

CORPORATE GOVERNANCE THAT SUPPORTS VALUE GENERATION

After many years of hard work at all levels within Trelleborg, two important transactions were concluded in 2016 – the acquisition of CGS and the divestment of the Group's participation in Vibracoustic. Trelleborg's organization and its employees are well positioned to take the Group onward toward greater value generation.

Tools in value creation. Corporate governance means that the Board of Directors, through processes and governance documents, both supports and ensures that Trelleborg is managed as sustainably, responsibly and efficiently as possible, and that governance becomes a tool for increasing the value of Trelleborg. A clear structure and clear rules ensure that focus is on developing our business.

Even if we can minimize certain risks by having procedures and preparedness to address the unexpected, and by taking a precautionary approach, it is important to point out that it is not entirely risk-free to reach leading positions in selected segments. Initiatives such as geographic shifts, acquisitions, technology and product development, investments and so forth are business risks that are considered and taken in each individual case when we decide on the path to our goal.

Supports the development of the Group. But the goals are of little interest without employees who have the will and commitment to change, to improve and to do good business. This is where the second part of corporate governance comes into play – to provide guidelines and offer support in developing the Group. Trelleborg's strategy is to secure leading positions in selected segments, and the Group works in different ways and at different levels to achieve this.

Milestone year 2016. I look upon 2016 as a "milestone year" for Trelleborg. Two major events in particular took place that fundamentally reshaped the Group. The acquisition of CGS, the largest for decades, is one of these, and entails a major and significant investment in a larger and more profitable Trelleborg. The tire operation has doubled in size and has a better geographic and market presence.

The Group's participation in the Vibracoustic joint venture was concluded during the year. As a result of the divestment, Trelleborg has reduced its exposure to the price-sensitive light vehicles segment at the same time as the antivibration business in this segment has grown into a globally leading player. The goals set for Vibracoustic have been achieved and exceeded with significant value generation.

Success through a decentralized organization. Market insights, ideas and value growth are developed in Trelleborg's local operations. Responsibility for business is found in local markets and the Group applies a far-reaching, decentralized responsibility for earnings, the balance sheet and cash flow. Because it is out there that it happens. It is employees who meet our customers every day, who offer them the best solutions and help to accelerate their businesses – as well as Trelleborg's. It is also employees who help to increase our productivity and reduce waste, who manage projects and help to develop the entire team in the most effective way.

On the part of the Group, we support employees through Excellence programs described on page 33. We carry out extensive talent development where employees progress and communicate work methods, processes and successful local initiatives to each other, which you can read about on page 60.

