



## Processes in collaboration for greater value creation

In 2010, the global economy gradually recovered from a difficult 2009. Most businesses shifted focus from crisis thinking and savings to more aggressive, future-oriented activities. The year entailed a strong recovery for Trelleborg and, in many respects, the Board's work focused on prospective, aggressive measures to take further steps on the journey toward greater value creation for Trelleborg, our customers and our shareholders.

Recent years have shown that the Trelleborg Group's long-term strategy works well in both good times and bad. The activities conducted during the difficult years of 2008 and 2009 have generated results that we are now aggressively leveraging. The past year involved more prospective Board work with a focus on greater value creation, improved structure and a shift, both geographically and toward attractive segments. This has involved changes to the business portfolio as well as complementary acquisitions and divestments.

These efforts must be supported by sound corporate governance, and we continue to gradually develop our processes in corporate governance and responsibility. Our increasingly complex operating environment means that demand is growing for more effective risk management, governance and reporting. The challenge to those of us on the Board in achieving this is to ensure that all processes and functions work together to fulfill our goals.

Operations and value are protected by identifying risk at an early stage, thus ensuring that we have the possibility of managing them. Meanwhile, it is important to emphasize that we will not avoid risks

at all costs, but balance business opportunities against business risks.

Requirements on information are also increasing. More people want to have more information, both internally and externally. Here, transparency is a keyword.

I am therefore very pleased that we during the year were honored with the Risk Transparency Award for our risk reporting. Solid and structured transparency concerning the risk issues makes it possible for many people to challenge us by asking critical questions, thereby constantly raising the quality of our risk work.

Within Corporate Responsibility, we continue to improve our processes and, through the Audit Committee, the Board continuously monitors Trelleborg's performance in the area. Here, I view goal orientation, clear operational responsibility in implementation, collaboration and transparency as key factors in the continued work.

Anders Narvinger  
Chairman of the Board

# Corporate Governance

Trelleborg is a publicly traded Swedish limited liability company listed on the NASDAQ OMX Stockholm. Trelleborg applies the Swedish Code of Corporate Governance and presents its 2010 Corporate Governance Report in this section. The follow-up conducted in 2010 revealed no deviations for Trelleborg to report. The report has been examined by the company's auditor.

## Shareholders

Trelleborg's Series B shares have been traded on the NASDAQ OMX Stockholm since 1964. Share capital in Trelleborg amounted to SEK 2,620 M, represented by 271,071,783 shares, each with a par value of SEK 9.67.

Trelleborg has two classes of shares: 28,500,000 Series A shares and 242,571,783 Series B shares. Series A shares carry ten votes and Series B shares carry one vote. All Series A shares are owned by the Dunker Funds and Foundations, which comprise a number of foundations, funds and management companies created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber-production plants, Henry Dunker, who died in 1962.

At year-end, the number of shareholders was 49,975 (49,286).

Of the total number of shares, foreign shareholders accounted for approximately 20 percent (22). Institutions accounted for the majority of ownership. At the end of the year, 74 percent (72) of the total shares were owned by legal entities, 26 percent (28) by private individuals representing 91 percent (92) and 9 percent (8), respectively, of the total number of votes.

For further information on the share and shareholders, refer to pages 104-105 and Trelleborg's website.



## Annual General Meeting 2010

The Annual General Meeting took place on April 20, 2010 in Trelleborg. At the meeting, 623 shareholders (571) were in attendance, personally or by proxy, representing about 63 percent (73) of the total number of votes. One

shareholder, Dunker Funds and Foundations, represented approximately 87 percent (76) of the votes at the meeting on its own. Chairman of the Board, Anders Narvinger, was elected Chairman of the Meeting.

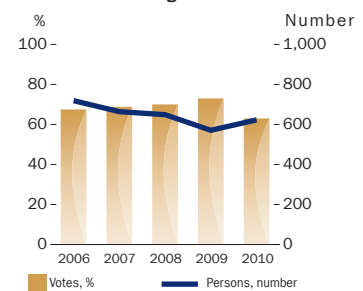
All Board members elected by the Annual General Meeting were present, except for Claes Lindqvist.

## Resolutions

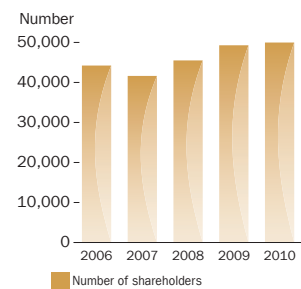
The minutes from the Annual General Meeting have been made available on Trelleborg's website. The resolutions passed by the Meeting included the following:

- Dividends to be paid for the 2009 fiscal year as per the Board's and President's proposal in the amount of SEK 0.50 per share.
- An increase in the number of Board members from seven to eight.
- The election of new Board members Nina Udnes Tronstad and Bo Risberg. Re-election of the other Board members, with the exception of Staffan Bohman, who declined re-election.
- Re-election of Anders Narvinger as Chairman of the Board.
- Fees to the Board members and remuneration to the auditor.
- The principles for the remuneration and other employment terms for the President and other senior executives.
- Procedures for the Nomination Committee's appointment and work.

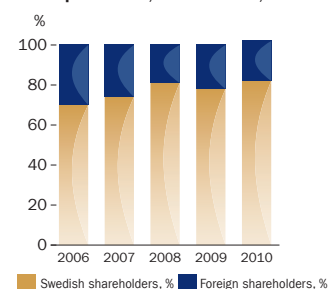
## Annual General Meeting attendance 2006-2010



## Number of shareholders, December 31, 2010



## Ownership structure, December 31, 2010



## Further information on corporate governance

The following information is available at [www.trelleborg.com](http://www.trelleborg.com)

- Prior Corporate Governance Reports, from 2004 and onward.
- Information regarding Trelleborg's Annual General Meetings since 2004 and onward:
  - Notification of AGM
  - Minutes of AGM
  - President's presentations
  - Press releases

In-depth information on internal steering documents, such as the Articles of Association and the Code of Conduct.

- The Swedish Code of Corporate Governance is available at [www.kodkollegiet.se](http://www.kodkollegiet.se).
- The Swedish Companies Act (2005:551) is available at [www.riksdagen.se](http://www.riksdagen.se).
- The exchange rules for listed companies – regulations for issuers – are available at [www.nasdaqomx.com/listingcenter](http://www.nasdaqomx.com/listingcenter).



### Nomination Committee for the 2011 Annual General Meeting

The 2010 Annual General Meeting passed a resolution regarding the Nomination Committee and assigned the Chairman of the Board the task of asking representatives of the company's five major shareholders at the close of the third quarter to each appoint one member to the Nomination Committee. The composition of the Nomination Committee was published on Trelleborg's website and through a press release on October 20, 2010. At the end of the third quarter, the Nomination Committee represented approximately 66 percent (67) of the shareholders' votes.

The guidelines of the principal owners for the selection of candidates to be nominated to the Board are that they shall possess knowledge and experience relevant to Trelleborg. The Nomination Committee observes the rules regarding the independence of Board members, as stated in the Swedish Code of Corporate Governance.

The Nomination Committee for 2011 held 3 meetings (6) and a number of telephone conferences. The members of the Nomination Committee and the shareholders who appointed them are presented in the table below. In addition, the Chairman of the Board, Anders Narvinger, was a member of the Nomination Committee for 2011.

