

OPERATIONS: EFFICIENT AND SUSTAINABLE RESOURCE USAGE



Constant process efficiency work is conducted within the scope of Trelleborg's program for Manufacturing Excellence. This includes all types of resources, such as energy and raw materials, toward the aim of achieving circularity. The proportion of renewable energy is to steadily increase to reduce climate impact in line with the climate target of "50 by 25" and the vision of carbon neutrality by 2035. The Resources part of the Operations focus area is clearly linked to the Sustainable Development Goals in the categories 3, 8, 12 and 13. Read more about the connection to each goal on pages 124–125.

Raw materials and chemicals. The Group's principal raw materials in Trelleborg's processes are polymers (rubber, composites and plastics), metal components, as well as additives comprising softening agents (oils) and fillers such as carbon black, and vulcanizing agents (sulfur, peroxides).

The Trelleborg's Group environmental policy – available at www.trelleborg.com – stipulates that attention is given to the precautionary principle, and that hazardous substances and materials are, to the greatest extent possible, to be reduced and replaced in products and processes. As a chemical user, Trelleborg is affected by the EU REACH regulation.

In addition to the local work with REACH compliance, work related to chemicals continues to be carried out within the framework of the Global Chemical Task Force, a corporate-level team. The team documents and assists the business units in their efforts to phase out and replace substances that are currently considered harmful, and monitors such substances that may be of interest in the future. An internal Restricted Materials List has been compiled, and active efforts were again spent in 2020 by the Global Chemical Task Force focusing on such prioritized materials.

Within the scope of ETRMA, the European organization for tire and rubber manufacturers, Trelleborg is represented and participates in work monitoring and undertaking EU legislation in, for example, chemicals.

Resource efficiency and circularity. The Manufacturing Excellence program framework takes a systematic approach to improvements for enhanced safety, quality, delivery precision and efficiency that also yields distinct positive effects on resource consumption by minimizing all resource waste. Refer also to the section on circular business and resource efficiency on pages 20–21 and 123.

A new development group – *Polymers for tomorrow* – within Trelleborg will analyze new, interesting materials research and development as of 2021. This development group (comprising members from the business areas and the Group) will monitor potential strategic collaborations for bio-based materials, recycled materials

and completely new polymer solutions in accordance with the principles of circularity.

Energy. A significant portion of the Group's energy consumption – and thus its climate impact – is connected to fossil-fuel combustion for the production of steam (direct energy and emissions) and purchased electricity, steam and district heating (indirect energy and emissions).

Energy Excellence, a long-standing initiative for systematic energy optimization at all units, is an integrated part of the Manufacturing Excellence program. All production units must present an activity plan to reduce energy consumption.

In addition to process-related measures, Trelleborg's units are focusing on different types of systems for improved monitoring of energy consumption and on increasing energy awareness among personnel.

The positive outcome for the year of energy consumption (see table on page 126) reflects lower production volumes as well as ongoing efficiency enhancements in energy use.

Renewable energy. The proportion of renewable energy – which will be continuously increased – is reported as a separate indicator in the table on page 126. For example, all UK production units have transitioned to renewable electricity in 2020. A significant project was completed in Sri Lanka in 2019, where biomass replaced fossil fuel to produce steam for production.

Internally generated electricity is being produced using solar cells in Modena, Italy, in Bengaluru, India, and in Malta.

Climate. A description of Trelleborg's new long-term climate strategy, with the "50 by 25" climate target for 2025 and the "Climate-neutral business" vision for 2035 is presented on pages 22–23.

A new overview adapted to recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) is presented on page 129.

Outcome of climate target for 2020. The base line for the Group's previous "20 by 20" climate target was set on the basis of the performance of all Trelleborg units in



10.3%

10.3 percent of energy consumption was renewable in 2020, compared with 3.6 percent in 2019, a substantial improvement in one year.

2015, meaning the proforma values from Trelleborg and the Czech company acquired in 2016. With this baseline as a starting point, the target set was achieved with a good margin, with an overall 32 percent improvement since the base year.

The “20 by 20” climate target reflected the carbon intensity, meaning the total size of CO₂ emissions within Scope 1 and 2 relative to the volume of operations.

The detailed outcome in 2020 with regard to climate-related indicators is shown in the table on page 126.

- » In the climate area, Trelleborg applies intensity targets (tons of CO₂ per SEK M in sales), in an historical context that includes substantial acquisitions and divestments. This as the current emissions per year should reflect relevant operating volume to be more comparable over time.
- » The calculation of CO₂ emissions from the consumption of purchased electricity is mainly built on location-based national conversion factors from the International Energy Agency (2018 version). Conversion factors for electricity consumption reflect the average total energy mix of each country. Emissions are lower from hydro and nuclear power, but higher from coal and oil.
- » For renewable electricity, Trelleborg applies the following principle: All downward adjustments of emissions (compared with location-based national conversion factors) must be attested by a certificate specifying the energy mix and net emissions delivered.

