purchasing spend. Site visits with an audit of "at-risk suppliers" (selection based on geographic and material risk assessment) supplement the self-assessments. Since 2016, 61 supplier audits have been conducted (51), of which a limited number were additional visits to previously audited suppliers. The audits have been conducted mainly in China, but also in India, Turkey and Indonesia. Refer also to page 22.
Environmental management systems	■	At the end of 2019, 89 units (87) were certified under ISO 14001, corresponding to 73 percent (73) of all facilities.	The goal is that all major production units will have an ISO 14001-certified environmental management system.
Unplanned emissions	■	During the year, zero unplanned emissions were reported (2).	Local governance of all handling operations subject to permits, even via the environmental management systems in accordance with ISO 14001.
Remediation of contaminated soil	■	Contaminated soil is currently being remediated at 9 units (9). Another 11 facilities (11) are expected to require remediation, although the extent has not yet been determined. Provisions for environmental liabilities amounted to SEK 58 M (62).	Trelleborg is also active as one of several parties in additional cases of remediation, although with marginal liability for costs.
Environmental studies	■ □	In 2019, 16 environmental studies (18) of facilities were performed in conjunction with potential acquisitions or closures.	Environmental studies are conducted to assess and outline the environmental impact and identify potential environmental liabilities for the company in question.

Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units □ = External, suppliers or acquisition candidates

## OUTCOME IN 2019 IN THE AREA OF DIVERSITY

No performance measures in this area were reported in 2019 due to insufficient data quality.

## OUTCOME IN 2019 IN THE AREA OF SOCIAL ENGAGEMENT

Community engagement	Where?	Outcome 2019	Goals and main governance												
Distributed economic value	<input checked="" type="checkbox"/> <input type="checkbox"/>	<p>In total, Trelleborg's operations generated economic value of SEK 36,670 M (34,601) of which SEK 33,035 M (31,148) is distributed between stakeholders (suppliers, employees, shareholders, creditors, society). See details on page 13.</p> <p><b>Distributed value 2019</b></p> <table border="1"> <caption>Distributed value 2019</caption> <thead> <tr> <th>Stakeholder</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Suppliers</td> <td>59.0%</td> </tr> <tr> <td>Employees</td> <td>33.4%</td> </tr> <tr> <td>Shareholders</td> <td>3.9%</td> </tr> <tr> <td>Society</td> <td>2.3%</td> </tr> <tr> <td>Creditors</td> <td>1.4%</td> </tr> </tbody> </table>	Stakeholder	Percentage	Suppliers	59.0%	Employees	33.4%	Shareholders	3.9%	Society	2.3%	Creditors	1.4%	<p>The company's value creation for surrounding society is described in both monetary terms (in the annual report) and through transparent sustainability reporting.</p> <p>Value generation is accentuated by Trelleborg's various products and solutions that contribute to the sustainability of society (more on pages 14–15).</p>
Stakeholder	Percentage														
Suppliers	59.0%														
Employees	33.4%														
Shareholders	3.9%														
Society	2.3%														
Creditors	1.4%														
Local communities	<input type="checkbox"/>	<p>Educational and development programs continued to be run in Sri Lanka (one pre-school, two schools for pupils at the equivalent of secondary level), India, Sweden and a number of other countries in 2019. A new program for school children in China was started in 2019.</p>	<p>Good relationships with local communities wherever the company operates is one goal that Trelleborg strives to achieve through local – and sometimes centrally supported – educational and development initiatives, often targeting children and young people. Group-wide programs are coordinated by Group Communications.</p>												

**Symbols:**  = Internal, all units  = Internal, all production units  = Internal, certain units  = External

# GRI CONTENT INDEX

Trelleborg's Sustainability Report for 2019 is prepared in accordance with the Global Reporting Initiative guidelines GRI Standards, Core level.

The following index shows where information can be found with page references to the printed version of the Annual Report, and to this Sustainability Report 2019. The index lists the GRI disclosures on which Trelleborg has selected to report. All listed disclosures have been subject to limited assurance by Deloitte, see page 48.

Unless specified otherwise, the disclosures refer to the 2016 standards.

GRI Standard	Disclosures	Comments/Omissions	Pages in this Report	Pages in the Annual Report
<b>General disclosures</b>				
<b>Organizational profile</b>				
102-1	Name of the organization		53	141
102-2	Activities, brands, products, and services		12–15	1, 18–21, 22–29, 36–37
102-3	Location of headquarters		53	Cover, 141
102-4	Location of operations		33	Cover, 34–35, 47
102-5	Ownership and legal form		52	11–13, 141
102-6	Markets served		3, 13	1, 19, 20–29, 34–35, 47
102-7	Scale of the organization		3, 25	1, 11, 13, 17, 47
102-8	Information on employees and other workers	Trelleborg does not have complete data to report employees by employment type.	3, 25, 52	1, 89, 139
102-9	Supply chain		22–23	44–45
102-10	Significant changes to the organization and its supply chain		33	35, 96
102-11	Precautionary principle or approach		16	38
102-12	External initiatives		2, 14–15, 16–22, 24 27–32	36–37, 38–44, 46, 49, 126–131
102-13	Membership of associations		2, 18, 22, 32, 45, 51	Cover, 40, 44, 130–131, 136
<b>Strategy</b>				
102-14	Statement from senior decision-maker	From 2019, sustainability is integrated in CEO foreword.	5–9	3–7
<b>Ethics and integrity</b>				
102-16	Values, principles, standards, and norms of behavior		12–13, 17, 22–24, 32	18–19, 34–35, 38, 44–46, 59, 130
<b>Governance</b>				
102-18	Governance structure		32	59, 130
<b>Stakeholder engagement</b>				
102-40	List of stakeholder groups		13, 28, 30–31	19, 126, 128–129
102-41	Collective bargaining agreements		21, 36	43, 134
102-42	Identifying and selecting stakeholders		28	126
102-43	Approach to stakeholder engagement		28, 30–31	126, 128–129
102-44	Key topics and concerns raised		29–31	126–129
<b>Reporting practice</b>				
102-45	Entities included in the consolidated financial statements		33	94–95
102-46	Defining report content and topic Boundaries		28–31, 33	127–129
102-47	List of material topics		28–31, 33	127–129
102-48	Restatements of information	The 2018 CO2 emissions figures have been corrected in the 2019 report due to an earlier miscalculation of emissions deductions.	33, 34	39, 132
102-49	Changes in reporting	Changes in the 2019 reporting were that Products and solutions for sustainability has been included among material focus areas, not affecting GRI Standards Reporting substantially, however more visibly in relation to the UN Sustainable Development Goals (pages 14–15, 49).	30	128
102-50	Reporting period		33, 53	141
102-51	Date of most recent report		53	141
102-52	Reporting cycle		53	141
102-53	Contact point for questions regarding the report		53	141
102-54	Claims of reporting in accordance with the GRI Standards		2, 22, 32–33	Cover, 130, 136
102-55	GRI content index		38–41	136
102-56	External assurance		2, 33, 48	Cover, 137

