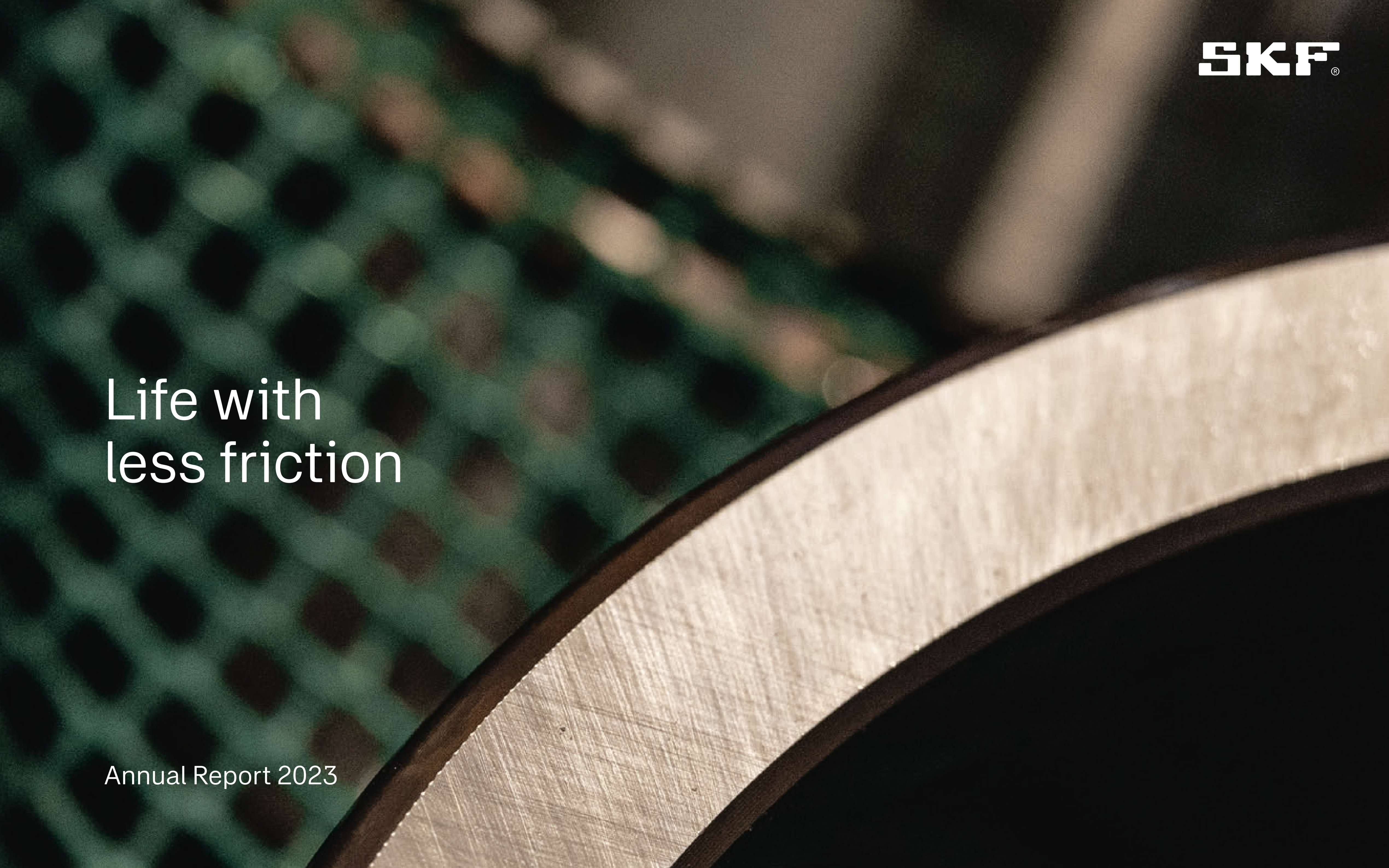
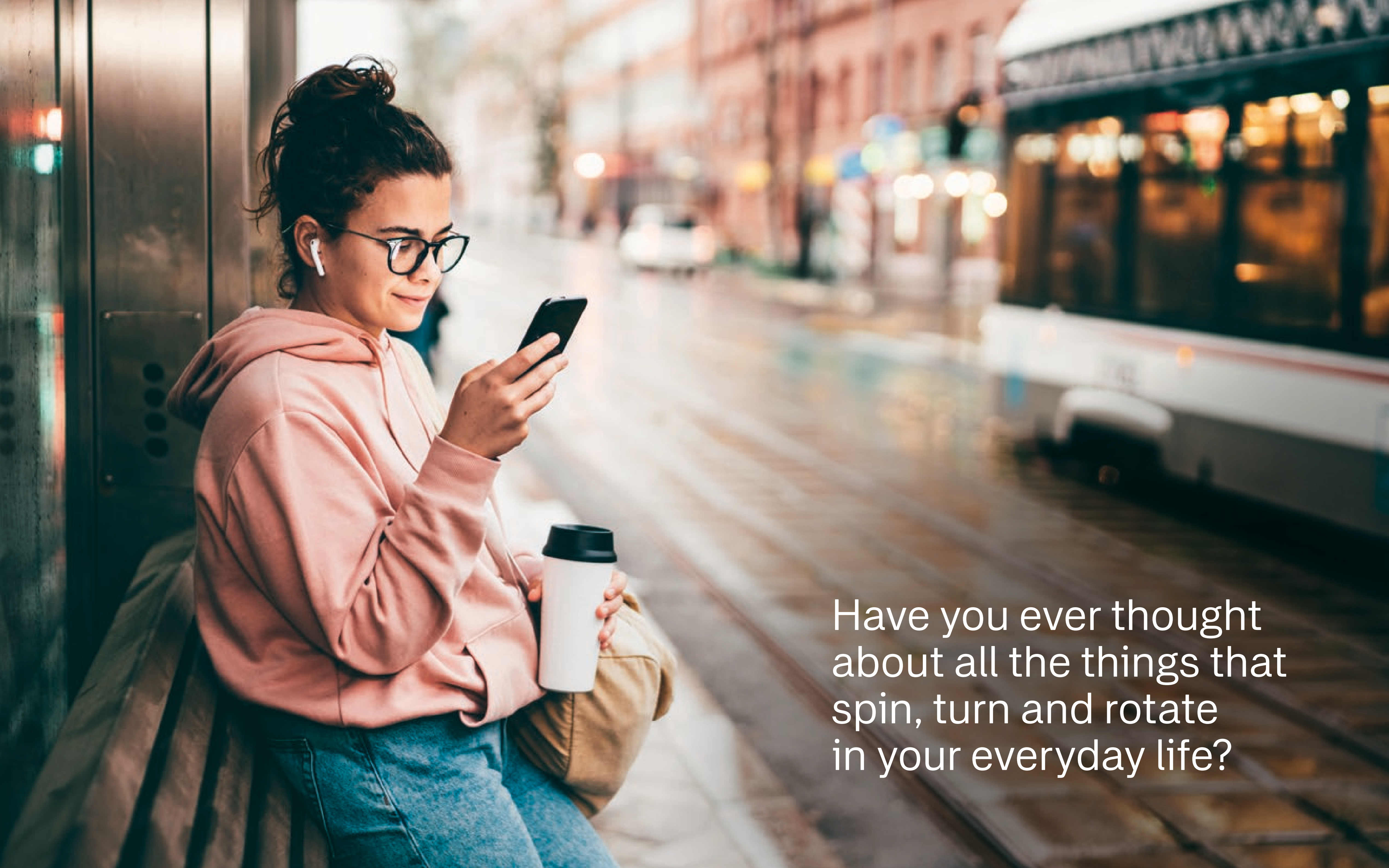


Life with less friction

Annual Report 2023


Have you ever thought
about all the things that
spin, turn and rotate
in your everyday life?

Contents

ADMINISTRATION REPORT

The Administration Report has been audited by SKF's external auditors. See the Auditor's Report on pages 92–93.

SUSTAINABILITY REPORT

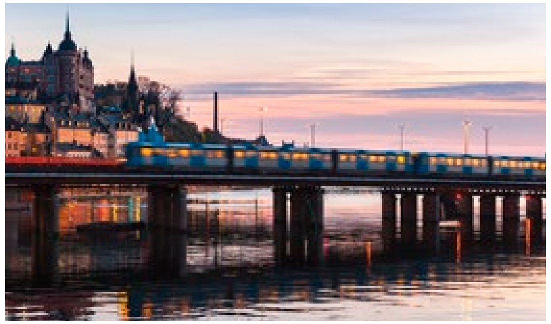
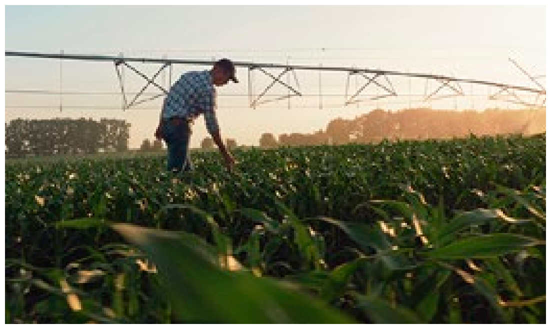
Sustainability disclosures in the Annual Report have undergone limited assurance engagement by SKF's auditors. See the Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report on page 139. The definition of the Statutory Sustainability Report is presented on page 101.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report examined by the auditors can be found on pages 140–148. The Auditor's Report on the Corporate Governance Report can be found on page 149.

REMUNERATION REPORT

The Remuneration Report can be found on pages 157–159.

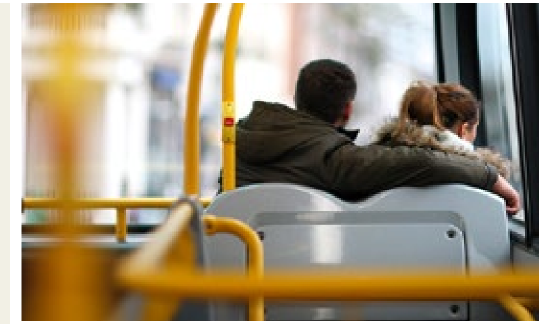

This is the SKF Group

There's a lot we all take for granted. Trams, subway trains and buses take us through our cities. Wind farms power our homes and offices. Water treatment facilities supply us with fresh water. An entire network of industries, millions of things in motion, making our everyday lives work.

But, with all this movement comes a big challenge – it requires a lot of energy. Because wherever there's movement, there is friction. And today, around 20% of all energy we produce is used to overcome friction. Faced with a global energy crisis, we have to find ways to reduce the waste.

So, everything we do is with one thing in mind: making movement possible with the least amount of energy consumed, and with the lowest amount of friction. With a strategic focus on clean technology, we're developing solutions to help make industries more energy efficient and sustainable – while remaining competitive.

However, our greatest impact comes when working together. With our customers, suppliers, and the wider society. It's through our collaborative efforts that we can really take on the big challenges. By joining forces, we can pave the way towards a more energy efficient industry, and towards a life with less friction.





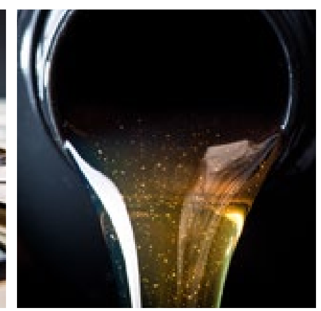


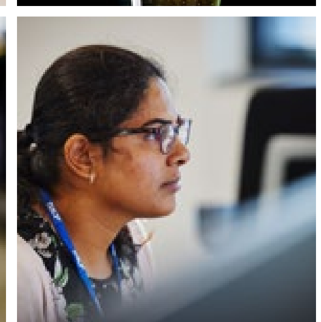
Our offering

SKF has hands-on experience in over 40 industries with a vast product portfolio and knowledge across the SKF technology platforms: bearings and units, seals, lubrication systems, condition monitoring, and services. By combining our different platforms, we can offer our customers tailored partnerships where our products, technologies and services are integrated with flexible new business models to meet their unique requirements.

- **Bearings and units**
- **Seals**
- **Lubrication systems**
- **Condition monitoring**
- **Services**







Our presence

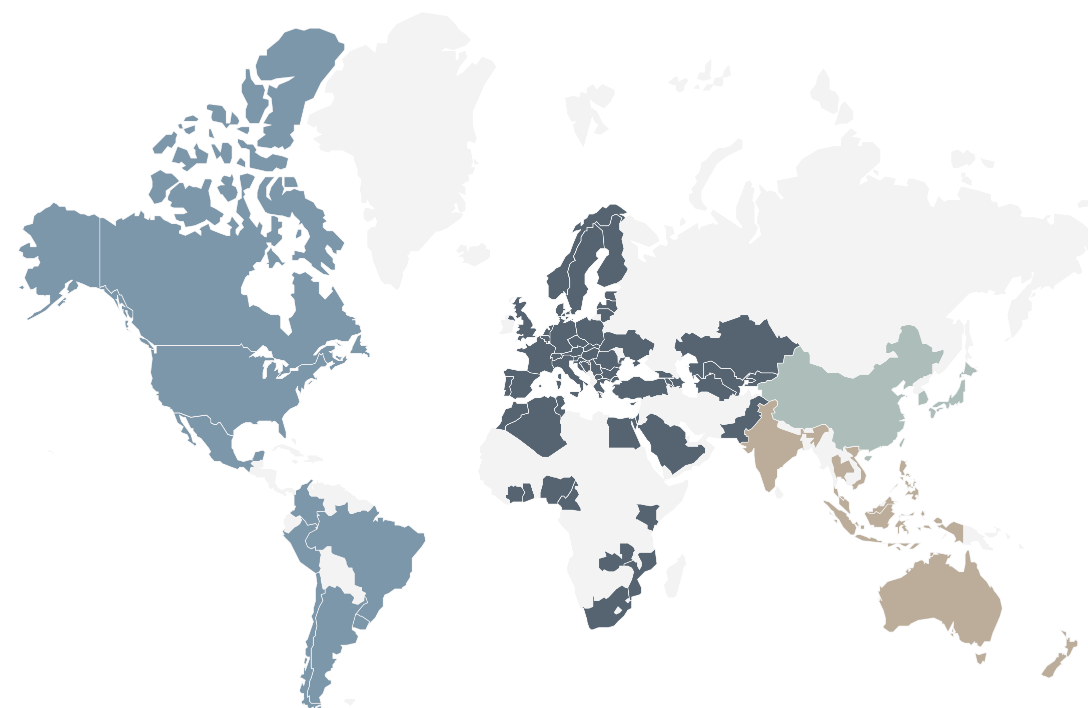
In 1907, SKF patented the double row self-aligning ball bearing and became a global company in just ten years. Today, SKF is a trusted and leading global industrial brand with a presence in 130 countries. We operate in four regions, to serve customers with speed and responsiveness.

- **Europe, Middle East and Africa**
- **The Americas**
- **China and Northeast Asia**
- **India and Southeast Asia**

40,396 employees

130 countries

>17,000 distributors



The Industrial business

Our offering

- Supplying more than 40 industries globally with products and services, both directly and indirectly through a network of more than 7,000 distributors.
- Broad product range of bearings, seals and lubrication systems.
- Rotating shaft services and solutions for machine health assessment, reliability engineering and remanufacturing.

Our position

A leading position in industries such as railway, heavy industries and industrial distribution market, and a prominent position in other industries.

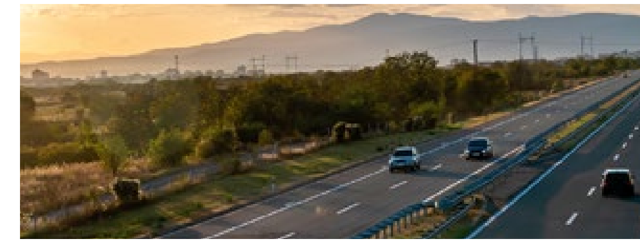
Share of net sales
71%

Share of operating profit[1]
88%

Bearings market value[2], SEK bn
305–325

Bearings market development 2023
+0–2%

The Automotive business



Our offering

- Customized bearings, seals and related products for e-powertrain, driveline, engine, wheel-end, suspension and steering applications to manufacturers of electrical vehicles and commercial vehicles.
- Supplying the vehicle aftermarket with spare parts, both directly and indirectly through a network of more than 10,000 distributors.

Our position

One of the leaders in highly innovative bearing products to drive the shift to automotive electrification and ensure the highest efficiency in commercial vehicles. A strong global position in the aftermarket with an extensive product assortment and distribution network.

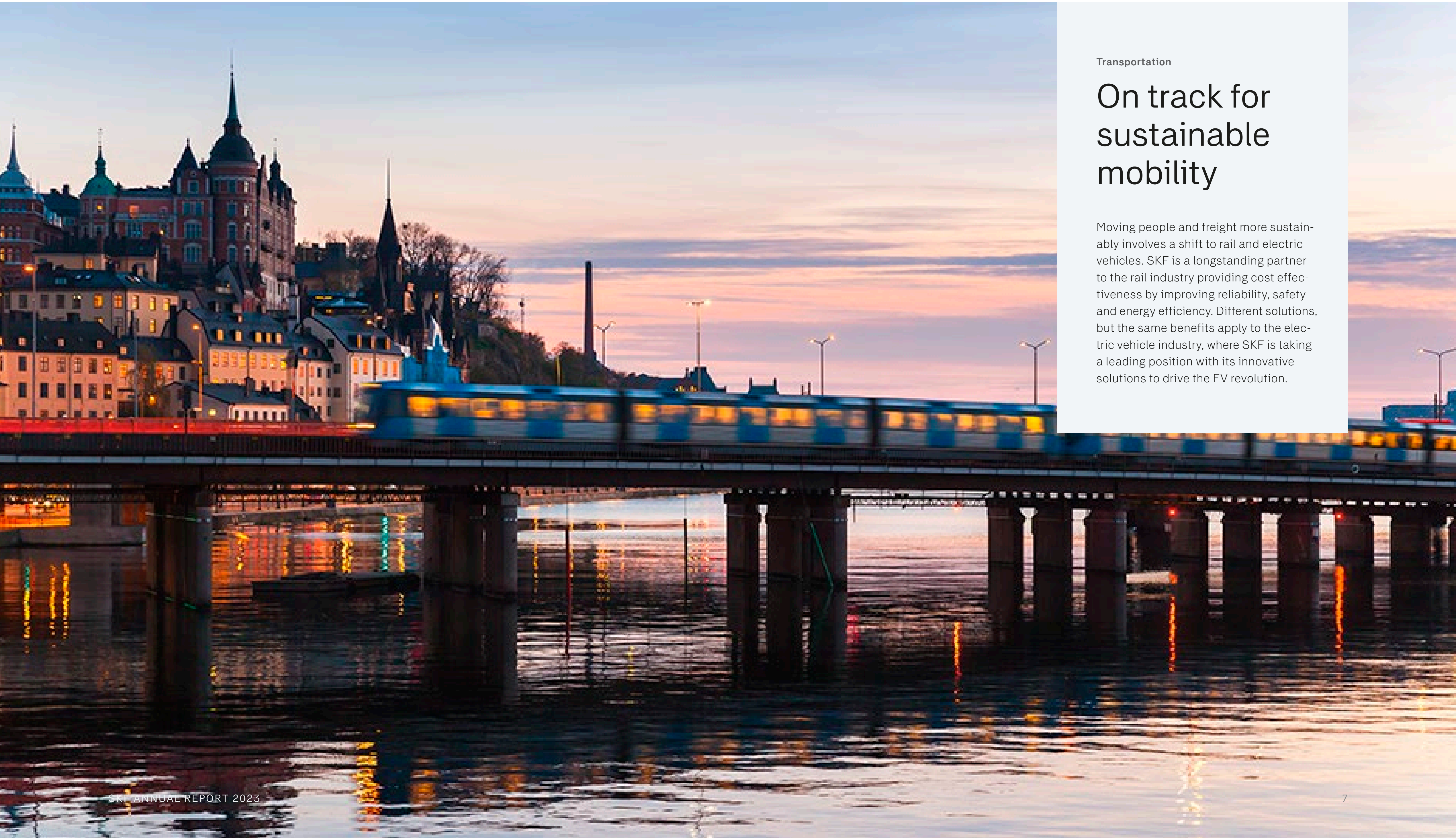
Share of net sales
29%

Share of operating profit[1]
12%

Bearings market value[2], SEK bn
150–170

Bearings market development 2023
+8–10%

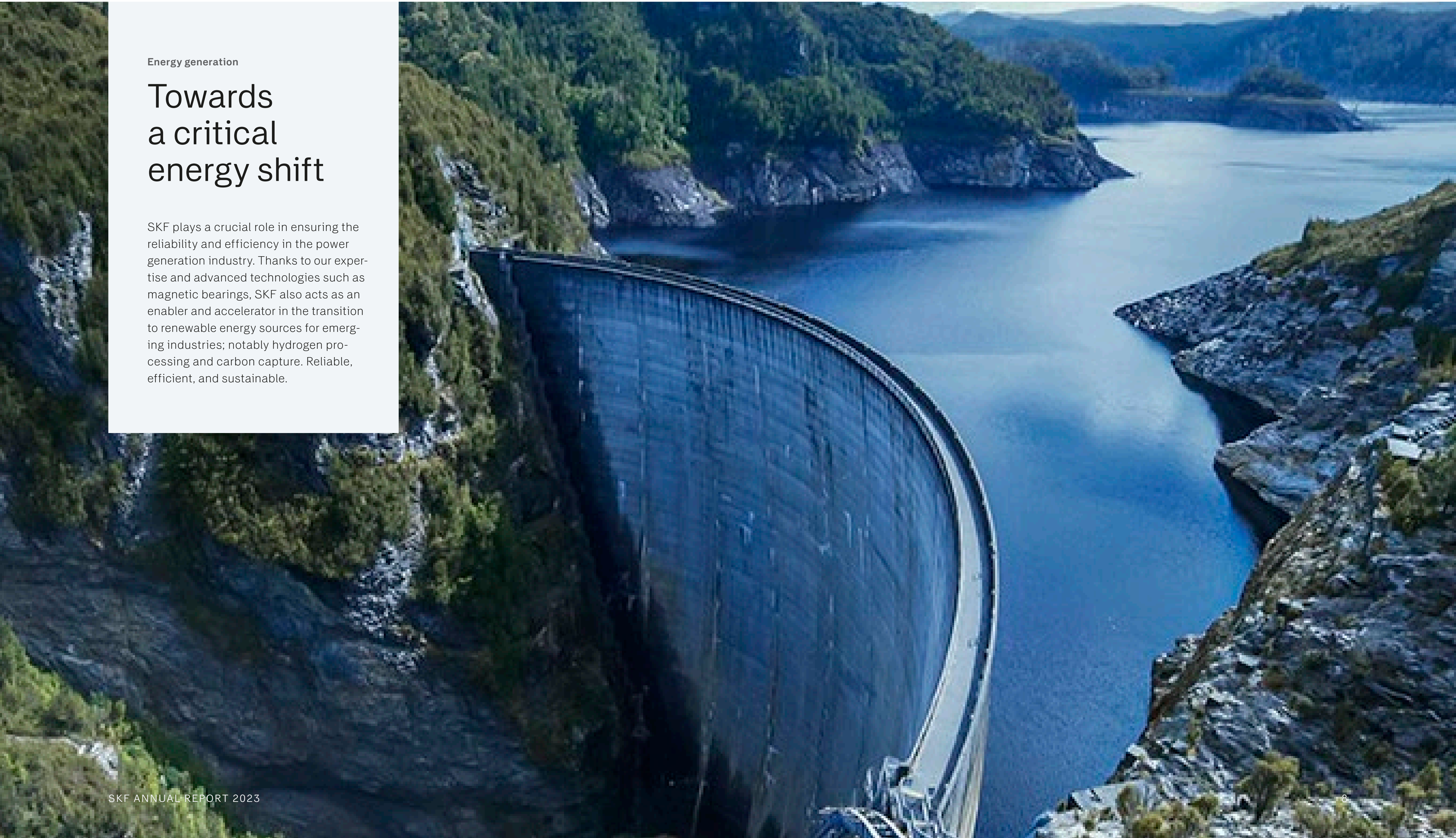
1) Adjusted for items affecting comparability. 2) Total value of accessible bearings market.



