



Risks and risk management

Risks are associated with all business operations. Properly managed risks can lead to opportunities and value creation, while risks that are not managed in the correct manner can lead to damages and losses.

Risk spread

The ability to identify, evaluate, manage and monitor risks plays a central role in the management and control of Trelleborg's business operations. The aim is to achieve the Group's targets while applying well-considered risk-taking within set parameters.

Trelleborg serves a broad range of customers in a variety of industries and niches. The business has a wide geographic spread. The Group has operations in some 40 countries, sales are conducted in just over 140 countries worldwide and manufacturing operations are carried out at about 100 production sites. The business is diversified both geographically and across a range of different industries, which provides Trelleborg with an effective underlying risk spread.

Demand for the Group's products and solutions mainly follows the cyclical fluctuations in global industrial production. The Group focuses on segments, industries and geographies with healthy growth potential that can maintain stable earnings even in conjunction with adverse cyclical fluctuations in individual industries.

Risk management

Trelleborg has an established process for Enterprise Risk Management (ERM) that provides a framework for the Group's risk activities. The purpose of the ERM process is to provide a Group-wide overview of Trelleborg's risks and to enable a follow-up of the risks and how they are managed.

The vast majority of risks are managed locally. However, some 30 of these risks may have a major impact at a business area and/or Group level and are thus managed at one of these levels. These risks are shown in the adjacent risk radar illustration. The risks on the risk radar, which in turn may have a substantial impact on the possibility of reaching the Group's goals, are described in more detail on pages 52–54 and in Note 33 on pages 101–104 concerning financial risk management, and also on page 125.

The highest governing body for risk management is the Board of Directors and its Audit Committee, which routinely manages these risks. In addition, risks are managed in such forums as:

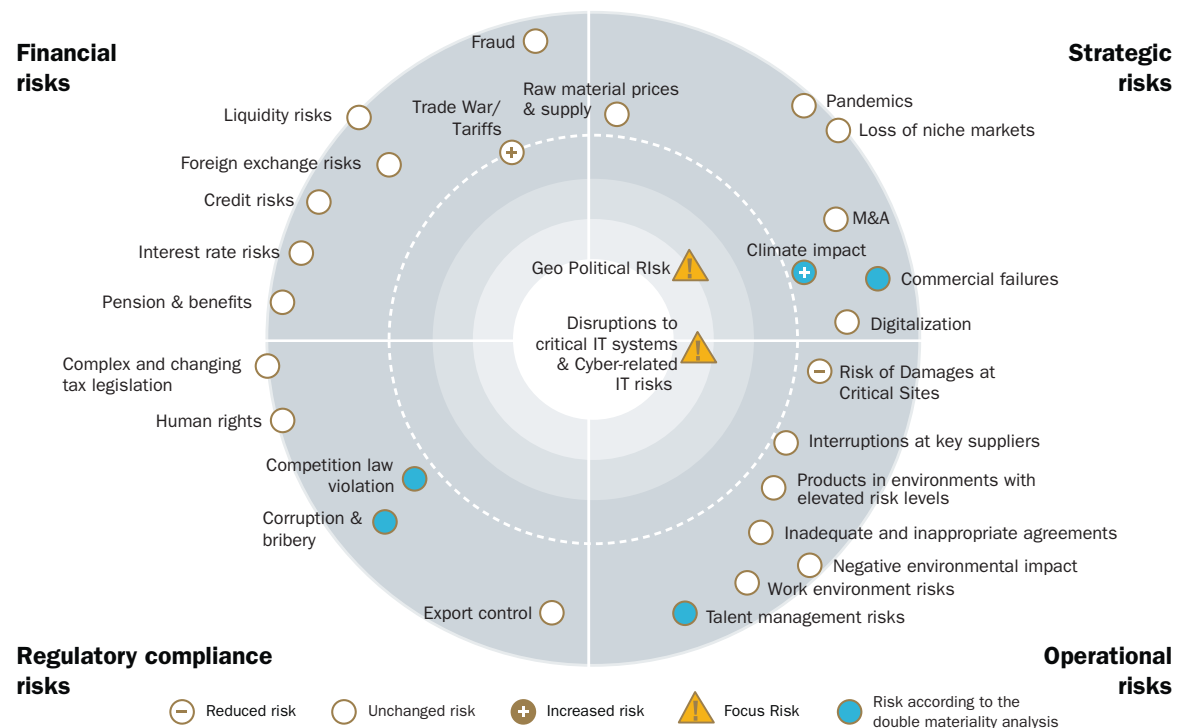
- » ERM Board
- » Compliance Task Force
- » Global Chemicals Task Force
- » IT Governance Board
- » Sustainability Council

Risks

Trelleborg has chosen to group the risks into four areas:

- » Strategic risks include external factors that could impact Trelleborg's operations, and internal factors that could impede opportunities to achieve the operation's strategic goals. Read more about Trelleborg's strategy on pages 17–20.
- » Operational risks are risks that Trelleborg can itself largely manage and prevent, and which mainly pertain to processes, assets and employees. Read more about how Trelleborg

RISKS IN THE TRELLEBORG GROUP AND MOVEMENTS IN RISK LEVELS



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works to ensure safe and efficient use of resources and with diversity on pages 24 and 128–151.