As a basis for the Committee's work, information on the company's operations and strategic focus was presented by the President. The Chairman of the Board presented the annual evaluation of the Board members' activities, and provided information on the Board's work during the year, including the work in the various committees.

### Nomination Committee for the Annual General Meeting

Name/ Representing	Share of votes	Share of votes
	September 30, 2010	December 31, 2010
Rolf Kjellman (chair)		
Henry and Gerda Dunker Foundation	55.2%	55.1%
Henrik Didner		
Didner & Gerge Funds	4.2%	3.9%
Ramsay Brufer		
Alecta	2.7%	2.3%
Johan Held		
AFA Insurance Companies	2.2%	2.0%
Thomas Eriksson		
Swedbank Robur Funds	1.9%	2.2%
<b>Total</b>	<b>66.2%</b>	<b>65.5%</b>

### Proposals to the Annual General Meeting 2011

The Nomination Committee has formulated the proposals below for submission to the 2011 Annual General Meeting for resolution:

- The Nomination Committee resolved to propose that the Annual General Meeting re-elect all Board members: Hans Biörck, Claes Lindqvist, Sören Mellstig, Peter Nilsson, Bo Risberg, Nina Udnes Tronstad, Heléne Vibbleus Bergquist and Anders Narvinger as Chairman.

### The Board of Directors

In 2010, Trelleborg's Board of Directors comprised eight members elected by the Annual General Meeting, including the President and CEO. Employees elect three representatives and one deputy to the Board of Directors.

The Group's CFO, Bo Jacobsson, attends the Board meetings as does the General Counsel, Ulf Gradén, 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.

### Independence of the Board

The Board's assessment, which is shared by the Nomination Committee, regarding the members' position of dependence in relation to the company and the shareholders is presented in the table on page 44-45. As evident from the table, Trelleborg complies with the Swedish Code of Corporate Governance's requirements that the majority of the Board members elected by the General Meeting must be independent in relation to the com-

## Work of the Board of Directors

The number of Board meetings in 2010 was 12 (19), of which 4 (10) were Extraordinary Meetings. The work focused largely on structural issues and the strategic plan.

<b>February</b>	<b>No. 1:</b> Legal disputes and insurance coverage, Year-end Report, 2009 Annual Report, Audit report, Structural issues, Financing, Committee reports.
	<b>No. 2:</b> Financing.
<b>April</b>	<b>No. 3:</b> Structural issues.
	<b>No. 4:</b> Interim report for first quarter, Structural issues, Financing, Prior to the AGM, Committee reports.
	<b>No. 5:</b> Statutory Board meeting.
<b>June</b>	<b>No. 6:</b> Structural issues.
<b>July</b>	<b>No. 7:</b> Interim report for second quarter, Audit report, Strategic plan 2011-2013, Committee reports.
	<b>No. 8:</b> Strategic plan 2011-2013, Structural issues. Committee reports.
<b>September</b>	<b>No. 9:</b> Strategic plan 2011-2013, Structural issues, Financing, Audit report, Committee reports.
	<b>No. 10:</b> Interim report for third quarter, Structural issues, Committee reports.
<b>November</b>	<b>No. 11:</b> Structural issues.
<b>December</b>	<b>No. 12:</b> Forecast for 2011, Strategic plan 2011-2013, Structural issues, Audit report, Committee reports.

The Board conducts reviews with the auditor when plans for the audit procedure are presented and when audit reports are to be considered. All business areas are usually given the opportunity to give an in-depth presentation of their operations at a Board meeting at least once a year.

pany and the company management, and that at least two of these shall also be independent in relation to the company's major shareholders.

#### Evaluation of Board members 2010

The Chairman of the Board is responsible for evaluating the Board's work, including the work of individual members. This occurs annually in accordance with an established process. Periodically, evaluation is conducted with the assistance of external consultants.

In 2010, the evaluation was conducted, in part, as a self-evaluation whereby the Chairman of the Board interviewed all Board members individually and, in part, through interviews and discussions involving the Nomination Committee and a number of individual Board members, as well as feedback and discussions with the entire Board of Directors.

The evaluation focuses on such aspects as supply and demand for specific expertise and work methods. The evaluation is also used by the Nomination Committee as the basis for proposals for Board members and remuneration levels.

#### Audit Committee

In 2010, the Audit Committee comprised the Board members Heléne Vibbleus Bergquist, who is also chairs the Committee, Claes Lindqvist, Sören Mellstig and Anders Narvinger. The Group's CFO, Bo Jacobsson, the Group's General Counsel and Secretary of the Audit Committee, Ulf Gradén, and the Head of the Internal Control staff function participate in the Audit Committee meetings, as does the company's auditor when necessary.

In 2010, the Audit Committee held 5 (8) meetings. Its work mainly focused on:

- accounting issues
- review of interim reports, the year-end report and the annual report
- establishment and follow-up of annual work plans for the Internal Control staff function
- review of continuous reporting from the Internal Control staff function relating to internal audits and the proactive work on the internal control environment
- follow-up of activities relating to the Group's corporate responsibility issues and risk management
- review of reports from the company's AGM-elected auditors, including the auditors' audit plan
- review of the plan for compilation of the Annual Report

#### Finance Committee

In 2010, the Finance Committee comprised the Board members Heléne Vibbleus Bergquist, who also chairs the Committee, Claes Lindqvist, Sören Mellstig and Anders Narvinger. The Group's CFO, Bo Jacobsson, and the Group's General Counsel and Secretary of the Finance Committee, Ulf Gradén, participate in the meetings of the Finance Committee. Head of Group Treasury also participates when necessary.

In 2010, the Finance Committee held 5 (6) meetings. Its work mainly focused on:

- reviewing financial reports from Group Treasury
- financing issues
- financial operations and policies
- financial risk management

#### Remuneration Committee

In 2010, the Remuneration Committee comprised the Board members Anders Narvinger, who also chairs the Committee, Claes Lindqvist and Hans Biörck.

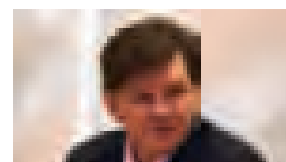
Senior Vice President, Human Resources, Sören Andersson, also Secretary of the Remuneration Committee, participates in Committee meetings.

In 2010, the Remuneration Committee held 6 (8) meetings. Its work mainly focused on:

- terms of employment and incentive issues for senior executives
- the Group's management resource planning.

#### Auditors

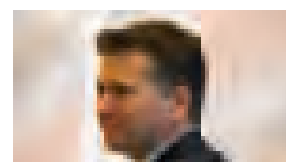
Trelleborg's auditor is the PricewaterhouseCoopers AB firm of authorized public accountants, including authorized public accountants Göran Tidström and Eric Salander. Göran Tidström is the Auditor in Charge. PricewaterhouseCoopers AB was elected by the 2008 Annual General Meeting for a period of four years.



#### GÖRAN TIDSTRÖM

##### Authorized Public Accountant, auditor in charge

Auditor of the Trelleborg Group since 2004. Partner of PricewaterhouseCoopers AB since 1976. Qualifications: Graduate in business administration, Authorized Public Accountant since 1973. Assignments: Auditor of AB Volvo, Meda and the Royal Opera. President of the International Federation of Accountants (IFAC). Born: 1946.