Transportation

On track for sustainable mobility

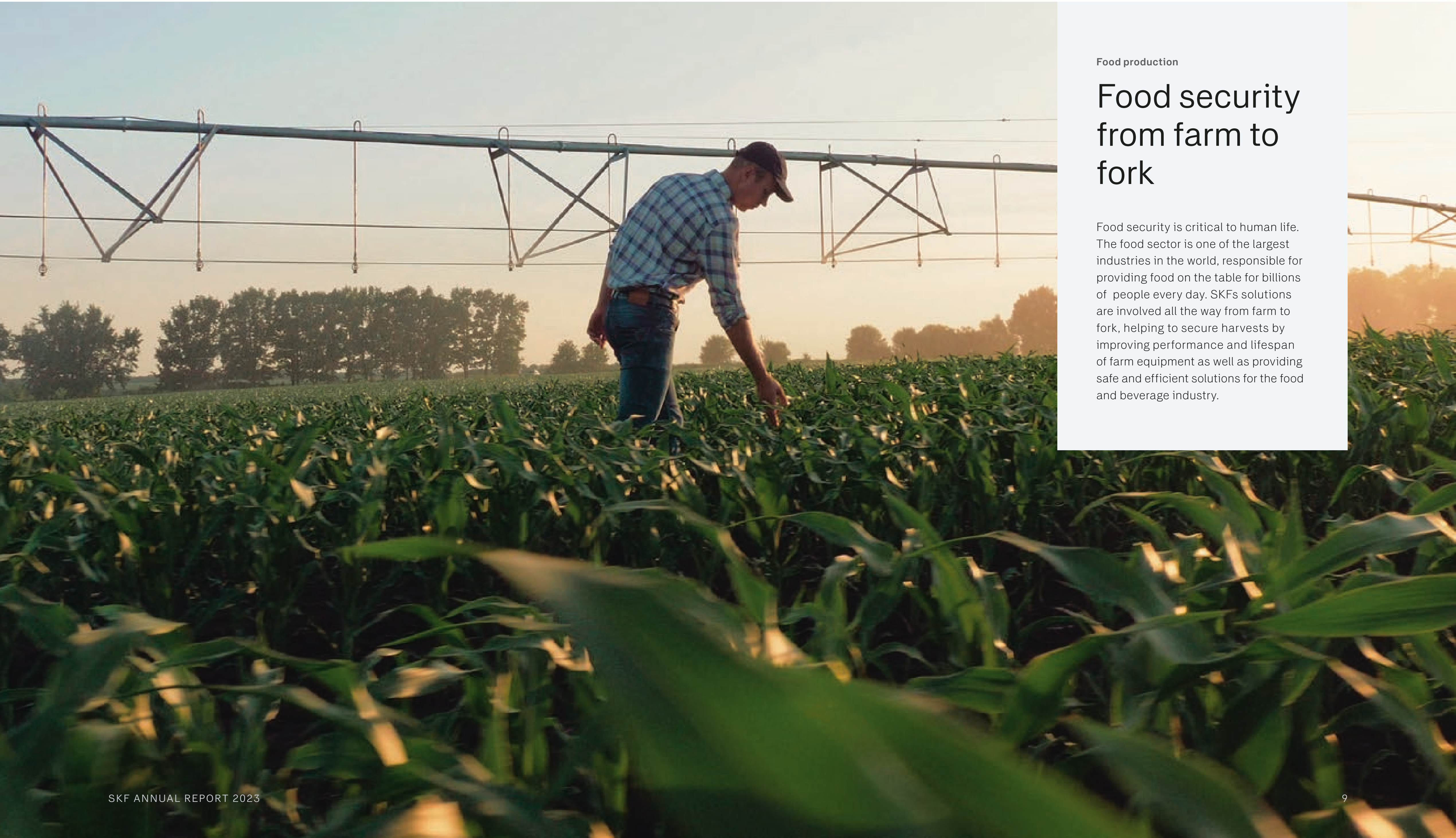
Moving people and freight more sustainably involves a shift to rail and electric vehicles. SKF is a longstanding partner to the rail industry providing cost effectiveness by improving reliability, safety and energy efficiency. Different solutions, but the same benefits apply to the electric vehicle industry, where SKF is taking a leading position with its innovative solutions to drive the EV revolution.



Energy generation

Towards a critical energy shift

SKF plays a crucial role in ensuring the reliability and efficiency in the power generation industry. Thanks to our expertise and advanced technologies such as magnetic bearings, SKF also acts as an enabler and accelerator in the transition to renewable energy sources for emerging industries; notably hydrogen processing and carbon capture. Reliable, efficient, and sustainable.

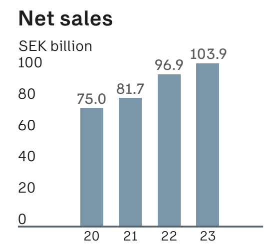


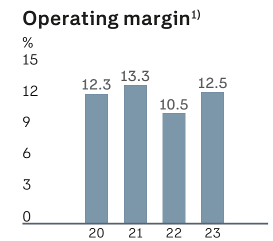
Food production

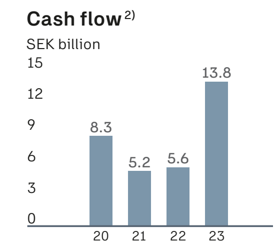
Food security from farm to fork

Food security is critical to human life. The food sector is one of the largest industries in the world, responsible for providing food on the table for billions of people every day. SKFs solutions are involved all the way from farm to fork, helping to secure harvests by improving performance and lifespan of farm equipment as well as providing safe and efficient solutions for the food and beverage industry.

2023 in brief







- Received validation of our Scope 1, 2 and 3 emissions reduction targets from the Science Based Targets initiative. Read more on pages 12 and 106.
- Decision to allocate SEK 3 billion to meet our energy and decarbonization goals by 2030. Read more on page 13.
- Formed a strategic joint venture with Sinoma Nitride to advance developments in hybrid ceramic ball bearings. Read more on page 13.
- Inauguration of our new facility in Monterrey, Mexico, a greenfield factory investment totalling SEK 700 million. Read more on page 25.
- Completed the strategic review of the Aerospace business. Read more on page 12.
- Confirmed closure of the factories in Luton, UK and Busan, Korea. Read more on page 27.
- New axlebox design to advance railway standards. Read more on page 14.

SKF's long-term targets

	Operating margin[1]	Revenue growth[3]	Net debt[4] /equity	ROCE[1]	Dividend pay-out ratio	Decarbonized Operations[5]
Target	14%	5%	<40%	16%	50%	
2023 outcome	12.5%	3.8%	13.9%	15.4%	50.4%	–41%

The long-term targets shall be achieved over a business cycle.
1) Adjusted for items affecting comparability. 2) Net cash flow from operating activities. 3) Including acquisitions, adjusted for divestments.
4) Excluding pension liabilities. 5) 95% reduction in scope 1 and 2 emissions by 2030 vs. 2019.

CEO Rickard Gustafson

"Our strategic transformation has made us more resilient and competitive"

Last year we diligently executed on our strategy to further strengthen us as a company. While we are far from done, we can conclude that we successfully managed both financially good and tougher times in 2023.

How would you summarize 2023 for SKF?
"In the first half of the year, we saw strong demand and growth across the business. The second half, on the other hand, was characterized by a slowdown in demand, mainly due to a weakening economic sentiment. In a turbulent macro environment, we can conclude that our strategy continues to further strengthen us as a company."

"Throughout 2023, we have continued to deliver on our strategic transformation, and it has clearly made us more resilient and competitive. Consequently, our financial results for 2023 improved with an organic growth of around 4% and an adjusted operating margin at 12.5%."

How does this turbulent macro environment affect you as a company?
"The world is changing at a pace that no one has ever experienced. As many other global companies, we continue to operate in markets which are impacted by geopolitical uncertainty, climate change, economic downturn, high inflation and high interest rates."

"Our strategy helps us to navigate in this environment and to focus on the areas that, in the long term, makes us stronger as a company, for example, portfolio management and commercial excellence. Our people are another decisive factor when we navigate in this environment; what do we learn from it and how will we be able to continue and even accelerate our profitable growth and contribute to a better tomorrow?"

"One example from 2023 to mention here is of course the Russian missile attack on our factory in Lutsk, Ukraine, that killed three of our colleagues. Our teams in Ukraine and those working with them deserve a great acknowledgement for the way they handled this exceptional situation. It is fantastic that we now have started to ramp up the production again and, although the production volumes will be smaller, we are committed to stay in Ukraine and to support our employees and the local community."

You aim for profitable growth.
How has this been achieved in 2023?
"We have continued to rapidly execute our strategy and I can now say that it is well implemented. We have maintained strong progress and double-digit growth in several of our targeted high-growth segments, for example railway, electric vehicles and aerospace. The work to strengthen our commercial excellence, including price management, has also contributed to our improved profitability performance."

"We have also taken another step in connecting the customer needs in our global industries and product lines with our investments in innovation and technology development. This has resulted in a strong innovation pipeline with several new products being launched in 2023, bringing significant customer value to our high-growth segments. One example is the 3D printed axlebox covers that we developed for the Railway segment."

How do investments in technology and innovation contribute to the strategy?
"Strategic investments in technology development and innovation are crucial for enhancing our customer value proposition through customer-driven innovation. By engaging with R&D across the full value chain, we speed up the introduction of new products supporting our profitable growth agenda. Collaborations with external partners further enhance our technological capabilities and accelerate the time to market."

What else have you done to execute the strategy?
"Regionalization and optimization of our manufacturing footprint are important parts of our strategy. In 2023, we inaugurated our factory in Monterrey, Mexico, which will further strengthen our value chain in North America. Other initiatives include moving production from Luton (UK) to Poznan (Poland) and from Busan (Korea) to China, India, and Mexico."

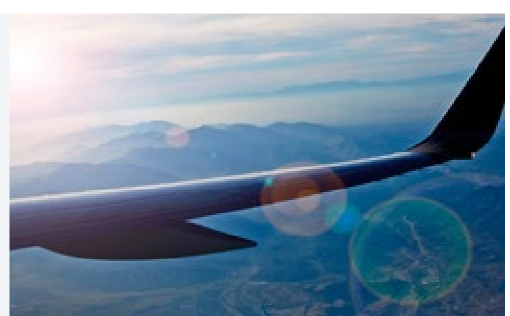
"We have also continued to actively work with portfolio management, both on strategic and tactical levels. The ongoing Automotive portfolio re-positioning towards the electric and commercial vehicle segments that require highly innovative products has improved our profitability. Another example on a strategic level is our Aerospace business where we concluded that we will further strengthen and invest in the core areas, but also explore strategic options to exit business lines that are non-core. Ongoing portfolio management activities are related to specific customers and products where our efforts have contributed to our improved price/mix performance last year."

"In addition, we are relentlessly working on improving the productivity and efficiency in our operations and ways of working. In 2023, we realized the previously announced savings of SEK 2 billion, where major levers included reshaping corporate functions and reducing consultancy costs."

Milestones 2023

Strengthening Aerospace high-tech areas

Within Aerospace, we aim to exit non-core business lines, such as mechanical seals, rings, and precision elastomeric devices. This move allows us to concentrate on high-growth, high-tech areas and optimize our business potential within the industry.



Net-zero commitment validated by SBTi

Our commitment to a net-zero future by 2050 earned approval from the Science Based Targets initiative (SBTi) validating that our goals align with climate science and the Paris Agreement. We will reduce scope 1 and 2 emissions by an impressive 95% by 2030 versus 2019 base year and will have net-zero emissions across our value chain by 2050.

As a society, we need to move fast towards a circular economy. How does SKF contribute to this?

"Our largest contribution to the needed sustainability transformation lies in what we can do with, and for, our customers. Minimizing energy waste to overcome friction is vital in any operation, and here we provide vital solutions. It is also encouraging to note that the revenues from our cleantech business in 2023 were more than SEK 10 billion, which represents around 10% of our total sales."

"But, of course, we also need to do everything we can to reduce our own environmental impact. Our targets to decarbonize our operations by 2030 and to have net-zero greenhouse gas emissions in the value chain by 2050 have been validated by the SBTi and we are making good progress."

"We have allocated SEK 3 billion to meet our energy and decarbonization goal by 2030. We have also decided to ban any fossil fuel investments in our own operations, as well as to replace direct fossil gas use with renewable energy or approved non-fossil fuel alternatives by 2029. We also continue to support the UN Global Compact initiative and its principles and the Global Goals for 2030."

"In 2023, for the fourth year running, we received a Platinum Medal in the sustainability rating from EcoVadis. This means that we remain in the top 1% of all companies assessed by one of the world's most trusted providers of sustainability ratings."

What will you focus on in 2024?

"2024 will be another year of execution where we will focus on ongoing strategic initiatives, rather than adding new. We will continue to optimize our supply chain and footprint including speeding up the regionalization of our manufacturing footprint, for example by scaling up production volumes this year, especially in Mexico and India."

> "Our largest contribution to the needed sustainability transformation lies in what we can do with, and for, our customers.

The Leadership Summit 2023 was held in Gothenburg in November.

Milestones 2023 cont.

Bold investments to achieve decarbonization goals

We commit SEK 3 billion to achieve energy and decarbonization goals by 2030, a key strategy element. The investments will target energy efficiency and eliminating fossil gas use in our operations, with around SEK 500 million allocated annually until 2028.

Joint forces for ceramic ball bearings

We have entered a strategic joint venture with Sinoma Nitride to advance developments in hybrid ceramic ball bearings, targeting growth areas like EVs and precision machine tools. The partnership will produce nitride rolling elements for high-quality hybrid ceramic ball bearing solutions.

"Another priority for next year will be to keep working on managing and restructuring our portfolio, for example, by executing on the conclusions drawn from the strategic review of our Aerospace business. In 2024, we will also work on strengthening our leadership position within sustainability and low-friction products and services to empower the green energy transition and continue to contribute to the needed sustainability transformation."

How are you working with your culture and people?
"We devote significant energy and resources to our strategic transformation, and we have made major investments in areas connected to our culture, people, and leadership. As an example, in 2023, we embarked on a journey to become a purpose-driven company, where thousands of our colleagues participated in defining our purpose: 'Together, we re-imagine rotation for a better tomorrow'."

"We have also renewed our values and defined an employee value proposition. It is very encouraging to notice that this focus is also recognized by others. In Forbes list of best employers for women, SKF was one of only five Swedish companies to be included. We have also during 2023 received recognitions as being one of the best employers in both China and India."

"In this context, I would like to thank all our employees for their hard work and dedication throughout the year. I also believe that 2024 will bring an exciting adventure for our company. I look forward to witnessing the continued transformation that we will drive together with our customers and other partners. Together, we can, and we will, achieve remarkable things."

> We have also during 2023 received recognitions for being one of the best employers in both China and India.

Why invest in SKF?

Tackling global challenges
In a fast-changing world, we face numerous challenges – climate change and a growing population's need of food, water, energy, natural resources and mobility to name a few. They are all interlinked, and we believe that the solution lies in the future of industry – a future increasingly shaped by artificial intelligence. How we harness this power is likely to affect every aspect of human life.

SKF has a pivotal role
SKF plays a significant role here. Our solutions provide reliable rotation in more than 40 industries worldwide with an endless number of product applications. We keep developing new technologies to make industries more sustainable. Our approach is all about being clean and intelligent, minimizing friction, waste, emissions and down-time, creating added value in virtuous circles.

Focusing on sustainable progress
Our strategy builds on our strengths and broad reach, while continuing the digitalization and regionalization of our operations. We focus on high-growth areas and sectors where our technology can help customers progress towards a sustainable existence. We are speeding up the development of tailored solutions for large critical sectors, such as energy, transportation, and food and agriculture.

Resulting in profitable growth
In 2023, we put this strategy into real action. Our sales in key industries like electric vehicles, material handling, food and beverage, and railway saw significant growth. We introduced cutting-edge technologies to drive profitable growth in the future. Despite tough market conditions, we improved our earnings by adapting our operations and managing costs.

SKF is well-positioned to pursue intelligent and clean growth, creating value for all stakeholders.

Milestones 2023 cont.

New axlebox design advances railway standards

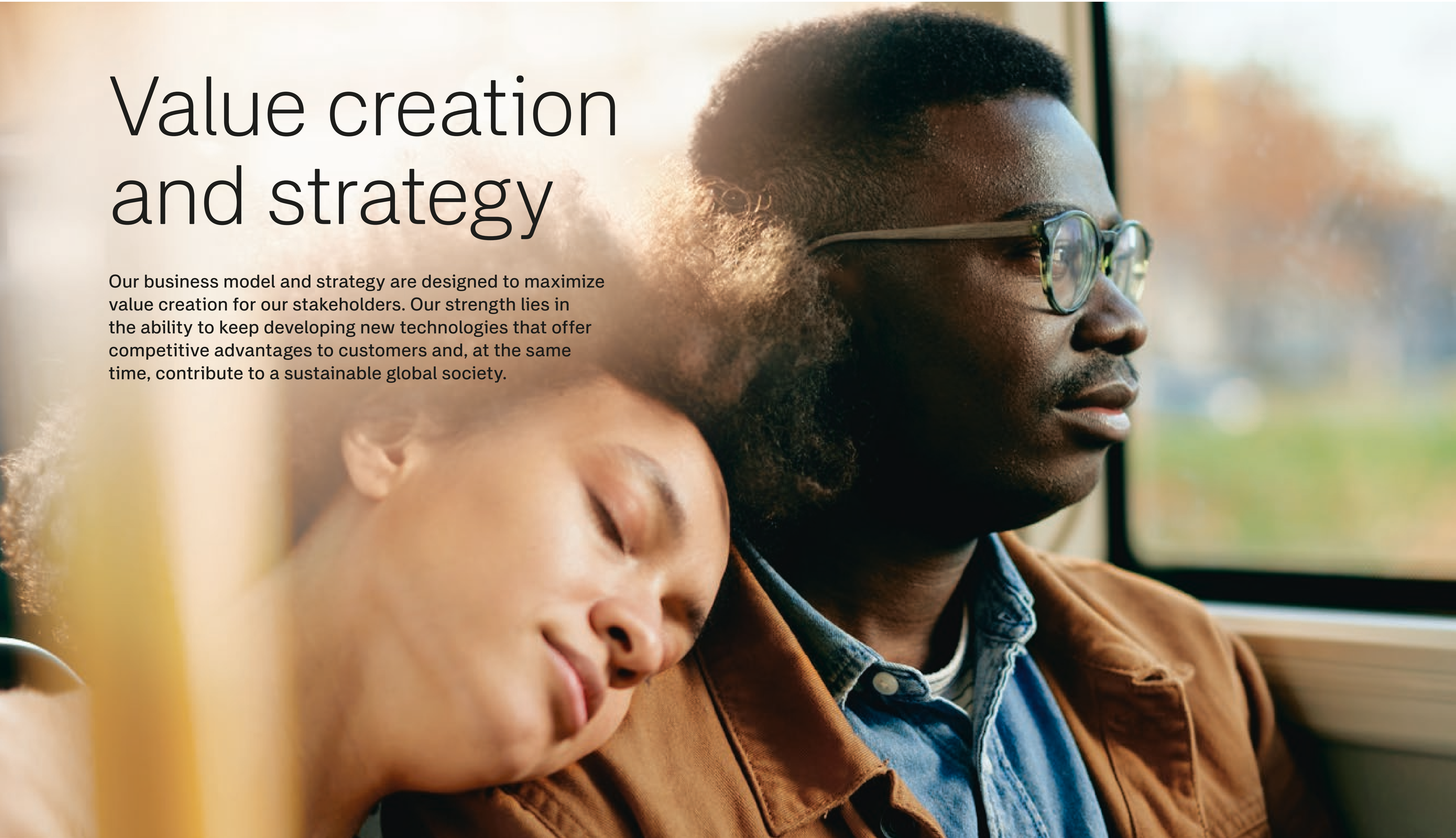
Our Y25 axlebox has attracted significant customer interest for its role in reducing unsprung mass, thereby reducing wear on components, tracks and infrastructure. Weight reduction of rolling stock is a key priority in the railway industry to meet sustainability and efficiency goals.