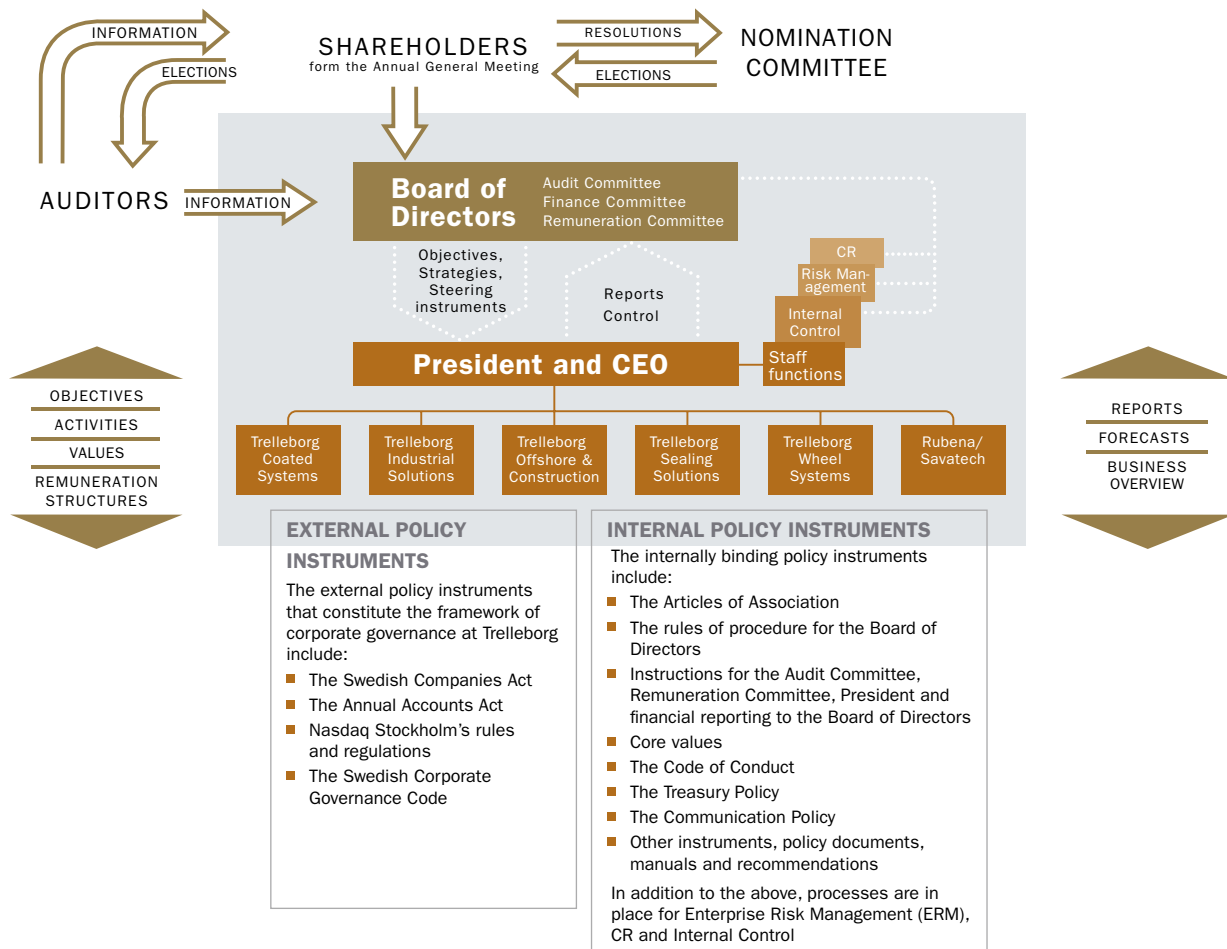
On behalf of the Board of Directors, I would like to sincerely thank all employees for the successes created in 2016 and for those that lie ahead through future changes.



Sören Mellstig
Chairman of the Board

CORPORATE GOVERNANCE

Trelleborg is a publicly traded Swedish limited liability company listed on Nasdaq Stockholm Large Cap. Trelleborg applies the Swedish Corporate Governance Code and presents its 2016 Corporate Governance Report in this section. Trelleborg has no deviations to report. The report has been examined by the company's auditor.



The basis for corporate governance at Trelleborg. A key feature of the Trelleborg Group's culture and core values is effective corporate governance with the purpose of supporting the Board of Directors and management in their efforts to increase customer benefits and achieve greater value and transparency for shareholders.

The responsibility for management and control of the Trelleborg Group is distributed between the shareholders, the Board of Directors, its elected committees and the President, as illustrated above.

Shareholders. Shareholders exercise their power at the Annual General Meeting, which is Trelleborg's highest decision-making body. The Meeting adopts the Articles of Association and, at the Annual General Meeting, the shareholders appoint Board members, the Chairman of the Board and auditor, and make decisions regarding their fees. In addition, the Annual General Meeting passes resolutions regarding the adoption of the income statement and the balance sheet, the allocation of the company's profit and the discharge from liability toward the company of the Board members and the President. The Annual General Meeting also makes resolutions regarding the appointment of

the Nomination Committee and its work, and the principles for the remuneration and employment terms for the President and other senior executives. Trelleborg's Annual General Meeting is usually held in April.

Annual General Meeting 2016. The 2016 Annual General Meeting took place on April 21, 2016, in Trelleborg. At the meeting, 688 shareholders (726) were in attendance, personally or by proxy, representing about 73 percent (73) of the total number of votes. A single shareholder, Dunker Interests, represented approximately 73.5 percent (74) of the votes at the Meeting. The Chairman of the Board, Sören Mellstig,



was elected Chairman of the Meeting. All Board members elected by the Annual General Meeting were present.

