

# 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 and employee relations, as well as matters relating to professional conduct and business ethics.

Recently introduced elements are aimed at achieving excellence in the management of contracts, and in issues related to global distributors and agents. The program also provides information and guidance on the relevant legislation, such as the U.K. anti-corruption law.

In 2018, new training material in the e-learning format was created in the field of data protection, which allowed the rapid rollout to European target groups during 2018. This training initiative will continue in 2019, also for target groups in Asia, Oceania and North and South America.

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

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employees (560) underwent classroom training in anti-corruption, competition law, contract management and so forth.

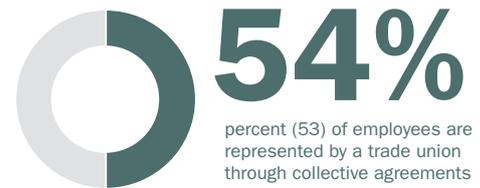


respond to the situations that may arise in their daily work.

Compliance with laws and regulations is an ongoing and long-term commitment for Trelleborg, and this has been monitored by a Compliance Task Force with senior representatives from staff functions that was established in 2015. The Task Force has been assigned to lead and coordinate initiatives across the broader area of regulatory compliance.

During 2018, 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 56) proposal for a new Code of Conduct, trade restrictions, compliance and effects of new legislation such as new rules for data protection, information security, 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 repercussions. Refer to the table on page 57 [III](#) 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, in 2018: 76 percent (84). In addition to drawing attention to areas for local improvement projects, these surveys provide a clear indication of any problems with management or similar shortcomings.

In 2018, 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

## THE NEW CODE OF CONDUCT IS THE BASIS FOR REGULATORY COMPLIANCE

Trelleborg's Code of Conduct in the areas of environment, OHS and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. In 2017, an initiative was launched in which more than 80 percent of all employees underwent training in the Code of Conduct – which further helped to raise awareness of applicable legislation, and of Group policies and rules.

A comprehensive review of the Code of Conduct was carried out in 2018 and is ready for a new global training initiative in 2019. E-learning and other training material is available in more than ten languages.

The new Code of Conduct is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact, and contains new regulations in areas such as trade restrictions, information processing and diversity. It is available 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.



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 shown in the table on page 57 [☰](#).

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

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 value chain for natural rubber on page 56. For many years, Trelleborg has cooperated with Save the Children in joint community initiatives, which has also strengthened internal know-how in the field of child labor.

*Forced labor* includes various phenomena, from slavery to forced relocation and forced exploitation of human beings (trafficking). The risk of this is also judged to exist primarily in the supply chain.

During 2018, Trelleborg's corporate website renewed its statement regarding the management of issues concerning forced labor and trafficking, mainly in accordance with the UK's Modern Slavery Act and Californian law, and also incorporated child labor into the statement.

*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 57 [☰](#).

*Discrimination.* No discrimination of employees is permitted on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views or social or ethnic origin, which is presented clearly in the Code of Conduct. Special training initiatives are continuing in efforts to prevent harassment.

Read more about outcomes for the year in relation to discrimination in the table on page 57 [☰](#) and about Trelleborg's diversity activities on pages 62–64.

**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 57.

*Environment laws and permits.* Fines or sanctions for breaches of environment or OHS-related rules is shown in the table on page 57 [☰](#). 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 57 [☰](#).

*Environmental studies.* For potential acquisitions and divestments, Trelleborg performs environmental studies of the companies to assess and outline their environmental impact and to identify potential environmental liabilities. The number of environmental studies conducted in 2018 is presented in the table on page 57 [☰](#).



At the end of 2018, 87 units (89) were certified under ISO 14001, corresponding to 73 percent (79) of all facilities.



Contaminated soil is currently being remediated at 9 units (9). Another 11 facilities (12) are expected to require remediation, although the extent has not yet been determined.



During the year, 18 matters (18) were reported via the Whistleblower system, most of which concerned complaints about local management and measures such as staff reductions.



