



## About Trelleborg Group's remuneration

Trelleborg Group's total remuneration package normally includes several components: fixed cash salary, variable cash remuneration and other benefits, and, to a limited group of senior executives, a long-term incentive program.

Remuneration offered to most senior managers within Trelleborg is a mix of fixed cash salary, variable cash remuneration, pension benefits and other standard benefits such as, when appropriate, company cars and medical insurances.

*Fixed cash salary* is based on factors such as position, expertise, experience and performance. The *variable cash remuneration* for managers on Group level has a term of one year and is based on the key performance indicators of profit before tax (EBT) and operating cash flow. For managers on business area levels, it is based on profit before interest and tax (EBIT) and operating cash flow. The targets exclude items affecting comparability, which require Board approval. The reason items affecting comparability are excluded is because the Board wants to encourage managers to continuously work and initiate restructuring initiatives which lead to higher, more efficient production, distribution and structures, and thereby higher margins and efficiencies. Such initiatives have in many cases a negative impact on earnings and cash flow in the first year.

The variable cash remuneration provides an earnings opportunity for the individual in return for performance at a flexible cost for Trelleborg. Targets are set at Group level or at respective businesses to best match individual business goals. The general rule is that the targets are defined as year-on-year improvements. In some rare cases, the targets for the variable cash remuneration can also include non-financial targets. All targets are approved in line with the "grandparent principle".

Pension benefits are normally on the basis of defined contribution plans. Defined benefit plans are avoided and are only applied in exceptional cases.

In addition to fixed cash salary and variable cash remuneration, a limited group of senior executives (30 to 40 individuals), considered to exercise a significant influence on the Trelleborg's earnings per share, are offered a *long-term incentive program* (LTI). The LTI is based on the development of earnings per share (EPS). The chosen target is aimed to reward long-term commitment and value creation in alignment with shareholder interests. The programs have a retention component, as the LTI is only paid if the senior executive has not terminated their employment as of December 31 in the year in which the program ends. The LTI is cash-based and valid for three years, with deferred payment. See more details on the LTI program below.

The different remuneration components complement each other and should be considered together, as one remuneration package.

The remuneration package has proven to drive business performance, attract key talent, create motivation and retention of key individuals within the Group and its respective businesses.

Trelleborg's remuneration package is annually evaluated by the Remuneration Committee and benchmarked with other industrial companies as well as executive reward consultants.

### Long-term incentive program

Trelleborg's long-term incentive program is a three-year program with a target value of an annual improvement of 10 percent of earnings per share (EPS). This target excludes items affecting comparability and the potential impact of any share buyback programs.

The program is cash-based and runs over three years, which means for the program approved for 2019, payment will be made in the first quarter of 2022, if, the targets for EPS have been met. If the target is not reached for year one, year two or year three, there will be no deferred payment for those years. The payment could in other words be zero if no targets are met, one third if one year's target is met, two thirds if two years' targets are met or 100 percent if all three years' targets are met. The total earnings in any year cannot exceed the individual's annual variable cash remuneration.

The Board determines annually whether to start a new three-year program and, if so, objective and participants of that new program. Currently, programs are running for 2017-2019, 2018-2020 and 2019-2021. The target figures were set as the outcome of earnings per share for 2016 for the program running 2017-2019. The target figures were set as the outcome of earnings per share for 2017 for the program running 2018-2020 and the target figures were set as the outcome of earnings per share for 2018 for the program running 2019-2021. The programs have a retention component as the LTI is only paid if the senior executive has not terminated their employment as per December 31 in the year in which the program ends.

The chosen EPS target is simple and easy to understand. It gives a clear indication of the Group's priority to continuously increase profit in alignment with shareholder interests. Other targets, and combinations of metrics, have been considered but the Board has so far concluded that profit growth is the most appropriate and beneficial target for Trelleborg.

Trelleborg does not have long-term share-related incentive plans or option programs. Such plans and programs are continuously evaluated but the Board has for the time being concluded that the current LTI setup is preferred in Trelleborg.

### Remuneration of the CEO

The principles for remuneration of the President and CEO are based on both a fixed cash salary and variable cash remuneration, as well as benefits such as life insurance, medical insurance and a company car. The CEO also participates in Trelleborg's LTI.

The variable cash remuneration is normally based on EBT and operating cash flow with the weight 70/30. In rare occasions other targets have been set. The targets exclude items affecting comparability.

The remuneration package to the CEO is annually evaluated by the Remuneration Committee and benchmarked with other industrial CEOs and executive reward consultants. The Board decides on a yearly basis the CEO's remuneration package.