13.8 bn

Net cash flow from operations was one of our strongest performances ever, SEK 13.8 billion.

Value creation and strategy

Our business model and strategy are designed to maximize value creation for our stakeholders. Our strength lies in the ability to keep developing new technologies that offer competitive advantages to customers and, at the same time, contribute to a sustainable global society.



Customer value creation

A changing environment

We find ourselves in a landscape of global challenges, where the pace of technological progress, the urgent need to address climate change and environmental issues, geopolitical complexities and resource constraints are converging. Yet, within these challenges lie opportunities for innovation and collaboration, offering a path towards a sustainable future.

→ More on page 17

The resources to invest

SKF's strong financial position provides us with the resources and stability needed to continuously invest in innovation, quality, customer support. and sustainability. This, in turn, enhances our ability to deliver long-term customer value by providing reliable, high-performance products and services that meet the evolving needs of a diverse customer base.

Staying at the forefront

Our expertise is a result of our commitment to innovation, to customer support and co-creation. We keep fighting friction and improving machine health. For over a century, we have refined our expertise within design and manufacturing of bearings, seals and lubrication technology, combined with services and smart condition monitoring in a vast array of customer solutions.

→ More on page 18

Strategy for intelligent and clean growth

Our strategic framework is based on the concepts of intelligent and clean. Intelligent means providing connected and tailored offerings for our customers, as well as using technology to make our operations more efficient. Clean reflects our ability to enable a more sustainable industry, as well as running our own business in a transparent and responsible manner.

→ More on pages 21–27

For over 40 customer industries

The strength of our value-creation capacity lies in our broad business reach. Wherever there is rotation, there is a strong chance that our solutions are providing value in the form of higher efficiency and reduced emissions. Today, we provide reliable rotation in over 40 industries across the world through a network of more than 17,000 distributors.

Expanding our commitment

Given our broad reach, our sustainability efforts can make a real difference to people and the planet. As responsible industry leaders, we are actively driving for measurable progress towards the climate goals and we focus on activities with the most positive impact. Concerned with sectors sustaining human needs such as food, water, energy and mobility, we help decarbonize old industries, while we are deeply involved in shaping critical and emerging new industries.

→ More on pages 19–20

A changing environment

Adapting to profound global shifts

Long-term global shifts, influenced by technology, society, economy, and the environment, significantly transform the world. Adapting to these megatrends and key shifts are essential for shaping our 2030 strategy and are reinforced by recent events in the macro environment.

Climate change and resource scarcity
The urgent need to address climate change and preserve the environment is a major megatrend. It is driving changes in energy production, transportation, and consumption patterns, as well as influencing global policies and regulations, such as the new carbon tax on goods imported to Europe.

We help customers move towards a circular economy by providing leading products and solutions. We also work to further explore how we can improve our operations, accelerating the reduction of our own greenhouse gas emissions.

Technological advancements
The rapid pace of technological innovation, particularly in areas like artificial intelligence, automation, and digitalization, is transforming industries, economies, and the nature of work. It affects all parts of the value chain. We are investing in connecting the value chain to make it easier to do business with us and enabling more intelligent decision-making in our own operations. We are also actively exploring how AI can be used to increase operational efficiency and customer value.

Electrification
Electrification is key to reduce carbon emissions in the transportation industry. EVs and trains bring many benefits to society besides a reduction in greenhouse gas emissions, for example, urban air quality and noise mitigation. We have a portfolio of innovative solutions that enable robust and efficient E-powertrain drives where bearings are essential and increase range by low friction wheel end bearing hubs. Moreover, as one of the market leader, we are driving fleet efficiency and reliability in railway with innovative solutions and services.

Regionalization
Given that global trade is currently under pressure, due to geopolitical power shifts and wars, it is necessary to adopt a region-for-region approach for sourcing, manufacturing, sales and technical knowledge close to customers. In recent years, we have accelerated investments in the regionalization of our value chain and product expertise to further improve our competitiveness and ability to capture profitable growth where the customer is operating. Regionalization is the key to ensure a resilient supply chain.

Staying at the forefront

Our brilliant minds

Thanks to every single, talented, brilliant individual, we continuously develop solutions that shape the industry and society. With more than 40,000 employees in around 130 countries, the impact of our collective efforts and individual choices stretches far.

Meet Cosmina Luchian

Sustainability Manager, Technology Development, Sweden

"With a degree in Aerospace Engineering from the University of Bologna, I started my journey at SKF in 2019 in the Global Graduate Programme. Today, as a Sustainability Manager in Technology Development, I drive initiatives to reduce carbon, especially in our steel supply chain, and lead the circularity program. This program is pivotal to SKF's sustainability agenda, focusing on implementing circular economy practices in the company."

"An exciting aspect involves actively engaging with the different business areas in SKF to co-create the way forward and to instil a company-wide circularity movement, moving from isolated pockets of excellence to an organization-wide adoption of circular principles. Challenges include raising awareness of sustainability beyond Sweden and the Nordics, where initiatives like the Sustainability podcast, led by me, aim to disseminate diverse perspectives. Aligning short-term actions with our long-term net-zero target is another challenge, requiring a focus on anticipating market demands, building awareness, and fostering collaborations to ensure SKF's pivotal role in a sustainable future."

Meet Cearo Wang

Head of EHS and net-zero, China and North East Asia

"My journey with SKF's net-zero strategy is deeply personal. Majoring in Environmental Engineering and fueled by a passion for sustainable development, I've dedicated over a decade to environmental management in the dynamic landscape of China's manufacturing industry. At SKF today, my focus is on supporting green business growth and aligning the entire intra-regional value chain to achieve our decarbonization targets."

"One exciting aspect is the development of Product Category Rules (PCR) for bearings' environmental impact, where SKF is at the forefront of setting a new standard for transparency in the bearing industry. The new PCR standard evaluates the full life cycle, including the carbon footprint, of bearing units. Working with colleagues and external experts, my team and I have successfully prepared and gained approval for this standard from the International EPD System, a global program for environmental product declarations. This achievement is contributing to the industry's net-zero and carbon reduction objectives. And for me, being part of the transformation towards sustainable development, involving cross-industry collaboration, adds depth and meaning to my journey."

Expanding our commitment

A sustainable industrial future

Sustainability is in our DNA. By creating more efficient and durable solutions for industries, significantly cutting our emissions by 2030 and achieving net-zero greenhouse gas (GHG) emissions in our supply chain by 2050, we are pioneering sustainability in our sphere. During 2023, we launched ambitious initiatives that reinforce our position as one of the industrial leaders in sustainability.

–41%
reduction of CO_2 emissions since 2019

+5%
increase of cleantech sales in 2023

Our climate commitment

We realize the strategic significance of the climate transformation, which presents both critical opportunities and risks. As one of the leaders, we have an important role in coordinating the full value chain to align with the Paris Agreement. We have therefore initiated an expansion of our net-zero program to include downstream activities. Our science-based targets aim to achieve net-zero GHG emissions across our supply chain by 2050. These ambitious goals, in line with the 1.5°C target, have been officially validated and approved by the Science Based Target initiative (SBTi), establishing SKF as an industry pioneer.

A sustainable life-cycle approach

It is estimated that 45% of global emissions can be tackled by the circular economy[1]. Consequently, circularity is pivotal for us to reach net-zero 2050 targets. While already prominent with initiatives such as rotation as a service, bearing remanufacturing and circular use of oil for lubrication, we have now embarked on a larger Circularity program supporting the organization to go from pockets of excellence to a company-wide movement. Our focus lies on the entire life cycle of our products and materials by minimizing waste either by using less virgin materials (inflows) or by designing for improved life cycle performance, extended customer use or recovery and re-use of products and materials (outflows).

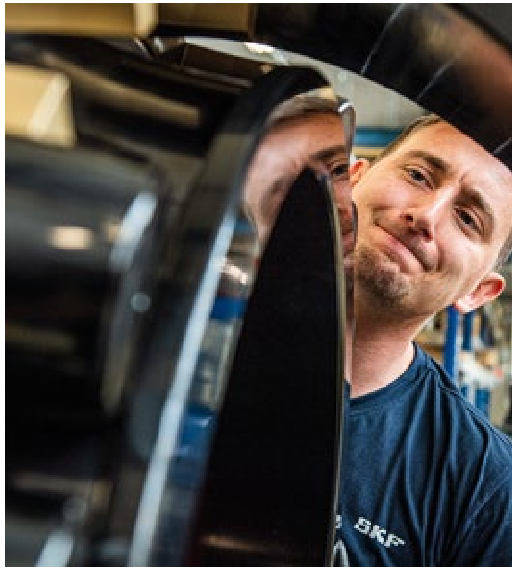
1) Source: The paper 2021, Ellen MacArthur Foundation

Increasing cleantech revenues

To address climate challenges, cleantech industries need to grow faster and smarter. We are driving innovations that enable the next major paradigm shift in these sectors. Today, we are one of the leaders in the EV bearing market, renewable energy and railway sectors, with significant opportunities in hydrogen processing and carbon capture. Leveraging our strong position in existing markets and utilizing our engineering capabilities and OEM relationships, we have ample opportunities to take the lead in these emerging segments as well. Our cleantech revenues also include electric vehicles, recycling, bearing remanufacturing, RecondOil and magnetic bearing solutions.

Doing business responsibly

Being a responsible global industrial actor means following the fundamentals within human rights, labour, environment, and anti-corruption, whilst meeting the needs of our stakeholders in every country where we operate. This is our starting point but, committed to continuous improvements, we always aim higher. For example, by enabling sustainable circular business models and cross-border collaborations with our customers and partners. Our collaboration within the stakeholder organization, Railsponsible, is a good example, showing our efforts to guide the entire rail sector towards more sustainable procurement. See page 127.



Reduce the climate impact of our steel

Given that steel accounts for 95% of the weight of SKF's products, our focus is on reusing and remanufacturing our bearings, alongside efficient recycling and waste management in our production processes. For new materials, SKF has pledged to source at least 40% of steel from net-zero steel plants by 2040. This will be achieved in cooperation with companies, such as voestalpine and other key business partners.

SKF's electric jet bearings for sustainable aviation

SKF has signed a supplier agreement with Lilium, the developer of the first all-electric, vertical take-off and landing jet, to produce electric motor bearings for the Lilium Jet. The emerging electric aircraft market has great potential to change the way we look at aviation, allowing for a more sustainable way of transporting people and goods. After two years of collaboration, SKF's bearings are undergoing final certification, aiding Lilium in weight reduction and meeting aerospace standards.

Paving the way to 100% renewable energy with landmark deal

We took a significant step towards our 100% renewable electricity goal by signing a 15-year Virtual Power Purchase Agreement with Enel. We will buy guarantees of origin from Enel's upcoming Spanish solar project, equivalent to one-third of our 2022 European electricity use. This supports renewable energy growth and reduces emissions. The move is part of a broader sustainability agenda, aligned with the RE100 commitment to reach 100% renewable electricity by 2030.

Strategy for intelligent and clean growth

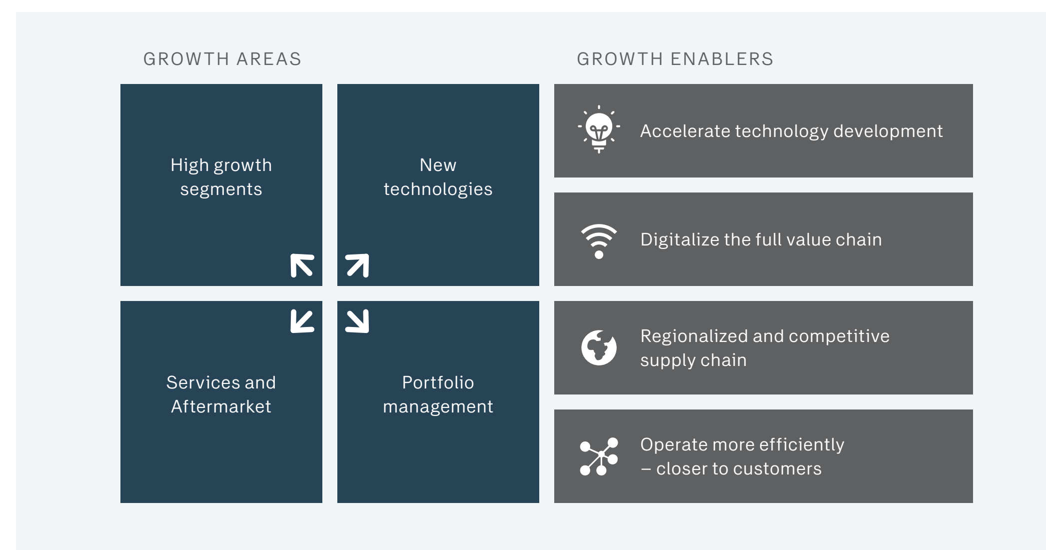
Our strategic framework is based on two important concepts: intelligent and clean. Intelligent means providing connected and tailored offerings for our customers, as well as using technology to make our operations more efficient. Clean reflects our ability to enable a more sustainable industry, as well as running our own business in a transparent and responsible manner.

We will capture profitable growth by focusing on four main areas: segments with high growth potential where SKF has a strong position; reviewing our portfolio to focus on our more profitable segments, customers and products; developing offers for emerging industries with new technologies; and refocusing our service business. Read more on pages 22–25.

To deliver on our ambitions, we have identified four growth enablers: increasing the pace and impact of technology development; digitalizing the full value chain; continuing to invest in automation and regionalization; operating and organizing ourselves in a more efficient way, closer to our customer. Read more on pages 26–27.

2023
A year of execution

- Rapid progress in our strategic transformation
- Relentless focus on productivity and efficiency
- Improved commercial capabilities
- Higher standards in our sustainability efforts



High growth segments

Strong demand for our solutions

We have excellent positions in several sizable industries where high structural growth is matched with SKF holding market-leading positions. Some key examples are industries relying on high-speed machinery, electrical drives and automation, such as agriculture, and food and beverage. Another area with strong growth potential is cleantech, where we are a leader within renewable energy and railway, and by making use of our engineering capabilities building sizeable positions within hydrogen processing and carbon capture.

During 2023, we experienced double-digit growth in several of our targeted industries, and we are clearly growing faster than the market, leveraging our strengths in terms of innovation, quality, performance, product range and reach. In addition, investments were made in technology and innovation projects, contributing to the overall profitability and supporting several high-growth segments, such as railway, agriculture, and machine tools.

+20%

Our railway business is experiencing rapid growth. SKF is a global leader in this high-tech industry, delivering innovative solutions that enhance fleet efficiency and reliability.

Empowering the green transition with hydrogen

As industries worldwide prioritize emission reduction, hydrogen emerges as a key player. The American company Plug Power is a leader in clean fuel production and distribution. Vital to their comprehensive approach are Atlas Copco's turboexpanders, incorporating SKF magnetic bearings for efficient liquification, enhancing both reliability and scalability. The long-standing partnership between Atlas Copco and SKF, marked by over 250 globally deployed units, ensures continuous collaboration as demand for hydrogen liquification increases. SKF's hermetically sealed compressors, facilitating compressed hydrogen transport, highlight the critical role of magnetic bearings in an array of energy transition applications.

New technologies

Launching several new products

We are developing offerings for emerging industries with new technologies such as hydrogen processing and carbon capture, where our existing offerings, such as magnetic bearings, can help us capture new business. Magnetic bearings, a key technology growth area for us, are ideal for applications demanding high speeds and low vibration. Another example is our smart oil regeneration technology, RecondOil, which forms the basis for several new tailored solutions to customers in a wide range of industries, bringing significant financial and environmental benefits.

Solutions for connectivity is another area where new technology and partnerships provide scale and easy access to data analysis and machine performance for our customers. In addition, more advanced requirements of high voltage, high frequency and high speed in electric applications make our ceramic bearings the most effective solution. In 2023, we launched several new products based on our new technologies, with ceramic bearings helping us leverage sales in prioritized growth segments.

6,700

6,700 tons of CO_2e emissions were saved for all oil changes the RecondOil solution helped to avoid at our customers during 2023.

Powerful new diagnostic tool for condition monitoring

Building on decades of experience supporting customers seeking to optimize their maintenance activities, based on our condition monitoring, we recently released the new SKF Microlog Analyzer dBX. It offers swift issue detection in rotating machinery thanks to lightning-fast data collection and cutting-edge diagnostics.

The new analyzer is faster and more efficient than previous models, using a method called Multi-Point Acquisition for quick vibration analysis. It can be used in a wide array of industries, such as pulp and paper, food and beverage, and renewable energy, to name a few.

The new analyzer is a strong addition to our condition monitoring solutions, certain to help many customers improve rotating machinery health.

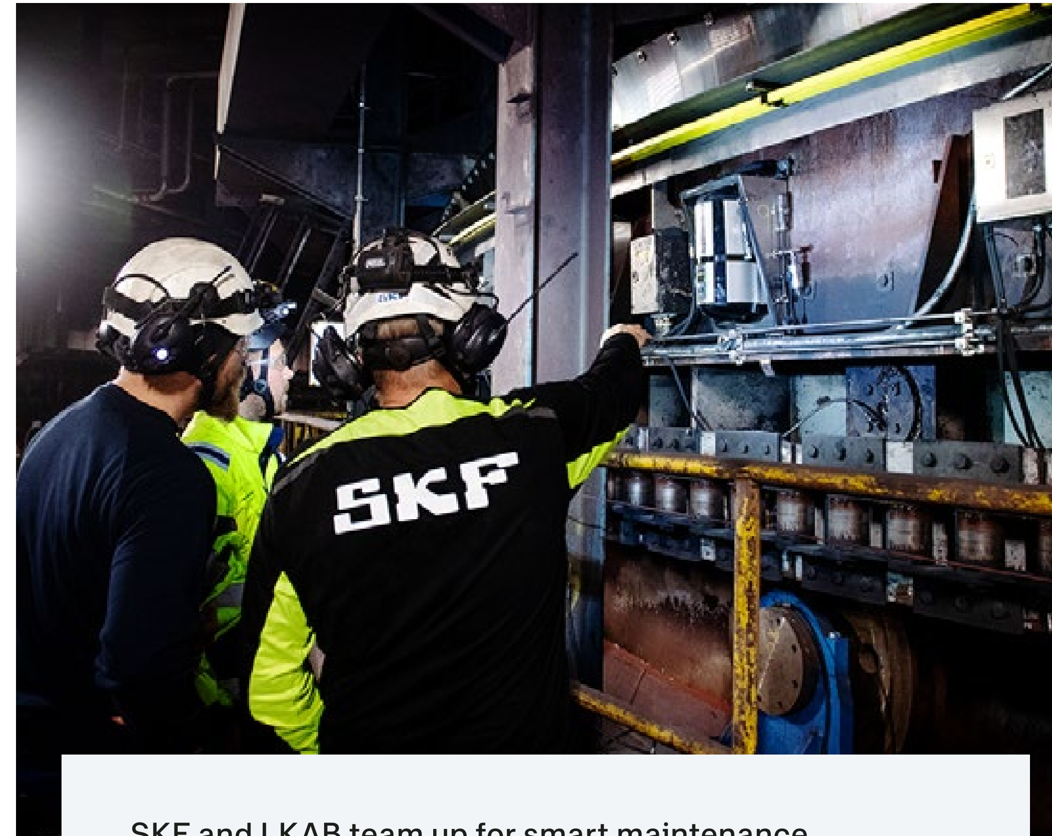
Services and Aftermarket

Continues to deliver strong results

Our service and aftermarket offerings comprise over 17,000 distributors worldwide, and a leading position in application engineering and design, as well as in artificial intelligence and machine learning. It represents around 46% of total sales, with good profitability. Our target is to continue to grow sales and increase profitability even further.

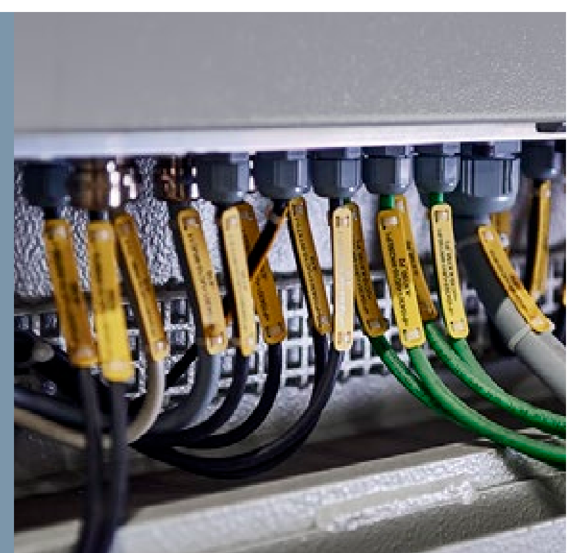
To achieve this, we are refocusing the service business with the purpose to boost recurring revenues and appeal to a wider market. New technology and partnerships will provide scale and easy access to our data analysis and machine performance competence.

