

# COMPLIANCE WITH LAWS AND CODES

Trelleborg's Code of Conduct covers laws and rules, human rights, environment, OHS and ethics and applies to all employees, without exception. Together with the whistleblower policy, it constitutes an important linchpin for regulatory compliance in operations.

## Anti-corruption and competition law.

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 competition law, includes such issues as anti-corruption, export control, 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 the U.K. anti-corruption law.

During 2017, new training material in the e-learning format was created in the field of competition law, which allows the rapid global roll out to target groups concerned, starting in 2018.

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 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.

In order to show how compliance with laws and regulations is an ongoing and long-term commitment for Trelleborg, a Compliance Task Force with senior representatives from staff functions was established in 2015. The Task Force has been

assigned to lead and coordinate initiatives across the broader area of regulatory compliance.

During 2017, the Compliance Task Force held 4 meetings that addressed, among other things, an update to training courses for the Code of Conduct and Group policies (see box below and page 20), trade restrictions, compliance and effects of new legislation such as new rules on data protection, a review of legal entities and the integration of acquired businesses.

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 suspected legal or regulatory violations without repercussion. Refer to the table on page 21 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 (2017: 84%). In addition to drawing attention to areas for local improvement projects, these provide a clear indication of any problems with management or similar shortcomings.

In 2017, Trelleborg's Compliance Task Force continued its initiated review of Group policies to ensure that the messages they contain are understood by all individuals representing Trelleborg.

Specific legislation must be followed in certain countries, such as the U.S. (the Dodd-Frank Wall Street Reform and Consumer Protection Act related to conflict minerals, and Technology Transfer Control

legislation) and the U.K. (Bribery Act, Modern Slavery Act – which is designed to prevent forced labor and sex trafficking, see below).

**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 OHS-related laws are reported on page 21.

**The area of human rights** comprises fundamental rights defined by conventions and declarations, including those pertaining to child and forced labor, freedom of association and collective bargaining, discrimination/diversity and gender equality. All of these areas are addressed in Trelleborg's Code of Conduct, see below.

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.

**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, see the image illustrating the stages of the processing chain for natural rubber on page 20. For many years, Trelleborg cooperated with Save the Children in joint community initiatives, which have also strengthened know-how in the field of child labor.

**Forced labor** includes various phenomena, from slavery to forced relocation and forced exploitation of human

## THE CODE OF CONDUCT IS THE BASIS FOR REGULATORY COMPLIANCE AND CR

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. Starting in the first quarter 2017, an updated version of the company's training material pertaining to the Code of Conduct was rolled out to the entire Group – more than 80 percent of the employees completed this training course during the year – which further helped to raise awareness of applicable legislation, and of internal policies and rules. E-learning and other training material is available in 11 languages. A comprehensive review of the Code of Conduct is ongoing, with launch planned for 2018–2019.

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. It is available externally from [www.trelleborg.com](http://www.trelleborg.com). Trelleborg's Whistleblower Policy and system means 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.



beings (trafficking). The risk of this is also judged to exist primarily in the supply chain.

During 2017, Trelleborg's corporate website published a statement regarding the management of issues concerning forced labor and trafficking, mainly in accordance with the UK's Modern Slavery Act and Californian law.

**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 21.

**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.

During the year, special training initiatives were carried out to strengthen preventive measures against harassment, including in the U.S and India.

Read more about outcomes for the year in relation to discrimination on page 21 and about Trelleborg's diversity activities on pages 26–27.

**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 21.

**Environment laws and permits.** Fines or sanctions for breaches of environment or OHS-related rules is shown in the table on page 21. 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 further described in the table on page 21.

**Environmental studies.** When conducting 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 studies conducted in 2017 is presented in the table on page 21.

**Suppliers.** Suppliers – the total number of which is in the order of 23,000 – are concentrated in Europe, North America and Asia. Trelleborg's main raw materials are synthetic and natural rubber, respectively (see below and on page 22), 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 far-reaching responsibility for performance. The exception to this is when purchases at the business area or Group level yield cost benefits, particularly in respect of rubber material and material and services that are not directly included in products.

