

# COMPLIANCE WITH LAWS AND CODES



On the basis of the Group's Code of Conduct, Trelleborg pursues work for exemplary business conduct both internally and across the value chain to ensure compliance with laws, rules and international agreements. The Compliance focus area is clearly linked to the Sustainable Development Goals (SDGs) in categories 8 and 16. Read more about the connection to each goal on pages 124–125.

**Anti-corruption and competition law.** *Trelleborg's Code of Conduct* applies to all employees without exception. Together with the whistleblower policy, it constitutes an important linchpin 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.

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) was rapidly rolled out to relevant target groups in Europe in 2018–2020.

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 2020, the Compliance Task Force held four meetings that addressed, among other aspects, a new drug and alcohol directive, trade restrictions, coordination of Coronavirus pandemic measures, evaluation conducted of the Trelleborg Compliance Program, compliance and effects of new legislation such as new rules for data protection, information security and a review of legal entities. The Compliance Task Force also continued its review of Group policies to ensure that the messages they contain are understood by all individuals representing Trelleborg.

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



**5,799**

individuals underwent training during the year in anti-corruption, competition law, contract management and so forth.

The clear increase in recent years is primarily the result of the launch of e-learning programs.



A new drug and alcohol directive was launched in 2020 at Trelleborg.

suspected legal or regulatory violations without repercussion. Refer to the table on page 128 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 (81 percent in the most recent survey in 2019). 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.

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 128.

**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. However, if the entire value chain is taken into consideration, the risk is classed as higher, see section below on child labor, for example, and the illustration on page 43.

**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 dialog 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 2020, Trelleborg's corporate website renewed its annual statement regarding the management of issues concerning forced labor, child labor and trafficking, mainly in accordance with the UK's Modern Slavery Act and the California Transparency in Supply Chain Act.



At the end of 2020, 87 units (89) were certified under ISO 14001, corresponding to 73 percent (73) of all facilities.



**51%**

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

#### 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



During the year, 6 matters (17) were reported via the whistleblower system, most of which concerned complaints about local management and measures such as staff reductions.

**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 128.

**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 128 and about Trelleborg's diversity and inclusion activities on pages 38–39.



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

**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 128.



In 2020, 4 environmental studies (16) of facilities were performed in conjunction with (potential) acquisitions or closures.

*Environment laws and permits.* Fines or sanctions for breaches of environment or OHS-related rules are shown in the table on page 128. 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 128.

*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 2020 is presented in the table on page 128.

**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 3), 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 (see also page 33). 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.

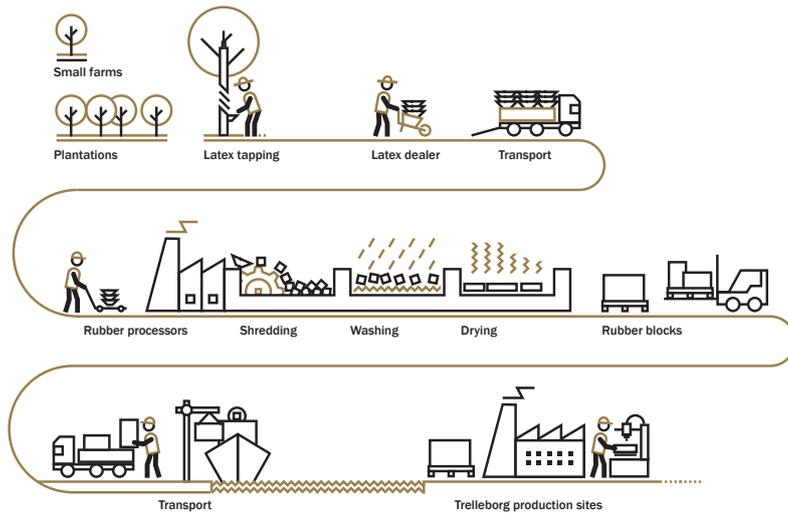
**88.9%**

Sustainability assessments took place of suppliers corresponding to 88.9 percent (86.4) of the reported relevant purchasing spend.

**Supplier assessment.** Supplier assessments have primarily been conducted via Group-wide questionnaires, with questions related to human rights, OHS, environmental management and social responsibility. Unsatisfactory responses are investigated. Refer to the table on page 128 for the year's outcome. A new digital system for supplier assessments was launched in 2020, which will further streamline the process and make it more transparent.

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

PRODUCTION 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, addressing themes such as working conditions, human rights and biodiversity. Dialogs include both meetings and visits to the production chain.

Since 2014, 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).

From 2021, Trelleborg intends to join the work of the Global Platform for Sustainable Natural Rubber, an initiative aimed at leading the global improvement of socioeconomic and environmental performance in the natural rubber value chain.

*Supplier audits.* Work auditing “at-risk suppliers” through site visits had to be suspended during the year due to the pandemic, see also page 128. In earlier work up until 2020, the focus was on textile suppliers, chemicals suppliers and natural rubber suppliers. The basis for selection of suppliers to audit through site visits is a legal, 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.

In 2021, another risk assessment will be carried out to provide a basis for the supplier reviews and audits in the forthcoming period.

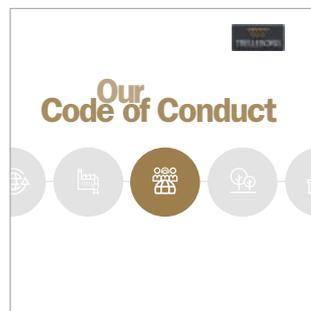
The Code of Conduct is the basis for all compliance Trelleborg’s Code of Conduct in the areas of environment, OHS and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. A comprehensive review of the Code of Conduct was carried out in 2019.

A global training initiative started that year, when more than 85 percent of all employees received training. E-learning and other training material is available in 15 languages.

The Code of Conduct 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 for regulatory compliance 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.*