In 2023, we continued to expand our service and aftermarket businesses with improved profitability. Our distribution business showed strong growth and we renewed our focus on condition monitoring, implementing our new operating model, closer to the customer. Sustainability remains a competitive advantage for our service offering.



+30%

We saw solid growth in condition monitoring, following the growing predictive maintenance market where we leverage our comprehensive technology portfolio with an extensive service offer.



SKF and LKAB team up for smart maintenance

In many industries, effective monitoring of assets and predictive maintenance are key to unlocking financial and environmental benefits. We see a strong demand for our asset monitoring services, and, in 2023, we signed a five-year agreement with the international mining and mineral group, LKAB, to implement data-driven maintenance for all their assets.

We will use advanced condition monitoring on 12,000 measurement points, providing analysis and recommendations for improvements to boost operational reliability, streamline production and reduce energy use and environmental impact. This partnership aligns with LKAB's aim of achieving carbon dioxide-free processes and products by 2045.

Portfolio management

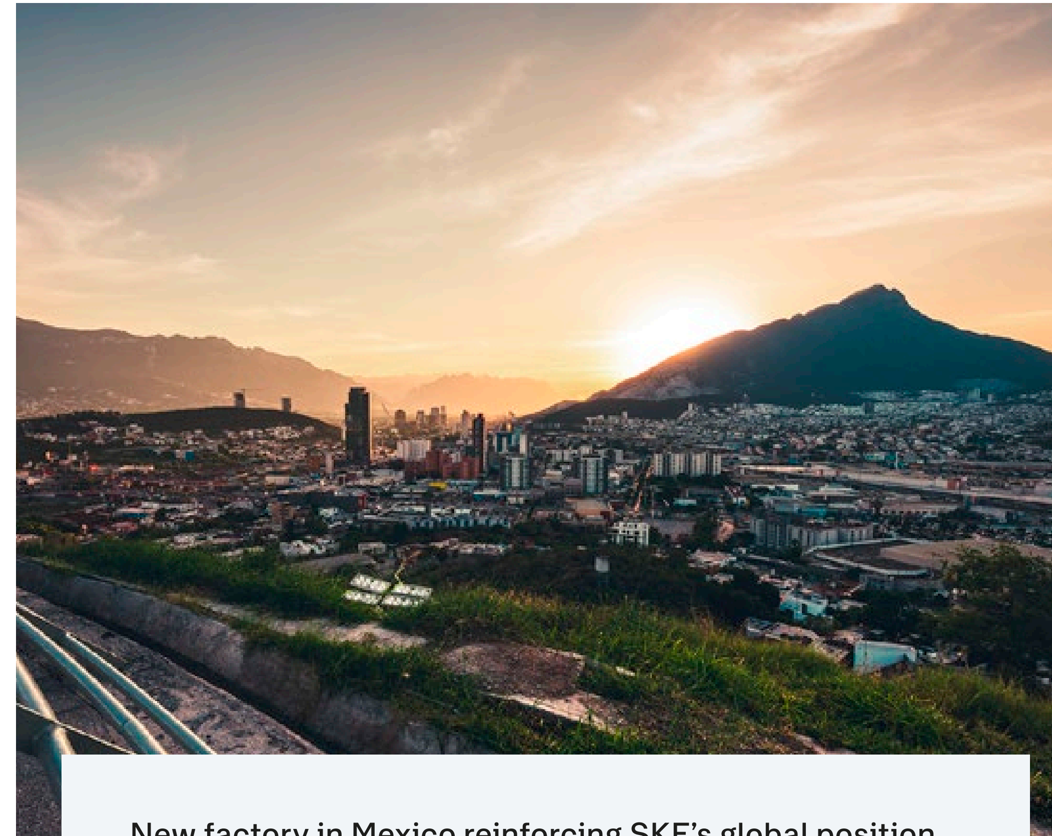
Significant progress on all levels

Successful portfolio management plays an important part in creating a different SKF in 2030. Portfolio management at SKF means pruning and refocusing our portfolio across products, customers and segments to align with our strategic framework. We are building tangible plans on how to shift our portfolio, with the aim to improve the overall profitability level. In other words, we put stricter performance requirements on businesses. This is particularly evident in Automotive, where we are building strong positions in growth segments.

To capture this potential and achieve profitable growth, we have intensified our emphasis on growing the profitable parts of our portfolio, while addressing the unprofitable parts to either fix or exit the business. In 2023, we saw significant progress at both levels. We have divested non-strategic businesses and our strategic reviews have identified ways to strengthen the profitability in different operations. Within Aerospace we will make further investments in core areas, but also explore strategic options to fully or partially divest non-core business areas.

+18%

Our aerospace business showed strong growth in 2023. To maximize our potential, we plan to further strengthen our core segments, aeroengine bearings and aerostructures.



New factory in Mexico reinforcing SKF's global position

We have inaugurated a new SEK 700 million greenfield factory in Monterrey, Mexico, supporting our strategic development in the Americas. Focus is on electrification in the electric vehicle drivetrain and commercial vehicle segments.

In this fourth Mexican factory, we will manufacture deep-groove ball bearings (DGBB) for North American car manufacturers and tapered roller bearings (TRB) for industrial and commercial vehicle applications, strengthening our regional presence and creating over 1,200 jobs.

The investment is part of the ongoing automotive portfolio repositioning, reinforcing our position as a global supplier in the electric and commercial vehicle markets.

Accelerate technology development

Innovating for accelerated growth

Increased investments in technology and innovation are strategically important to develop our customer value proposition. We work with R&D throughout the full value chain, allowing us to roll out new products faster, particularly in high growth segments, supporting our profitable growth agenda. External collaborations and partnerships give us a technological edge and speed up our time to market.

In 2023, we developed a new technology strategy, focusing on prioritized areas, such as material knowledge and manufacturing technology. Furthermore, we are reorganizing the project portfolio to concentrate resources on the most promising projects.

A key aspect is the expansion of external collaborations to strengthen innovation capabilities and accelerate technological development. Areas such as Generative AI, energy harvesting and material recycling are some domains where we have intensified collaborations over the past year.

25%

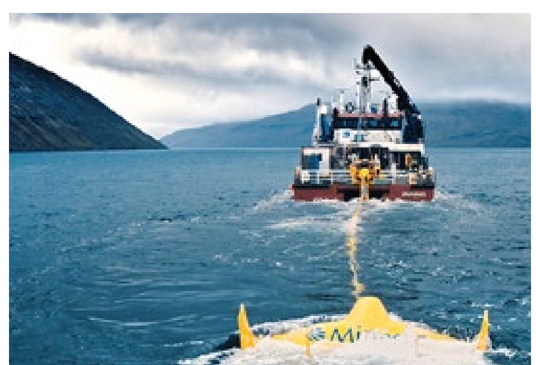
of the growth until 2030 is planned to be delivered from new products.

Open innovation with startups – SKF and Combient Foundry

SKF is part of the Combient network, a Nordic-based initiative connecting startups globally with Nordic industry leaders, aiming to accelerate transformation through open innovation in technologies such as automation, artificial intelligence, digitalization and sustainability.

Innovative collaboration for sustainable energy

SKF and Minesto are collaborating to harness the immense power of ocean currents for large-scale energy production. Minesto's patented technology, employing underwater kites, is being optimized with SKF's bearing and sealing solutions. Already proven with smaller-scale models, the new joint project consists of a 30 MW energy park off the Faroe Islands.



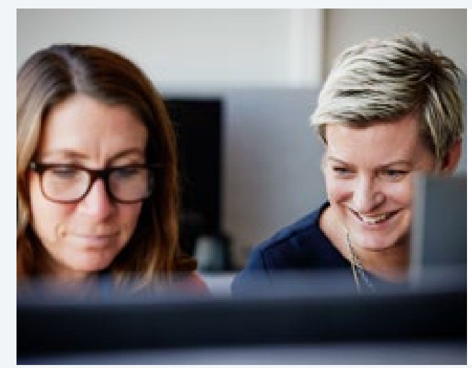
Digitalize the full value chain

Digitalization for competitive edge

As part of our journey to become even more relevant for our customers, we are investing in the digitalization of our full value chain. This will enable growth, reduce working capital, and increase cost competitiveness.

With the ambition of becoming a data-driven company, we are allocating significant efforts to gain actionable insights across the value chain through advanced analytics. Processes are being re-engineered before digitalization to ensure efficiency and effectiveness, and our operations are being robotized and automatized.

In the past year, focus has been to launch the new digital strategy and operating model. Development and ownership of the digital transformation is moving closer to the business and customers. This allows us to digitalize faster, targeted to local needs in the business areas.



Cloud based platform enables faster technology deployment

In 2023, we upgraded the on-premise installation of SAP to a cloud based version enabling agility and new technology to be deployed faster, such as AI. In addition, data from core ERP systems are now available in real time, allowing for precise and purposeful actions.

Unveiling detailed carbon footprint calculation at item level

We are taking a big step to enhance transparency of our carbon emissions. We are doing this by leveraging data and creating a model to calculate carbon footprint on an item level in our own operations and through our supply chain. This will help us address areas in the supply chain where we can improve sustainability, as well as meet higher customer expectations and future legal requirements.

100

We are rolling out a data-driven cloud platform across our approximately 100 sites.

Regionalized and competitive supply chain

Investments to meet higher demand

To further improve our competitiveness, and support our growth ambitions, we continue to strengthen and regionalize our manufacturing and supply base. Our World Class Manufacturing (WCM) program is optimizing our global manufacturing footprint through investments in automation, regionalization and footprint rationalization. Within purchasing we have stepped up our ambitions, targeting 2–3% gross savings per year until 2025. Our global program includes design to value, regionalizing our supply base and addressing areas with untapped potential.

In 2023, we made several investments and acquisitions to further strengthen our regional value chains. In North America, for example, we localised our engineering and manufacturing capacity to a brand new facility in Monterrey, Mexico.

2.6 bn

In our WCM initiative we have realized another SEK 2.6 billion in business benefits marking a sustainable contribution from the program.

Investment in Morocco to power green industries

We are investing in a new manufacturing site in Tangier, Morocco, to enhance our capabilities in magnetic bearings. The facility will meet the rising demand for these bearings in high-speed applications like hydrogen gas liquefaction and oil-free industrial compressors.

Acquisition that strengthens our magnetic bearings business

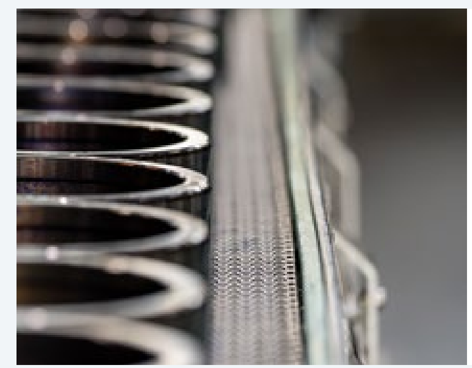
SKF has acquired 2C Composites, a German high-performance fibre composite supplier. The acquisition will grow our magnetic bearings business and explore additional revenue streams, leveraging 2C Composites' unique and leading technology in composite layers.

Operate more efficiently – closer to customers

Continuous improvements

We continuously seek to develop the business and our ways of working to stay relevant. With our strategy, we have the prerequisites to turn synergies and priorities into higher efficiency and reduced fixed costs. Our new operating model and organizational structure were implemented in 2022 with full end-to-end operational and financial accountability being placed as close to our customers as possible. Our work to increase efficiency and reduce fixed costs will continue in the coming years.

In 2023, we took some major steps in all our regions, for example the inauguration of our factory in Monterrey, Mexico, the announced closings of the factories in Luton, UK, and Busan, Korea, as well as the progress in the restructuring of our operations in Schweinfurt, Germany.



A factory closure that strengthen European competitiveness

We have confirmed the proposed closure of our factory in Luton, UK. This decision, initiated in May 2023, is part of our efforts to consolidate our spherical roller bearing manufacturing and secure long-term competitiveness in Europe.

Transitioning supply from Busan site to global facilities

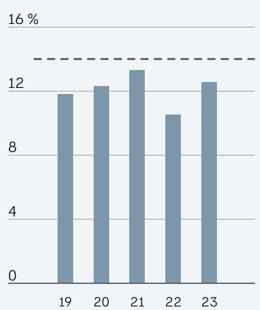
We have announced a transfer of the supply of products from Busan, Korea, to facilities in China, India, and Mexico. Following a thorough review, we will gradually scale down operations at the Busan site, with full closure expected in the first quarter of 2024.

2 bn

We have completed our group wide efficiency program realizing SEK 2 billion annual run-rate savings.

Long-term targets

Operating margin[1)]



--- Target 14%

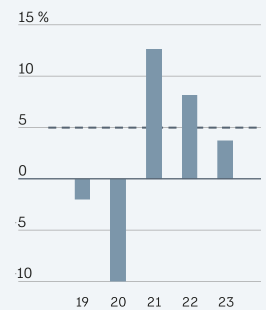
2023 outcome 12.5%

2019–2023 average 12.1%

How to reach the goal
- Acceleration of footprint optimizations, automation and regionalization supported by new ways of working.
- Cost competitiveness.
- Pricing.
- Portfolio pruning.

2023 outcome
The operating margin was 12.5%. Positive effects from price and customer mix. Negative effects from sales and manufacturing volumes, currency and cost increases mainly related to salary and material cost, partly offset by lower energy and logistic costs.

Revenue growth[2)]



--- Target 5%

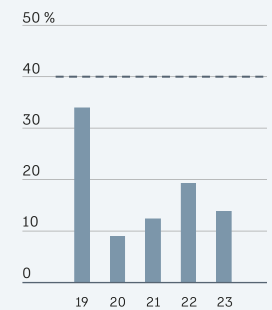
2023 outcome 3.8%

2019–2023 average 2.5%

How to reach the goal
- Increasing value for customer, and cost competitiveness.
- New businesses: e.g. cleantech, RecondOil, and electrification.
- Selected acquisitions.

2023 outcome
Organic sales increased by 3.8% compared to 2022. Sales was relatively flat in the Americas and growing in all other geographies. Industrial sales grew by 2.4% and Automotive sales grew by 7.2%.

Net debt[3)]/equity



--- Target <40%

2023 outcome 13.9%

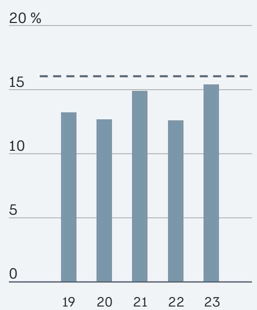
2019–2023 average 17.8%

How to reach the goal
Strong cash generation.

2023 outcome
Net debt/equity decreased from 19.3% to 13.9% in 2023. Financial assets increased by SEK 2.9 billion driven by high cash flow. Financial liabilities were relatively unchanged.

SKF's long-term targets shall be achieved over a business cycle. 1) Adjusted for items affecting comparability. 2) Including acquisitions, adjusted for divestments. 3) Excluding pension liabilities.

ROCE[1)]



--- Target 16%

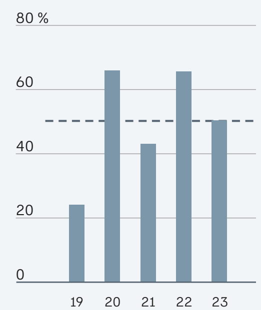
2023 outcome 15.4%

2019–2023 average 14%

How to reach the goal
- Automation and increasing regionalization.
- Working capital management.

2023 outcome
Return on capital employed increased to 15.4% in 2023. Capital employed increased mainly due to higher tangible assets and accounts receivable offset by significantly higher adjusted operating profit.

Dividend pay-out ratio,



--- Target 50%

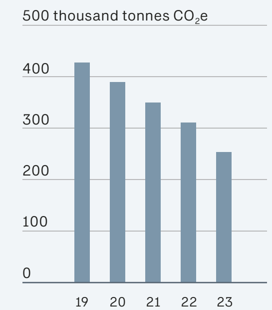
2023 outcome 50.4%

2019–2023 average 50%

How to reach the goal
The ordinary dividend should amount to around one half of SKF's average net profit.

2023 outcome[2)]
The pay-out ratio in 2023 was 50.4% and the five-year average was 50%.

Decarbonized operations by 2030[3)]



2023 outcome –41%

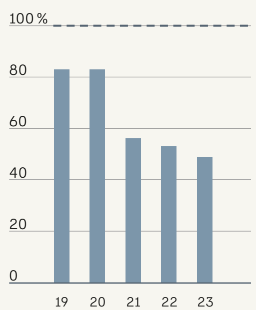
How to reach the goal
- Process improvements.
- Energy efficient machinery.
- Usage of renewable energy.
- Phase out of fossil fuel use.

2023 outcome
41% reduction vs. 2019 base year – in line with 2030 goal trajectory.

1) Adjusted for items affecting comparability. 2) According to the Board's proposal for the year 2023. 3) 95% reduction in scope 1 and 2 emissions by 2030 vs. 2019.

Sustainability targets

Climate target
Raw material



--- Target 100%

2023 outcome 49%

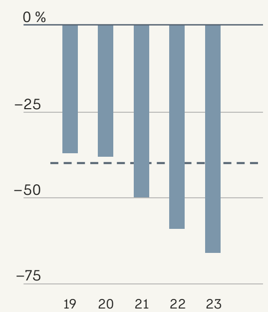
Global Suppliers in scope moved from 42 in 2019 to 109 in 2023.

What
% of major energy intensive suppliers certified according to ISO 50001. 109 global suppliers in scope.

Why
Raw materials have a significant impact from a lifecycle perspective.

How
Systematic energy management to reduce scope 3 emissions from the supply chain.

Climate target
Bearing manufacturing



--- Target –40%

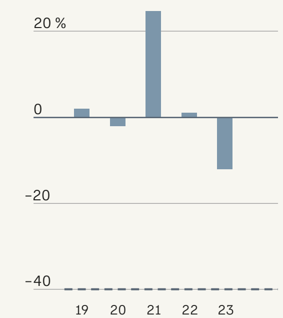
2023 outcome –66%

What
% CO_2e (scope 1 and 2) reduction per tonne of sold bearings compared to 2015.

Why
Energy use and related emissions are among the most significant ways that SKF can reduce its environmental impact.

How
Increased energy efficiency, increased share of renewable energy, reduced use of fossil fuels.

Climate target
Goods transportation



--- Target –40%

2023 outcome –12%

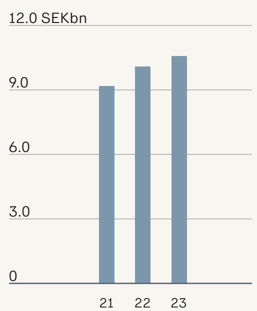
What
% CO_2e reduction (scope 3) per tonne of transported products compared to 2015.

Why
Reduce emissions and at the same time improve cost efficiency.

How
Regionalization, route optimization, higher fill rates and more CO_2e effective transport modes.

Climate target

Enabling cleantech growth



2023 outcome **10.6** SEKbn

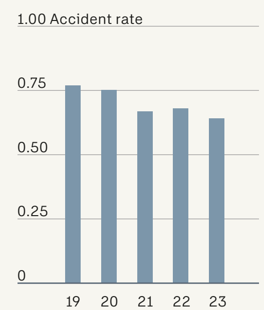
What
Revenues from key areas including: renewable energy, electric vehicles, electric railway, recycling industry, bearing remanufacturing, RecondOil and magnetic bearing solutions.

Why
Life cycle studies show that the greatest impact is within the use phase of SKF's solutions.

How
Strategic focus on cleantech growth.