In 2018, 18 environmental studies (11) of facilities were performed in conjunction with (potential) acquisitions or closures.

[☰](#) See detailed information in the table.

**Suppliers.** A total of about 23,000 suppliers are concentrated in Europe, North America and Asia. Trelleborg's main raw materials are synthetic and natural rubber, (see below and on pages 56 and 58), 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 regarding rubber material and material and services that are not directly included in products.

**Supplier assessment.** Supplier assessments have continued in 2018, 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 57 for the year's outcome.

**Supplier audits.** Work auditing "at-risk suppliers" through site visits continued in 2018, when 22 suppliers in China were visited and audited. The focus has been on textile suppliers, chemicals suppliers and natural rubber suppliers. The basis for selection of suppliers to audit 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.

**Dialog with natural rubber suppliers.** In 2018, dialogs with natural rubber suppliers included factory and plantation visits in Ivory Coast, refer to the text and pictures on page 67. Refer also to page 50 for more information about dialogs in previous years.

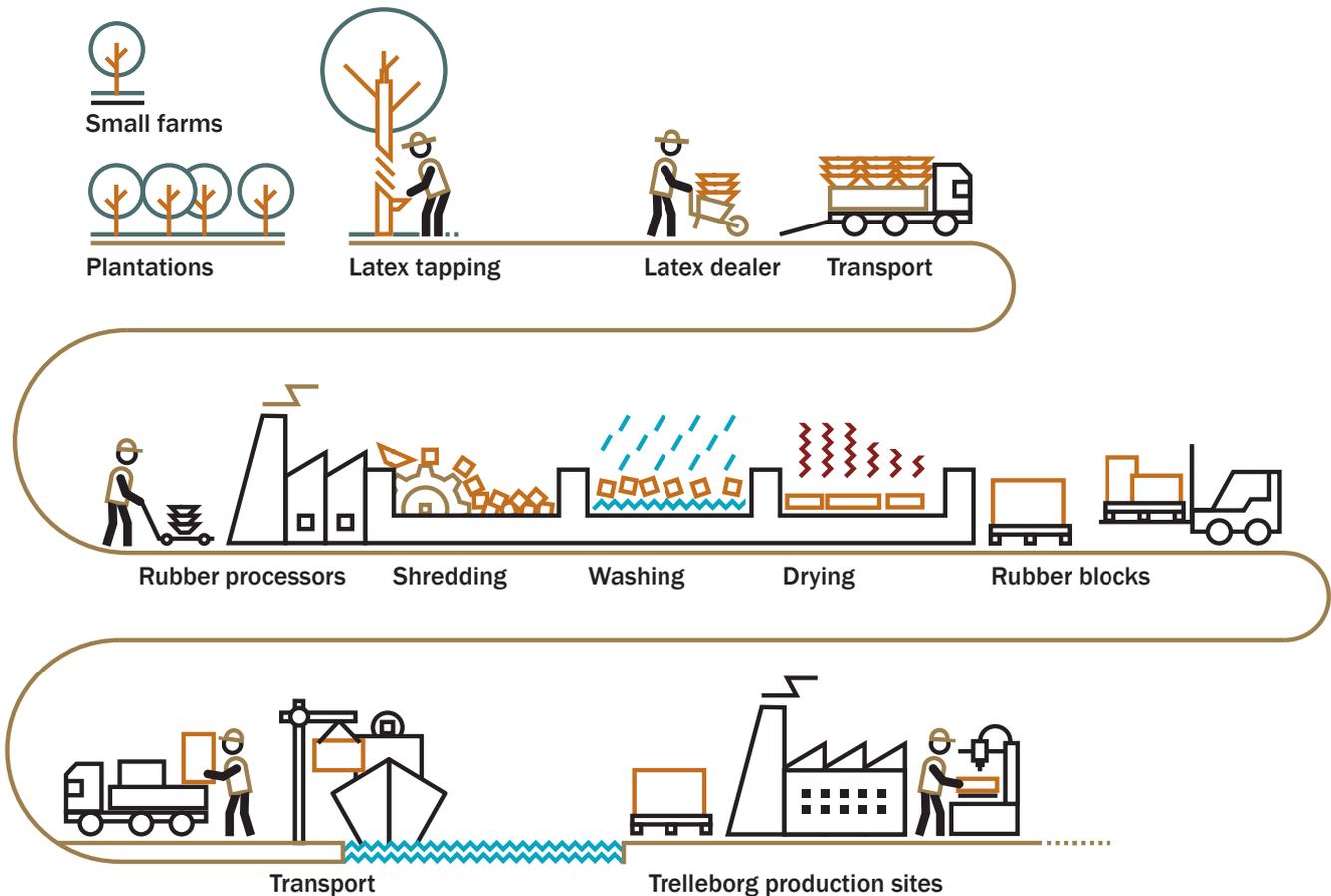
The image below shows the principle value chain for the production of natural rubber and the distance between Trelleborg's own production units and rubber producers.