Resolutions. The complete minutes and information on the 2016 Annual General Meeting, including the President's speech, are available at www.trelleborg.com. The resolutions passed by the Meeting included the following:

- » Dividends to be paid for the 2015 fiscal year as per the Board's and President's proposal in the amount of SEK 4.00 per share.
- » Re-election of Hans Biörck, Jan Carlson, Sören Mellstig, Peter Nilsson, Anne Mette Olesen and Bo Risberg as Board members.
- » Election of Gunilla Fransson, Johan Malmquist and Susanne Pahlén Åklundh as new Board members.
- » Re-election of the Chairman of the Board.
- » Election of auditor.
- » Remuneration for the Board members and the auditor.
- » Principles for remuneration and other employment terms for the President and other senior executives.
- » Procedures for the Nomination Committee's appointment and work.

Annual General Meeting 2017. Trelleborg's 2017 Annual General Meeting will be held

on April 27, 2017 in Trelleborg. For information on the Annual General Meeting, refer to [page 132](#).

Shareholders and the share. For information on shareholders and the Trelleborg share, refer to [pages 7-9](#) and www.trelleborg.com.

Nomination Committee. The Nomination Committee represents the company's shareholders, nominates Board members, the Chairman of the Board and the auditor, and proposes remuneration to be paid to these.

Nomination Committee for the 2017 Annual General Meeting. The 2016 Annual General Meeting passed a resolution regarding the Nomination Committee and assigned the Chairman of the Board the task of asking representatives of Trelleborg's five major shareholders, not later than by the end of August, to each appoint one member to the Nomination Committee. The composition of the Nomination Committee is presented in the table to the right. The Nomination Committee also included Chairman of the Board Sören Mellstig as a co-opted member.

The Nomination Committee for 2017 held 4 minuted meetings (5) in addition to regular contact. As a basis for the Committee's work, the Chairman of the Board presented a report on the activities of the

Board, which included an evaluation of the Board's work and function performed by an external party. Furthermore, the Nomination Committee met the President and received a report on the performance of the business.

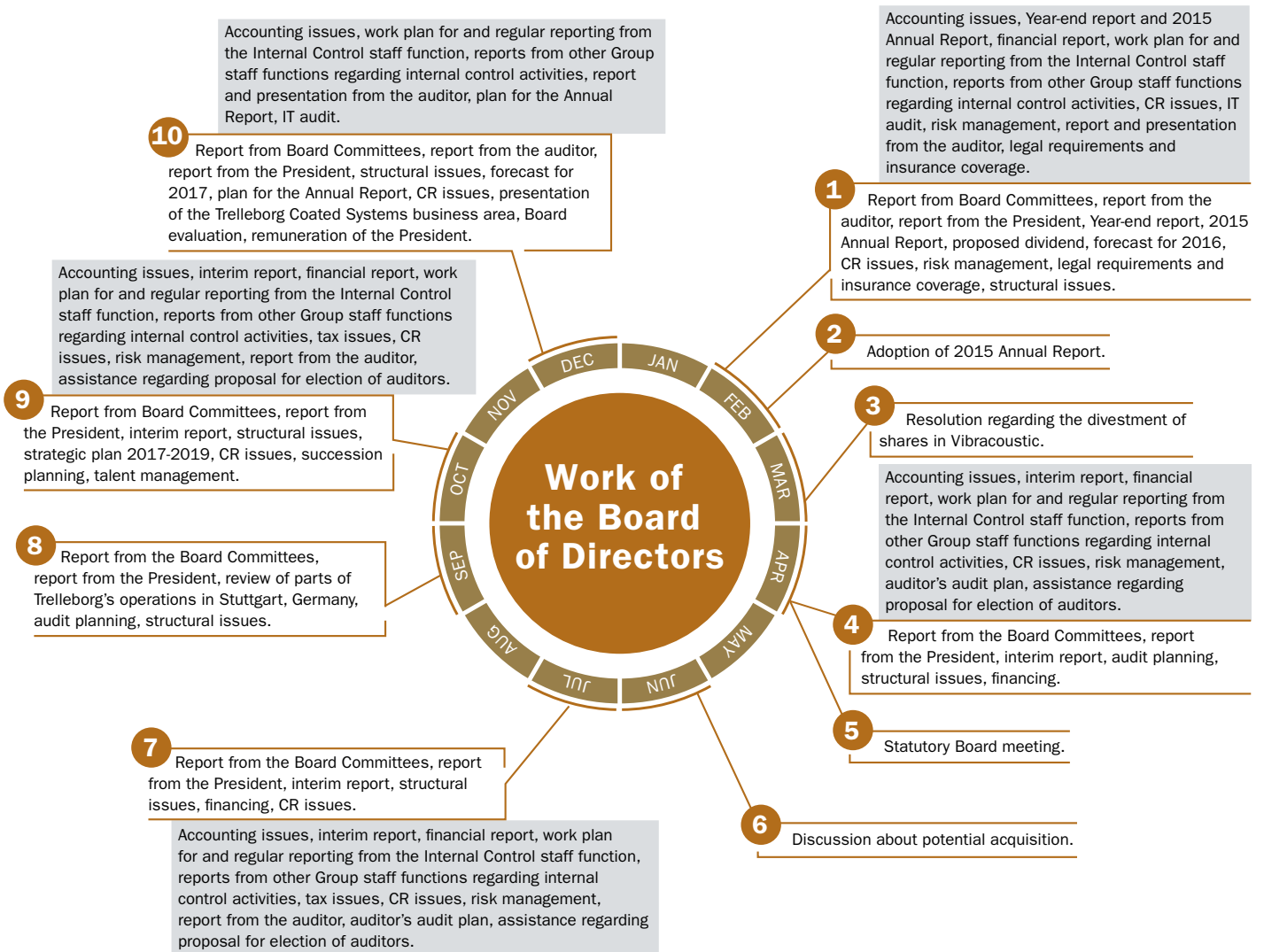
The Nomination Committee's guidelines for the selection of candidates to be nominated to the Board specify that they shall possess knowledge and experience relevant to Trelleborg's operations. The Nomination Committee observes the rules regarding the independence of Board members as well as versatility and breadth, as stated in the Swedish Corporate Governance Code.