GRI Standard	Disclosures	Comments/Omissions	Pages in this Report	Pages in the Annual Report
<b>Material topics</b>				
<b>Compliance</b>				
<b>Management Approach Disclosures</b>				
103-1	Explanation of the material topic and its Boundary	<p><i>Management of the focus area Compliance</i></p> <p>Compliance with laws and codes is a fundamental part of Trelleborg's corporate responsibility and is maintained, inter alia, on the basis of Code of Conduct and Group policies.</p> <p>The focus area contains a number of important aspects that are listed and commented on in the Annual and Sustainability Reports and relate to both internal units and applicable external parties, such as partners, suppliers and acquisition candidates. The development of the focus area is primarily driven by the Group Staffs Legal and Purchasing (the latter with responsibility for suppliers).</p> <p>Internal control, compulsory training, targeted training and information (employees), acceptance letters, written self-assessment and auditing (suppliers), as well as transparent sustainability reporting are tools used to achieve the general objective – that no significant violations take place against relevant compliance rules. The whistleblower system is another crucial part of the management approach.</p>	11, 20–23, 36	15, 42–45, 134
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
<b>Economic performance</b>				
201-4	Financial assistance received from government			86 (note 6)
<b>Anti-corruption</b>				
205-2	Communication and training about anti-corruption policies and procedures	Trelleborg reports an aggregated outcome on Group level only.	20–21, 36	42–43, 134
205-3	Confirmed incidents of corruption and actions taken		11, 20, 36	15, 134, 139
<b>Anti-competitive behavior</b>				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		11, 20, 36	15, 134, 139
<b>Effluents and waste</b>				
306-3	Significant spills		22, 36	44, 134
<b>Environmental compliance</b>				
307-1	Non-compliance with environmental laws and regulations		21, 36, 52	44, 134, 139
<b>Supplier environmental assessment</b>				
308-2	Negative environmental impacts in the supply chain and actions taken		22, 36	44, 134
<b>Non-discrimination</b>				
406-1	Incidents of discrimination and corrective actions taken		11, 21, 36, 52	15, 43, 134, 139
<b>Freedom of association and collective bargaining</b>				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	From a general perspective (ITUC Global Rights Index 2018), and from Trelleborg's perspective, China, India, Indonesia, Mexico and Turkey are among the countries with the highest risks of rights violations	21, 36, 52	43–44, 134, 139
<b>Child labor</b>				
408-1	Operations and suppliers at significant risk for incidents of child labor	From a general perspective (Maplecroft 2019), and from Trelleborg's perspective, India and China are among the 100 countries with the highest risks of violations. Every year, Trelleborg publishes a Statement about forced labor, human trafficking and child labor on <a href="http://trelleborg.com">trelleborg.com</a>	11, 21–23, 36, 52	15, 43–44, 134, 139
<b>Forced or compulsory labor</b>				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	From a general perspective (Maplecroft 2010, Minderoo Foundation 2019), and from Trelleborg's perspective, India, China, Mexico and Indonesia are among the countries with the highest risks of violations. Low governmental response is also noted in Russia, Singapore and Japan. Every year, Trelleborg publishes a Statement about forced labor, human trafficking and child labor on <a href="http://trelleborg.com">trelleborg.com</a>	11, 21–23, 36, 52	15, 43–44, 134, 139
<b>Supplier social assessment</b>				
414-1	New suppliers that were screened using social criteria	Trelleborg reports percentage of suppliers screened against reported relevant purchasing value.	11, 22–23, 36, 52	15, 44–45, 134, 139
414-2	Negative social impacts in the supply chain and actions taken	Explaining priority for supplier audits: China is found clearly on top of Trelleborg-relevant country risk ranking (Maplecroft 2010) regarding human/labor rights breaches.	11, 22, 36, 52	15, 44, 134, 139
<b>Socioeconomic compliance</b>				
419-1	Non-compliance with laws and regulations in the social and economic area		11, 21, 36, 52	15, 43, 134, 139