**GROUP 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. The following Group policies are considered to form the core of the regulations Trelleborg applies in the area of Compliance:

- » Anti-corruption Policy
- » Competition Law Policy
- » Whistleblower Policy
- » Policy for Handling of Agreements
- » Policy for Transactions with Related Parties

**PRODUCTION OF NATURAL RUBBER**



**Natural rubber.** The value chain is relatively long from grower to Trelleborg's production facilities. Three or four stages is not unusual, but this varies depending on the country/continent.

## Outcome in 2018 in the area of Compliance

Compliance	Where?	Outcome 2018	Goals and main governance
Anti-corruption and competition law	■	630 (560) employees underwent classroom training in anti-corruption, competition law, contract management and so forth. In addition, e-learning webinars are available.	Zero tolerance applies 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	■	During the previous year, 83 percent of <i>all</i> of the Group's employees underwent training in the Code of Conduct, and this was in line with the goal. This training initiative continued in 2018, primarily for new employees. A new Code of Conduct was drawn up during the year, focusing on a new global roll out early in 2019, refer to the bottom of page 54.	In line with this aim, new employees underwent training sessions, e-learning or classroom training during the year.
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 54.
Environmental compliance	■	2 cases (5) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported, totaling SEK 40,000 (209,000)	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 (18) 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 repercussions.
Discrimination	■	7 cases (5) of discrimination from the U.S., U.K. and Sweden were reported and reviewed. In some of these cases, a settlement was reached between the parties while in others, relevant measures were taken. 3 cases are 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	■	54 percent (53) of employees are represented by a trade union through collective agreements. In China, however, certain restrictions related to freedom of association apply.	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 in 2018.	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 in 2018.	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 85.5 percent (84) of the relevant purchasing spend. Zero ongoing investigations were reported in December 2018 (0). No supplier relationships (1) were terminated during the year for reasons related to the Code of Conduct. 22 supplier audits (15) were conducted in 2018 by visiting suppliers in China. The most serious breaches that were rectified included inadequate procedures for handling inflammable 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 purchasing spend. Site visits with an audit of "at-risk suppliers" (based on geographic and material risk assessment) supplement the self-assessments. Since 2016, 51 supplier audits have been conducted, mainly in China, but also in India, Turkey and Indonesia. Refer also to page 56.
Environmental management systems	■	At the end of 2018, 87 units (89) were certified under ISO 14001, corresponding to 73 percent (79) 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 (2) were reported, of wastewater and natural gas respectively, totaling less than 6 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 11 facilities (12) are expected to require remediation, although the extent has not yet been determined. Provisions for environmental liabilities amounted to SEK 62 M.	Trelleborg is also active as one of several parties in additional cases of remediation, although with marginal liability for costs.
Environmental studies	■ ■	In 2018, 18 environmental studies (11) of facilities were performed in conjunction with potential 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