- » Regulatory compliance risks relate to Trelleborg having a global operation that is subject to a large number of laws, regulations and rules pertaining to, for example, the environment, health and safety, trade restrictions, anti-competition regulations and currency regulations. Read more about Trelleborg's work with business conduct on pages 155–159.
- » Financial risks include interest rate and foreign exchange risks that could adversely impact the Group's earnings. Furthermore, there are financing risks and liquidity risks, which could result in difficulties in raising new loans or shareholders' equity, as well as financial credit risks. Read more about Trelleborg's financial risk management in Note 33, pages 101–104.

In the Corporate Governance Report on pages 40–41, there is a detailed description of the internal controls used to manage the risks associated with financial reporting.

Risks in the sustainability domain included in the Group's double materiality assessment (see pages 125–127) run like a red thread through these areas and concern financial risks linked to climate impact, resource use and circularity, and occupational health and safety risks. It also includes the risks relating to failure to comply with laws and rules, both as a Group and among the Group's suppliers.

Confidence risks – that is, events and behaviors that negatively

impact the company's brands and confidence – are another risk that the Group highlights. For example, the behavior or business decisions of an individual employee could destroy the confidence built up over a long period of time. Trelleborg works on a variety of issues and activities to strengthen and build confidence in the Group, such as training in the Code of Conduct, a clear and well-known brand promise, stakeholder dialog, product safety and so forth.

Crisis management

Trelleborg's crisis management is decentralized, which means events should, as far as possible, be resolved locally, close to the origin of the incident. The crisis organization at Group level – consisting of the Chief Financial Officer and members from Group Legal, Communications and HR staff functions – is to ensure that relevant employees at Trelleborg have the necessary knowledge and capabilities to handle incidents. In the event of a major incident, which can be considered to impact the Group as a whole, the Group's crisis organization, including Group Management and the Board of Directors, is informed and assesses how to handle the event.

Risks at Trelleborg




Trelleborg has identified some 30 strategic risks, operational risks, regulatory compliance risks and financial risks using a so-called risk radar. The closer a risk area is to the center of the illustration on page 50, the higher the probability that it will

cause financial damage or have an adverse impact on confidence in Trelleborg. The appearance of the risks in the model on page 50 indicates changes in relation to the preceding year. Risks with a material impact on the opportunity to achieve the Group's targets are listed in the table on pages 52–54.



Material risks at Trelleborg

REGULATORY COMPLIANCE RISKS¹

Risks	Focus	Management and main activities	Relevance for SDGs
Violation of laws and permits	Compliance with applicable legislation	<p>The Compliance Task Force leads and coordinates initiatives in this area, refer to pages 156–159. Regular training sessions are arranged in such areas as competition law, anti-corruption and the EU's General Data Protection Regulation (GDPR). During the year, new e-learning courses were rolled out for both competition law and anti-corruption aimed at pre-defined target groups.</p> <p>There is an established process for export control with a focus on embargoes and trade restrictions. Established procedures for approval of membership in organizations and approval of collaborations with third parties.</p> <p>Regular legal reviews are conducted according to an established control program with a focus on monitoring and ensuring compliance in the Group companies. The program is formalized and ensures that operating companies undergo regular review where shortcomings are noted and followed up. During the year, there was a continued strong focus on the export control process in view of developments concerning sanctions. Each business area has local export review resources and a project has been launched to identify the areas where additional system support can be obtained from external databases that monitor sanctions data at company and individual level.</p>	 16.3
Corruption and fraud	Measures preventing fraudulent conduct	<p>Established policies and procedures form the basis of the work in this area, which is supplemented with routine training and acceptance letters, signed yearly, for the relevant employees. Trelleborg's Whistleblower Policy also entitles all employees and external stakeholders to report any suspected legal or regulatory violations without repercussions.</p> <p>Review and evaluation of agency and distribution agreements are regularly conducted. Policy Quick Guides are in place to further increase the distribution and comprehension of policies and the Group's core values. In addition, continuous training is arranged, both on site and via e-learning. Read more on pages 156–159.</p>	 16.5
Risks in the area of human rights	Child labor/forced labor in the supply chain	Supplier reviews and supplier audits in the areas of risk are conducted based on the Group's geographic and materials risk assessments, refer to pages 121 and 152–154.	 8.8




¹ Risks in the social sphere are managed by Trelleborg as part of Regulatory compliance risks.