**Supplier assessment.** Supplier assessments have continued in 2017, primarily via Group-wide questionnaires, containing questions related to human rights, and also OHS, environmental management and social responsibility. Unsatisfactory responses are investigated. Refer to the table on page 21 for the year's outcome.

**Supplier audits.** Work auditing "at-risk suppliers" through site visits continued in

2017, mainly in China, but also in India and Turkey. The focus has been on textile suppliers and chemicals suppliers as well as natural rubber suppliers as described below. The basis for selection is both a geographic and material risk assessment.

Underperforming suppliers are given a deadline of 1 to 3 months for corrective measures following an audit. The time limit varies depending on the severity of the breaches. Refer to the table on page 21 for the outcome for 2017.

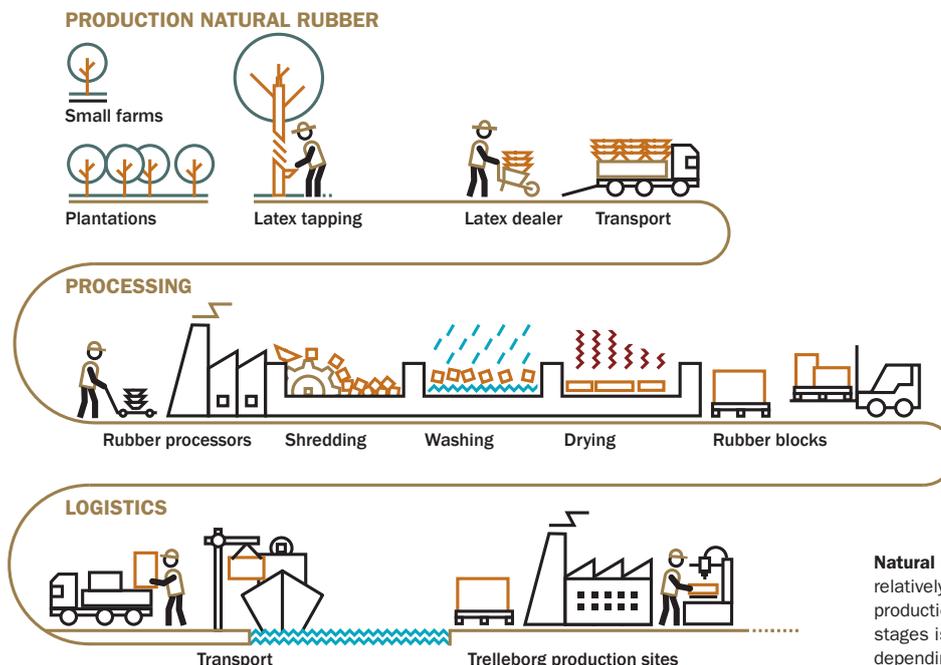
**Dialogue with natural rubber suppliers.** Dialogue with suppliers, with information gathering and as a precautionary approach, continued in 2016–2017 concerning natural rubber from Southeast Asia and Africa as a continuation from measures in 2014–2015 in Sri Lanka, where Trelleborg assembled more than 1,000 representatives of direct and indirect suppliers of natural rubber to a series of information meetings on the Code of Conduct and child labor.

The image below shows the principle value chain for natural rubber and the relatively long distance between Trelleborg's production units and rubber producers.