NOMINATION COMMITTEE FOR THE 2017 ANNUAL GENERAL MEETING

Name/Representing	Share of votes, Aug 31, 2016	Share of votes, Dec 31, 2016
Ragnar Lindqvist, Dunker Interests	54.0%	54.0%
Tomas Risbecker, AMF Insurance & Funds	3.4%	3.2%
Henrik Didner, Didner & Gerge Funds	2.8%	2.9%
Olof Jonasson, First AP Fund	1.8%	1.7%
Peter Lagerlöf, Lannebo Funds	1.4%	1.8%
Total	63.4%	63.6%

WORK OF THE BOARD OF DIRECTORS IN 2016

10 Board meetings (10) were held in 2016. Work focused largely on structural issues, acquisitions and the strategic plan.



The President presents a report on the operations' performance at scheduled Board meetings. All business areas are usually given an opportunity to make an in-depth presentation of their operations at a Board meeting at least once per year. The Board conducts reviews with the auditor when audit reports are to be considered.

Proposals to the 2017 Annual General Meeting. The Nomination Committee has decided to submit the following proposals to the 2017 Annual General Meeting for resolution:

- » Re-election of Board members: Hans Biörck, Gunilla Fransson, Johan Malmquist, Sören Mellstig, Peter Nilsson, Anne Mette Olesen, Susanne Pahlén Åklundh and Bo Risberg.
- » Re-election of Sören Mellstig as Chairman of the Board.
- » Election of registered auditing firm Deloitte AB as auditor.

Board of Directors. The Board of Directors is responsible for the organization and management of Trelleborg's affairs. In accordance with the Articles of Association, the Board of Directors is to consist of three to ten members, without deputies. Board members are elected annually by the Annual General Meeting for the period until the close of the next Annual General Meeting.

Composition of the Board of Directors in 2016. In 2016, Trelleborg's Board of Directors comprised 9 members elected by the Annual General Meeting, including the

President and CEO. Employees elect 3 representatives and 1 deputy to the Board of Directors.

The Group's CFO, Ulf Berghult, attends the Board meetings as does the General Counsel, Charlotta Gråhs, who serves as the Board's secretary. Other salaried employees of the Group participate in the Board meetings to make presentations on specific matters when necessary.

For further information on Board members, refer to *pages 76-77* and *Note 11, page 98*.

Chairman of the Board. The responsibility of the Chairman of the Board is to lead and guide the work of the Board and ensure that the work is well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialog with the President and is responsible for ensuring that other Board members receive the information and documentation necessary to maintain a high level of quality in discussions and decisions, and for ensuring that the Board's decisions are executed.