Social target

Safety



--- Target **zero**

2023 outcome **0.64**

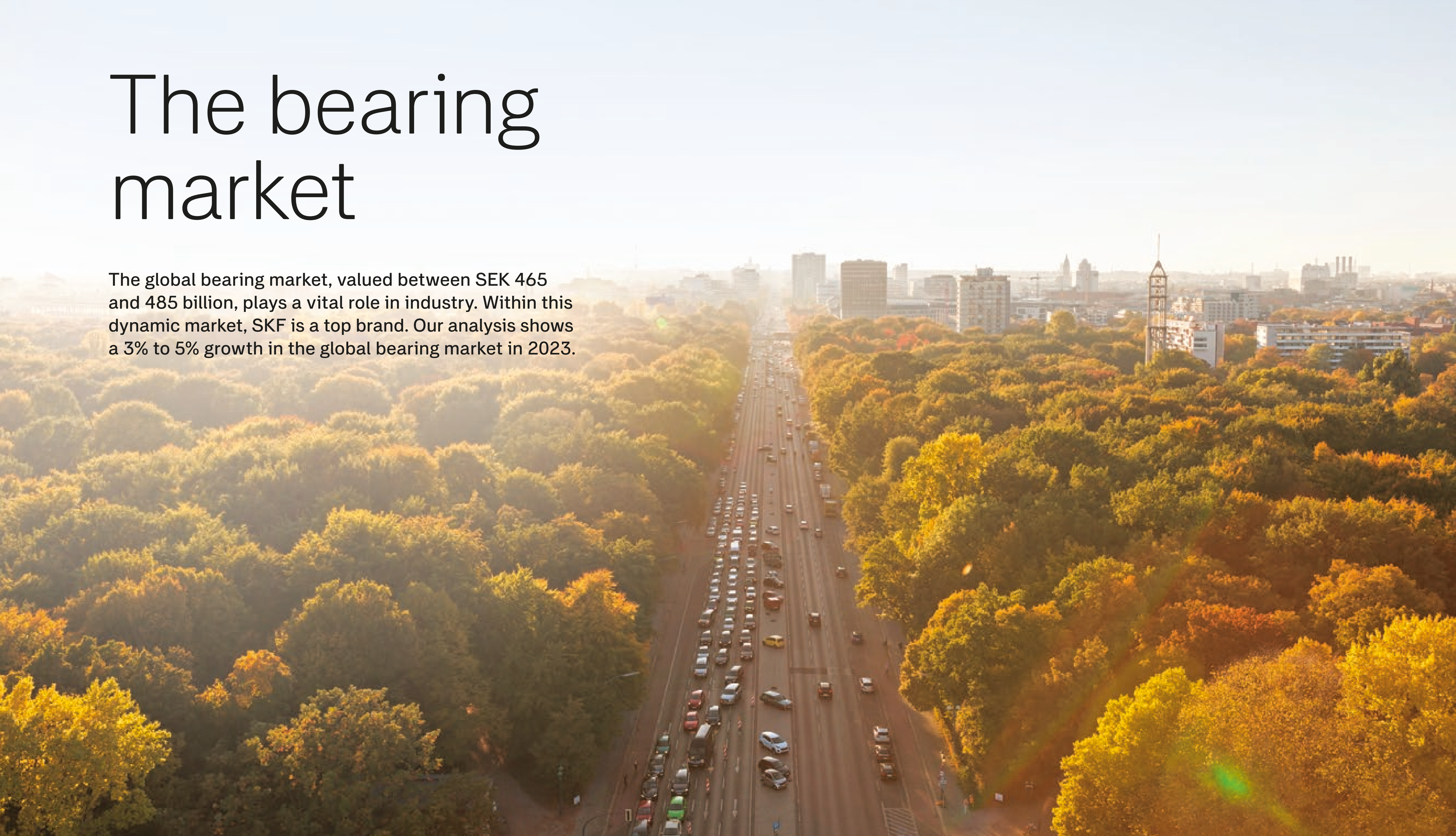
What
Accident rate per 200,000 worked hours.

Why
Safety always comes first and SKF is convinced that all work-related accidents can be prevented.

How
Global management system and focus on risk elimination and right safety behaviors.

The bearing market

The global bearing market, valued between SEK 465 and 485 billion, plays a vital role in industry. Within this dynamic market, SKF is a top brand. Our analysis shows a 3% to 5% growth in the global bearing market in 2023.



Navigating the dynamics of the global bearing market

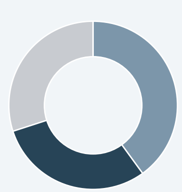
The global bearing market encompasses the worldwide sales of rolling bearings, including ball and roller bearing assemblies of diverse designs. Bearings are integral to various applications, making them a vital component in the global industrial landscape.

In today's globalized industry, there is a clear trend towards consolidation, with fewer, larger and more international manufacturers and distributors. This emphasizes the importance of global brands and products, and SKF is positioned as a well-known industrial brand globally. While we serve customers worldwide, our business is structured across four key regions: the Americas; Europe, Middle East and Africa; India and Southeast Asia; and China and Northeast Asia.

SKF leads the global bearing market, along with other major international players like the Schaeffler Group, Timken, NSK, NTN and JTEKT. We estimate that the top six manufacturers collectively represent approximately 55% of the global rolling bearing market, while Chinese bearing companies, both large and small, account for around 25%, primarily within the Asian market. The remaining 20% consists of numerous smaller regional and niche bearing competitors.

The intense competition among bearing manufacturers has spurred innovation and product development. Technological advancements, such as ceramic and smart (sensor-based) bearings, have emerged, offering increased durability, efficiency and high performance. Environmental considerations have also driven the development of energy-efficient bearings and the use of sustainable materials in manufacturing.

Market value by customer industries[1]



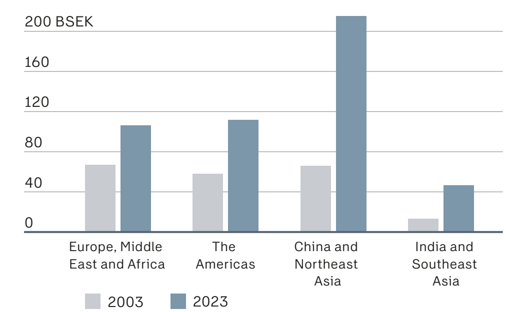
- Industrial original equipment bearing markets ~40%
  Including manufacturers of light and heavy industrial machines and equipment, as well as aerospace, off-highway and railway vehicles.
- Automotive OEM ~30%
- Distribution business ~30%
  Industrial distribution and vehicle independent aftermarket.

1) Total world demand of bearings 2023.

The bearing market, SKF's regions

SKF region	Market characteristics	Largest markets	Largest customer industries
Europe, Middle East and Africa Approximate share of the total world bearing market **22%** Market value **SEK 100–110 bn** 2023 market growth **Medium**	Western Europe is the largest sub-region by size but has shown a relatively weaker long-term growth. Here, important OEM industries are light vehicles, renewable energy, industrial drives and trucks. Eastern Europe and Middle East and Africa sub-regions are highly dependent on industrial and automotive after-markets. These sub-regions are smaller in size but have shown a relatively higher long-term growth.	Germany, Italy, France.	Industrial distribution, light vehicles, vehicle aftermarket, industrial drives, and renewable energy.
The Americas Approximate share of the total world bearing market **24%** Market value **SEK 105–115 bn** 2023 market growth **Medium**	The market in the Americas is highly dependent on the U.S. market, which is the second largest bearing market in the world. Here, OEM segments as light vehicles, off-highway and aerospace are large. Latin American sub-region shows higher long-term growth than North America. Latin America is largely depending on the industrial and automotive aftermarket since few global OEMs are present.	USA (~75% of regional market), Mexico, Brazil.	Light vehicles, industrial distribution, vehicle aftermarket, off-highway, and industrial drives.
China and Northeast Asia Approximate share of the total world bearing market **45%** Market value **SEK 205–225 bn** 2023 market growth **Low**	This region mainly consists of three of the top-5 bearing countries globally: China, Japan and Korea. Together, they represent ~44% of global bearings demand. The Chinese market represents ~1/3 of global demand. The region is by far the single most important market for electrical and deep grove ball bearings demand. In addition, the region has the highest global bearing demand for light vehicles, trucks, renewable, lifts and escalators.	China (~70% of regional market), Japan, Korea.	Light vehicles, industrial distribution, industrial drives, electrical, and renewable energy.
India and Southeast Asia Approximate share of the total world bearing market **9%** Market value **SEK 40–50 bn** 2023 market growth **High**	This region is the smallest by size. However, the region has the highest bearings demand for the two-wheeler market. India and Southeast Asia is largely depend-ent on the Indian market, with ~55% of the regional demand and ~5% of global demand. The Southeast Asia sub-region is largely dependent on the industrial and automotive aftermarket.	India (55% of regional market).	Industrial distribution, vehicle aftermarket, light vehicles, and two-wheeler.

Market value and growth by region



During the last 20 years, the highest market growth is seen in China and Northeast Asia and India and South-east Asia with growth rates around 250%. More limited growth is seen in Europe, Middle East and Africa (~65%) and the Americas (~100%).

SKF's global presence

SKF region	Net sales	Share of group net sales	Employees[1]	SKF's position
Europe, Middle East and Africa	2022 2023 2023 42,299 MSEK Change in sales +12%	41%	19,754 78% Men / 22% Women	A leading position with strong presence in all industry segments, especially in industrial distribution, railway, off-highway, and heavy industries.
The Americas	2022 2023 2023 31,193 MSEK Change in sales +4%	30%	8,746 77% Men / 23% Women	Strong position in most industry segments; industrial distribution, vehicle aftermarket, industrial drives, aerospace, renewable energy, and off-highway.
China and Northeast Asia	2022 2023 2023 20,509 MSEK Change in sales +2%	20%	7,951 70% Men / 30% Women	A growing position with a strong presence in certain industry segments; renewable energy, railway, heavy industries, trucks and industrial drives.
India and Southeast Asia	2022 2023 2023 9,880 MSEK Change in sales +7%	9%	3,221 88% Men / 12% Women	A leading position in many of the larger industry segments, especially in industrial distribution, two-wheelers and vehicle aftermarket. Strong position also in renewable energy, heavy industries and industrial drives.

1) Average, full time employees.

Europe, Middle East and Africa

SKF transforms ArcelorMittal's mill with condition monitoring

SKF's condition monitoring systems are transforming the efficiency of ArcelorMittal's Duisburg wire rod mill, where over 300 SKF bearings are critical components. Using sensors to measure vibrations, SKF's system prevents failures, optimizes maintenance intervals and facilitates targeted spare parts planning.

The comprehensive implementation of SKF Condition monitoring since January 2021 has significantly increased system availability, allowing early detection of damage and estimation of remaining service life.

The collaboration has not only enhanced bearing optimization but has also paved the way for joint projects in artificial intelligence, showcasing the potential for further customer-centric initiatives, such as the Rotating Equipment Performance concept.

The Americas

Transforming conveying technology for the food industry

The US company, Heat and Control, sought SKF's expertise to enhance their latest horizontal motion conveying equipment. SKF was challenged to improve performance, reduce footprint, minimize energy consumption and increase service life.

SKF reached across the full value chain to refine and optimize the design. Leveraging vast industry knowledge and simulation tools, SKF developed an innovative, application-specific, unitized solution.

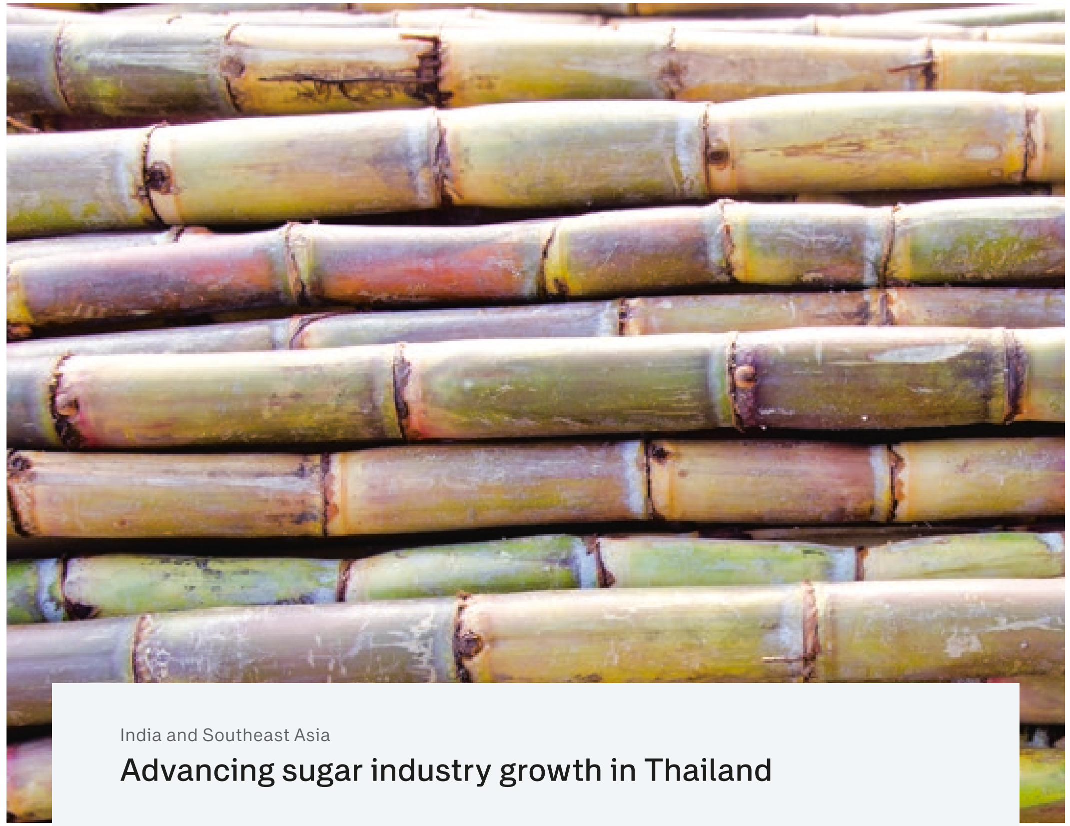
The result, FastBack 4.0, significantly improves horizontal motion conveying with enhanced performance, energy efficiency and sanitation, while reducing downtime, system noise and minimizing wasted food product.

Through this collaboration, SKF is poised to meet significant growth targets across various industries to support the Heat and Control vision.

China and Northeast Asia

Chinese partnership for global mining truck efficiency

In a collaborative partnership, SKF and XCMG, a Chinese player in the global construction machinery industry, worked together to improve the efficiency and intelligence of mining truck wheel ends. The combined expertise led to a solution that merged condition monitoring with custom-made bearings, outperforming competitors and marking a significant advancement. The integrated solution has significantly improved XCMG's intelligent mining truck capabilities, validated by 10,000 hours in real-world conditions. This innovation now covers XCMG's entire mining truck portfolio, boosting operational efficiency and reducing maintenance costs, including unmanned operation and improved inventory planning. This breakthrough has expanded SKF's product portfolio and set a new standard for mining truck efficiency, tapping into the significant market for mining truck wheel end bearings.



India and Southeast Asia

Advancing sugar industry growth in Thailand

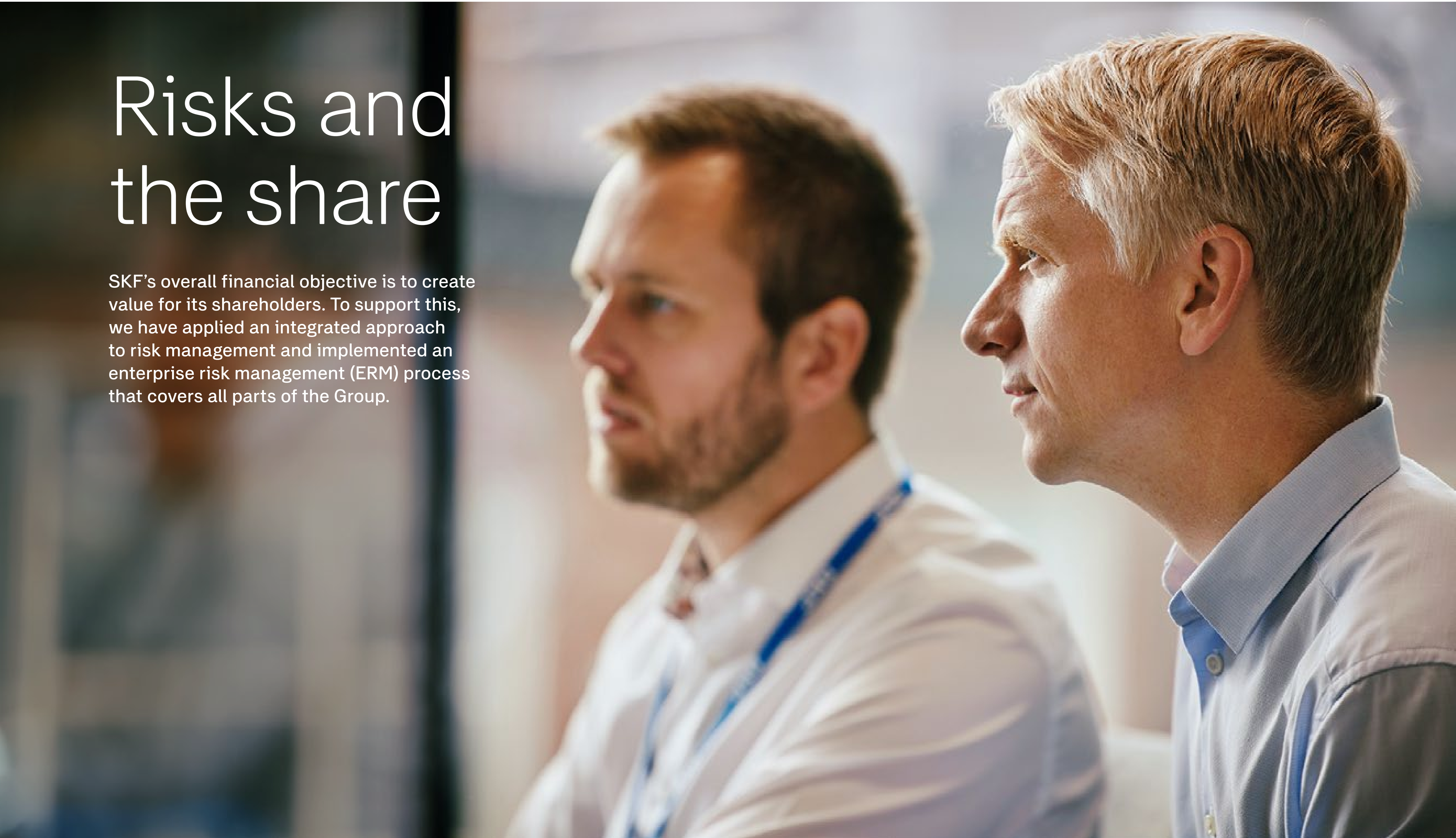
Khon Kaen Sugar Industry PCL. (KSL), Thailand's fourth-largest sugar producer with five factories, successfully navigated challenges posed by a severe 2020 drought, experiencing growth from 2021 to 2023.

Prioritizing operational efficiency, KSL aims to maximize production uptime during its 4–5 months annual operational window, considering climate change uncertainties affecting cane plantations. Addressing critical equipment concerns, especially the planetary gear in the crusher process, KSL has joined a three-year partnership with SKF.

The performance-based contract includes bearing supply, online condition monitoring, remote diagnostics and application engineer supervision, contributing to growth and increased market share for both KSL and SKF. The current plan is to replicate this successful solution to other plants within the Group to align with KSL's digitalization and technology strategies.

Risks and the share

SKF's overall financial objective is to create value for its shareholders. To support this, we have applied an integrated approach to risk management and implemented an enterprise risk management (ERM) process that covers all parts of the Group.



Risk management

The SKF Group operates in many different industries and geographical areas. A general economic downturn on a global level, or in one of the world's leading economies could reduce the demand for the Group's products, solutions and services. War, terrorism and other hostilities, natural disasters and disturbances in worldwide financial markets could also have a negative effect on the demand for the Group's products and services.

Sustainability and the risks and opportunities related to climate are fundamental to the Group's strategy. There are also regulatory requirements, taxes, tariffs and other trade barriers, price or exchange controls or other governmental policies that could limit the SKF Group's operations.

SKF applies an integrated approach to risk management and has implemented an enterprise risk management (ERM) process that covers all parts of the Group, see illustration below. The risk impact includes impact on strategy, long term financial performance, as well as brand and reputation. The Group Risk Manager, who is is part of the central group functions and reports to the CFO and to the Audit Committee, is overall responsible for the ERM process and consolidates the risks and the mitigating activities. The risks highlighted below and on the next page are the main risks identified during the 2023 Group ERM process. The main areas of opportunity are described on page pages 16–25. For information about financial risks including currency risks, interest risks, liquidity risks and credit risks, see Note 26 on pages 79–81. For information about ongoing compliance related investigations, see Note 19 on page 72.

As with other risks, SKF applies an integrated approach to the identification and management of risks related to sustainability. The key risks are assessed on both probability and impact. To further understand the sustainability risks, SKF's materiality analysis is used to identify sustainability and climate-related risks in the value chain. The table on page 41 provides a summary of the main sustainability risks and SKF's approach to managing them. For further information about climate-related financial risks and opportunities, see the Sustainability Report on pages 95–138.

SKF Group ERM process

The result is shared yearly with Group Management and the Audit Committee. There is also a half-year internal assessment to monitor changes and make sure mitigation actions are in place and delivering expected result which is presented to Group Management.