#### ERIC SALANDER

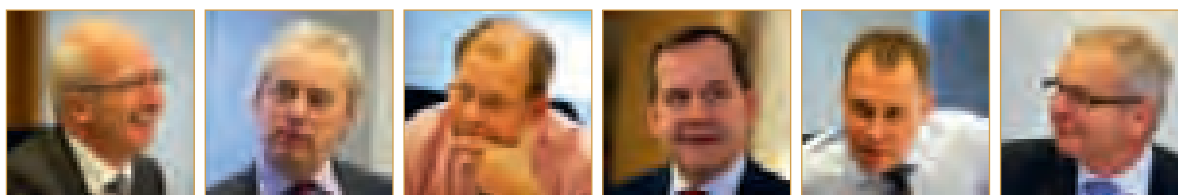
##### Authorized Public Accountant

Auditor of the Trelleborg Group since 2010. Partner of PricewaterhouseCoopers AB since 2005. Qualifications: Graduate in business administration, Authorized Public Accountant since 2000. Assignments: Sony Ericsson, Hilding Anders, Gambro and Bong. Born: 1967.

#### Auditors' remuneration 2010

SEK M	2010	2009
<i>PricewaterhouseCoopers</i>		
Audit assignment	34	38
Audit activities other than audit assignment	4	4
Tax consultancy services	3	3
Other services	17	7
<i>Other auditors</i>		
Audit assignment	1	1
Audit activities other than audit assignment	-	-
Tax consultancy services	-	-
Other services	0	1
<b>Total</b>	<b>59</b>	<b>54</b>
Of which discontinued operations	1	1

# The Board of Directors



Name	Anders Narvinger	Hans Björck	Claes Lindqvist	Sören Mellstig	Peter Nilsson	Bo Risberg
<b>Position</b>		Executive Vice President and CFO, Skanska AB.	President of Henry Dunkers Förvaltnings AB.		President and CEO.	President and CEO of Hilti Corporation, Liechtenstein.
<b>Qualifications</b>	M.Sc. Eng., Faculty of Engineering, Lund University, and B.Sc. Business and Economics, Uppsala University.	Graduate in business administration.	Graduate in business administration and M.Sc. Eng.	Graduate in business administration.	M. Sc. Eng.	MBA and B.Sc. Eng.
<b>Year elected</b>	1999. Chairman of the Board since 2002.	2009.	2004.	2008.	2006.	2010.
<b>Born</b>	1948.	1951.	1950.	1951.	1966.	1956.
<b>Nationality</b>	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
<b>Other assignments</b>	Chairman of Alfa Laval AB (publ), Coor Service Management AB and Teliasonera (publ). Board member of JM AB (publ) and Pernod Ricard SA.	Board member of the Dunker Funds and Foundations and the Swedish Financial Reporting Board.	Executive Director of Henry and Gerda Dunkers' Foundation and Foundation No. 2. Board member of Dunker Foundations, Svenska Handelsbanken South Region, Novotek AB (publ).	Chairman of the Board of Ferrosan AS and Textilia AB. Board member of Dako A/S. Chairman of the Swedish Defence Research Agency (FOI).	Board member of Beijer Alma AB (publ), Trioplast Industrier AB and The Chamber of Commerce and Industry of Southern Sweden.	
<b>Dependence</b>	No.	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, Dunker Funds and Foundations.	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, Dunker Funds and Foundations.	No.	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President.	No.
<b>Previous experience</b>	A number of senior management positions in the ABB Group, including President and CEO of ABB Sweden and President of The Association of Swedish Engineering Industries.	CFO of Autoliv Inc. And CFO of Esselte AB.	A variety of senior positions at ASEA and Åkerlund & Rausing as well as President and CEO of Höganäs AB and Öresundskraft AB.	President and CEO of Gambro and CFO and Vice President of Incentive.	Business Area President, Trelleborg Engineered Systems and other posts within the Trelleborg Group, as well as management consultant at BSI.	Various management positions at AT Kearney and with ABB in Sweden and Canada.
<b>Own and related-party holdings 2010</b>	30,404 shares.	–	30,404 shares.	60,809 shares.	80,572 shares and 100,000 call options.	5,000 shares.
<b>Own and related-party holdings 2009</b>	30,404 shares.	–	30,404 shares.	60,809 shares.	80,572 shares and 100,000 call options.	–
<b>Audit Committee attendance</b>	Member 5 of 5.	–	Member 4 of 5. <sup>3)</sup>	Member <sup>1)</sup> 3 of 3.	–	–
<b>Finance Committee attendance</b>	Member 5 of 5.	–	Member 4 of 5. <sup>3)</sup>	Member <sup>1)</sup> 3 of 3.	–	–
<b>Remuneration Committee attendance</b>	Chairman 6 of 6	Member* 3 of 3.	Member 6 of 6.	–	–	–
<b>Board meeting attendance</b>	Chairman 12 of 12.	Member 12 of 12.	Member 10 of 12 <sup>2)</sup>	Member 12 of 12.	Member 12 of 12.	Member <sup>1)</sup> 9 of 9.
<b>Remuneration 2010*</b>						
Board	950	360	360	360	–	360
Committee	150	50	150	100	–	–
<b>Total 2010</b>	<b>1,100</b>	<b>410</b>	<b>510</b>	<b>460</b>	<b>–</b>	<b>360</b>
<b>Remuneration 2009*</b>						
Board	950	360	360	360	–	–
Committee	150	–	150	–	–	–
<b>Total 2009</b>	<b>1,100</b>	<b>360</b>	<b>510</b>	<b>360</b>	<b>–</b>	<b>–</b>

1) Elected by the 2010 AGM.

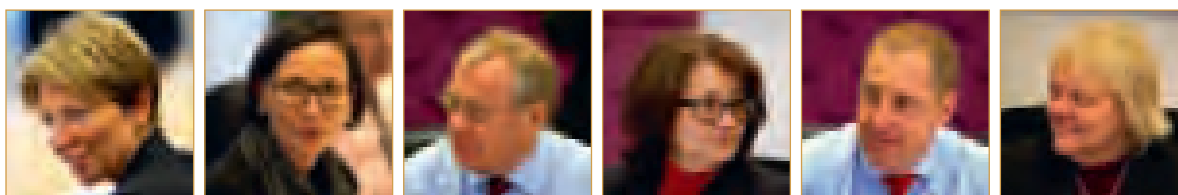
2) Not present at meetings 4 and 5 on April 20, 2010.

3) Not present on April 20, 2010.

\* Remuneration paid to the Board of Directors for the period May 2010 – April 2011, SEK 000s. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For 2010, remuneration was paid as per the table above. Remuneration is not paid to members of the Finance Committee.

No consulting fees were paid to Board members. Remuneration is not paid to Board members who are also employed by the Group. Remuneration excludes travel allowances.