GRI Standard	Disclosures	Comments/Omissions	Pages in this Report	Pages in the Annual Report
<b>Resources</b>				
<b>Management Approach Disclosures</b>				
103-1	Explanation of the material topic and its Boundary	<p><i>Management of the focus area Resources</i></p> <p>Trelleborg's objectives to be a safe workplace and manage all resources as efficiently as possible constitutes a vital part of the Group's daily operations for all employees and sub-contractors. Core activities for this work are the Manufacturing Excellence and Safety@Work programs.</p> <p>The focus area contains a number of important aspects that are listed and commented on in the Annual and Sustainability Report and mainly relate to internal units, in particular production units. Many of the aspects apply to all production units, while some aspects such as water scarcity-related issues and VOC emissions primarily apply to a limited selection of units. The area's development is primarily driven by Manufacturing Excellence, Human Resources and those locally responsible for health, safety &amp; environmental issues, as well as improvement work in the production units.</p> <p>Instructions and safety regulations, workplace assessments, monthly follow-up, improvement teams, compulsory training, targeted training, and information, as well as transparent sustainability reporting are tools used to achieve satisfactory levels of safety and resource efficiency.</p>	18, 22, 23, 24, 25	15, 127–129, 42–45, 134
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
<b>Materials</b>				
301-2	Recycled input materials used	The internally recycled material percentage is related to total waste, not to total material input.	29	133
<b>Energy</b>				
302-1	Energy consumption within the organization	Fuel types used are not specified in detail, but natural gas is predominant in Scope 1. Scope 2 is mainly purchased electricity and steam.	16–17, 19, 34, 52	38–39, 41, 132, 139
302-3	Energy intensity		16–17, 19, 34, 52	38–39, 41, 132, 139
302-4	Reduction of energy consumption	The company does report the energy consumption in absolute figures. However, Trelleborg has a history of frequent acquisitions and divestments, which makes it necessary to measure energy savings through intensity rather than through absolute energy consumption only.	16–17, 34	38–39, 132
<b>Water and effluents</b>				
303-1 (2018)	Interactions with water as a shared resource		17–18, 35	39–40, 133
303-3 (2018)	Water withdrawal		17–18, 35, 52	39–40, 133, 139
<b>Emissions</b>				
305-1	Direct (Scope 1) GHG emissions	Trelleborg has no other significant GHG emissions than CO <sub>2</sub> .	17, 19, 34	39, 41, 132
305-2	Indirect (Scope 2) GHG emissions		17, 19, 34	39, 132
305-3	Other indirect (Scope 3) GHG emissions	Trelleborg does not report Scope 3 emissions at this stage. A first tentative analysis was however made 2018, and the relevant emission categories of this analysis are stated, as well as the indication that Scope 3 emissions will be addressed in forthcoming climate objective.	19	41
305-4	GHG emissions intensity		11, 17, 19, 34, 52	15, 39, 41, 132, 139
305-5	Reduction of GHG emissions	The company does report GHG emissions in absolute figures. However, Trelleborg has a history of frequent acquisitions and divestments, which makes it necessary to measure emissions intensity rather than absolute emissions only.	11, 17, 19, 34	39, 41, 132
305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions		18, 35, 52	40, 133, 139
<b>Effluents and waste</b>				
306-2	Waste by type and disposal method		18, 35, 52	40, 133, 139
<b>Occupational health and safety</b>				
403-1 (2018)	Occupational health and safety management system		11, 16, 34	15, 38, 132
403-8 (2018)	Workers covered by an occupational health and safety management system		16, 34	38, 132
403-9 (2018)	Work-related injuries	Rates per 100 employees equal 200,000 working hours. Trelleborg does not report global absentee rate. In some countries where Trelleborg operates, absenteeism is measured mainly for production purposes, which currently causes too large risks of errors to a global figure. High-consequence work-related injuries and hazards related to them are not reported.	11, 16, 34, 52	15, 38, 132, 139
403-10 (2018)	Work-related ill health	Work-related illnesses are not reported separately, only together with work-related injuries.	11, 16, 34, 52	15, 38, 132, 139



GRI Standard	Disclosures	Comments/Omissions	Pages in this Report	Pages in the Annual Report
<b>Diversity</b>				
<b>Management Approach Disclosures</b>				
103-1	Explanation of the material topic and its Boundary	<p><i>Management of the focus area Diversity</i></p> <p>Trelleborg's objective to be a workplace characterized by diversity and inclusion is central to both current and future employees. Diversity is a strength for the Group and can drive development forward as an important element in recruitment, training/education, wage setting and succession planning. The objective is about achieving a balanced mix of ethnicity, age and gender for the type of operations conducted.</p> <p>The focus area contains a number of important aspects that are listed and commented on in the Annual and Sustainability Report and mainly relate to internal units. The area's development is primarily driven by Human Resources centrally and locally. Compulsory training, targeted training and information, as well as transparent sustainability reporting, are tools that are used to bring the business closer to the objectives for diversity.</p>	24–25, 37	46–47, 135
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
<b>Training and occupation</b>				
404-2	Programs for upgrading employee skills and transition assistance programs	Programs included in report are mostly Trelleborg Group University offerings, both in general or specifically those with a diversity aspect.	24–25	46–47
<b>Diversity and equal opportunity</b>				
405-1	Diversity of governance bodies and employees	Only gender and white collar age distribution are fully reported.	24–25, 37, 52	46–47, 63, 139
<b>Social engagement</b>				
<b>Management Approach Disclosures</b>				
103-1	Explanation of the material topic and its Boundary	<p><i>Management of the focus area Social engagement</i></p> <p>Trelleborg's role in society extends from global sustainability issues to local programs for development and diversity. The value of the business to society is expressed in innovation for sustainable solutions that protect the environment, people, infrastructure and assets, and in value creation for various stakeholder groups in society. The overall objectives include that the company wants to be perceived as a good corporate citizen who has a given role in sustainable development.</p> <p>The focus area contains a number of important aspects that are listed and commented on in the Annual and Sustainability Report and relate to internal operations as well as external engagement. The focus area's development is primarily driven by Group Communications centrally, and via local initiatives.</p> <p>External projects, stakeholder dialog, education, sponsorship, employee activities, as well as transparent sustainability reporting according to GRI Standards, including a third-party review of the results by auditors are tools that are used to achieve objectives for the focus area Social engagement. Since 2007, Trelleborg has also reported climate data to CDP. Trelleborg will continue to develop its reporting in reference to the UN Sustainable Development Goals as this framework gains ground as the basis for sustainability communication and dialog between companies, the finance market, politicians and citizens in respect of the shared agenda until 2030.</p>	11, 26–27, 30–31	15, 48–49, 127–129
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
<b>Economic performance</b>				
201-1	Direct economic value generated and distributed		13, 37, 52	19, 135, 139
<b>Local communities</b>				
413-1	Operations with local community engagement, impact assessments, and development programs		11, 26, 37	15, 48, 135

The Annual Report 2019 gives an even more complete picture of the business model of Trelleborg than this Sustainability Report.

#### ALIGNMENT WITH THE SWEDISH ANNUAL ACCOUNTS ACT

Area	Pages in the Annual Report	Pages in this report
Business model	14–37	10–15
Risks	50–55	42–47
Policy/target	14–15, 18–19, 41	10–13, 19
Anti-corruption	42–45, 131, 134	20–23, 36
Environment	38–41, 131–133	16–19, 34–35
Human rights	42–45, 134, 139	21–23, 36
Social conditions	48–49, 135	26–27, 37

## RISKS AND RISK MANAGEMENT

Risks are associated with all business operations. Properly managed risks can lead to opportunities and value creation, while risks that are managed incorrectly can lead to damages and losses.