Independence of the Board. The Board's assessment, which is shared by the Nomination Committee, of the Board members' independence in relation to Trelleborg and the shareholders is presented in the table on pages 76-77. As evident from the table, Trelleborg complies with the Swedish Corporate Governance Code's requirements stipulating that the majority of the Board members elected by the General Meeting must be independent in relation to Trelleborg and company management, and that at least two of these are also to be independent in relation to Trelleborg's major shareholders.

Evaluation of Board's work and its members in 2016. The Chairman of the Board is responsible for evaluating the work carried out within the Board and the work involving Group management.

In 2016, an external consultant distributed questionnaires to Board members and, based on their responses and interviews carried out in previous years, analyzed the results. The results were presented and discussed by the Board and Nomination Committee, forming the basis for evaluating the size and composition of the Board. The evaluation focused on the Board activities in general and, to a certain degree, on the contributions made by individual Board members, including the Chairman and President.

Board evaluations carried out in previous years have distinctly influenced the work of the Board and committees.



“ The Finance Committee's work was characterized by the SEK 11 billion acquisition of CGS and the divestment of Vibracoustic. The Remuneration Committee discussed such subjects as succession planning and in particular the Group's training initiatives, which are the largest ever.”

Sören Mellstig, Chairman of the Finance and Remuneration Committees

Board Committees. The Board has established three committees from within its ranks without this otherwise impacting the Board's responsibilities and duties. These are the Audit, Finance and Remuneration Committees.

Audit Committee. In 2016, the Audit Committee comprised Heléne Vibbleus, who following the Annual General Meeting was succeeded by Hans Biörck, who also chairs the Committee, and who in this role as Committee member was succeeded by Jan Carlson. Claes Lindqvist was succeeded after the Annual General Meeting by Sören Mellstig. Bo Risberg served as Committee member throughout the year. The Group's CFO, Ulf Berghult, the Group's General Counsel, who is also the Secretary of the Audit Committee, Charlotta Grähs, the Head of the Internal Control staff function, the Head of Group Finance, the Head of Group Treasury and the Head of Group Tax participate in the Committee meetings, as does the company's auditor, when necessary. In 2016, the Audit Committee held 5 meetings (5). The matters addressed are presented in the illustration on page 71.

Finance Committee. In 2016, the Finance Committee comprised Sören Mellstig, who also chairs the Committee, Bo Risberg and Hans Biörck, who was succeeded during the year by Johan Malmquist. Others who participate in Finance Committee meetings include the President and CEO Peter Nilsson, Group CFO Ulf Berghult and the VP Strategic Development & Group Projects, who is also the Finance Committee

Secretary. In 2016, the Finance Committee held 2 meetings (3). The Finance Committee acts on behalf of the Board, preparing the strategic issues in relation to financing, evaluating the Group's existing and required financing scope and the impact of major acquisitions on the Group's financial situation.

Remuneration Committee. In 2016, the Remuneration Committee comprised Sören Mellstig, who also chairs the Committee, Jan Carlson and Hans Biörck, who was succeeded during the year by Anne Mette Olesen. Senior Vice President, Human Resources, Paolo Astarita, who is also Secretary of the Remuneration Committee, participates in Committee meetings. In 2016, the Remuneration Committee held 3 meetings (5). The Remuneration Committee represents the Board in such matters as remuneration and other employment conditions for the President and other senior executives, management succession and succession planning, and leadership development.

Auditor. The Annual General Meeting appoints an auditor that examines the annual report and accounts, the consolidated financial statements, the administration of the Board of Directors and President, and the annual report and accounts of subsidiaries, and submits an audit report.

Auditor 2016. Trelleborg's auditor is the PricewaterhouseCoopers AB firm of authorized public accountants, including Authorized Public Accountants Mikael Eriksson and Cecilia Andrén Dorselius.



“ The Audit Committee's year largely mirrored the work of the Board, but with extra focus devoted to areas such as risk management, internal control and CR issues. We also provided assistance in connection with the proposal for the election of auditor.”

Hans Biörck, Chairman of the Audit Committee

Mikael Eriksson is the Auditor in Charge. The 2016 Annual General Meeting appointed PricewaterhouseCoopers AB as Trelleborg's auditor for a period of one year.