► For additional information concerning remuneration, see Note 3, pages 85-86



Namn	Nina Udnes Tronstad	Heléne Vibbleus Bergquist	Alf Fredlund	Karin Linsjö	Mikael Nilsson	Birgitta Håkansson
<b>Position</b>	President of Aker Verdal AS, Norway, a subsidiary of Aker Solutions ASA.	Management Consultant.	Engineer, appointed by the Unions of the Trelleborg Group (PTK).	Appointed by the Unions of the Trelleborg Group (LO).	Industrial worker, appointed by the Unions of the Trelleborg Group (LO).	Salaried employee, appointed by the Unions of the Trelleborg Group (PTK).
<b>Qualifications</b>	M.Sc. Eng.	Graduate in business administration.	Engineer.	Elementary school and plant training.	Training in labor law, economics and personnel policy.	Secretarial studies, training in IT and accounting.
<b>Year elected</b>	2010.	2004.	2001.	2000.	2009.	2008.
<b>Born</b>	1959.	1958.	1946.	1954.	1967.	1950.
<b>Nationality</b>	Norwegian.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
<b>Other assignments</b>		Chairman of the Board of INVISIO Communications AB (publ). Board member of Nordic Growth Market NGM AB, Renewable Energy Corporation ASA, TradeDoubler AB (publ), Tyréns AB and SIDA.	Chairman of Unionen Trelleborg AB.		Chairman of Trelleborg Swedish Works Council (LO) and Chairman of Trelleborg European Works Council. Board member of Avdelning 52 Hus AB.	Vice Chairman of Unionen Trelleborg AB.
<b>Dependence</b>	No.	No.	-	-	-	-
<b>Previous experience</b>	Various management positions at Statoil in Norway, Sweden and Denmark.	Senior Vice President, Group Controller, AB Electrolux, Authorized Public Accountant, partner and member of the Board of PricewaterhouseCoopers in Sweden.				
<b>Own and related-party holdings 2010</b>	-	4,550 shares.	24,000 shares.	501 shares.	-	1,602 shares.
<b>Own and related-party holdings 2009</b>	-	4,550 shares.	24,000 shares.	501 shares.	-	1,602 shares.
<b>Audit Committee attendance</b>	-	Chairman 5 of 5	-	-	-	-
<b>Finance Committee attendance</b>	-	Chairman 5 of 5	-	-	-	-
<b>Remuneration Committee attendance</b>	-	-	-	-	-	-
<b>Board meeting attendance</b>	Member <sup>4)</sup> 8 of 9 <sup>5)</sup> .	Member 12 of 12.	Employee representative (PTK). 12 of 12	Employee representative (LO). 12 of 12	Employee representative (LO). 12 of 12	Deputy employee representative (PTK). 12 of 12
<b>Remuneration 2010*</b>						
Board	360	360	-	-	-	-
Committee	-	150	-	-	-	-
<b>Total 2010</b>	<b>360</b>	<b>510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Remuneration 2009*</b>						
Board	-	360	-	-	-	-
Committee	-	150	-	-	-	-
<b>Total 2009</b>	<b>-</b>	<b>510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

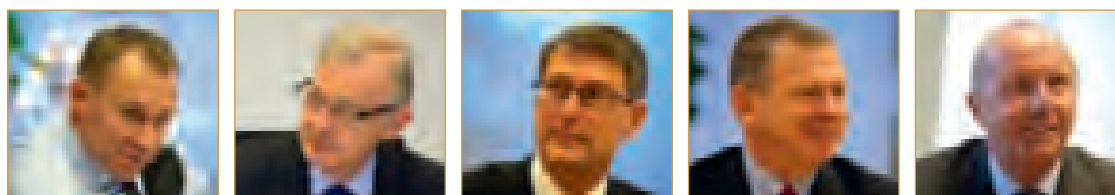
4) Elected by the 2010 AGM.

5) Not present at meeting 5 on April 20, 2010.

\* Remuneration paid to the Board of Directors for the period May 2010 – April 2011, SEK 000s. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For 2010, remuneration was paid as per the table above. Remuneration is not paid to members of the Finance Committee. No consulting fees were paid to Board members. Remuneration is not paid to Board members who are also employed by the Group. Remuneration excludes travel allowances.

► For additional information concerning remuneration, see Note 3, pages 85-86

# Group Management



Name	Peter Nilsson	Bo Jacobsson	Lennart Johansson	Jim Law	Claus Barsøe
<b>Position</b>	President and CEO Other assignments: Board member of Trelleborg AB (publ), Beijer Alma AB (publ), Trioplast Industrier AB and The Chamber of Commerce and Industry of Southern Sweden.	Chief Financial Officer (CFO) and Executive Vice President, Trelleborg AB.	Business Area President, Trelleborg Engineered Systems.	Business Area President, Trelleborg Automotive.	Business Area President, Trelleborg Sealing Solutions.
<b>Qualifications</b>	M.Sc. Eng.	University studies in business administration.	M.Sc. Eng.	Bachelor of Science Electrical Engineering, BS General Engineering, Minor in Business.	Graduate in business administration.
<b>Born</b>	1966.	1951.	1960.	1955.	1949.
<b>Nationality</b>	Swedish.	Swedish.	Swedish.	American.	Danish.
<b>Previous experience includes</b>	Business Area President, Trelleborg Engineered Systems and other posts at the Trelleborg Group, as well as management consultant at BSI.	CEO of the Scancem Group and CFO of Telia AB.	President of Kemira Kemi, business unit manager of Kemira OY and Perstorp AB.	Business Unit President, Global Anti Vibration Solutions at Trelleborg Automotive. VP Sales & Engineering, Yale, South Haven.	Market Director of Alfa Laval, various positions at Busak+Shamban and Polymer Sealing Solutions.
<b>Own and related-party holdings 2010</b>	80,572 shares and 100,000 call options*.	30,384 shares and 25,000 call options*.	25,000 call options*.	–	25,000 call options*.
<b>Own and related-party holdings 2009</b>	80,572 shares and 100,000 call options*.	30,384 shares and 25,000 call options*.	25,000 call options*.	–	25,000 call options*.
<b>Employed</b>	1995.	1975-1997, 2002.	2005.	1997.	2003.
<b>In current position since</b>	2005.	CFO: 2002, Executive Vice President: 2005.	2005.	2011.**	2003.

\* The principal owner Henry and Gerda Dunkers Donation Fund No. 2 issued a call option program in February 2008. At that time, nine senior executives purchased 255,000 call options in Trelleborg at a price of SEK 10.98 per call option. Each call option entitles the holder to purchase one share of Series B in Trelleborg AB during the period March 15, 2008 – March 15, 2012 at an exercise price at SEK 125.50. As a result of the implemented rights issue in 2009 and in accordance with terms and conditions of the options, the exercise price was recalculated to SEK 57.70 per share and each call option will entitle the holder to purchase 2.18 shares. The principal owner's objective of the call option program is to promote the long-term commitment of management executives in the company. Trelleborg AB did not participate in the offer and will not have any expenses in connection with the offer.

\*\* As of January 1<sup>st</sup>, 2011. Jim Law succeeded Roger Johansson, who was President of the Trelleborg Automotive Business Area up to and including December 31, 2010

## Remuneration of Group Management 2010

SEK 000s	Fixed salary	① Annual variable salary	② Incentive program <sup>1)</sup>	③ Other benefits	Total	④ Pension	Total including pension
President	2010 7,559 <sup>2)</sup>	4,550	2,275	163	14,547	2,847	17,394
	2009 6,506	3,900	975	153	11,534	2,382	13,916
Executive Vice President	2010 3,220	1,250	625	112	5,207	2,375	7,582
	2009 3,150	1,250	313	127	4,840	2,085	6,925
Group Management, others (9 persons) <sup>3)</sup>	2010 27,222	12,731	5,289	845	46,087	7,998	54,085
	2009 29,296	10,199	3,220	914	43,629	7,811	51,440
<b>Total</b>	<b>2010 38,001</b>	<b>18,531</b>	<b>8,189</b>	<b>1,120</b>	<b>65,841</b>	<b>13,220</b>	<b>79,061</b>
	2009 38,952	15,349	4,508	1,194	60,003	12,278	72,281

<sup>1)</sup> Expensed 2010. <sup>2)</sup> Of this amount, fixed salary represented SEK 7,000,000, with the remainder mainly consisting of a change in vacation pay liability.