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OPERATIONAL RISKS

Risks	Focus	Management and main activities	Relevance for SDGs
Work environment risks	Health and safety	Risks in the area of health and safety are managed via the Safety@Work program, refer to page 147. Issues concerning employees are otherwise monitored as part of compliance with laws and codes, refer to page 159, and diversity & inclusion, refer to pages 148–151.	 8.8
Products in environments with elevated risk levels	Review of products and solutions	Not only risk assessments but also training and workshops are conducted to identify products and contracts where it is especially important that the products comply with the quality and functional requirements necessary in extremely demanding environments – for example, marine infrastructure, marine hoses for oil and gas, healthcare & medical, and aerospace. Contracts and processes concerning production and project management are also subjected to legal review and risk assessment.	
Inadequate and inappropriate agreements	Examination of agreements	Not only comprehensive training, but also internal and external legal reviews of contract issues and evaluation of contracts in prioritized areas. There are internal rules and principles in place governing the level of exposure that is acceptable together with an escalation procedure for any deviations. An AI-based tool is used to review and assess risks in agreements in certain industrial segments.	
Negative environmental impact	Review of the sites' local environment and focus on hazardous materials and chemicals	Environmental risks are identified in conjunction with all new construction and all acquisitions, with a focus on chemicals management, emissions to air, rainwater and the risk of floods. Sites that are susceptible to risk are routinely monitored. The Global Chemical Task Force leads the work to phase out and replace substances that are considered harmful and actively monitors developments in materials and chemicals legislation, refer to pages 138–139. In addition, environmental management systems and ISO 14001 certification are used to achieve greater standardization of analysis and control. During the year, the Group's Environmental Policy was revised and additional areas governed by the policy were added, such as <i>Circularity</i> , read more on pages 131 and 141.	 12.4
Risk of injury at sites	Protection of critical sites	External and internal analyses of the Group's operations are carried out with regard to the most critical sites. Also a more in-depth mapping of natural disaster risks is made, with a particular focus on flooding and wind effects, including such physical risks that are related to climate change. During the year, this risk is considered to have decreased overall on account of the high level of protection featured by the newly constructed facilities added during the year. A control program has been underway for some time now based on systematic self-assessment, how units comply with the Group's guidelines for property and business interruption risks, and follow-up with internal and external audits. There are guidelines for new construction and upgrades of risk-classified sites. The number of such sites upgraded to Highly Protected Risk (HPR) has increased over the past few years. One aim is to improve the lowest performing and most critical sites.	 13.1
Disruptions to critical IT systems	Minimize disruptions	Service levels and security are in focus when it comes to IT infrastructure. Lead times for implementing updates have been reduced, which in turn reduces the risk of hacker attacks and disruptions. During the year, security work was intensified in a number of areas. With regard to the user interface, security has been enhanced via multi-factor authentication (MFA), and also in terms of more general systematic monitoring of internet traffic. Ensuring compliance with legal requirements in the countries in which the Group operates is an important part, as is information security within and among the systems.	

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STRATEGIC RISKS

Risks	Focus	Management and main activities	Relevance for SDGs
Commercial failures	New product segments, major projects and acquisitions	In conjunction with all acquisitions, there is a due diligence program covering the areas of finance, operations and legal, and an analysis of the company and its risks and opportunities is carried out using a well-established process. New products in selected segments such as healthcare & medical and aerospace are approved centrally before development work begins. For the past few years, there has been increased business support when establishing new product segments and for larger projects concerning liability risk management, legal risks and new establishments of operations. In addition, Trelleborg works to prevent risks of reduced sales as a result of a fall in demand for fossil-based products and materials.	
Climate risks (refer also to the section on pages 130–138)	Adaptation of production and products	Climate change increases the risk of floods, hurricanes and droughts. We are therefore evaluating our existing sites and performing risk assessments taking these factors into consideration – a process that also applies to new sites. Climate issues and other environmental topics drive local legislation and political instruments, and Trelleborg adapts itself to these in the relevant production countries. Climate issues in focus include carbon taxation and more extensive reporting requirements concerning climate impacts. At the same time, several of the Group's products and solutions help to reduce atmospheric emissions and protect society from climate change, see the examples on page 123. Work aimed at reducing the Group's fossil-fuel dependence was intensified during the year for both own products and production resources. In the product segment, there is a greater focus on circularity, increasing the degree of recycled material and generally examining how to reduce the number of fossil-based products.	
	Reduction of CO ₂ emissions	The Group achieved its Scope 1 and 2 climate targets in 2024, with direct and indirect CO ₂ emissions reduced by 55 percent compared with the 2021 base year. New targets will be presented and sent to SBTi for review and validation in 2025. The new targets will continue to be aligned with the goal of the Paris Agreement to limit global warming to 1.5°C. In parallel, work is continuing to reduce emissions along the value chain (Scope 3) by 25 percent by 2030. For many years, energy efficiency has been the focus of the Manufacturing Excellence program, refer to pages 19-20, 130 and 132.	 13.1
Political risks	Geopolitics	The geopolitical situation is being continuously monitored and is taken into account in all business plans and adjusted accordingly. The purchasing functions continue to work on securing alternative suppliers and now also with a greater focus on geographical diversification. Trelleborg has previously discontinued its operations in Russia and does not do business with Russia or Belarus. What remains of the former business during 2024 was a dormant Russian company, which was liquidated and wound up in the first quarter of 2025.	
Supply chain disruptions	Material shortages and delays	The situation involving global supply disruptions and impacts on the supply chain was stable during the year. The Group has well-established tools in place to ensure parallel supplies and evaluates and balances purchasing between local, respective global suppliers, which limits disruption.	

FINANCIAL RISKS

Read more about Trelleborg's financial risk management in Note 33, pages 101–104.

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