1) Director, Global Finance Sustainability and Operations

Main risks

Risk	Trend	Mitigation
Geopolitical tensions Sanctions, tariffs and other trade barriers. Climate change, pandemics, war and other major events.	↗	Regionalize SKF's manufacturing footprint and supplier base. Focus on business that will benefit from the increased climate focus.
Information security Increasing information security threats and increasing requirements from customers and governments to adhere to information security standards such as ISO, NIST and ITAR.	↗	Continue the implementation of the information security program, including the controls in SKF's Information Security Management System (ISMS).
Ability to mitigate cost volatility Increasing inflation and volume volatility is putting pressure on the profitability. Volatility in material, personnel, logistics and energy costs are impacting the cost structure of the company. Volatility in volumes put further pressure on cost flexibility.	→	Pricing activities have been implemented in all regions in order to offset cost increases. SKF is accelerating the work to increase flexibility and reduce fixed costs, especially in Europe, by delayering the organization, reshaping corporate functions, reallocation of production volumes to optimize cost and reduce indirect expenditure.
Speed of digitalization Increasing demands for a fully connected value chain and excellent digital customer experience, as well as the rapid development of AI-based solutions are placing high demands on the speed of the digital transformation.	↘	Strategic initiatives in place to ramp up digitalization including strengthening capabilities, investing in digital talents, modernizing, harmonizing and simplifying the IT landscape.
Supply chain effectiveness Risk of disruption, or increasing lead times, due to either global shortages, or supplier/regional dependencies. Inventory management and demand forecasting inefficiencies.	↗	Review of supplier localization, footprint, increased dual sourcing alternatives, consolidation and digitalization of the supply chain.
Manufacturing footprint and localization of suppliers High levels of footprint regionalization still required to fully offset risks of regional crises. Risk of regional economic shifts impacting competitiveness of global supply chains.	↗	Updated manufacturing strategy and governance, including prioritised investment planning, competence planning and regional supplier development. Development of step-up manufacturing technologies for scalable deployment.
Speed of innovation Introduction of disruptive and quickly changing new technologies.	↗	Establish a way of working to ensure increased speed and leverage of innovation internally and in combination with external partners when needed.
People There is a fierce competition in the labor market, where the success of companies is dependent on the ability to attract, develop and retain critical competences and capabilities.	↘	SKF takes a holistic approach in strengthening the Group as the employer of choice, by putting the employee experience at the center. Purpose, culture, employee engagement, leadership, competence and way of working are all key building blocks in this area.
Compliance Risk of violation by distributors and third parties including antitrust. Increasing external fraud attempts. Increased complexity of trade compliance, export control and international sanctions. Adherence to extensive new legal requirements.	↗	Training, awareness and monitoring of distributors in high risk areas. Driving operational ownership of compliance, management commitment including comprehensive risk assessments in each Business Area. Establishment of third-party risk framework including Environmental, Social and Governance (ESG) due diligence.
Governance and internal coordination Unclear responsibilities, mandate and insufficient global alignment.	↗	Strategic initiatives to clarify mandates, responsibilities as well as creating forums for strategic coordination, alignment and decision making.
Quality Insufficient quality in production processes leading to higher cost and risk of delivering products and services not in-line with customer requirements which could potentially damage the brand perception.	→	Three-year program to significantly reduce cost of non-quality as well as improved digital support for management of change and engineered-to-order offers. Strengthen adherence to quality processes.

Sustainability risks[1)]

Risk	Trend	Mitigation
A major incident at an SKF facility causing environmental damage leading to fines and loss of reputation.	↘	SKF's environmental management systems, certified to ISO 14001, work to assure that all such material risks are identified and that effective countermeasures are implemented to mitigate them.
Extreme weather events related to climate change.	↗	Requirements for emergency response plans at all sites include flood risks etc. For more information, see SKF TCFD report on pages 130–133.
Increased energy and other environmental costs due to legislation.	↗	SKF focuses on energy efficiency at its own facilities and suppliers – reducing energy demand and, therefore, related risks. For more information, see SKF TCFD report on pages 130–133.
SKF employees or employees working in the supply chain are hurt or killed by an accident at work.	↘	SKF's Health and Safety management system is certified to ISO 45001. The Group's zero accident program, supported by proactive near miss reporting, aims to avoid all workplace accidents. Within the Code of Conduct for suppliers and sub-contractors, SKF has defined specific requirements for the assurance of health and safety for the employees of suppliers and sub suppliers.
A person or persons are hurt or injured because of SKF product failure, malfunction or defect.	↘	SKF follows strict design and validation rules for all products, and fully adheres to industry specific requirements for safety critical applications. SKF provides detailed instructions on the correct use, fitting and application of products. SKF's overall approach to quality management assures product conformity and performance to the highest level.
Human rights of employees working at SKF or within the supply chain are not respected.	↘	SKF adheres to international standards and guidelines and enforces the SKF Code of Conduct policy in all its operations. Periodic code of conduct compliance audits are performed and a whistle-blowing process is available at local and global levels.

1) As mentioned on page 98, some additional material topics have been highlighted by the double materiality assessment which was conducted during 2023 and these will be incorporated in the 2024 annual report, including for example an updated version of this risk summary.

The SKF share

SKF's A and B shares are listed on the Nasdaq Stockholm, Large Cap stock exchange and are included in several indexes.

In 2023, the share price increased by 27% for the SKF A share and 26% for the SKF B share. The total number of SKF shares traded on Nasdaq Stockholm was 365,388,023. SKF's B shares are also traded on other markets outside Nasdaq Stockholm. The total number of shares traded on these marketplaces combined in 2023 was 856,032,783. SKF's American Depositary Receipts (ADRs) are traded on the OTC market.

As per 31 December 2023, the Company's share capital amounted to SEK 1,138,377,670 and the total number of shares amounted to 29,306,933 shares of Series A and 426,044,135 shares of Series B. The number of votes in the Company amounted to 71,911,346.5. Rights associated with the different share types are further elaborated in the Corporate Governance Report on pages 140–147.

Share conversion

Owners of A shares have an option to convert these to B shares. In 2023, 97,000 shares were converted. As of 31 December 2023, A shares were 6.4% (6.5) of the total number of shares.

Dividend and total return

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 7.50 per share be paid for 2023. The total return from investing in the SKF A share over the past three years was 4.78% and for the SKF B share 4.91%.

Ownership structure

SKF had 76,784 shareholders on 31 December 2023. Around 34.7% of the share capital was owned by foreign investors, around 40.3% by Swedish companies, institutions and mutual funds and around 8.2% by private Swedish investors. Most of the shares owned by foreign investors are registered through trustees, which means that the actual shareholders are not officially registered.

FAM AB, which is wholly owned by Wallenberg Investments AB, in its turn owned by the three largest Wallenberg Foundations, is the only shareholder with a shareholding representing more than 10% of the voting rights in SKF. Per 31 December 2023 the company owned none of its own shares.

Information to shareholders

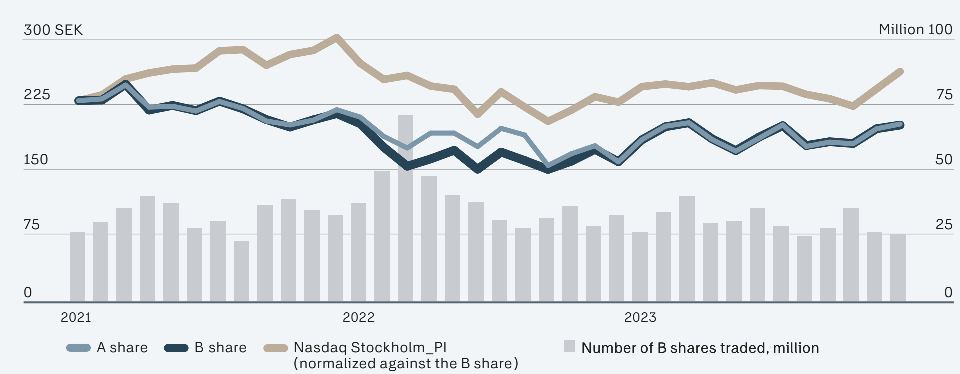
Financial reports and further information about the share can be found at investors/skf.com. A list of analysts following SKF and the opportunity to subscribe to information from SKF is also available on the website.

Sustainability indexes

Based on the 2023 submission, SKF has been rated A within the CDP rating system which signifies that the company is taking coordinated action on climate issues.

SKF is also evaluated as Platinum (in the top 1% of companies in its sector) via the EcoVadis supplier sustainability evaluation platform which is used by many of the Group's global customers to understand supplier sustainability performance.

Share development 2021–2023



Data per share

SEK per share unless otherwise stated	2023	2022
Earnings per share	14.04	9.81
Dividend per A and B share	7.50[1]	7.00
Total dividends, MSEK	3,415[1]	3,188
Purchase price of B shares at year-end on Nasdaq Stockholm	201.30	159.15
Equity per share	116	114
Yield (B), %	3.7[1]	4.4
P/E ratio, B (share price/earnings per share)	14.3	16.2
Cash flow from operations, per share	30.2	12.4
Cash flow after investments before financing, per share	17.4	0.7

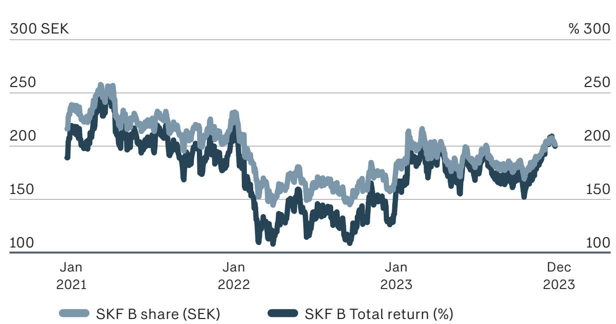
1) According to the Board's proposal for the year 2023.

The ten largest shareholders sorted by voting rights

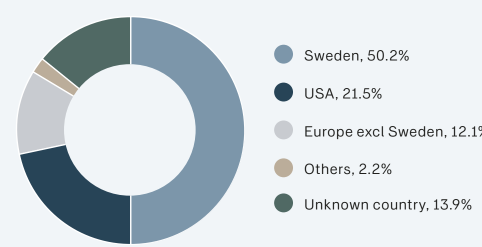
	Number of shares	Share capital, %	Voting rights, %
FAM AB	68,317,539	15.0%	29.0%
Cevian Capital	36,124,429	7.9%	5.0%
AFA Försäkring	3,155,738	0.7%	3.9%
Harris Associates	22,691,793	5.0%	3.2%
Livförsäkringsbolaget Skandia	3,732,306	0.8%	2.5%
Vanguard	14,615,481	3.2%	2.0%
BlackRock	13,165,888	2.9%	1.8%
SEB-Stiftelsen	1,650,000	0.4%	1.8%
Norges Bank	8,607,427	1.9%	1.5%
Handelsbanken Fonder	10,359,837	2.3%	1.4%

Source: Modular Finance AB as of 31 December 2023.

Total return 2021–2023



Geographic ownership 2023



ADDITIONAL INFORMATION

There are no regulations under Swedish law or under the Articles of Association limiting the transferability of SKF shares. Furthermore, to the best of SKF's knowledge, no agreements exist between shareholders limiting the right to transfer SKF shares (e.g. by pre-emption or first refusal clauses). No restrictions exist limiting the number of votes that each shareholder may cast at a shareholders' meeting. There are no existing agreements between SKF and any board member or employee, allowing them to receive special compensation in the event of resignation, dismissal without cause, or termination of employment as a consequence of a public takeover bid for the shares in AB SKF.

Capital structure, financing, credit rating and dividend policy

Capital structure

The capital structure target is a net debt/equity ratio, excluding pension liabilities, below 40%. This together with the self-funding principle in the strategic framework, operating cash flow to fund investments and shareholder distribution underpins the Group's financial flexibility and its ability to execute on the strategy, while maintaining a strong credit rating. On 31 December 2023, the net debt/equity ratio, excluding pension liabilities was 13.9% (19.3).

Financing

SKF's policy is to have long-term financing of its operations.

As of 31 December 2023, the average maturity of SKF's loans was approximately four years. SKF has four notes issued on the European bond market. EUR 300 million per 2025, EUR 400 million per 2028, EUR 300 million per 2029, and one with an outstanding amount of EUR 300 million, due in 2031. The bonds maturing in 2028 and 2029 are both issued under SKF's Green Finance Framework. In addition to these notes, SKF also has two notes issued on the Swedish bond market, due 2024 and in a total of SEK 3,000 million.

According to the conditions of the notes, the notes' interest rate may increase by 5% in case of a change of control of the company in combination with a rating downgrade to a non-investment grade as a consequence of this. Change of control meaning any party/concerted parties acquiring more than 50% of SKF's share capital or SKF's shares carrying more than 50% of the voting rights.

Since SKF has relatively standardized loan documentation similar conditions also apply to other loan agreements. In addition to the bonds mentioned before, SKF also has one bilateral loan of USD 100 million due in 2027. In addition to its own liquidity, AB SKF has one unutilized committed credit facility of MEUR 800, syndicated with ten banks that will expire in 2028, with two 1-year extension options.

Credit rating

On 31 December 2023, the Group had a Baa1 rating from Moody's Investors Service and a BBB+ rating from Fitch Ratings, both with a stable outlook. SKF intends to keep a strong credit rating, which is reflected in its capital structure targets.

Dividend

SKF's dividend and distribution policy is based on the principle that the total dividend should be adapted to the trend for earnings and cash flow, while considering the Group's development potential and financial position. The Board of Directors' view is that the ordinary dividend pay-out ratio should amount to around one half of SKF's average net profit calculated over a business cycle, which is reflected in SKF's long-term financial targets. If the financial position of the SKF Group exceeds the targets for the capital structure an additional distribution to the ordinary dividend could be made in the form of a higher dividend, a redemption scheme or a repurchase of the company's own shares. On the other hand, in periods of more uncertainty a lower dividend ratio could be appropriate.

Based on the operating performance, cash generation capacity and outlook, the Board has decided to propose to the Annual General Meeting a dividend of SEK 7.50 (7.00) per share. This proposal is subject to a resolution by the Annual General Meeting in March 2024, see page 91, Proposed distribution of surplus.

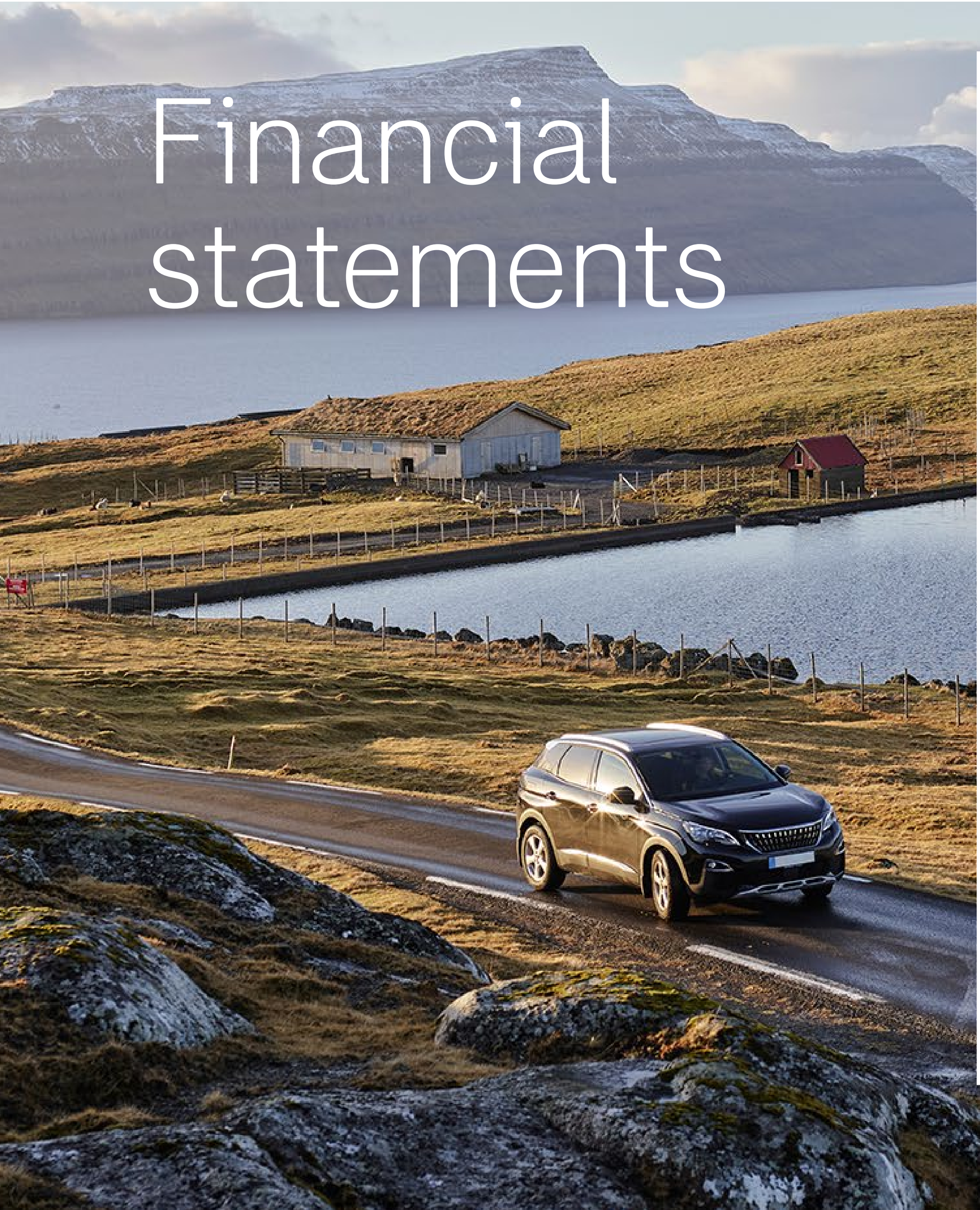
Remuneration to Group Management

The principles of remuneration for Group Management members were adopted on the annual general meeting in 2020 and revised in 2022 and are summarized in the Annual Report 2023, Consolidated Financial Statements, Note 23.

Nomination of Board members and notice of Annual General Meeting

In addition to specially appointed members and deputies, the company's Board of Directors shall according to the Articles of Association, comprise a minimum of five and a maximum of twelve members, with a maximum of five deputies. The Annual General Meeting shall, inter alia, determine the number of Board members and deputy Board members, and preside over the elections of Board members and deputy Board members.

Notice to attend an Annual General Meeting and notice to attend an Extra General Meeting where an issue relating to a change in the Articles of Association will be dealt with, shall be issued no earlier than six weeks and no later than four weeks prior to the General Meeting. Notice to attend an Extra General Meeting for other matters shall be issued no earlier than six weeks and no later than three weeks prior to the General Meeting.



Financial statements

Contents

Amounts in MSEK unless otherwise stated. Amounts in parentheses refer to comparable figures for 2022.

The Administration Report is presented on pages 15–91. It has been audited by SKF's external auditors. See the **Auditor's Report** on pages 92–93. According to the Swedish Annual Accounts Act chapter 6, §11, SKF's Statutory Sustainability Report is prepared as a separate report. The scope of this **Sustainability Report** is presented on page 94.

Consolidated income statements

MSEK	Note	January–December 2023	2022
Net sales	2	103,881	96,933
Cost of goods sold	6	–77,541	–72,465
Gross profit		**26,340**	**24,468**
Research and development expenses	5	–3,303	–3,177
Selling expenses	6	–11,450	–11,362
Administrative expenses	6	–607	–661
Other operating income	7	2,696	1,321
Other operating expenses	7	–2,652	–2,081
Income from associated companies	7	60	24
Operating profit		**11,084**	**8,532**
Financial income	8	413	120
Financial expenses	8	–2,316	–1,359
Profit before taxes		**9,181**	**7,293**
Income tax	9	–2,404	–2,438
Net profit		**6,777**	**4,855**
Net profit attributable to:			
Shareholders of AB SKF		6,395	4,469
Non-controlling interests		382	386
Basic earnings per share (SEK)	17	14.04	9.81

Consolidated statements of comprehensive income

MSEK	Note	January–December 2023	2022
Net profit		**6,777**	**4,855**
Items that will not be reclassified to the income statement			
Remeasurements of post-employment benefits	18	–297	3,674
Income tax	9	83	–898
		–214	**2,776**
Items that may be reclassified to the income statement			
Currency translation adjustments		–3,136	3,846
Assets at fair value through other comprehensive income	14	–82	–16
Income tax	9	—	4
		–3,218	**3,834**
Other comprehensive income, net of tax		**–3,432**	**6,610**
Total comprehensive income		**3,345**	**11,465**
Total comprehensive income attributable to			
Shareholders of AB SKF		3,082	10,998
Non-controlling interests		263	467

Comments on the consolidated income statements

General

The Group's income statement for 2023 included the result of one smaller divested lubrication business in Germany for the period 1 January–30 September.

Net sales

In 2023, net sales amounted to MSEK 103,881 (96,933) corresponding to an increase of 7.1% compared to 2022. The change of the Swedish krona towards other currencies had a positive impact in 2023 of +3.9%. Structural changes accounted for –0.5%. Net sales in local currencies increased with 3.7%.

Sales development y-o-y, %	Q1	Q2	Q3	Q4	Full year
Organic	10.1	7.9	–0.6	–1.9	3.7
Structure	–2.0	–0.1	0.1	0.1	–0.5
Currency	7.6	6.9	3.7	–1.8	3.9
Total	**15.7**	**14.7**	**3.2**	**–3.6**	**7.1**

Operating profit

Operating profit for the year was MSEK 11,084 (8,532). Operating profit included items affecting comparability of MSEK –1,893 (–1,672), whereof MSEK –1,398 (–851) related to ongoing restructuring, factory closures and cost reduction activities, MSEK –338 related to currency devaluation in Argentina, MSEK –176 (–125) related to impairments and MSEK 18 (3) related to gain on sale of business. For 2022 it also included MSEK –675 related to the divestment of the business in Russia and MSEK –24 related to customer settlements.

Financial income and expenses, net

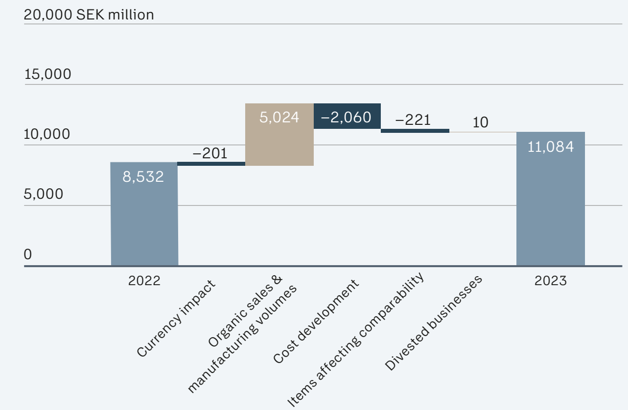
The financial income and expenses, net for 2023 was MSEK –1,903 (–1,239). Exchange rate fluctuations had a more negative effect in 2023 compared to 2022 whereof MSEK –250 is related to the devaluation in Argentina. In addition, interest expenses were significantly higher during 2023. For more information about the changes year-over-year, see Note 8.