<sup>3)</sup> Changes in Group Management took place in 2010 and, at the end of the year, Group Management comprised eight individuals in addition to the President and the Executive Vice President.

### Principles for remuneration

The following are the principles for remuneration of senior executives adopted by the Annual General Meeting:

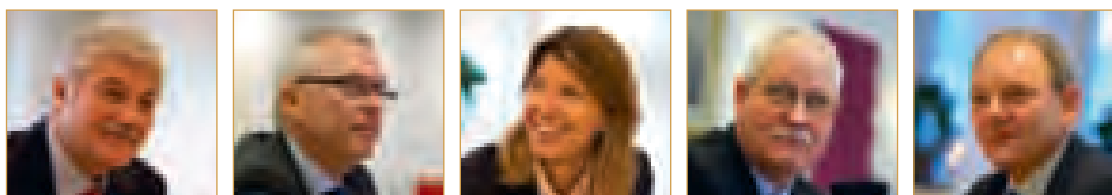
- Trelleborg shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives.
- The remuneration structure shall comprise fixed and variable salary, pension and other remuneration, which together form the individual's total remuneration package.

- Trelleborg continuously gathers and evaluates information on market-based remuneration levels for relevant industries and markets.
- Principles for remuneration may vary depending on local conditions.
- The remuneration structure shall be based on such factors as position, expertise, experience and performance.

Senior executives comprise the President and other members of Group Management. The principles are supplemented by a policy for benefits for senior

executives as well as a global remuneration policy that covers all managers and senior salaried employees.

In 2010, total remuneration of Group Management amounted to SEK 65,841,000 (60,003,000) excluding pension premiums and SEK 79,061,000 (72,281,000) including pension premiums.



Name	Maurizio Vischi	Sören Andersson	Viktoria Bergman	Ulf Gradén	Claes Jörwall
<b>Position</b>	Business Area President, Trelleborg Wheel Systems.	Senior Vice President, Human Resources.	Senior Vice President, Corporate Communications.	Senior Vice President, General Counsel and Secretary.	Senior Vice President, Taxes and Group Structures.
<b>Qualifications</b>	MBA.	University studies in economics, sociology and education.	Berghs School of Communication	Master of Law. Reporting Clerk, Court of Appeal.	Graduate in business administration.
<b>Born</b>	1955.	1956.	1965.	1954.	1953.
<b>Nationality</b>	Italian.	Swedish.	Swedish.	Swedish.	Swedish.
<b>Previous experience includes</b>	Various management positions at Pirelli.	Various HR posts at SCA.	Falcon Bryggerier and Vice President, Corporate Communications at Trelleborg.	Corporate Legal Counsel at Mölnlycke and General Counsel at PLM/Rexam.	Department manager at the Swedish National Tax Board.
<b>Own and related-party holdings 2010</b>	25,000 call options*.	6,080 shares and 10,000 call options*.	1,518 shares and 10,000 call options*.	10,000 call options*.	16,031 shares.
<b>Own and related-party holdings 2009</b>	25,000 call options*.	6,080 shares and 10,000 call options*.	1,518 shares and 10,000 call options*.	10,000 call options*.	16,031 shares.
<b>Employed</b>	1999.	1998.	2002.	2001.	1988.
<b>In current position since</b>	2001.	1998.	2005.	2001.	1988.

\* The principal owner Henry and Gerda Dunkers Donation Fund No. 2 issued a call option program in February 2008. At that time, nine senior executives purchased 255,000 call options in Trelleborg at a price of SEK 10.98 per call option. Each call option entitles the holder to purchase one share of Series B in Trelleborg AB during the period March 15, 2008 – March 15, 2012 at an exercise price at SEK 125.50. As a result of the implemented rights issue in 2009 and in accordance with terms and conditions of the options, the exercise price was recalculated to SEK 57.70 per share and each call option will entitle the holder to purchase 2.18 shares. The principal owner's objective of the call option program is to promote the long-term commitment of management executives in the company. Trelleborg AB did not participate in the offer and will not have any expenses in connection with the offer.

#### ① Annual variable salary

The annual variable salary is based on the achievement of mainly quantitative targets set up in advance. The 2010 targets pertained to the Group's profit before tax and the Group's operating cash flow, both excluding the effect of structural changes approved by the Board of Directors. Annual variable salary does not constitute pensionable income and does not form the basis of vacation pay. In 2010, the President's variable salary was a maximum of 65 percent of fixed salary. For other senior executives, variable salary was a maximum of 25-65 percent of fixed salary in 2010.

#### ② Long-term incentive program

Since 2005, the Board of Directors has annually resolved to introduce a long-term incentive program for the President and for certain senior executives exercising a significant influence on the Trelleborg Group's earnings per share. These programs are ongoing three-year programs for which the Board will, on a yearly basis, approve any new programs and will define their scope, objective and number of participants. The incentive programs are cash-based and constitute a supplement to the annual variable salaries, provided that the executive is employed by the Trelleborg Group as per December 31 in the year in which the program ends.

#### Purpose

The incentive programs are directional and have long-term content that aims to continue to promote commitment of senior executives to the Group's development, thereby increasing value for the Group's shareholders.

#### Target figures

The target value for the incentive programs is the

Trelleborg Group's earnings per share, with an annual improvement of 10 percent, excluding items affecting comparability and the impact of any share buyback programs, and includes the costs for the programs.

For the current programs, the Board has established a target of SEK 6.56 in earnings per share for 2008, a target of SEK 2.56 for 2009 and a target of SEK 2.85 for 2010, with the upper cap for payments set at 25 percent of the maximum annual variable salary per program per year. For the 2008 program, the target for earnings per share was recalculated due to the rights issue implemented in 2009.

#### Outcome and payment

The result is calculated annually and accumulated over the three-year period and potential payments are made in the first quarter of the year after the program expires. For the program approved for 2008, payment will be made in the first quarter of 2011, for the program approved for 2009, payment will be made in the first quarter of 2012, and for the program approved for 2010, payment will be made in the first quarter of 2013. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2010, earnings were charged with SEK 20,541,000 (12,289,000) and additional payroll expenses of SEK 4,373,000 (2,597,000).

#### Other incentive programs

The Group has no ongoing convertible debenture or warrant programs at the present time.

#### ③ Other benefits

The President and other senior executives have the possibility of having a company car and medical expenses insurance.

#### ④ Pension

The pension agreement is a defined-contribution scheme. For the President and other senior executives, the premium is computed as between 20 and 45 percent of the fixed salary. Some of the senior executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation amounting to 60 percent of fixed annual salary is paid until the age of 65, when the regular retirement pension payments become effective. For the President, the premium is computed as 40 percent of the fixed salary. Pensionable age is 65, however, both the company and the President have the right, without special motivation, to request early retirement from the age of 60, with a mutual six-month notice of termination. If the President enters early retirement, the employment agreement and pension agreement are rendered invalid as of that time.