Only two of the Group’s units – Prague in the Czech Republic and Tivoli in Italy – are included in the EU Emissions Trading System (EU ETS). Described simply, operations are allotted emission allowances (1 allowance = 1 ton CO₂). Each year, the operations concerned must report their emissions of CO₂ and transfer emission allowances corresponding to the emissions caused. The actual number of allocated emission allowances for Trelleborg in 2020 was 34,864 (34,008).

Water. Water is used in Trelleborg’s operations mainly for cooling and washing in production processes. The outcome for the year for water-related indicators is shown in the table on page 126. Major reductions in consumption have been made on an ongoing basis by using, for example, improved cooling and recycling systems. Emissions to water are limited. They mainly comprise organic matter.

Previous evaluations of water supply have been carried out for countries and regions where Trelleborg’s production units are located, and indicate that certain units are located in regions where water scarcity may become an issue, such as in China, Italy, the US, Sri Lanka and Malta. The focus for central water follow-up activities is on these regions.

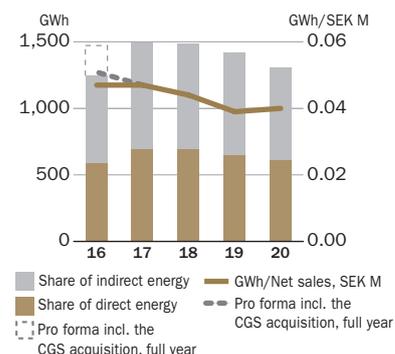
Waste. Continuous efforts are taking place within local operations to cut production waste, which helps to reduce the amount of waste, and to increase the rate of recycling. In the same manner the volume of hazardous waste is gradually decreasing.

- » Recycling is carried out by external partners and internally, see the diagram on page 127.
- » For further information, refer to resource efficiency and circularity on pages 36 and 124.

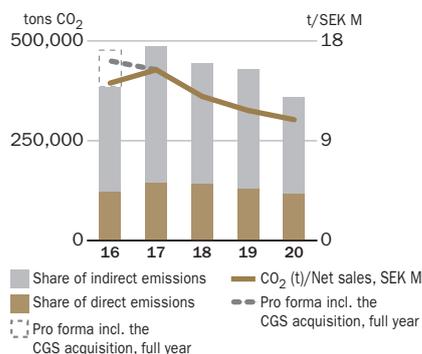
Emissions to air. In addition to energy-related emissions – such as CO₂, sulfur dioxide and nitrogen oxides – the Group’s emissions to air mainly consist of volatile organic compounds (VOCs). Trelleborg uses the same definition of VOC as the EU.

The reduction of VOC emissions is a priority, both from an environmental and health perspective, and these emissions have been continuously reduced in recent years, refer to the table on page 126. Emissions are mainly derived from the use of solvent-based adhesives, and are critical only for a limited number of products and production units.

ENERGY



CLIMATE



-5%  Relative to sales, total waste decreased 5 percent (7).

-11% Emissions to air of volatile organic compounds (VOC) were clearly reduced during the year, from 564 tons to 504 tons. Relative to sales, these were constant.

OPERATIONS: EMPLOYEE SAFETY, DIVERSITY AND DEVELOPMENT



The most important Group-wide program to achieve a safe workplace is Manufacturing Excellence, which includes the occupational health and safety program Safety@Work. Greater gender equality and more female managers is an integrated part of work with diversity and inclusion. Furthermore, Trelleborg believes in offering employees individual opportunities to become engaged, learn and grow to advance in their careers. The People part of the Operations focus area is clearly linked to the UN Sustainable Development Goals (SDGs) in categories 5 and 8. Read more about the connection to each goal on pages 124–125.

Work environment – health and safety. The highest priority in dealing with the pandemic situation in 2020 at all Trelleborg workplaces was employee safety. Local restrictions were addressed and some national coordination was used, refer to page 49.

Trelleborg's longstanding Safety@Work program aims to create a shared safety culture and to prevent occupational accidents and injuries at all of the Group's production units. The program includes all staff, both employees and insourced, without exception. In 2020, the program was relaunched under the "Team up for Safety" theme. Activation through local initiatives and workshops that further deepen risk awareness and preventive efforts among employees will continue in 2021.

The Safety@Work program is monitored by performing annual internal audits in which the facilities are assessed in relation to best practice in terms of occupational health and safety management, machine safety and accident follow-ups with the aim of avoiding a recurrence of the same type of incident.

No fatal accidents occurred in 2020. Refer to page 127.

The total outcome for the year for OHS-related indicators is shown in the table on page 127, including the share of sites that have a safety committee, as well as entities with certified systems for occupational health and safety according to OHSAS 18001/ISO 45001.