**Risk spread.** The ability to identify, evaluate, manage and monitor risks plays a central role in the management and control of Trelleborg's business operations. The aim is to achieve the Group's targets while applying well-considered risk-taking within set parameters.

Trelleborg serves a broad range of customers in a variety of market segments and niches. The business has a wide geographic spread. The Group has operations in about 50 countries, sales are conducted in just over 150 countries worldwide and manufacturing operations are carried out at more than 100 production sites. The business is diversified, which provides Trelleborg with an effective underlying risk spread.

Demand for the Group's products and solutions largely moves in line with fluctuations in global industrial production. Trelleborg focuses on maintaining an exposure to its market segments that has a good balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demands from which often balance each other out. Seasonal effects occur in the various market segments, particularly in the agricultural segment, which normally experiences higher demand for tires for agricultural machines during the first half of the year. Even for the Group as a whole, demand is usually higher in the first half of the year than in the second half of the year.

**Enterprise Risk Management.** Trelleborg has an established process for Enterprise Risk Management (ERM) that provides a framework for the Group's risk activities. The purpose of the ERM process is to provide a Group-wide overview of Trelleborg's risks by identifying them, evaluating them and providing a basis for decision-making regarding the management of risks, and to enable a follow-up of the risks and how they are managed.

Trelleborg has chosen to group the risks into four areas as shown in the illustration to the right. Risks

related to confidence run as a common thread through these areas.

*Strategic risks* include external factors that could impact Trelleborg's operations, and internal factors that could impede opportunities to achieve the operation's strategic goals. Read more about Trelleborg's strategic cornerstones on pages 34–35 in the Annual Report 2019.

*Operational risks* are risks that Trelleborg can itself largely manage and prevent, and which mainly pertain to processes, assets and employees. Read more about how Trelleborg works to ensure safe and efficient use of resources and about diversity on pages 16–18 and 24–25.

*Regulatory compliance risks* relate to Trelleborg having a global operation that is subject to a large number of laws, regulations and rules pertaining to, for example, the environment, health & safety, trade restrictions, anti-competition regulations and currency regulations. Read more about Trelleborg's compliance with laws and codes on pages 20–23.

*Financial risks* include interest rate and foreign exchange risks that could adversely impact the Group's earnings. Furthermore, there are financing risks and liquidity risks, which could result in difficulties in raising new loans or shareholders' equity, as well as financial credit risks. Read more about Trelleborg's financial risk management in the Annual Report 2019, Note 32, pages 110–112.

In the Corporate Governance Report on pages 60–65 in the Annual Report 2019, there is a detailed description of the internal controls used to manage the risks associated with financial reporting.

Sustainability risks, such as climate impact, work environment risk or risks in the field of human rights are integrated into the four areas. It also includes the risks relating to failure to comply with laws and rules, both as a Group and among the Group's suppliers.

**Confidence risks.** Risks relating to confidence are a common thread through all areas – that is, events and behaviors that negatively impact the company's brands and confidence. For example, the behavior or business decisions of an individual employee could destroy the confidence built up over a long period of time. Trelleborg works on a variety of issues and activities to strengthen and build confidence in the Group, such as training in the Code of Conduct, a clear and well-known brand promise, stakeholder dialogue, product safety and so forth.

**Crisis management.** Trelleborg's crisis management is decentralized, which means events should, as far as possible, be resolved locally, close to the origin of the incident. The crisis organization at Group level – consisting of a team from the Group Legal, Communications and HR staff functions – is to ensure that relevant employees at Trelleborg have the necessary knowledge and capabilities to handle incidents. In the event of a major incident, which can be considered to impact the Group as a whole, the Group's crisis organization, including the Board of Directors, is informed and assesses how to handle the event.

**ERM priorities.** Trelleborg's risk activities are carried out at various levels within the Group. The Group's various companies, business areas and business units have identified a total of about 250 risks. The vast majority of these are managed locally. But some 30 of these risks may have a major impact at a business area and/or Group level and are thus managed at one of these levels. These risks are shown in the risk radar illustration on page 53. The risks on the risk radar, which in turn may have a substantial impact on the possibility of reaching the Group's goals, are described in more detail on pages 46–47 and in the Annual Report 2019, Note 32 on pages 110–112, concerning financial risk management.



**Examples of risk management:**

Values, Code of Conduct, Treasury Policy, Communication Policy, other instruments, policy documents and recommendations, Contract Risk Process, Business Impact Analysis (BIA), Safety@Work and processes for ERM, Sustainability and Internal Control.

Evaluation of identified risks and consolidation of priorities in risk management is led by the Risk Management staff function. The evaluation comprises a component of the annual strategy process and primarily involves the management teams of the business areas, but also Group Management and the staff functions. The risks that are deemed material and therefore have a significant impact on the entire Group are managed by the ERM Board. The ERM Board leads the overall coordination and monitoring of risk activities. The highest governing body is the Board of Directors and its Audit Committee, which routinely manages these risks.

**Responsibility.** Like the ERM Board, the ERM process and work pertaining to risk are controlled centrally by the Group's Risk Management staff function led by the General Counsel, who assumes ultimate responsibility. In addition to these people and the Internal Control staff function, the ERM Board consists of the Group's CFO and Group IT staff function. The ERM Board is tasked with coordinating and prioritizing the risks and risk processes and ensuring that there is clear ownership of prioritized risks.

Responsibility for risk management lies with the respective managers of Trelleborg's various companies, business areas and business units. This responsibility encompasses the day-to-day work pertaining to operational and other relevant risks, as well as leading and developing risk management activities. The managers are supported by central Group resources in the form

of the Risk Management, Internal Control and Group Treasury staff functions, as well as Group-wide risk processes and tools.

Group Treasury is responsible for financial risk management activities. The unit is in charge of Group companies' external bank relations, liquidity management, net financial items, interest-bearing liabilities and assets, Group-wide payment systems and netting of currency positions. Centralization of the Group's treasury management ensures substantial economies of scale, lower financing costs, strict management of the Group's financial risks and improved internal controls.

Read more about financial risk management in the Annual Report 2019, Note 32, pages 110–112.