President and Group Management.

The President and CEO manages the day-to-day administration of Trelleborg. The President is assisted by Group Management comprising presidents of business areas and managers of corporate staff functions.

Group Management 2016. At the end of 2016, Group Management comprised 11 individuals. Claes Jörwall, Senior Vice President, Mergers and Acquisitions, retired at year end. In 2016, Group Management held 4 meetings (5). These meetings focused on the Group's strategic and operational performance and budget follow-up.

Trelleborg's operations are organized into 5 business areas, and into the operations of Rubena and Savatech. The business areas consist of about 20 business units, which in turn comprise approximately 40 product areas. The organization is based on the principle of decentralized responsibility and authority. Each legal unit, which do not necessarily reflect the operating units, has its own Board of Directors that focuses on regulatory compliance, among other aspects.

For additional information about Group Management, refer to pages 78-79.

Internal Control. The responsibility of the Board of Directors for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. Internal control over financial reporting is included as a part of the overall internal control at Trelleborg, and constitutes a central component of Trelleborg's corporate governance.

Trelleborg applies an approach involving far-reaching decentralized responsibility to drive and implement the Group's strategy. The Group's operating activities are pursued through independent operational units with responsibility for profit, balance sheet and

cash flows. Local managers and their coworkers make the commercial decisions, ensure that these are handled correctly and with a balanced approach to risk-taking. As a means of support, the respective business areas regularly follow up the results of their business units' operations, similar to the manner in which Group Management follows up the business areas as part of a well-established work process.

Trelleborg has defined internal control as a process that is influenced by the Board of Directors, the Audit Committee, the President, Group Management and other employees, and is formulated to provide reasonable assurance that Trelleborg's goals are achieved in terms of the following: effective and efficient business activities, reliable reporting and compliance with applicable legislation and regulations. The Internal Control process takes its starting point for the process in the regulatory framework for internal control and issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is based on 17 fundamental principles linked to five components. The Internal Control process is based on a control environment that creates discipline and provides structure for the other four components of the process – risk assessment, control structures, information and communication, and monitoring.

Internal control over financial reporting.

Internal control of the financial reporting aims to provide reasonable assurance of the reliability of external financial reporting in the form of interim reports, annual reports and year-end reports, and to ensure that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies.

Control environment. The Board of Directors bears overall responsibility for internal control over financial reporting. The Board has established a written work plan for the Board of Trelleborg and instructions for its Audit and Remuneration Committees that define the Board's responsibilities and

AUDITOR'S REMUNERATION 2016

SEK M	2016	2015
<i>PricewaterhouseCoopers</i>		
Audit assignment	30	25
Audit activities other than audit assignment	3	1
Tax consultancy services	5	4
Other services	13	8
<i>Other auditors</i>		
Audit assignment	2	1
Audit activities other than audit assignment	0	–
Tax consultancy services	1	0
Other services	1	–
Total	55	39



MIKAEL ERIKSSON

Authorized Public Accountant, Auditor in Charge

Auditor of the Trelleborg Group since 2011. Partner of PricewaterhouseCoopers AB since 1989.

Qualifications: Graduate in business administration, Authorized Public Accountant since 1984.

Assignments: Meda, EcoLean and Elverket.

Born: 1955.



CECILIA ANDRÉN DORSELIUS

Authorized Public Accountant

Auditor of the Trelleborg Group since 2015.

Partner of PricewaterhouseCoopers AB since 2016.

Qualifications: Graduate in business administration, Authorized Public Accountant since 2009.

Born: 1979.

regulate the internal distribution of work between itself and its committees. The Board has established an Audit Committee from within its ranks that represents the Board in matters concerning the monitoring of Trelleborg's financial reporting and, in relation to financial reporting, monitors the efficiency of Trelleborg's internal control, internal audit and risk management activities. The Audit Committee is to also represent the Board by keeping itself informed in matters relating to the audit of the annual report and the consolidated financial statements, reviewing and monitoring the auditor's impartiality and independence, and providing assistance when preparing proposals regarding the appointment of auditor for approval by the Annual General Meeting. The Audit Committee is also to represent the Board by monitoring the Group's work in relation to CR and ERM issues and day-to-day financing operations, and annually reviews and makes proposals for changes to the Treasury Policy.