Diversity & inclusion. The Diversity Policy at Group level recognizes that diversity and inclusion is a strength for the Group. Enhanced diversity and inclusion has the potential to further drive Trelleborg's performance and results, both at team level and individually. Better communication with customers and problem solving are only a few such examples of the advantages of diversity and inclusion.

Trelleborg therefore works to achieve a balanced mix in regard to such factors as ethnicity, age and gender, taking into consideration the type of operation being pursued. Diversity and inclusion are generally seen as important elements in situations such as recruitment, training, evaluation, pay structures and succession planning.

Alongside the fundamental rules against special treatment and discrimination in the Code of Conduct (read more about the Code on page 43), the company values knowledge wherever it is found, with no other criteria than the fundamental view that all people are equal and have the same rights. See more about discrimination on pages 9 and 128.

Ethnicity. A basic rule is that the company's senior management and other managers should have local roots, which naturally leads to ethnic diversity in the management of a company that operates in some 50 countries.

Age. A core issue for all knowledge organizations, including Trelleborg, is the ability to recruit young talent.

Trelleborg has for a number of years increased focus on the younger generations – employees born in 1980 and later (Generation Y), and different initiatives have been carried out, for example, that selected young employees take part in the One Young World Summit, an annual global congress on the theme of sustainability, innovation and diversity. In addition to this, the Group has expanded its Graduate Program to two programs per year instead of one.

Trelleborg has also established an internal key figure to measure the retention of young talent within the organization.

Gender. In an engineering-dominated company like Trelleborg, efforts to achieve a more even gender balance present challenges that require work at all levels. Higher Group and business area levels remain dominated by men, but the gender distribution is significantly more balanced in the operations.

An internal key figure was introduced to measure the number of female managers down to management level 4 in the organization, with the ambition to raise the percentage of women managers at these levels from year to year, which over time, is aimed at creating a better gender-balanced recruitment base at higher levels.

Efforts to achieve an improved gender balance include actively seeking women candidates for all

43%

The proportion of women on the Board in 2020 was 43 percent (38).

executive and managerial positions, and for all of the Group's training and development programs, particularly its leadership.

Trelleborg has also put new emphasis on Employer Branding, meaning the type of employer the company is and how it wants to be perceived, both internally and externally. To this end, a motto has been written that reflects Trelleborg's promise as an employer as part of an initiative to increase focus on attracting, retaining and developing talented people. This motto – *Shaping industry from the inside* – is used internally and externally, in both digital channels and in print as well as at career days, trade fairs and other events.

Trelleborg Group University, the Group's joint training organization, has retained a high level in terms of completed training courses in 2020, despite the pandemic, totaling 21,878 (27,904). Note that the same employee may have completed several training courses. The aim was to move classroom training online – a total of 98 percent of participation was virtual.

Leadership is the learning area that had most participants during the year, including 272 supervisors (500) from production who completed the new Local Leadership program.

A large part of the Excellence program was forced to have a temporary break during the year due to the pandemic.

TRELLEBORG'S GLOBAL PRESENCE AND GENDER DISTRIBUTION

The number of employees in the Group at year-end, including insourced and temporary employees, was 22,209 (23,935). Of the total number of employees, 95 percent work outside Sweden.

During the year, the average number of employees in the Group's operations decreased to 21,470 (22,952), of whom women accounted for 25 percent (25). Refer to Note 10, page 87.

Salaries and other benefits for employees (excluding insourced employees) in the Group's operations amounted to SEK 8,136 M (8,733).

Personnel turnover (not taking terminations and retirements into consideration) varies between countries and facilities, and usually reflects the local labor situation.

NUMBER OF EMPLOYEES AT YEAR-END ¹

Distributions by country	2020	2019
Czech Republic	3,593	3,964
US	2,923	3,303
UK	1,751	2,017
China	1,534	1,599
Italy	1,345	1,338
Germany	1,111	1,141
Sweden	1,044	1,181
France	967	1,054
Sri Lanka	962	945
Slovenia	845	925
Other	6,134	6,468
Total	22,209	23,935

¹ Including insourced and temporary employees.



Gender distribution, global 25% women, 75% men.

DIVERSITY INITIATIVES IN 2020

In 2020, Trelleborg continued its work related to diversity and development:

- » Almost 600 new employees and existing employees took part in the Group e-learning program on the topic of diversity and inclusion to increase awareness of the significance of diversity and unconscious prejudices. The course is part of Trelleborg's Awareness program for new employees.
- » In the annual succession planning process, Trelleborg noted greater gender balance among employees with the potential to become managers at level 4 in the organization.

EDUCATIONAL AND DEVELOPMENT INITIATIVES IN 2020

In 2020, Trelleborg developed and launched a new Excellence initiative, People Excellence, to advance leadership within the Group, refer to image. The initiative, which is based on a self-assessment tool and self-motivated learning, comprises six individual programs, of which one program focuses on diversity and inclusion. It had a positive reception – at the beginning of 2021, 956 managers had begun People Excellence training.