Taxes

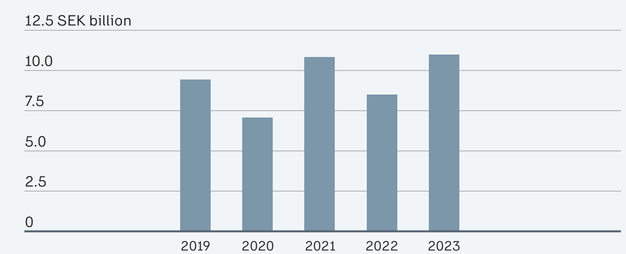
The effective tax rate for the year was 26.2% (33.4). The tax rate in 2022 was negatively impacted by the loss from divestment of business in Russia. For more information, see Note 9.

Values by quarter MSEK	Q1	Q2	Q3	Q4	Full year
Net sales	26,549	27,123	25,771	24,438	103,881
Operating profit	3,379	3,213	2,567	1,925	11,084
Profit before taxes	2,942	2,830	2,193	1,216	9,181
Basic earnings per share (SEK)	4.55	4.48	3.64	1.37	14.04

Operating profit development y-o-y



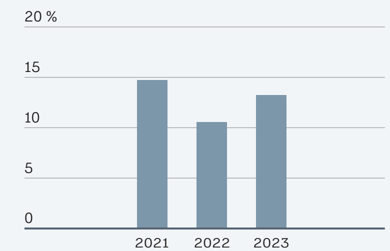
Operating profit



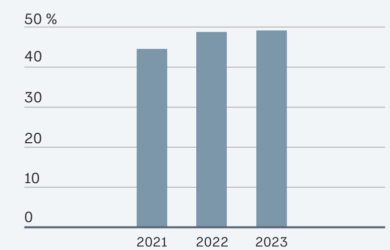
Consolidated balance sheets

MSEK	Note	As of 31 December 2023	2022
ASSETS			
Non-current assets			
Goodwill	10	11,962	12,351
Other intangible assets	10	5,045	5,842
Property, plant and equipment	11	26,820	24,897
Right-of-use assets	12	2,961	3,084
Long-term financial assets	14	1,170	1,224
Deferred tax assets	9	3,107	3,173
Investments in joint ventures and associated companies	22	467	114
Other long-term assets		454	443
		51,986	**51,128**
Current assets			
Inventories	13	23,194	26,052
Trade receivables	14	16,811	16,905
Other short-term assets	15	5,859	5,614
Other short-term financial assets	14	742	969
Cash and cash equivalents	14	13,311	10,255
		59,917	**59,795**
Total assets		**111,903**	**110,923**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of AB SKF		52,743	51,927
Equity attributable to non-controlling interests	27	2,213	2,116
		54,956	**54,043**
Non-current liabilities			
Long-term financial liabilities	20	15,687	18,933
Long-term lease liabilities	12, 20	2,207	2,286
Provisions for post-employment benefits	18	8,797	8,748
Deferred tax provisions	9	1,220	1,365
Other long-term provisions	19	1,339	1,066
Other long-term liabilities		83	42
		29,333	**32,440**
Current liabilities			
Trade payables	20	11,236	11,594
Short-term provisions	19	1,245	1,239
Short-term lease liabilities	12, 20	629	635
Other short-term financial liabilities	20	3,431	281
Other short-term liabilities	21	11,073	10,691
		27,614	**24,440**
Total equity and liabilities		**111,903**	**110,923**

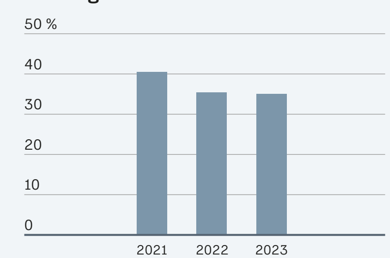
Return on capital employed



Equity/assets



Gearing



Comments on the consolidated balance sheets

Net working capital

On 31 December 2023, net working capital as percentage of annual sales was 27.7% (32.4) consisting of the following components:

- Inventories amounted to MSEK 23,194 (26,052) being 22.3% (26.9) of annual sales. The decrease in inventories was attributed to volumes by MSEK –1,709, net of divestments, and acquisitions, and to currencies by MSEK –1,149.
- Trade receivables amounted to MSEK 16,811 (16,905) which is 16.2% (17.4) of annual sales. The change in trade receivables was attributable to volume increase with MSEK 656, net of divestments and acquisitions, and to currencies with MSEK –750. The average days of outstanding trade receivables were 64 days (64).
- Trade payables amounted to MSEK 11,236 (11,594) corresponding to 10.8% (12.0) of annual sales. The change attributable to volume was MSEK 43, net of divestments and acquisitions, and the remaining MSEK –401 was attributable to currencies.

Property, Plant and Equipment

On 31 December 2023, Property, Plant and Equipment amounted to MSEK 26,820 (24,897), equal to a percentage of annual sales of 25.8% (25.7). The change attributable to currencies was MSEK –1,251.

Net debt

Net debt amounted to MSEK 16,191 (19,034) at the end of 2023.

Post-employment benefit provisions totalled MSEK 8,578 (8,621) at year end, representing a net decrease of MSEK 43 (net decrease of 3,090) which was attributable to:

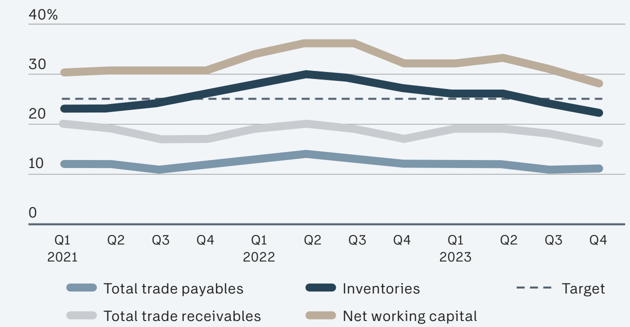
- Cash payments of MSEK –1,272 (–1,080)
- Actuarial gains and losses of MSEK 297 (–3,674)
- Expenses of MSEK +1,025 (+736)
- Acquired/divested businesses of MSEK 0 (0)
- The remainder was attributable to currency translation differences.

Loans totalled MSEK 18,496 (18,346), at the end of 2023, representing an increase of MSEK 150. The change was primarily attributable to currency translation effects of MSEK 141.

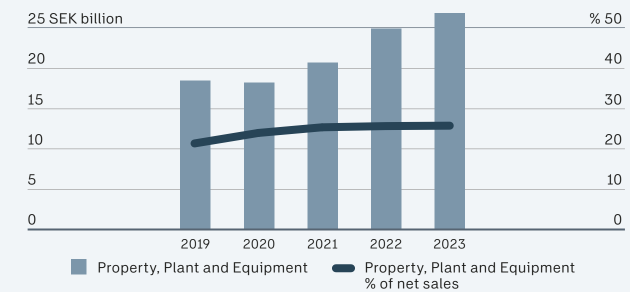
Equity

During the year, equity increased from MSEK 54,043 to MSEK 54,956. Net profit amounted to MSEK 6,777 (4,855) and dividends paid were MSEK 3,357 (3,249). Currency translation had a negative effect of MSEK –3,136 (3,846). Remeasurements had a negative net of tax effect of MSEK –214 (2,780). The capital structure target is a net debt/equity ratio, excluding pension liabilities, below 40%. The capital structure target together with the self-funding principle in the strategic framework, operating cash flow to fund investments and shareholder distribution, underpins the Group's financial flexibility and its ability to execute on the strategy, while maintaining a strong credit rating. On 31 December 2023, the net debt/equity ratio, excluding pension liabilities, was 13.9% (19.3).

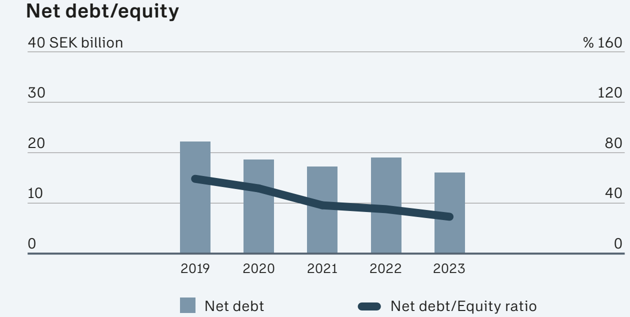
Net working capital as % of annual sales



Property, Plant and Equipment as % of net sales



Net debt/equity



Consolidated statements of cash flow

MSEK	Note	January–December 2023	2022
Operating activities			
Operating profit		11,084	8,532
Adjustments for			
Depreciation, amortization and impairment	6	4,297	3,784
Net gain on sales of businesses and property, plant and equipment		2	598
Other non-cash items		1,528	1,530
Income taxes paid		–2,593	–2,572
Contributions to and payments under post-employment defined benefit plans	18	–1,060	–882
Associated companies		–98	–87
Changes in working capital			
Inventories		1,709	–3,233
Trade receivables		–656	–1,900
Trade payables		43	990
Other operating assets and liabilities, net		378	237
Interest and other financial items		–851	–1,356
Net cash flow from operating activities		**13,783**	**5,641**
Investing activities			
Additions to intangible assets	10	–11	–183
Additions to property, plant and equipment	11	–5,749	–5,030
Sales of property, plant, equipment, and intangible assets	10, 11	68	176
Acquisitions of businesses, net of cash and cash equivalents	3	—	–83
Divestments of businesses, net of cash and cash equivalents	4	25	–133
Investment in/sale of equity securities		–200	–93
Net cash flow used in investing activities		**–5,867**	**–5,346**
Net cash flow after investments before financing		**7,916**	**295**

MSEK	Note	January–December 2023	2022
Financing activities			
Proceeds from medium- and long-term loans		122	4,402
Repayments of medium- and long-term loans		–122	–3,358
Payments of leases		–863	–809
Cash dividends to shareholders of AB SKF and non-controlling interests		–3,357	–3,249
Funding of post-employment benefits		–212	–198
Investments in financial assets		–419	–304
Sales of financial assets		339	116
Net cash flow used in/from financing activities		**–4,512**	**–3,400**
Net cash flow		**3,404**	**–3,105**
Cash and cash equivalents at 1 January		10,255	13,219
Cash effect excluding acquired/sold businesses		3,404	–2,963
Cash effect from acquired/sold businesses		—	–143
Translation effect		–348	142
Cash and cash equivalents on 31 December		**13,311**	**10,255**

Comments on the consolidated statements of cash flow

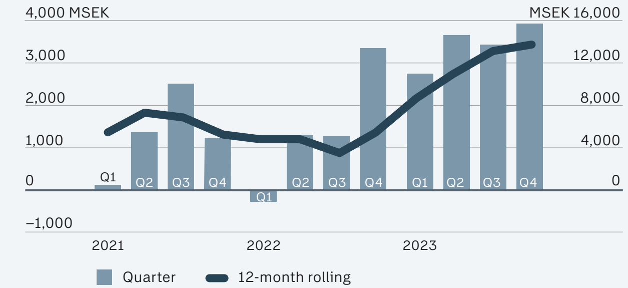
The consolidated statements of cash flow have been adjusted for exchange rate effects arising upon the translation of foreign subsidiaries' balance sheets to SEK, as these do not represent cash flows. Cash and cash equivalents comprise cash free, cash on time deposits at banks and debt securities maturing within three months at the time of the investment.

Cash flow from operating activities
Net cash flow from operating activities, which is the primary cash flow measure used in the Group, amounted to MSEK 13,783 (5,641) in 2023. Other non-cash items included expenses for which the cash flow has not yet occurred. The improved cash flow from operating activities is mainly driven by higher operating profit as well as positive changes in working capital where the most positive impact is coming from changes in inventories. Interest and other financial items included interest paid of MSEK –799 (–334), interest received of MSEK 403 (94), and the remainder related primarily to realized derivatives on commercial flows between Group companies.

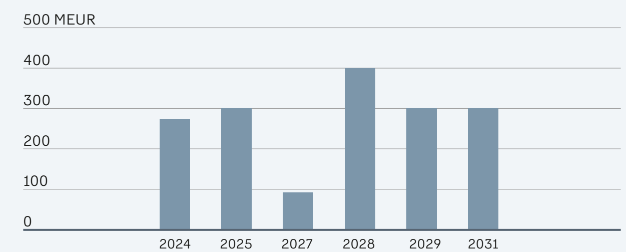
Cash flow after investments before financing
Cash flow after investments before financing reached MSEK 7,916 (295) in 2023. Adjusted for acquisitions and divestments of businesses, the cash flow amounted to MSEK 7,891 (511). During the year the Group divested a smaller business which generated a net cash inflow of MSEK 25 (–133).

Cash flow used in financing activities
Cash flow used in financing activities included a payment of MSEK –212 (–198), net of taxes, related to contribution to the defined benefit retirement plan in the USA.

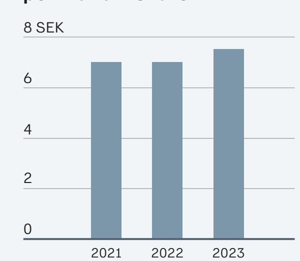
Cash flow from operating activities



Debt structure

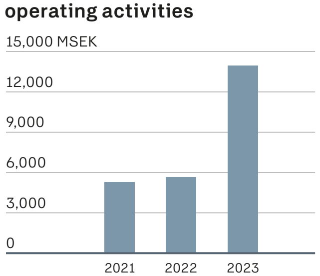


Paid dividend per A and B share

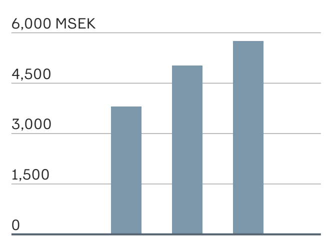


The Board of Directors' proposed distribution of surplus for the year 2023, which is subject to approval at the Annual General Meeting in March 2024, includes an ordinary dividend of SEK 7.50 per share, see Note 16.

Cash flow from operating activities



Additions to Property, Plant and Equipment



Comments on the consolidated statements of cash flow, cont.

Change in net debt

MSEK	2023 Closing balance	Cash change	Businesses acquired/sold	Other non-cash changes	Translation effect	2023 Opening balance
Loans[1]	18,496	—	—	9	141	18,346
Post-employment benefits, net[2]	8,578	–1,272	—	1,339	–110	8,621
Lease liabilities	2,836	–863	—	864	–86	2,921
Other short-term financial assets[3]	–408	–106	—	4	293	–599
Cash and cash equivalents	–13,311	–3,404	—	—	348	–10,255
Net debt	**16,191**	**–5,645**	**—**	**2,216**	**586**	**19,034**
Derivatives[4] included in Other financing items	—	—	—	—	—	—

MSEK	2022 Closing balance	Cash change	Businesses acquired/sold	Other non-cash changes	Translation effect	2022 Opening balance
Loans[1]	18,346	1,044	15	–29	862	16,454
Post-employment benefits, net[2]	8,621	–1,080	1	–2,929	918	11,711
Lease liabilities	2,921	–809	–44	726	290	2,758
Other short-term financial assets[3]	–599	–220	–4	1	–32	–344
Cash and cash equivalents	–10,255	2,963	143	—	–143	–13,219
Net debt	**19,034**	**1,898**	**111**	**–2,231**	**1,895**	**17,360**
Derivatives[4] included in Other financing items	—	—	—	—	—	—

1) Excludes derivatives, see Note 20.
2) Other non-cash changes includes remeasurements as well as expenses on defined benefit plans, see Note 18.
3) Other short-term financial assets excludes derivatives, see Note 14. Cash change of MSEK –106 (–220) is explained by investment in financial assets of MSEK –402 (–291) and sale of financial assets of MSEK 296 (71).
4) Financing activities to hedge short- and long-term loans. Other financing items in cash flow include cash flow from derivatives as stated in the table and interest premium for the repayment of loans.

Consolidated statements of changes in equity

	Equity attributable to owners of AB SKF							
MSEK	Share capital	Share premium	FV OCI reserve	Translation reserve	Retained earnings	Subtotal	Non-controlling interests[1]	Total
Opening balance 1 January 2022	**1,138**	**564**	**187**	**1,370**	**40,386**	**43,645**	**1,720**	**45,365**
Net profit	—	—	—	—	4,469	4,469	386	4,855
Hyperinflation adjustment[3]	—	—	—	—	444	444	—	444
Components of other comprehensive income								
Currency translation adjustments	—	—	—	3,765	—	3,765	81	3,846
Change in FV OCI assets	—	—	–16	—	—	–16	—	–16
Remeasurements	—	—	—	—	3,674	3,674	—	3,674
Income taxes	—	—	—	4	–898	–894	—	–894
Transactions with shareholders								
Non-controlling interests	—	—	—	—	—	—	–1	–1
Cost for Performance Share Programmes, net[2]	—	—	—	—	27	27	—	27
Dividends	—	—	—	—	–3,187	–3,187	–62	–3,249
Other	—	—	—	—	—	—	–8	–8
Closing balance 31 December 2022	**1,138**	**564**	**171**	**5,139**	**44,915**	**51,927**	**2,116**	**54,043**
Net profit	—	—	—	—	6,395	6,395	382	6,777
Hyperinflation adjustment[3]	—	—	—	—	929	929	—	929
Components of other comprehensive income								
Currency translation adjustments	—	—	—	–3,020	—	–3,020	–116	–3,136
Change in FV OCI assets	—	—	–82	—	—	–82	—	–82
Remeasurements	—	—	—	—	–297	–297	—	–297
Income taxes	—	—	—	—	82	82	1	83
Transactions with shareholders								
Non-controlling interests	—	—	—	—	—	—	—	—
Cost for Performance Share Programmes, net[2]	—	—	—	—	–5	–5	—	–5
Dividends	—	—	—	—	–3,187	–3,187	–170	–3,357
Other	—	—	—	—	1	1	—	1
Closing balance 31 December 2023	**1,138**	**564**	**89**	**2,119**	**48,833**	**52,743**	**2,213**	**54,956**

1) See Note 27 for details.
2) See Note 23 for details.
3) See Note 1 for details.

Fair value through other comprehensive income reserve
The fair value through other comprehensive income (FV OCI) reserve accumulates changes in the fair value of assets recognized directly in other comprehensive income, net of tax, with the exception of any dividends and any impairment losses. See Note 14 for details on FV OCI assets.

Translation reserve
Exchange differences relating to the translation from the functional currencies of the SKF Group's foreign subsidiaries into SEK are accumulated in the translation reserve. Upon the sale of a foreign operation, the accumulated translation amounts are recycled to the income statement and included in the gain or loss on the disposal. Additionally, gains and losses on hedging instruments meeting the criteria for hedges of net investments in foreign operations are recognized in the translation reserve net of tax. See Note 26 for details.

Notes to the consolidated financial statements

1 Accounting policies

Basis of presentation
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Furthermore, the Group is in compliance with the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, as well as their interpretations (UFR).

The Annual Report of the Parent Company, AB SKF, has been signed by the Board of Directors on 4 March 2024. The income statement and balance sheet, and the consolidated income statement and consolidated balance sheets are subject to adoption at the Annual General Meeting on 26 March 2024.

The consolidated financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below or in respective note.

Basis of consolidation
The consolidated financial statements include the Parent Company, AB SKF and those companies in which it directly or indirectly exercises control, and hereafter is referred to as "the Group", "SKF" or "the SKF Group". Control exists when the Group has the right to direct the relevant activities of a company, is exposed to variable returns and can use those rights to affect those returns. For the vast majority of the Group's subsidiaries control exists via 100% ownership. There is also a very limited number of subsidiaries controlled by SKF where ownership is between 50–100%. The largest of such companies is SKF India Ltd. that is a publicly listed company in India of which the Group has control via ownership of 52.6% of the voting rights. For the subsidiaries where less than 100% is owned, the non-controlling interests are shown separately within equity.

Translation of foreign financial statements and items denominated in foreign currency
AB SKF's functional currency is the Swedish krona (SEK), which is also the Group's reporting currency.

All foreign subsidiaries report in their functional currency, being the currency of the primary economic environment in which the subsidiary operates. Upon consolidation, all balance sheet items are translated to SEK based on the year-end exchange rates. Income statement items are translated at average exchange rates, with an exception for those mentioned below in hyperinflation reporting. The accumulated exchange differences arising from these translations are recognized via other comprehensive income to the translation reserve in equity. Such translation differences are reclassified into the income statement upon the disposal of the foreign operation.

Transactions in foreign currencies during the year have been translated at the exchange rate prevailing at the respective transaction date.

Assets and liabilities denominated in a foreign currency, primarily receivables, payables and loans, have been translated at the exchange rates prevailing at the balance sheet date. Exchange gains and losses related to trade receivables and payables, and other operating receivables and payables, are included in other operating income and other operating expenses. The exchange gains and losses relating to other financial assets and liabilities are included in financial income and financial expenses.

