

REMUNERATION REPORT 2020

This report describes how the principles for remuneration of senior executives at Trelleborg, adopted by the 2020 Annual General Meeting, were implemented in 2020.

Introduction

This report describes how the principles for remuneration of senior executives at Trelleborg, adopted by the 2020 Annual General Meeting, were implemented in 2020. The report also provides information on remuneration of the CEO and a summary of Trelleborg's application of the performance criteria for awarding variable cash remuneration. The report has been prepared in accordance with the Swedish Companies Act and the remuneration rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in Note 10 (Employees and personnel costs) on pages 87–88 of the 2020 Annual Report. Information on the work of the Remuneration Committee in 2020 is set out in the Corporate Governance Report, available on pages 53–57 of the 2020 Annual Report.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 10 on page 88 of the 2020 Annual Report.

Key developments 2020

The CEO summarizes Trelleborg's overall performance in his statement on pages 4–7 of the 2020 Annual Report.

Trelleborg's principles for remuneration of senior executives: scope, purpose and deviations

A prerequisite for the successful implementation of Trelleborg's business strategy and safeguarding of its

long-term interests, including its sustainability, is that Trelleborg is able to recruit and retain qualified personnel. To this end, it is necessary that Trelleborg offers a market-based and competitive remuneration. Trelleborg's principles for remuneration of senior executives enable Trelleborg to offer executives a competitive total remuneration. Under these principles, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The variable cash remuneration shall be linked to predetermined and measurable criteria, which may be financial or non-financial. These may also be individualized, quantitative or qualitative objectives. The criteria are to be designed so that they contribute to Trelleborg's business strategy and long-term interests – including its sustainability – by, for example, being clearly linked to the business results or by promoting the executive's long-term development.

The principles for remuneration of senior executives are found on pages 66–67 in the 2020 Annual Report. The principles adopted unanimously by the 2020 Annual General Meeting have been fully implemented. No deviations from the principles have been decided and there were no derogations from the procedure for implementation of the principles. The auditor's report regarding Trelleborg's compliance with the principles for remuneration of senior executives is available under Corporate governance at www.trelleborg.com. No remuneration was reclaimed or limited, nor did the company refrain from making any payment in 2020.

Share-based remuneration

Trelleborg does not have any long-term share-based incentive plans. It should be noted that Trelleborg's principal owner – the Henry Dunker Donation Fund & Foundations – offered Trelleborg Group Management call options in 2018 with a term of five years. Trelleborg did not participate in this offer and any expenses in connection herewith will therefore not incur for the Trelleborg Group. For more information regarding this incentive plan, including the criteria on which the outcome will be based, please refer to Trelleborg Group Management, on pages 62–63 of 2020 Annual Report.

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Trelleborg's remuneration structure optimizes the commitment of senior executives to the Group's growth, thereby benefiting shareholders, while giving Trelleborg the flexibility to reward results and retain senior executives.”

Hans Björck,

Chairman of the Board and chairman of the Remuneration Committee



Application of performance criteria

The performance measures forming the basis for the CEO's variable remuneration have been selected to ensure delivery in line with Trelleborg's strategy and to encourage behavior that is in the long-term interests of Trelleborg. The strategic objectives and short and long-term business priorities for 2020 have been taken into

account in the selection of performance measures. The performance criteria forming the basis for the one-year annual variable salary were Earnings before tax (EBT or EBIT) and Operating cash flow (OCF). The performance criteria for the three-year long-term incentive (LTI) program was Earnings per share (EPS). All performance criteria are excluding items affecting comparability.

1 – Total remuneration of the CEO

Table 1 below sets out the total remuneration earned by Trelleborg's CEO during 2020 and 2019.

| SEK 000s | Year | Fixed remuneration | | Variable remuneration | | | Pension expense | Total remuneration | Proportion of fixed and variable remuneration ¹ |
|--------------------|------|--------------------|----------------|------------------------|---------------------|---------------------|-----------------|--------------------|--|
| | | Fixed salary | Other benefits | Annual variable salary | Multi-year variable | Extraordinary items | | | |
| Peter Nilsson, CEO | 2020 | 11,330 | 198 | 2,057 | – | | 5,047 | 18,632 | 89/11 |
| | 2019 | 11,108 | 199 | 4,834 | 1,430 | | 4,921 | 22,492 | 72/28 |

¹ Pension included in fixed remuneration.

2a – Performance of the CEO in the reported fiscal year

Table 2a below describes how the criteria for payment of variable short-term remuneration have been applied during the fiscal year.

| Peter Nilsson, CEO | Remuneration components | Relative weighting of the performance criteria | a) Measured performance and b) actual award/remuneration outcome | |
|--------------------|--|--|--|---------------|
| | | | a) | b) |
| | Earnings before tax (EBT) ² | 70% | EUR 380.4 M | – |
| | Operating cash flow (OCF) ² | 30% | EUR 510.1 M | SEK 2,057,000 |

² Excluding items affecting comparability.

2b – Performance of the CEO in the reported fiscal year

Table 2b below describes how the criteria for payment of variable long-term remuneration have been applied during the fiscal year.

| Peter Nilsson, CEO | Remuneration components | Relative weighting of the performance criteria | a) Measured performance and b) actual award/remuneration outcome | |
|--------------------|--|--|--|----|
| | | | a) | b) |
| | Earnings per share (EPS) ³ 2020 (Program 2018–2020) | 33.3% | SEK 10.89 | – |
| | Earnings per share (EPS) ³ 2020 (Program 2019–2021) | 33.3% | SEK 10.89 | – |
| | Earnings per share (EPS) ³ 2020 (Program 2020–2022) | 33.3% | SEK 10.89 | – |

³ Excluding items affecting comparability.

3 – Comparative information on change in remuneration and Trelleborg performance

Table 3 – Changes in remuneration and Trelleborg performance over the last five reported fiscal years

| Annual change | 2016 vs 2015 | 2017 vs 2016 | 2018 vs 2017 | 2019 vs 2018 | 2020 vs 2019 | 2020 |
|---|---------------|----------------|---------------|---------------|-----------------|--------|
| Total remuneration, SEK 000s | | | | | | |
| Peter Nilsson, CEO | +1,627 (6.5%) | +179 (0.7%) | +930 (3.5%) | –5,285 (–19%) | –3,860 (–17.2%) | 18,632 |
| Trelleborg's performance | | | | | | |
| Net sales, SEK M | +2,342 (9.4%) | +4,436 (16.3%) | +2,424 (7.7%) | +2,553 (7.5%) | –3,722 (–10.2%) | 32,836 |
| Earnings before interest and tax (EBIT) ⁴ , SEK M | +277 (8.6%) | +595 (17.0%) | +603 (14.7%) | –36 (–0.8%) | –376 (–8.1%) | 4,282 |
| Earnings per share (EPS) ⁴ , SEK | +0.84 (10.0%) | +1.59 (17.2%) | +1.52 (14.0%) | –0.45 (–3.6%) | –1.0 (–8.4%) | 10.89 |
| Average total remuneration on a full-time-equivalent basis of employees, SEK 000s | | | | | | |
| Employees of Trelleborg AB in Sweden, excluding Group Management | –132 (–9.3%) | –244 (–17.6%) | +77 (7.3%) | +17 (1.5%) | –64 (–5.6%) | 1,082 |

⁴ Excluding items affecting comparability.