The Board has also established instructions for the President of Trelleborg and instructions for financial reporting to the Board of Trelleborg. The responsibility for maintaining an effective control environment and the day-to-day work involving internal control is delegated to the President.

The Group's Internal Control staff function serves as the Group's internal audit function and reports to the Audit Committee and the Group's CFO. The function focuses on developing, enhancing and securing internal control over the Group's financial reporting by proactively concentrating on the internal control environment and by examining the effectiveness of internal control.

Internal policy instruments for financial reporting primarily comprise the Treasury Policy, Communication Policy, Finance Manual (defining the accounting and reporting rules), and the Group's definition of processes and minimum requirements for good internal control over financial reporting.

Risk assessment. Trelleborg's risk assessment of financial reporting aims to identify and evaluate the most significant risks, including risk of fraud and risks in connection with significant changes, that affect internal control over financial reporting in the Group's companies, business areas and processes. The risk assessment results in control targets that ensure that the fundamental demands placed on external financial reporting are fulfilled and comprise the basis for how risks are to be managed through various control structures. The risk assessment is updated on

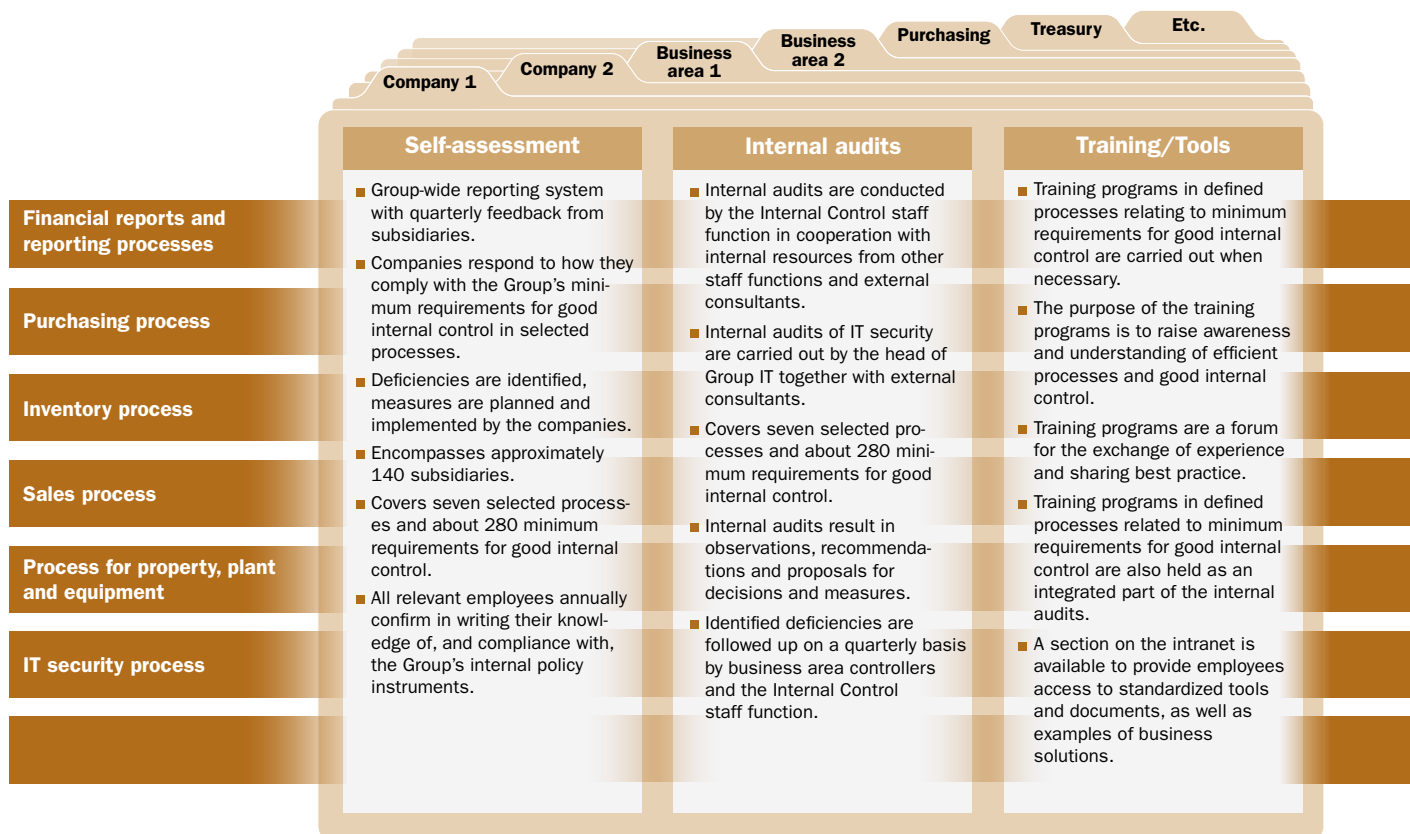
an annual basis under the direction of the Internal Control staff function and the results are reported to the Audit Committee.