**Monitoring.** Trelleborg's risk management is systematically monitored by Group Management using such tools as monthly reports from the managers in charge. The reports describe the status within their respective areas of responsibility, including the status of identified risks. The Group's General Counsel reports regularly to the Audit Committee on the Group's risk and risk management, and the Group's CFO reports regularly to the Audit Committee on the status of the financial risks. Furthermore, the President regularly provides the Board with reports on the development of the Group's risks. The Group's companies, business areas and business units use a consolidation system for systematic identification, analysis, evaluation and for monitoring of the management of reported risks.

## RISKS WITH MAJOR IMPACT AT THE BUSINESS AREA AND/OR GROUP LEVEL

**Risks at Trelleborg.** Trelleborg has identified some 30 strategic risks, operational risks, regulatory compliance risks and financial risks using a so-called risk radar. The closer a risk area is to the center of the illustration below, the higher the probability that it will cause financial damage or have an adverse impact on confidence in Trelleborg. The colors of the risks indicate change in relation to the preceding year.



**Material risks at Trelleborg.** The risks on the risk radar above that the Group considers material and therefore justify management at Group level, are as follows:

### Regulatory compliance risks

- » Violation of laws and permits (Competition law and Export control)
- » Corruption and fraud
- » Human rights-related risks

### Operational risks

- » Products in environments with elevated risk levels
- » Substandard and inappropriate agreements
- » Negative environmental impact
- » Risk of injury at sites
- » Work environment risks
- » Disruptions to critical IT systems

### Strategic risks




- » Commercial failures
- » Climate impact

### Financial risks


- (see the Annual Report 2019, Note 32, pages 110–112)
- » Liquidity risks
  - » Interest rate risks
  - » Foreign exchange risks
  - » Credit risks

# RISKS THAT COULD SIGNIFICANTLY AFFECT THE GROUP

## REGULATORY COMPLIANCE RISKS <sup>1</sup>



Risks	Focus	Management and main activities	Relevance for UN goals
Violation of laws and permits	Compliance with applicable legislation	The Compliance Task Force leads and coordinates initiatives in this area, see pages 20–21. Training seminars in competition law and the EU's General Data Protection Regulation (GDPR) are arranged. There is an established process for export control with a focus on embargoes and trade restrictions, and there are procedures, for example, for approval of membership in organizations. Regular legal reviews are conducted with a focus on monitoring and ensuring compliance in the Group companies. The Group's internal controls, which are focused on regulatory compliance, have been both expanded and formalized over the past few years.	 16.3
Corruption and fraud	Measures preventing fraudulent conduct	Established policies and procedures form the basis of the work in this area, which is supplemented with routine training and a letter of acceptance, signed yearly, for the relevant employees, see page 21. Trelleborg's Whistleblower Policy also entitles all employees to report any suspected legal or regulatory violations without repercussions, see page 36. Agency and distribution agreements are regularly reviewed and evaluated, and a special group has been formed to counteract financial fraud. The Groups internal policy instruments have been reviewed, and Policy Quick Guides have been produced to further increase the distribution and comprehension of regulations and the Group's core values.	 16.5
Risks in the area of human rights	Child labor/forced labor in the supply chain	Supplier reviews and supplier audits in the areas of risk are conducted based on the Group's geographic and materials risk assessments, see page 22 and 36.	 8.8

## OPERATIONAL RISKS


Risks	Focus	Management and main activities	Relevance for UN goals
Products in environments with elevated risk levels	Review of products and solutions	Not only risk assessments but also training and workshops are conducted to identify products and contracts where it is especially important that the products comply with the quality and functional requirements necessary in extremely demanding environments – for example, oil and gas, marine hoses for oil and gas, health-care & medical, and aerospace. Contracts and processes concerning production and project management are also subjected to legal review and risk assessment.	
Substandard and inappropriate agreements	Examination of agreements	In contractual matters, comprehensive training in addition to internal and external legal examinations and evaluations of contracts are carried out in prioritized areas.	
Negative environmental impact	Review of the sites' local environment and focus on hazardous materials and chemicals	Environmental risks are identified in conjunction with all new construction and all acquisitions, with a focus on chemicals management, rainwater and the risk of floods. Sites that are susceptible to risk are routinely monitored. The Global Chemical Task Force leads the work to phase out and replace substances that are considered harmful, and monitors such substances that may be of interest in the future, using an internal Restricted Materials List, see page 38. In addition, there is ISO 14001 multi-site certification, which results in increased standardized analysis and control.	 12.4

<sup>1</sup> Risks in the social sphere are managed by Trelleborg as part of Regulatory compliance risks.

## OPERATIONAL RISKS, CONT.

Risks	Focus	Management and main activities	Relevance for UN goals
Risk of injury at sites	Protection of critical sites	<p>External and internal analyses of the Group's operations with regard to results of the most critical sites. Also a more in-depth mapping of natural disaster risks, with a particular focus on flooding and wind effects, including such risks that are related to climate change.</p> <p>There are guidelines for new construction and upgrades of risk-classified sites. The number of such sites upgraded to Highly Protected Risk (HPR) has increased over the past few years. One aim is to improve the lowest performing and most critical sites.</p>	 13.1
Work environment risks	Health & safety	Risks in the area of health and safety are managed via Safety@Work, see page 16. Issues concerning employees are otherwise monitored as part of Compliance with laws and codes (see page 21) and diversity (see page 24).	 8.8
Disruptions to critical IT systems	Minimize disruptions	IT infrastructure service levels are in focus, as is the implementation of Group-wide upgrades in a structured manner. Ensuring compliance with legal requirements in the countries in which the Group operates is an important part, as is information security within and among the systems.	