#### Severance pay

For the President, termination of employment by the company shall be subject to a period of notice of 24 months. The period of notice from the President is six months. During the period of notice, fixed salary is payable. Certain senior executives have extended notice of termination periods when initiated by the company, normally 12, 18 or 24 months, whereas the notice period is six months when initiated by the individual.

► For additional information concerning remuneration, see Note 3, pages 85-86.



# Overview of governance in the Trelleborg Group

## Shareholders

The right of shareholders to make decisions on the affairs of Trelleborg is exercised at the Annual General Meeting, which is usually held in April or, where appropriate, at an Extraordinary General Meeting, which is Trelleborg's highest decision-making body. The Meeting adopts the Articles of Association and at the Meeting, the shareholders appoint Board members and the Chairman of the Board as well as the auditors, and makes 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 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.

## Auditor

Trelleborg's auditor, elected by the Annual General Meeting, audits the company's Annual Report and accounts, as well as the Board's and the President's management. Trelleborg's auditor is elected for four years. The auditor bases his work on an audit plan and obtains the Audit Committee's opinions on Trelleborg's risks with regard to financial reporting before the audit plan is established. The auditor continuously reports observations to the Audit Committee throughout the year and to the Board, both after the hard-close audit during the autumn and in connection with the approval of the six-month interim report and the Annual Report by the Board. The auditor's assignment is presented in a written auditor's report at the Annual General Meeting.

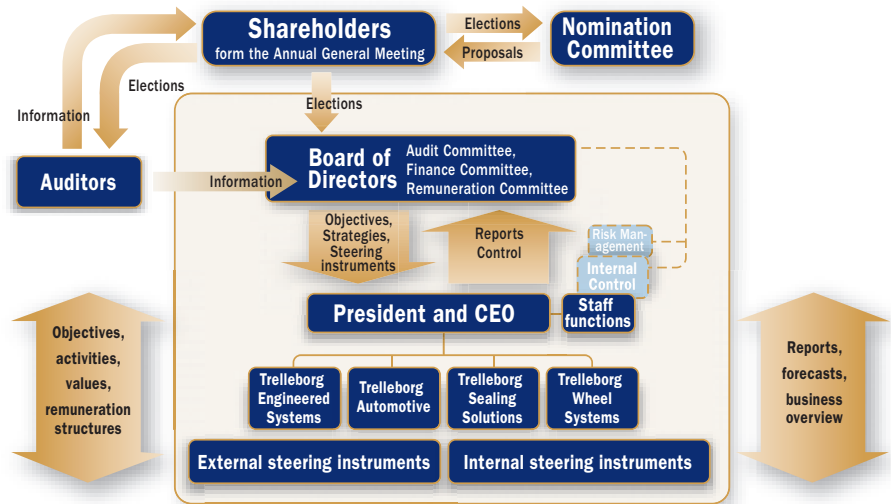
## Nomination Committee

Procedures for the Nomination Committee's appointment and work are adopted by the Annual General Meeting. The Nomination Committee prepares and submits proposals to the Meeting on the election of Board members, the Chairman of the Board and, where appropriate, the auditor as well as their fees. The Nomination Committee shall consist of five members. They shall be representatives of the five largest shareholders at the close of the third quarter, who are to be contacted by the Chairman of the Board at that time. These shareholders then have the right to appoint one member each. The Nomination Committee may also decide that the Chairman of the Board be a part of the Committee, but not be appointed to serve as its chairman.

## Board of Directors

### Composition of the Board

In accordance with the Articles of Association, the Board of Directors shall consist of three to ten members, elected annually by the Annual General Meeting for the period until the next Annual General Meeting. Although the Articles of Association allow for the election of deputies, there are currently no deputies elected by the Annual General Meeting. In accordance with legislation, employees elect three Board members and a deputy. Trelleborg's CFO participates in the Board meetings as does the General Counsel, who also serves as the Board's Secretary. The Board has established three committees, the Audit Committee, the Finance Committee and the Remuneration Committee.



### Responsibilities of the Chairman

The Chairman is responsible for the work of the Board being well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialogue with the President. He 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 checking that the Board's decisions are executed. The Chairman is responsible for ensuring that new Board members undergo requisite introductory training and that the Board continuously updates and deepens its knowledge about the company. The Chairman is also responsible for annually evaluating the Board's activities, and this evaluation is then shared with the Nomination Committee. The Chairman represents the company in all ownership issues.

### Responsibilities and work of the Board

The Board is responsible for managing operations in the interest of the company and all its shareholders in accordance with external and internal steering documents. The framework comprises a written formal work plan for the Board that is adopted by the Board each year. The Board monitors the President's work through ongoing reviews of the operation over the year. The Board's responsibility includes establishing internal steering instruments and ensuring that there are effective systems for follow-up and control of the company's operations and that there is satisfactory internal control. In addition, the responsibilities of the Board include setting strategies and targets, deciding on major acquisitions and divestments of operations or other major investments, deciding on financial investments and loans in accordance with the Treasury Policy and issuing financial reports. The Board annually evaluates the President and other senior executives and oversees the planning of managerial succession. Trelleborg's Board of Directors meets at least seven times per year.

### The Board's responsibility for financial reporting

The Board ensures the quality of financial reporting in part through instructions to the President, instructions regarding financial reporting to the Board and through the Communications Policy, and in part by considering reports from the Audit Committee. The Board also assures the quality of financial reporting by considering interim reports, year-end reports and

annual reports in detail at its respective meetings. The Board has delegated to corporate management the responsibility for ensuring the quality of financial press releases and presentation material in conjunction with meetings with the media, shareholders and financial institutions.

### Board committees

- The Audit Committee's objective, in accordance with the instructions for the Audit Committee established by the Board of Trelleborg, is to represent the Board by monitoring the company's financial reporting and, with regard to this reporting, overseeing the effectiveness of the company's internal control, internal audit and risk management. The Audit Committee's objective is also to keep itself informed in matters relating to the audit of the annual report and the consolidated financial statements, to review and monitor the auditors' impartiality and independence, and to provide assistance when preparing proposals regarding the appointment of auditors for approval by the Annual General Meeting. The Audit Committee shall also act on behalf of the Board to support and monitor the Group's activities related to corporate responsibility issues and the overall coordination of the Group's risk management. The results of the Audit Committee's work in the form of observations, recommendations, motions and measures are continuously reported to the Board, usually at the subsequent Board meeting.
- The Finance Committee's objective is to represent the Board in day-to-day issues relating to financing, to support and monitor financial operations, to annually assess and propose changes to the Treasury Policy, to evaluate and prepare matters for decision by the Board and, after each meeting, to report on its work at the subsequent Board meeting.
- The Remuneration Committee's objective is to represent the Board in matters concerning remuneration and terms of employment for the President and executives reporting directly to the President based on the principles adopted by the Annual General Meeting and the Remuneration Policy. The Committee continuously reports its work to the Board.

