

REMUNERATION REPORT 2021

This report describes how the principles for remuneration of senior executives at Trelleborg, adopted by the 2020 Annual General Meeting, were implemented in 2021. The report has been prepared in accordance with the Swedish Companies Act and the remuneration rules issued by the Swedish Corporate Governance Board.

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 strategy, is that Trelleborg is able to recruit and retain qualified personnel. To this end, it is necessary that Trelleborg offers 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 principles for remuneration of senior executives were adopted unanimously by the 2020 Annual General Meeting. They have been fully implemented in 2021, with a deviation being unanimously approved by the Board of Directors.

The principles allow temporary derogations in specific cases. In early 2021 it was decided to implement stretched targets and the potential for increased maximum variable cash remuneration for 2021 that goes beyond the principles of remuneration. The decision was made to further stimulate the operational performance of Trelleborg and to incentivize high engagement of senior executives.

- » Maximum target for earnings was stretched
- » Maximum target for operating cash flow was stretched
- » Potential maximum variable cash remuneration in 2021 was increased by an average of 6.4 percentage units



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 Biörck,

Chairman of the Board and chairman of the Remuneration Committee



The potential financial benefits for the company were considered well motivated.

The long-term incentive programs were unaffected by this derogation. It is the Board of Directors' opinion that the derogation is beneficial for the performance and development of Trelleborg, as it optimizes the involvement of senior executives and thereby create additional value for shareholders.

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 2021.

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 be incurred for the Trelleborg Group. For more information regarding this incentive plan, including the criteria on which the outcome will be based, please refer to the section on Trelleborg Group Management on pages 64–65 of 2021 Annual Report.

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 2021 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 or Earnings before interest and tax (EBT or EBIT), Operating cash flow (OCF) and a sustainability target. The performance criteria for the three-year long-term incentive (LTI) program was Earnings per share (EPS). All performance criteria exclude items affecting comparability.

Further information on executive remuneration

Further information on executive remuneration is available in Note 10 (Employees and personnel costs) on pages 87–88 of the 2021 Annual Report. Information on the work of the Remuneration Committee in 2021 is set out

in the Corporate Governance Report, available on pages 55–59 of the 2021 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 2021 Annual Report.

Information on key developments 2021

The CEO summarizes Trelleborg's overall performance in his statement on pages 4–7 of the 2021 Annual Report.

1 – Total remuneration of the CEO

Table 1 below sets out the total remuneration earned by Trelleborg's CEO during 2021 and 2020.

SEK 000s	Year	Fixed remuneration		Variable remuneration			Pension expense	Total remuneration	Proportion of fixed and variable remuneration ²
		Fixed salary	Other benefits	Annual variable salary	Multi-year variable	Extraordinary items ¹			
Peter Nilsson, CEO	2021	11,917	221	8,956	4,614		5,181	30,889	56/44
	2020	11,330	198	2,057	–		5,047	18,632	89/11

¹ Due to erroneous calculations of the annual variable salary and the long-term incentive outcome during the period 2017–2020, the CEO received a one-off payment of SEK 1.3 M in April 2021, fulfilling the employment contract and the decisions made by the Board during the period regarding the CEO's remuneration. The erroneous calculations only concerned the CEO and have had no significant impact on the historic performance of Trelleborg, nor on the performance of 2021.

² 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.

	Remuneration components	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome
Peter Nilsson, CEO	Earnings before tax (EBT) ³	65%	a) EUR 507.3 M b) SEK 5,940,000
	Operating cash flow (OCF) ³	25%	a) EUR 445.3 M b) SEK 2,285,000
	Sustainability	10%	a) Full achievement b) SEK 731,000

³ 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.

	Remuneration components	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome
Peter Nilsson, CEO	Earnings per share (EPS) ³ 2021 (Program 2019–2021)	33.3%	a) SEK 14.25 b) –
	Earnings per share (EPS) ³ 2021 (Program 2020–2022)	33.3%	a) SEK 14.25 b) SEK 2,179,000
	Earnings per share (EPS) ⁴ 2021 (Program 2021–2023)	33.3%	a) SEK 14.25 b) SEK 2,434,000

⁴ 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	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2021
Executive remuneration						
Peter Nilsson, CEO, SEK 000s	+179 (0.7%)	+930 (3.5%)	–5,285 (–19%)	–3,860 (–17.2%)	+12,257 (65.7%)	30,889
Trelleborg's performance						
Earnings before interest and tax (EBIT) ⁵ , SEK M	–3,718 (–47.6%)	+603 (14.7%)	–36 (–0.8%)	–376 (–8.1%)	+1,023 (23.9%)	5,304
Earnings per share (EPS) ⁵ , SEK	–14.53 (–57.3%)	+1.52 (14.0%)	–0.45 (–3.7%)	–1.0 (–8.4%)	+3.36 (30.8%)	14.25
Employee remuneration						
Average total remuneration on a full-time-equivalent basis of employees of Trelleborg AB, excluding Group Management, SEK 000s	–244 (–17.6%)	+77 (7.3%)	+17 (1.5%)	–64 (–5.6%)	–90 (–8.3%)	992
Development of gap between the remuneration of senior executives and remuneration of employees of Trelleborg AB, excluding Group Management, %	1.71	–0.31	–2.89	–1.17	7.01	

⁵ Excluding items affecting comparability.