## STRATEGIC RISKS

Risks	Focus	Management and main activities	Relevance for UN goals
Commercial failures	New product segments, major projects and acquisitions	In conjunction with all acquisitions, there is a due diligence program covering the areas of finance, operations and legal. New products in selected segments such as healthcare & medical and aerospace are approved centrally before development work begins. For the past few years, there has been increased business support when establishing new product segments and for larger projects concerning liability risk management, legal risks and new establishments of operations.	
Climate risks	<p>Reduction of CO<sub>2</sub> emissions</p> <p>Adaptation of production and products</p>	<p>For many years, energy efficiency has been the focus of the Manufacturing Excellence program, see pages 16–17. The Group's future climate targets will take scientific best practices into consideration for their establishment (see page 19) and a process for the Group's management of certificates of origin for renewable energy is in development. There is Group-level planning for investments and other measures for the purpose of reducing emissions.</p> <p>Climate and other environmental issues drive local legislation and political instruments, and Trelleborg adapts itself to these in the relevant production countries. At the same time, several of the Group's products and solutions help to reduce atmospheric emissions and protect society from climate change, see the examples on page 15.</p>	 13.1

# ASSURANCE REPORT – SUSTAINABILITY

## Auditor's Limited Assurance Report on Trelleborg AB's Sustainability Report

This is the translation of the auditor's report in Swedish.

### Introduction

We have been engaged by the Board of Directors of Trelleborg AB to undertake a limited assurance engagement of the Trelleborg AB's Sustainability Report for the year 2019. The Company has defined the scope of the Sustainability Report on page 2.

### Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 2 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

### Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engage-

ment vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Trelleborg AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

### Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Malmö 20 February 2020  
Deloitte AB

Hans Warén  
Authorized Public Accountant

Lennart Nordqvist  
Expert Member of FAR



# TRELLEBORG AND THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals introduced in 2015 encompass 17 areas that are of key significance to the world. In many of these areas, Trelleborg can – particularly through its innovative products and solutions, but also through sustainability work in its own operations – make an important contribution to social development. See also pages 14–15.

UN Goals	Implications	Trelleborg's products and solutions for/contribution to the sustainable development of society, with reference to the UN sub-goals.	Sustainability work in the Group's operations, with reference to the UN sub-goals
	Goal 1 is to end poverty in all its forms everywhere.		Decent and market-based wages and remuneration (1.2).
	Goal 2 is to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.	Solutions for sustainable agriculture, primarily agricultural tires (2.3). Products for sustainable systems for food production, including food hoses (2.4).	
	Goal 3 is to ensure healthy lives and promote well-being for all at all ages.	Components in the field of healthcare & medical, such as for medical equipment and for drug and vaccine delivery systems (3.8).	Health and safety efforts within the framework of the Safety@Work program (3.9). Reduction in waste volumes, including hazardous waste (3.9). Reduced air pollution (3.9).
	Goal 4 is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Training and support projects for local communities within the framework of Trelleborg's community engagement (4.2).	Education for lifelong learning at Trelleborg, for example, via Trelleborg Group University (4.3). Cultural and ethnic diversity in the organization (4.5).
	Goal 5 is to achieve gender equality and the empowerment of all women and girls.		Work in the area of human rights against forced labor/trafficking, discrimination and exploitation (5.2). Greater gender equality, including more female managers and "equal pay for equal work," is part of diversity work (5.5).
	Goal 6 is to ensure availability and sustainable management of water and sanitation for all.	Products to safeguard and protect water resources (6.4).	Efficiency enhancements in water use (6.4).
	Goal 7 is to ensure access to affordable, reliable, sustainable and modern energy for all.	Solutions for the safe extraction and transport of energy (7.1). Components for wind, solar and hydro power solutions (7.2).	Gradual transition to renewable energy in production (7.2). Increase in local renewable energy produced internally (7.2). Energy efficiency within the framework of Energy Excellence (7.3).
	Goal 8 is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.		The company's value creation in society and its distribution (8.1). Decent health and safety and good working conditions at all workplaces (8.8).
	Goal 9 is to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Solutions for reliable, sustainable, resilient and high-quality infrastructure, including window/door seals, facade profiles and pipe seals (9.1).	The company's value creation in society and its distribution (9.1). Sustainable industrialization (9.2). Presence and innovation in countries where this makes a difference to development, for example island nations such as Sri Lanka and Malta (9.5).
	Goal 10 is to reduce inequality within and among countries.		Zero tolerance approach to discrimination, in terms of reported and reviewed cases (10.3).
	Goal 11 is to make cities and human settlements inclusive, safe, resilient and sustainable.	Solutions to protect against earthquake and water-related catastrophes, and unnecessary noise and vibrations (11.1). Solutions for safe, accessible and sustainable transportation systems, including ports and in trains and the rail system (11.2). Solutions to protect and safeguard the world's cultural and natural heritage, including water management and seals (11.4).	
	Goal 12 is to ensure sustainable consumption and production patterns.		Constant improvements in energy efficiency. (12.2). Constant improvements in waste efficiency (12.2). Constant improvements in water efficiency. (12.2). Improved waste management (12.4). Reduction in greenhouse gas emissions and emissions to air (12.4). Increased circular approach in own production (12.5). Transparent sustainability reporting (12.6).
	Goal 13 is to take urgent action to combat climate change and its impacts.	Solutions in water management that build resilience against climate hazards and catastrophes (13.1).	Climate target and strategy "20 by 20" (in 2020) and "15 by 15" (in 2015) (13.1). Transparent climate reporting to CDP (13.1).
	Goal 14 is to conserve and sustainably use the oceans, sea and marine resources for sustainable development.	Products for ports and marine solutions, including Ocean Cleanup (14.2).	Reduction in greenhouse gas emissions and reduced VOC emissions (solvents) (14.3).
	Goal 15 is to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.		Dialog with natural rubber suppliers about the impact of rubber plantations on biodiversity (15.2).
	Goal 16 is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	Preventive measures in the supply chain against child and forced labor as well as against corruption and anti-competitive measures (16.2 and 16.5).	Zero tolerance toward child labor, forced labor and trafficking (16.2). Compliance with laws and regulations (16.3). Zero tolerance toward corruption and anti-competitive measures (16.5). Measures for effective corporate governance (16.6).
	Goal 17 is to strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.	Signing and supporting various sustainability initiatives, such as the UN Global Compact, applying international standards and guidelines for sustainability reporting (GRI/UN Sustainable Development Goals), climate reporting (CDP) and environmental management systems (ISO 14001) (17.16).	The Internal Code of Conduct is based on international agreements and guidelines (17.16).