Risk assessment in relation to financial reporting is conducted as part of the Enterprise Risk Management process, which is described on pages 63-64.

Control structures. The most significant risks identified in terms of financial reporting are managed through control structures in companies, business areas and processes. Management may entail that these risks are accepted, reduced or eliminated. The control structures aim to ensure efficiency in the Group's processes and good internal control and are based on the Group's approximately 280 minimum requirements for good internal control in the seven defined, significant processes. As of 2016, approximately 140 subsidiaries report their status by way of self-assessment with respect to all minimum requirements for good internal control. The control structures in the accounting and reporting process, which are significant for ensuring the reliability of financial reporting, contain 50 of the approximately 280 minimum requirements for good internal control.

Information and communication. Information and communication regarding internal

INTERNAL CONTROL STRUCTURE OF THE TRELLEBORG GROUP



policy instruments for financial reporting are available to all relevant employees on Trelleborg's intranet. Information and communication relating to financial reporting is also provided through training.

The Group has a process in which all relevant employees confirm their awareness of and compliance with the Group's internal policy instruments.

The Group's CFO and the Head of the Internal Control staff function report the results of their work on internal control as a standing item on the agenda of the Audit Committee's meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are continuously reported to the Board. External financial reporting is performed in accordance with relevant external and internal policy instruments.

The process for the Group's whistleblower policy has been gradually improved.

Monitoring. Monitoring to ensure the effectiveness of internal control over financial reporting is conducted by the Board, the Audit Committee, the President, Group Management, the Internal Control staff function, Group Finance, Group Treasury and Group Tax as well as the Group's companies and business areas. Monitoring

includes the follow-up of monthly financial reports in relation to budget and targets, quarterly reports with results from self-assessments in the Group's companies and business areas, and results from internal audits. Monitoring also encompasses following up observations reported by Trelleborg's auditor. The Internal Control staff function works in accordance with an annual plan that is approved by the Audit Committee. The plan is based on the risk analysis and encompasses prioritized companies, business areas and processes, as well as work programs and budgets.

Activities in 2016. In 2016, the Internal Control staff function conducted 59 internal audits (56) in 26 countries (25), of which 13 were IT security audits (14) and 9 were system implementation audits (7). The emphasis was on Europe, Asia and the U.S. Most of the internal audits were conducted by the Internal Control staff function in cooperation with internal resources from other staff functions with specialist competence in such areas as purchasing, finance and legal affairs, or jointly with controllers from various business areas. Internal audits of IT security were carried out by external IT consultants together with senior executives in the IT Group staff function. In 2016, the Internal Control staff function

worked on a broad front with reviews of all processes. Focus areas that received greater attention during the year included monitoring of the implementation of the new Enterprise Resource Planning system (ERP system) and holding companies.

Activities in focus in 2017. The number of internal audits will generally remain at the same level as 2015 and 2016. Geographically speaking, the Internal Control staff function will primarily devote a greater focus to Europe and the U.S. In 2017, the Internal Control staff function will continue to work broadly on reviews of all processes, with a focus on acquired companies. A small number of combined financial and legal internal audits are planned in cooperation with the Legal Department.



FURTHER INFORMATION ON CORPORATE GOVERNANCE

The following information is available at www.trelleborg.com:

- » Corporate Governance Reports from 2004 and onward.
- » Information regarding Trelleborg's Annual General Meetings from 2004 and onward:
 - Notifications
 - Minutes
 - President's speeches
 - Press releases