**CENTRAL POLICIES IN THE AREA OF COMPLIANCE**

All relevant employees sign an Acceptance Letter every year where they confirm knowledge of and compliance with all of the Group's policies, of which the following 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



**Natural rubber.** The supply 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.

## Outcome in brief for 2017 in the area of Compliance

Compliance	Where?	Outcome 2017	Description of goals and management approach
Anti-corruption and competition law	■	560 employees (650) underwent classroom training in anti-corruption, competition law, contract management and so forth. In addition, e-learning webinars are available.	Zero tolerance approach to all types of bribery, corruption, cartel and other criminal behavior. Knowledge about relevant Group policies and the Code of Conduct is a requirement that is ensured through recurring training sessions for all employees, which are supplemented with special training programs in the area.
Training in the Code of Conduct	■	83 percent of employees underwent training sessions, e-learning or classroom training during the year.	The goal for 2017 was that 85 percent of the Group's employees should undergo training in the Code of Conduct during the year. The training initiative will continue in 2018.
Compliance (general)	■	There were zero (0) reported significant breaches of laws and permits during the year.	Local governance in accordance with the Code of Conduct and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting. The Compliance Task Force is a central forum for all compliance issues, refer to page 19.
Environmental compliance	■	5 cases (3) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported, totaling SEK 209,000 (36,000).	Local governance in accordance with the Code of Conduct, permits and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting.
Whistleblower cases	■	During the year, 18 matters (14) were reported via the whistleblower system, most of which concerned complaints about local management and measures such as staff reductions. In some cases, reviews were carried out and identified non-compliances with the Group's Code of Conduct and policies, and relevant measures have been taken in these cases.	Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussion.
Discrimination	■	5 cases (5) of discrimination from the U.S., U.K. and the Netherlands were reported and reviewed. In some of these cases, a settlement was reached between the parties while in others, relevant measures were taken. One case is under investigation.	Zero tolerance applies to discrimination (reported and reviewed cases). Local governance in accordance with the Code of Conduct. Reported cases are dealt with at local level and reported centrally.
Freedom of association	■	53 percent (54.7) of employees are represented by a trade union through collective agreements.	The right to freedom of association, through union or other personal representation, and collective bargaining, is highlighted in the Code of Conduct.
Child labor	■ ■	Zero breaches (0) were reported.	Zero tolerance applies to child labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in part through selected cases in supplier audits.
Forced labor	■ ■	Zero breaches (0) were reported.	Zero tolerance applies to forced labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in some cases via supplier audits.
Suppliers	■	Supplier reviews were carried out corresponding to 84 percent (80.6) of the defined relevant purchasing value. Zero ongoing investigations were reported in December 2017 (0). During the year, 1 supplier relationship (0) was terminated for reasons related to the Code of Conduct. 15 supplier audits (14) were conducted during the year in China, India and Turkey. The most serious breaches include blocking emergency exits and deviations in procedures for handling of chemicals.	The goal is to only work with suppliers who adhere to applicable sections of Trelleborg's Code of Conduct. Reviews, including self-assessments, are to be completed with at least 80 percent of the relevant global purchasing value. Site visits with an audit of "at-risk suppliers" (based on geographic and material risk assessment), supplement the self-assessments. Since 2016, 29 supplier audits have been conducted, mainly in China, but also in India, Turkey and Indonesia. Refer also to page 20.
Environmental management systems	■	At the end of 2017, 89 units (88) were certified under ISO 14001, corresponding to 79 percent (73) of all facilities.	The goal is that all major production units will have an ISO 14001-certified environmental management system.
Unplanned emissions	■	During the year, 2 unplanned emissions (4) of oil and sodium silicates were reported, totaling less than 28 cubic meters.	Local governance of all handling operations subject to permits, even via the environmental management systems in accordance with ISO 14001.
Remediation of contaminated soil	■	Contaminated soil is currently being remediated at 9 units (9). Another 12 facilities (12) are expected to require remediation, although the extent has not yet been determined.	Trelleborg is also active as one of several parties in additional cases of remediation, although with marginal liability for costs.
Environmental studies	■ ■	In 2017, 11 studies (27) of facilities were performed in conjunction with acquisitions or closures.	Environmental studies are conducted to assess and outline the environmental impact and identify potential environmental liabilities for the company.

**Symbols:** ■ = Internal, all units   ■ = Internal, all production units   ■ = Internal, certain units   ■ = External, suppliers or acquisition candidates