## Related information

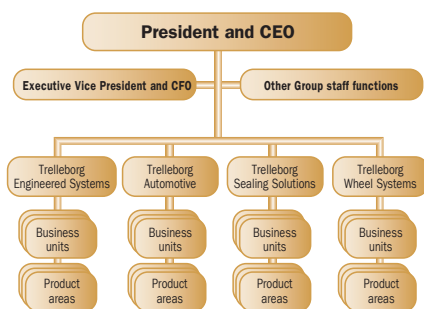
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## President and Group Management

The President and CEO manages Trelleborg's day-to-day operations in accordance with internal and external steering instruments. The framework for this work comprises written instructions to the President established by the Board every year. The President is assisted by Group Management comprising managers for business areas and corporate functions. In consultation with the Chairman of the Board, the President prepares necessary information and documentation on the basis of which the Board can make well-founded decisions. The President presents matters and motivates proposed decisions. The President answers to and regularly reports to the Board regarding the development of the company. Trelleborg's operations are organized into four business areas. These encompass 20 business units that cover about 40 product areas. Trelleborg has a decentralized structure, with a strong focus on responsibility and performance, which is combined with clearly defined Group-wide processes that aim to achieve synergies.

The President leads the work conducted by Group Management and renders decisions in consultation with other members of the management team. At year-end 2010, Group Management comprised ten individuals.

Group Management holds regular management meetings. In 2010, Group Management held 6 meetings. These focus on the Group's strategic and operational development and budget follow-up. In addition to these meetings, close cooperation takes place on a daily basis on various issues between the operational business and representatives of the various staff functions. The company aims to create an open, clear and honest working culture, with short decision-making paths.



## Internal Control

The Group's Internal Control staff function works as the Group's internal audit function and reports to the Audit Committee and the Group's CFO. Within the scope of the defined process called internal control, the function works on developing, improving and ensuring internal control regarding financial reporting in the Group, in part, by proactively focusing on the internal control environment and, in part, by examining how internal control works. The proactive work on the internal control environment focused particularly on developing and improving processes and establishing minimum requirements for good internal control with regard to financial reporting documented in internal steering instruments and developing and providing training and tools in the Group for internal control with regard to financial reporting. Efforts to examine the effectiveness of the internal control included risk assessments as a basis for prioritization, development and follow-up

of self-evaluations in the Group's companies and business areas, which are supplemented with internal audits. The internal control process is formulated to provide reasonable assurance that the goals of the Trelleborg Group are achieved in terms of appropriate and effective business activities, reliable reporting and compliance with applicable legislation and regulations. The process is based on a control environment throughout Trelleborg that creates discipline and structure for the other four components of the process, namely, risk assessment, control structures, information and communication, and monitoring. Internal Control of financial reporting aims to provide reasonable assurance with regard to the reliability of the external financial reporting and that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies. Internal steering instruments for financial reporting primarily comprise the Group's Treasury Policy, Communication Policy and Finance Manual, which define the accounting and reporting rules, and the Group's definition of processes and minimum requirements for good internal control over financial reporting.

## Risk Management

Risk Management is a staff function. Within the scope of Trelleborg's Enterprise Risk Management process - ERM process - risks in Group companies, business areas and processes are identified, evaluated and managed. The ERM process is conducted centrally by the Risk Management staff function and is led by an ERM Board composed of representatives of the business areas and the Group staff functions. The ERM work provides a clear Group-wide view of what Trelleborg's risks are, how and where they are managed and by whom. Risk Management cooperates closely with Internal Control.

## External steering instruments

The external steering instruments that constitute the framework of corporate governance within Trelleborg include the Swedish Companies Act, the Annual Accounts Act, the listing agreement with the NASDAQ OMX Stockholm, the Swedish Code of Corporate Governance and other relevant legislation.

## Internal steering instruments

The internally binding steering instruments include the Articles of Association adopted by the Annual General Meeting and the Rules of procedure for the Board of Directors of Trelleborg approved by the Board, Instructions for the President of Trelleborg, Instructions for financial reporting to the Board of Trelleborg, Instructions for the Audit Committee established by the Board of Trelleborg, the Code of Conduct, the Communication Policy and the Treasury Policy. In addition to these steering instruments, there are a number of policies and manuals that contain binding rules, as well as recommendations that provide guidelines and guidance for the Group's operations and employees. These include Values, Finance Manual (accounting and reporting rules), Remuneration Policy and a definition of processes and the minimum requirements for good internal control, including internal control regarding financial reporting. Complete versions of many of the Group's steering instruments are available on Trelleborg's website.

### Rules of procedure of the Board of Directors

Each year, the Board of Directors establishes a

formal work plan clarifying the Board's responsibilities and regulating the internal division of duties between the Board and its committees, including the role of the Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as the Board's work on accounting, auditing matters and financial reporting. The work plan also governs how the Board is to receive information and documentation as the basis for its work and to be able to make well-founded decisions.

### Instructions for the President

Each year, the Board of Directors also establishes written instructions for the President that clarify the President's responsibility for operational management, the form and content of reporting to the Board, requirements of internal steering instruments and issues that always require a Board decision or reporting to the Board, such as the adoption of interim reports, annual reports and year-end reports, decisions regarding major acquisitions and business divestments, decisions regarding other large investments, decisions about investments and loans in accordance with the Treasury Policy, information on guarantees above a certain level, adoption of remuneration and employment terms for the President and executives reporting directly to him.

### Code of Conduct

The Trelleborg Group works to create added value for its stakeholders without compromising the Group's high ambitions with regard to the environment and social responsibility. The Code of Conduct establishes how Trelleborg should conduct its business, including principles within the areas of Workplace and Environment, Marketplace, Society and Community, and Corporate Governance. The Code of Conduct applies to all employees, including managers and Board members in the Trelleborg Group, in all markets, always and without exception. Trelleborg also encourages suppliers, sales representatives, consultants and other business partners to adopt the principles of both the Global Compact and Trelleborg's own Code of Conduct.

### Values

Trelleborg's values – customer focus, performance, innovation and responsibility – comprise a long-term commitment that, when combined with its business concept, objectives and strategies, guides the employees in their daily activities. *Customer focus* refers to the ambition to be the preferred supplier of solutions in selected markets. All decisions are made with the customer in focus, with the objective of creating added value for the customers and Trelleborg in close cooperation. *Performance* entails outperforming competitors and involves achieving results and the manner in which this is conducted. Culture and attitudes within Trelleborg shall promote *Innovation*. The daily ambition is to think differently, in a new and creative manner. Innovation is an important driver of growth. All employees also have a *Responsibility* for Trelleborg in its entirety – the company's profits and good reputation.

# Report by the Board of Directors on Internal Control

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

## Internal Control over financial reporting

The following description was prepared in accordance with the Swedish Code of Corporate Governance and represents the Board of Directors' report on internal control of financial reporting. The report has been examined by the company's auditor.

Internal Control of financial reporting aims to provide reasonable assurance with regard to the reliability of the 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.

## Risk assessment

Trelleborg's risk assessment of financial reporting aims to identify and evaluate the most significant risks 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.

## The control environment

The Board of Directors bears the overall responsibility for internal control of the financial reporting. The Board has established a written formal work plan that clarifies the Board's responsibilities and regulates the Board's and its committees' internal distribution of work.