# UN GLOBAL COMPACT PRINCIPLES

Trelleborg is a signatory to the United Nations Global Compact, a platform for encouraging and promoting good corporate principles and learning experiences in the areas of human rights, labor, environment and anti-corruption. Trelleborg's Code of Conduct serves as an important tool in the Group's sustainability work and implementation of UN Global Compact principles 1–10. The Group's whistleblower policy ensures every employee the right to report suspicions of serious breaches of laws or regulations without any repercussions (see page 22 in this report).

## HUMAN RIGHTS: PRINCIPLES 1–2

Principle	Examples of initiatives that actively promote human rights are:
<b>1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.	<ul style="list-style-type: none"> <li>» Targets and outcomes 2019 (see pages 10–11)</li> <li>» Stakeholder dialog (see pages 28–31)</li> </ul>
<b>2:</b> Businesses should make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> <li>» The area of human rights (see pages 21–22, 36)</li> <li>» For diversity and development (see pages 24–25)</li> <li>» Risks and risk management (see pages 42–47)</li> </ul>

## LABOR: PRINCIPLES 3–6

Principle	Examples of initiatives that actively promote labor standards are:
<b>3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<ul style="list-style-type: none"> <li>» Targets and outcomes 2019 (see pages 10–11)</li> <li>» Stakeholder engagement, examples and main areas for dialog (see page 28–31)</li> </ul>
<b>4:</b> Businesses should uphold the elimination of all forms of forced and compulsory labor.	<ul style="list-style-type: none"> <li>» Child and forced labor (see pages 21, 36)</li> </ul>
<b>5:</b> Businesses should uphold the effective abolition of child labor.	<ul style="list-style-type: none"> <li>» Freedom of association (see pages 21, 36)</li> </ul>
<b>6:</b> Business should uphold the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> <li>» Suppliers (see pages 22–23, 36)</li> <li>» For diversity and development (see pages 24–25)</li> <li>» Risks and risk management (see pages 42–47)</li> </ul>

## ENVIRONMENT: PRINCIPLES 7–9

Principle	Examples of initiatives that actively promote environmental responsibility are:
<b>7:</b> Businesses should support a precautionary approach to environmental challenges.	<ul style="list-style-type: none"> <li>» Targets and outcomes 2019 (see pages 10–11)</li> <li>» Innovations that protect what matters (see pages 14–15)</li> </ul>
<b>8:</b> Businesses should undertake initiatives to promote greater environmental responsibility.	<ul style="list-style-type: none"> <li>» Trelleborg and climate 2019: The way forward (see pages 17–19)</li> <li>» Safe and efficient use of resources (see pages 16–19, 34–35)</li> </ul>
<b>9:</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>» Risks and risk management (see pages 42–47)</li> </ul>

## ANTI-CORRUPTION: PRINCIPLE 10

Principle	Examples of initiatives that actively promote anti-corruption are:
<b>10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> <li>» Targets and outcomes 2019 (see pages 10–11)</li> <li>» Anti-corruption and competition law (see pages 20–21, 36)</li> <li>» The Code of Conduct is the basis for all compliance (see page 22)</li> <li>» Suppliers (see pages 22–23, 36)</li> <li>» Risks and risk management (see pages 42–47)</li> </ul>

# UN GLOBAL COMPACT ADVANCED CRITERIA

Trelleborg has been part of the UN Global Compact Program since 2007. Trelleborg's intention is to continue the development of our sustainability performance and disclosure with yearly Communication on Progress (COP) reports. Read more at our Sustainability Web pages:

[www.trelleborg.com/About Us/Sustainability](http://www.trelleborg.com/About%20Us/Sustainability)

Trelleborg reports to UN Global Compact on the Advanced level. The Advanced level criteria aim to create a higher standard for sustainability performance and disclosure. This report, Communication on Progress, describes how Trelleborg meets the GC Advanced Criteria in the areas of sustainability governance and leadership, how the ten principles of the UN Global Compact are implemented, and how the UN SDG goals are met.

The UN Sustainable Development Goals (SDG) introduced in 2015 encompass 17 areas that are of key significance to the world. All the SDG:s are included in the new index at page 49, illustrating Trelleborg's contribution to a sustainable society, through innovative products and solutions as well as through sustainability work in its own operations. For more information about Trelleborg's solutions for sustainability, see pages 14–15 in this report.



## UN GLOBAL COMPACT ADVANCED LEVEL AND HOW IT CORRELATES TO SUSTAINABILITY IN OUR 2019 REPORTING

**CRITERION 1:** The COP describes mainstreaming into corporate functions and business units

Reference:

COP: 10–13, 32

Annual Report: 14–15, 18–19, 130

**CRITERION 2:** The COP describes value chain implementation

Reference:

COP: 10–13, 28–31

Annual Report: 14–15, 18–19, 126–129

**CRITERIA 3, 6, 9, 12:** The COP describes robust commitments, strategies or policies in each of the four issue areas (human rights, labour, environment, anti-corruption)

Reference:

COP: 10–27, 34–37, 52

Annual Report: 15, 38–49, 132–135, 139

**CRITERIA 4, 7, 10, 13:** The COP describes effective management systems to integrate the principles in each of the four issue areas (human rights, labour, environment, anti-corruption)

Reference:

COP: 10–27, 34–37, 52

Annual Report: 15, 38–49, 132–135, 139

**CRITERIA 5, 8, 11, 14:** The COP describes effective monitoring and evaluation mechanisms in each of the four issue areas (human rights, labor, environment, anti-corruption)

Reference:

COP: 16–27, 32, 34–37

Annual Report: 38–49, 132–135

**CRITERION 15:** The COP describes core business contributions to UN goals and issues

Reference:

COP: 14–15

Annual Report: 36–37

**CRITERION 16:** The COP describes strategic social investments and philanthropy

Reference:

COP: 26–27, 37

Annual Report: 48–49, 135

**CRITERION 17:** The COP describes advocacy and public policy engagement

Reference:

COP: 26–27

Annual Report: 48–49

**CRITERION 18:** The COP describes partnerships and collective action

Reference:

COP: 26–27

Annual Report: 48–49

**CRITERION 19:** The COP describes CEO commitment and leadership

Reference:

COP: 5–9, 32

Annual Report: 3–7, 130

**CRITERION 20:** The COP describes Board adoption and oversight

Reference:

COP: 32

Annual Report: 130

**CRITERION 21:** The COP describes stakeholder engagement

Reference:

COP: 28–31

Annual Report: 126–129

# SUSTAINABILITY TEN-YEAR OVERVIEW

Focus area	Key figures	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Compliance</b>											
Compliance (general)	Number of material breaches of laws and permits during the year	0	0	0	0	0	0	0	0	4	2
Compliance (environmental)	Number of breaches of laws and permits resulting in fines or sanctions	3	2	5	3	4	3	0	2	4	2
Discrimination	Number of reported cases	11	7	5	5	8	1	1	8	4	6
Freedom of association	Number of employees that are represented by a trade union through collective agreements	51	54	53	54.7	52.2	48.1	51.5	43.5	49	53
Child and forced labor	Number of reported cases	0	0	0	0	0	0	0	0	0	0
Supplier reviews	Reviewed suppliers' share of the relevant purchasing spend	86.4	85.5	84	80.6	84	84	81.4	79.5	75	25
	Number of audits of at-risk suppliers during the year (started 2015)	10	22	15	14	12					
<b>Resources</b>											
Employees	Number of employees at year-end	23,935	24,045	23,152	23,245	16,450	16,552	15,825	15,280	21,307	20,393
Health and safety	LWC (Lost Work Cases – cases resulting in at least one day's absence)	361	422	438	402	238	223	209	255	384	416
Energy	Total energy consumption, GWh	1,414	1,486	1,493	1,248	942	903	873	859	1,232	1,198
	Energy consumption, GWh per SEK M	0.039	0.044	0.047	0.047	0.038	0.040	0.041	0.040	0.042	0.044
Climate	Total CO <sub>2</sub> emissions, metric tons	429,400	442,800	487,200	385,000	280,000	276,900	260,800	244,600	385,000	347,000
	CO <sub>2</sub> emissions, metric tons per SEK M	11.7	13.0	15.4	14.2	11.3	12.3	12.1	11.5	13.2	12.8
Water	Water usage, million m <sup>3</sup>	2,31	2,29	2,36	2,18	1,85	1,98	2,0	1,9	2,7	2,5
	Water usage, m <sup>3</sup> per SEK M	63.1	67.4	74.7	80.4	74.6	87.7	88.5	90.9	92	91.9
Emissions	VOC emissions, metric tons	564	655	952	1,005	903	1,195	1,049	854	1,816	1,737
	VOC emissions, metric tons per SEK M	0.015	0.019	0.030	0.037	0.036	0.053	0.049	0.040	0.062	0.064
	SO <sub>x</sub> emissions, metric tons	113	181	187	184	204	216	189	263	391	358
	NO <sub>x</sub> emissions, metric tons	55	62	65	54	45	41	38	42	60	57
Waste	Waste, metric tons	54,600	54,700	53,500	50,600	44,500	44,700	45,350	43,400	62,100	59,300
	Waste, metric tons per SEK M	1.5	1.6	1.7	1.9	1.8	2.0	2.1	2.0	2.1	2.2
<b>Diversity</b>											
Gender	Percentage of women on the Board	38	38	38	33	33	29	29	29	29	29
<b>Social engagement</b>											
	Sales, SEK M	36,588	34,005	31,581	27,145	24,803	22,515	21,473	21,262	29,106	27,196
	Economic value distributed among stakeholders, SEK M	33,035	31,148	29,127	25,053	22,797	20,808	20,211	19,850	27,010	24,795
	Taxes paid, SEK M	763	919	732	593	472	627	587	460	480	294

All data in this overview was reported in the respective years, with the exception of climate figures for 2018, which were adjusted in 2019.



Trelleborg Series B share has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe as of October 18, 2019. The ESI index comprises companies that are included in the Russell Global Index and that display the best results in the area of Corporate Social Responsibility.

**Trelleborg AB is a public limited liability company.** Corporate Registration Number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden.

The Sustainability Report is published in English. The previous Sustainability Report 2018 was published in April 2019. All values are expressed in Swedish kronor. Kronor is abbreviated to SEK and millions of kronor to SEK M. Unless otherwise stated, figures in parentheses relate to the preceding fiscal year, 2018. All figures in the section "The year in brief" relate to continuing operations, unless otherwise stated.

This report contains forward-looking statements that are based on the current expectations of the management of Trelleborg. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

This Sustainability Report was produced in collaboration with RHR Corporate Communication in Malmö, Sweden. Translation by The Bugli Company.

## ADDRESSES

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### Head offices

**Trelleborg AB (publ)**  
PO Box 153, SE-231 22 Trelleborg, Sweden  
Visitors: Johan Kocksgatan 10  
Tel: +46 410 670 00  
[www.trelleborg.com](http://www.trelleborg.com)

**Trelleborg Treasury**  
PO Box 7365, SE-103 90 Stockholm, Sweden  
Visitors: Jakobsbergsgatan 22  
Tel: +46 8 440 35 00

### Business areas

**Trelleborg Industrial Solutions**  
SE-231 81 Trelleborg, Sweden  
Visitors: Johan Kocksgatan 10  
Tel: +46 410 510 00  
[www.trelleborg.com/industrial-solutions](http://www.trelleborg.com/industrial-solutions)

**Trelleborg Wheel Systems**  
Via Naz, Tiburtina, 143  
IT-00010 Villa Adriana (Roma), Italy  
Tel: +39 774 38 41  
[www.trelleborg.com/en/wheels](http://www.trelleborg.com/en/wheels)

**Trelleborg Sealing Solutions**  
Schockenriedstrasse 1  
DE-70565 Stuttgart, Germany  
Tel: +49 711 786 40  
[www.tss.trelleborg.com/en](http://www.tss.trelleborg.com/en)



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Its innovative solutions accelerate performance for customers in a sustainable way.

The Trelleborg Group has annual sales of about SEK 37 billion and operations in about 50 countries. The Group comprises three business areas: Trelleborg Industrial Solutions, Trelleborg Sealing Solutions and Trelleborg Wheel Systems – and a reporting segment, Businesses Under Development.

The Trelleborg share has been listed on the Stock Exchange since 1964 and is listed on Nasdaq Stockholm, Large Cap.

[WWW.TRELLEBORG.COM](http://WWW.TRELLEBORG.COM)