The Board has appointed an Audit Committee to represent the Board in matters concerning the monitoring of the company's financial reporting and, in relation to the financial reporting, to monitor the efficiency of the company's internal control, internal audit and risk management. The Audit Committee shall also

## Related information

Risk Management	pages 34-39
Overview of governance in the Trelleborg Group	pages 48-49

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 auditors' impartiality and independence and providing assistance when preparing proposals regarding the appointment of auditors for approval by the Annual General Meeting. The Board has also established instructions for the President and instructions for financial reporting to the Board of Trelleborg. The responsibility for maintaining an effective control environment and the ongoing work on internal control as regards the financial reporting is delegated to the President.

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

## Internal Control at Trelleborg

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:

- appropriate and effective business activities
- reliable reporting
- and compliance with applicable legislation and regulations.

The internal control process is based on a control environment that creates discipline and structure for the other four components of the process, namely, risk assessment, control structures, information and communication, and monitoring. The starting point for the process is the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), [www.coso.org](http://www.coso.org).

**Risk assessment** is conducted within the framework of Trelleborg's Enterprise Risk Management process. This is described in greater detail on pages 34-35.

**The control environment** includes the values and ethics upon which the Board, the Audit Committee, the President and Group Management base their communication and actions, as well as the Group's organizational structure, leadership, decision channels, authorizations, responsibilities and the expertise of the employees. An overview of the Group's organization and governance, including external and internal steering instruments, which are important elements of Trelleborg's control environment, is outlined on pages 48-49. Trelleborg's values constitute a long-term commitment, which, combined with business concepts, targets and strategies, guides the employees in their daily work. Trelleborg's Code of Conduct comprises principles for how business should be conducted. Trelleborg is characterized by a decentralized organization that is managed based on target-oriented leadership with clear targets and rewards based on performance.

**Control structures** relate to the controls have been chosen to manage Group risks. Examples of control strategies that are applied in the Group



can be found on pages 34-39 in the Risk Management section and on the adjoining page with regard to significant operative processes.

**Information and Communication** External information and communication include, for example, reporting to authorities and external financial reporting. Internal information and communication are about creating awareness among Group employees about external and internal steering instruments, including authority and responsibilities. Important tools for this include Trelleborg's intranet and training programs. A process exists whereby Group employees confirm that they comply with Group policies. Trelleborg's whistleblower policy implies that each employee is entitled, without repercussions, to report suspicions of legal or regulatory violations. Internal information and communication also concern the information generated by Trelleborg's process for internal control being fed back to the Board, Audit Committee, President and Group Management as a basis for being able to make well-founded decisions.

**Monitoring** aims to secure the effectiveness of the process through a number of different activities, such as monitoring of operations in terms of established goals, self-evaluations, internal audit and other monitoring activities.

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

**Control structures**

The most significant risks identified as regards 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 purpose of the control structures is to ensure efficiency in the Group's processes and good internal control and is based on the Group's minimum requirements for good internal control in defined, significant processes, which is demonstrated in the diagram below. Minimum requirements comprise more general and detailed controls and can be both preventive and detective in nature. These have been subdivided into A and B levels, according to which the A level shall be applied by all of the companies in the Group and the B level by only the Group's largest companies.

The control structure in the accounting and reporting process, which is significant to the financial reporting's reliability, includes requirements for 45 controls.

**Information and Communication**

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

In the Group, there is a process by which all relevant employees confirm compliance with Trelleborg's policies on an annual basis. The Group's CFO and the Head of the Internal

Control staff function report the results of their work on internal control 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 steering instruments.

**Monitoring**

Monitoring to ensure the effectiveness of internal control in terms of financial reporting is conducted by the Board, the Audit Committee, the President, Group Management, the Internal Control staff function, the Treasury staff function and by the Group's companies and business areas. Monitoring includes the follow-up of monthly financial reports in relation to budget and targets, as well as quarterly reports with results from self-assessments in the Group's companies and business areas, and results from internal audits. Monitoring also includes following up observations reported by the company'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 2010**

The Internal Control Group staff functions conducted 30 (25) internal audits in 16 (eight) countries. The greatest geographic focus was on Brazil, China and India. The majority of the audits were conducted by an internal team comprising the Internal Control staff function in cooperation with other staff functions with specialist competence in such areas as purchasing, cash-flow management and finance, and with external consultants. Internal audits of IT security are

carried out by the head of Group IT together with external consultants.

In 2010, considerable focus was on purchasing processes that influence cash flow, since the Group has large purchasing flows of raw materials, components and services. Focus was also on accounting and reporting processes in the Group's companies. A new process for 2010 was the salary management process, including pensions and other compensation.

The Internal Control Group staff function also conducted training in China, among other countries, in order to draw attention to, and train local companies in, the significance of effective processes and good internal control.

In conjunction with the majority of company visits around the world by the Internal Control staff function, the status of risk management in various areas such as the environment, legal issues, etc. has been fed back to the Group staff function concerned for follow-up. Cooperation between the Internal Control, the Group Legal and Risk Management staff functions, which are primarily responsible for the ERM process, was mainly focused on further development of the Group's ERM reporting in 2010.

**Focus in 2011**

In 2011, the Internal Control staff function will work broadly with the audit of all processes. However, focus will continue to be on the purchasing process, although IT security audits and the management of value-added tax will also be a focus area.

Geographically, the growth markets outside North America and Western Europe will continue to be prioritized markets for the Internal Control staff function in 2011.

*Trelleborg, February 15, 2011  
Board of Directors of Trelleborg*

	Company 1	Company 2	Business area 1	Business area 2	Purchasing	Treasury	Etc.
	Self-evaluation						
Financial report and reporting processes	<ul style="list-style-type: none"> <li>Group-wide reporting system with quarterly feedback from subsidiaries</li> <li>Subsidiaries respond to how they comply with the Group's minimum requirements for good internal control in selected processes</li> </ul>						
Purchasing process	<ul style="list-style-type: none"> <li>Deficiencies are identified, measures planned and implemented by the companies</li> </ul>						
Inventory process	<ul style="list-style-type: none"> <li>Includes approximately 100 subsidiaries, of which the largest approximately 40 companies shall apply both A and B levels in terms of minimum levels for good internal control and the approximately 60 smaller companies will only apply the A level</li> </ul>						
Sales process	<ul style="list-style-type: none"> <li>Covers seven selected processes and about 250 minimum requirements for good internal control</li> </ul>						
Process for assets	<ul style="list-style-type: none"> <li>All relevant employees annually confirm their compliance with the Group's policies.</li> </ul>						
IT security process	<ul style="list-style-type: none"> <li>Internal audits are conducted by the Internal Control staff function in cooperation with internal resources from other staff functions and external consultants</li> <li>Internal audits of IT security are carried out by the head of Group IT together with external consultants</li> <li>Comprises seven selected processes and about 250 minimum requirements for good internal control</li> <li>Internal audits result in observations, recommendations and proposals for decisions and measures</li> <li>Identified deficiencies are followed up on a quarterly basis by business area controllers and the Internal Control staff function.</li> </ul>						
Salary management process incl. pensions and other compensation	<ul style="list-style-type: none"> <li>A number of training programs in defined processes relating to minimum requirements for good internal control took place in 2010</li> <li>Training programs are aimed at increasing knowledge levels and understanding pertaining to efficient processes and good internal control</li> <li>Training programs are a forum for the exchange of experience and sharing best practice</li> <li>A new intranet section has been available since 2009 to provide employees access to standardized tools and documents, as well as examples of business solutions.</li> </ul>						