Exchange rates
The following exchange rates have been used when translating the financial statements of foreign subsidiaries operating in the countries into SEK:

			Average rates		Year-end rates	
Country	Unit	Currency	2023	2022	2023	2022
Argentina	1	ARS	0.04	0.08	0.01	0.06
China	1	CNY	1.50	1.50	1.41	1.50
EMU countries	1	EUR	11.47	10.63	11.06	11.13
India	100	INR	12.84	12.86	12.02	12.61
Brazil	1	BRL	2.12	1.96	2.06	1.97
United Kingdom	1	GBP	13.20	12.46	12.74	12.58
USA	1	USD	10.61	10.10	10.00	10.43

Hyperinflation reporting
Argentina is classified as a hyperinflation economy since 2018 and since 2022 Turkey is classified as a hyperinflation economy. Since SKF has operations in these countries, the Group has applied IAS 29 Financial Reporting in Hyperinflationary Economies and restated the financial statements accordingly. The Argentinian index used in the restatement is the Argentinian Consumer Price Index published by the Argentinian Statistical Institute and amounted to 3,533.2 (1,134.6) as per 31 December 2023. The Turkish index used in the restatement is the Consumer Price Index published by the Turkish Statistical Institute and amounted to 1,859.4 (1,128.5) as per 31 December 2023.

Revenue
Revenue consists of sales of products or services to both end customers and distributors in the normal course of business. Service revenues are defined as business activities, billed to a customer, that do not include physical products or where the supply of any product is subsidiary to the fulfilment of the contract. Any products that are included in service contracts are reported as separate performance obligations and classified as revenue from products.

Revenue is recognized when the control has been transferred to the customer. Sales are recorded net of allowances for volume rebates, sales returns and other variable considerations if it is highly probable that they will occur.

Revenues from products are recognized at a point in time. Revenues from service and/or maintenance contracts are either recognized at a point in time or over time. In those contracts where the service is delivered to the customer over time, the revenue is accounted for over the duration of the contract with the use of either the input or output methods. These are different methods to measure the progress towards a complete satisfaction of a performance obligation. Revenue from all other service contracts is accounted for at a point in time.

Any anticipated losses on contracts are recognized in full in the period in which losses become probable and estimable.

For revenue presented per customer industry, segment and geographic area, see Note 2.

Critical accounting estimates and judgements
Management believes that the following areas contain the most key judgements and the most significant sources of estimation uncertainty used in the preparation of the financial statements, where a different opinion or estimate could lead to significant changes to the Group's financial statements in the upcoming year.

- Judgement on the realizability of deferred tax assets (Note 9).
- Judgements in recoverability of the carrying value of internally developed software (Note 10).
- Estimates and key assumptions used in impairment testing of intangible assets (Note 10).
- Judgements used in determening extension options for right of use assets (Note 12).
- Significant assumptions used in the calculation of the post-employment benefit obligations (Note 18).
- Judgements used in the recognition and disclosure of provisions and contingent liabilities (Note 19).
- Climate risks are taken into consideration in investing decisions and impairment testing.

1 Accounting policies, cont.

Climate risk assessment
SKF sees both risks and opportunities related to climate, but no known material climate related risks affecting the financial statements of 2023 for the SKF Group have been identified. SKF's core business is based on well-established technology and the Group is diversified in terms of products, customers, geographic markets and industries. Based on this diversification, SKF does not anticipate that climate related business risks will have substantive financial or strategic impact on Group level. Some specific market sectors will be negatively affected, such as the demand for SKF products for diesel and gasoline engines. However, other sectors will be positively affected, such as the market demand for SKF products for electric motors. Overall, SKF believes that the climate-related business opportunities outweigh the risks.

New accounting principles
New accounting principles 2023
IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2023. None of these had a material effect on the SKF Group's financial statements.

New accounting principles 2024
IASB issued several amended accounting standards that were endorsed by EU, effective date 1 January 2024. None of these are expected to have a material effect on the SKF Group's financial statements.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar 2 income taxes.

On 13 December 2023, the government in Sweden, where the parent company is incorporated, enacted the Pillar 2 income taxes legislation effective from 1 January, 2024. Under the legislation, the parent company will be required to pay top-up tax on profit of its subsidiaries that are taxed at an effective tax rate of less than 15 percent.

SKF Group has analyzed the 2023 financial figures and concluded that the Group is not expecting any additional material top-up tax. The Group is continuing to assess the impact of Pillar 2 income taxes legislation on its future financial performance.

2 Segment information

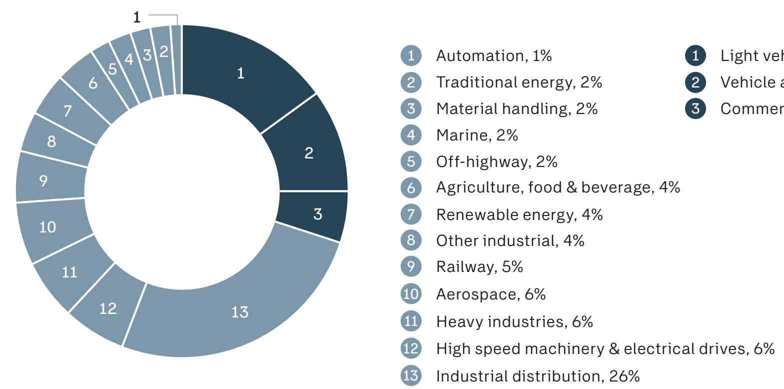
Each operating segment is defined as those business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. In the case of SKF, the CODM is defined as Group Management which makes decisions about allocation of resources to the segments and also to assess their performance on a regular basis. The internal reporting package comprises two segments, Industrial and Automotive.

This segment information includes sales and operating profit related to all significant industrial and automotive customers. Segment profit represents the business result generated by the capital employed of the segment and includes allocated corporate expenses and eliminations.

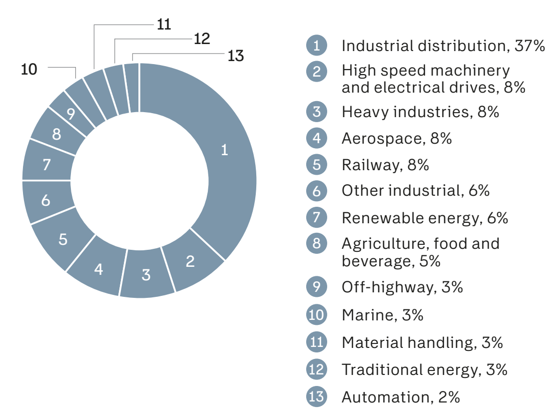
Segment assets include all operating assets used and controlled by a segment and consists principally of property, plant and equipment, intangible assets, external trade receivables and inventories. Segment liabilities include all operating liabilities used and controlled by a segment and

2 Segment information, cont.

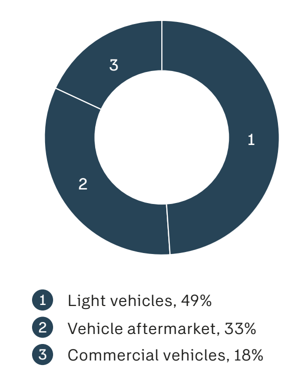
Net sales – Total



Net sales by customer industry – Industrial



Net sales by customer industry – Automotive



2 Segment information, cont.

consists principally of external trade payables, other provisions as well as accruals. Reconciling items to the Group's reported assets and liabilities include consolidation eliminations, all tax-related balances as well as items of a financial interest bearing nature, including post-employment benefit assets and provisions.

Asymmetrical allocations affecting the segments relate primarily to post-employment benefits where non-financial expenses are allocated to the segments although the related provisions are not.

Additionally, receivables and payables related to sales between segments are not allocated to the segments. Such items are sold to and settled directly with SKF Treasury Centre, the Group's internal bank, thereby becoming financial in nature.

Industrial is structured according to a regional approach and is managed as one segment comprising of four regions: Europe, Middle East and Africa, The Americas, China and Northeast Asia, India and Southeast Asia.

Industrial sells to customers in the global industrial market, directly and indirectly through SKF's worldwide distributor network. Key customers are companies within industrial drives, heavy industry (such as metals, mining, cement, and pulp and paper), other industrial (such as automation and machine tool), railway, marine, energy (such as wind, solar) and aerospace. These customer industries are served both directly to OEMs and end-users as well as indirectly through SKF's network of industrial distributors.

Automotive sells to customers in the global automotive market, directly or indirectly through SKF's distributor network. Key customers are manufacturers of cars, light and heavy trucks, trailers, buses, two-wheelers and the vehicle aftermarket.

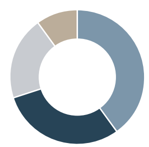
For more information on the customer industries and related products, see page 6.

Previously published segment figures for 2022 have been restated to reflect current organizational structure.

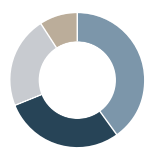
Net sales are allocated according to the location of the respective customer. Of the Group's total net sales by customer location, 19% (19) were located in USA, 17% (18) in China, and 9% (9) in Germany.

Non-current assets exclude financial assets, deferred tax assets and post-employment benefit assets. Non-current assets are allocated according to the location of the subsidiaries. Of the Group's total non-current assets as defined above, 27% (30) were located in USA, 13% (15) in Germany, and 13% (13) in China.

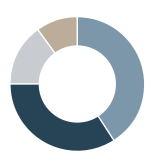
Net sales by geographic area



Net sales by geographic area – Industrial



Net sales by geographic area – Automotive



MSEK	Net sales 2023	Net sales 2022	Contribution to profit before tax 2023	Contribution to profit before tax 2022
Industrial	73,651	69,517	9,819	7,874
Automotive	30,230	27,416	1,265	658
Subtotal operating segments	**103,881**	**96,933**	**11,084**	**8,532**
Financial net	—	—	–1,903	–1,239
Total	**103,881**	**96,933**	**9,181**	**7,293**

MSEK	Depreciation and amortization 2023	Depreciation and amortization 2022	Impairments 2023	Impairments 2022	Additions to property, plant and equipment, intangible assets and right-of-use assets 2023	Additions to property, plant and equipment, intangible assets and right-of-use assets 2022
Industrial	3,608	3,179	150	129	5,367	4,857
Automotive	539	476	—	—	932	923
Total	**4,147**	**3,655**	**150**	**129**	**6,299**	**5,780**

MSEK	Assets 2023	Assets 2022	Liabilities 2023	Liabilities 2022
Industrial	65,526	64,661	15,043	14,192
Automotive	20,166	21,012	5,618	5,835
Subtotal operating segments	**85,692**	**85,673**	**20,661**	**20,027**
Financial and tax items	19,596	16,577	30,996	30,575
Eliminations and other unallocated items	6,615	8,673	5,290	6,278
Total	**111,903**	**110,923**	**56,947**	**56,880**

Geographic disclosure MSEK	Net sales by customer location 2023	Net sales by customer location 2022	Non-current assets 2023	Non-current assets 2022
Sweden	2,440	2,130	3,615	3,868
Europe, Middle East and Africa excl. Sweden	39,859	35,531	16,716	16,406
The Americas	31,193	29,936	15,706	16,441
China and Northeast Asia	20,509	20,137	9,292	7,655
India and Southeast Asia	9,880	9,199	1,558	1,528
Eliminations	—	—	603	706
Total	**103,881**	**96,933**	**47,490**	**46,604**

3 Acquisitions

Accounting policy
All business combinations are accounted for in accordance with the purchase method. At the date of acquisition, when control is obtained, the acquired assets, liabilities and contingent liabilities (net identifiable assets) are measured at fair value.

Any excess of the cost of acquisition over fair values of net identifiable assets of the acquired business is recognized as goodwill.

Companies acquired during the year are included in the financial statements as of acquisition date. In 2023, SKF had no acquisition of businesses.

In 2022, SKF had a cash outflow of MSEK 83 for the acquisition of two smaller businesses, Laser Cladding Venture n.v, an additive manufacturing company based in Belgium and Tenute, an Italian seals manufacturer.

MSEK	2023	2022
Total fair value of net assets acquired		
Intangible assets, excluding goodwill	–	46
Property, plant and equipment	–	14
Current assets	–	59
Non-current liabilities	–	–5
Current liabilities	–	–40
Fair value net assets acquired	**–**	**74**
Goodwill	–	44
Total acquisition cost	**–**	**118**
Deferred consideration	–	–17
Cash and cash equivalents acquired	–	–18
Cash outflow	**–**	**83**

4 Divestment of businesses

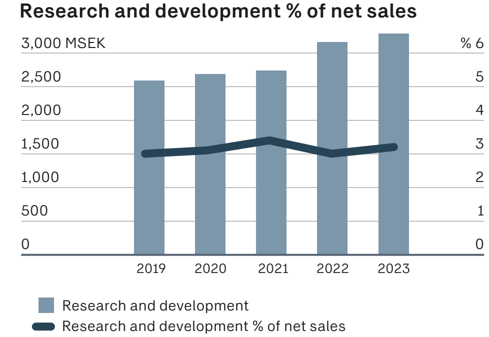
During 2023, the Group divested Spandau Pumpen, a smaller business within lubrication, resulting in a total cash in-flow of MSEK 25.

During 2022, the Group divested its business in Russia and a smaller business in Mozambique, resulting in a total cash outflow of MSEK –133 and a net loss of MSEK –672.

MSEK	2023	2022
Goodwill	–	–
Other intangible assets	–	–
Property, plant and equipment	7	171
Deferred tax assets	–	25
Other non-current assets	–	172
Current assets	–	489
Deferred tax provisions	–	–
Non-current liabilities	–	–
Current liabilities	–	–157
Non-controlling interest	–	–
Net assets disposed of	**7**	**700**
Profit/loss	18	–672
Total consideration	**25**	**28**
Cash and cash equivalents divested	–	–161
Cash outflow for previous years divestments	–	–
Total cashflow	**25**	**–133**

5 Research and development

Research and development % of net sales



Research and development expenditure, excluding developing IT solutions, totalled MSEK 3,303 (3,177), corresponding to 3.2% (3.3) of annual sales.

6 Expenses by nature

MSEK	2023	2022
Employee benefit expenses including social charges	29,242	26,702
Raw material and components consumed including traded products	36,446	33,244
Change in work in process and finished goods	880	–1,152
Depreciation, amortization and impairments	4,297	3,784
Other expenses, primarily purchased services, shop supplies and utilities	22,036	25,087
Total operating expenses	**92,901**	**87,665**

Depreciation, amortization and impairments are accounted for as (MSEK)	2023				2022			
	Depreciation	Amortization	Impairments	Total	Depreciation	Amortization	Impairments	Total
Cost of goods sold	3,037	97	146	3,280	2,551	105	127	2,783
Selling expenses	453	560	4	1,017	463	536	2	1,001
Total	**3,490**	**657**	**150**	**4,297**	**3,014**	**641**	**129**	**3,784**

7 Other operating income and expenses

MSEK	2023	2022
Other operating income		
Exchange gains on trade receivables/payables	2,472	1,020
Profit from sale of property, plant and equipment	105	102
Profit from associated companies	60	24
Profit from divestment of businesses	18	3
Other	101	196
Total	**2,756**	**1,345**
Other operating expenses		
Exchange losses on trade receivables/payables	–2,743	–1,277
Loss from divestment of businesses	—	–675
Loss from sale of property, plant and equipment	–80	–44
Other	171	–85
Total	**–2,652**	**–2,081**
Other operating income and expenses, net	**104**	**–736**

8 Financial income and financial expenses

MSEK	2023	2022
Interest income	562	135
Interest expense	–943	–406
Net gains/losses:		
Net interest cost on post-employment benefits	–357	–182
Exchange differences, net	–1,088	–753
Other financial income including dividends	56	147
Other financial expense[1]	–133	–180
Financial net	**–1,903**	**–1,239**

1) Includes costs for Treasury Function.

Other financial expense includes costs related to unwinding the discount on provisions, bank charges and other transactional related costs.

The below table specifies which category of financial instrument that gave rise to the financial income and expense as described above. For a specification of the underlying financial assets and financial liabilities to these categories, see Note 14 and Note 20.

Financial net specified by category of financial instruments (MSEK)	2023			2022		
	Interest income	Interest expense	Net gains/ losses	Interest income	Interest expense	Net gains/ losses
Financial assets/liabilities at fair value through profit or loss						
Designated upon initial recognition	238	—	—	51	—	—
Derivatives held for trading	—	–233	146	—	–55	–707
Derivatives held for hedge accounting	—	—	—	—	—	—
Financial assets classified as amortized cost	324	—	–445	84	—	101
Financial assets classified as fair value through other comprehensive income	—	—	2	—	—	1
Other financial liabilities, primarily loans	—	–710	–735	—	–351	–1
Other liabilities including post-employment benefits	—	—	–490	—	—	–362
Total	**562**	**–943**	**–1,522**	**135**	**–406**	**–968**

Derivatives classified as held for trading are mainly used for economic hedging, which mitigate the effect of certain items in the categories loans, receivables and other liabilities. Net gains/losses are mainly exchange differences and changes in fair value for all the categories except for other liabilities, which includes primarily net interest costs on post-employment benefits and other financial expenses.

9 Taxes

Accounting policy
Taxes include current taxes on profits, deferred taxes and other taxes such as taxes on capital, actual or potential withholding taxes on current and expected transfers of income from Group companies and tax adjustments relating to prior years. Income taxes are recognized in the income statement, except to the extent that they relate to items directly taken to other comprehensive income or to equity, in which case they are recognized in other comprehensive income or directly in equity.

All the companies within the Group calculate current income taxes in accordance with the tax rules and regulations of the countries where the income is taxable.

The Group applies the required balance sheet approach for measuring deferred taxes, where deferred tax assets and provisions are recorded based on enacted tax rates for the expected future tax consequences when the asset is realized or debt regulated. These tax rates are applied on existing differences between accounting and tax reporting bases of assets and liabilities, as well as for tax loss and tax credit carry-forwards. Such tax loss and tax credit carry-forwards can be used to offset future income.

For information regarding Pillar 2 see Note 1 Accounting policies.

Accounting estimates and judgements
Significant management judgment is required in determining current tax liabilities and assets as well as deferred tax provisions and assets. The process involves estimating the current tax together with assessing temporary differences arising from differing treatment of items for tax and accounting purposes. The process also involves judgements when there is uncertainty over income tax treatments.

In particular, management assesses the likelihood that deferred tax assets will be recoverable from future taxable income. Deferred tax assets are recorded to the extent that it is probable in management's opinion that sufficient future taxable income will be available to allow the recognition of such benefits.

Realizability of net deferred tax assets are assessed by management based on the individual company's profitability history, forecasts of taxable profits as well as length to expiry of the asset. The assessment regarding the possibility of utilizing deferred tax assets attributable to tax loss carry-forwards includes climate-related risks and its impact on future expected taxable profits.

The SKF Group had total unrecognized deferred tax assets of MSEK 88 (205), whereof MSEK 33 (76) related to tax loss carry-forwards and MSEK 55 (129) related to other deductible temporary differences. These were not recognized due to the uncertainty of future profit streams.

Unrecognized deferred tax assets of MSEK 6 (1) related to tax losses and will expire during the period 2024 to 2028. The remaining unrecognized assets will expire after 2028 and/or may be carried forward indefinitely.

The change in the balance of unrecognized deferred tax assets that reduced current tax expense was MSEK 21 (41) mainly relating to the use of tax loss carry-forwards. The change in the balance of unrecognized deferred tax assets that impacted deferred tax expense was MSEK 96 (–63) which resulted from a revised judgement on the realizability of certain tax assets in future years.

Gross value of tax loss carry-forwards
As of 31 December 2023, the Group had tax loss carry-forwards amounting to MSEK 4,088 (4,632), which are available for offset against taxable future profits. Such tax loss carry-forwards expire as follows:

2024–2028	409
2029 and thereafter	16
Never	3,663

	2023			2022		
Tax expense (MSEK)	Income statement	Other comprehensive income	Total taxes	Income statement	Other comprehensive income	Total taxes
Current taxes	–2,373	—	–2,373	–2,429	—	–2,429
Deferred taxes	–31	83	52	–9	–894	–903
Total	**–2,404**	**83**	**–2,321**	**–2,438**	**–894**	**–3,332**

Taxes charged to other comprehensive income included MSEK 83 (–898) related to remeasurements of post-employment benefits and MSEK 0 (4) related to net investment hedges.

Reconciliation of the statutory tax in Sweden to the actual tax (MSEK)	2023	2022
Tax calculated using statutory tax rate in Sweden	–1,891	–1,502
Difference between statutory tax rate in Sweden and foreign subsidiaries	–403	–408
Other taxes	–88	–64
Tax credits and similar items	34	42
Non-deductible/Non-taxable profit items	127	–403
Changes in tax rates	—	–38
Tax loss carry-forwards	–76	–12
Current tax referring to previous years	122	–5
Other	–229	–48
Tax expense Income Statement	**–2,404**	**–2,438**

The corporate statutory income tax rate in Sweden was 20.6% (20.6). The actual tax rate on profit before taxes was 26.2% (33.4).

	2023		2022	
Gross deferred taxes per type (MSEK)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangibles and other assets	151	1,322	33	1,519
Property, plant and equipment	72	1,209	30	1,083
Inventories	643	499	668	507
Trade receivables	71	3	107	2
Provisions for post-employment benefits	1,667	196	1,736	132
Other accruals and liabilities	1,310	99	1,060	10
Tax loss carry-forwards	828	—	896	—
Tax credit carry-forwards	349	—	268	—
Other	179	55	328	65
Gross deferred taxes	**5,270**	**3,383**	**5,126**	**3,318**
Net deferred taxes presented in the Consolidated balance sheet	3,107	1,220	3,173	1,365

10 Intangible assets

Accounting policy
Intangible assets are stated at initial cost less any accumulated amortization and any impairment. Amortization is made on a straight line basis over the estimated useful lives and begins once the asset is ready for its intended use. The useful lives are based to a large extent on historical experience, the expected application, as well as other individual characteristics of the asset.

The useful lives are:
- Patents and similar rights up to 11 years.
- Software in use 4–12 years.
- Customer relationships 10–15 years.
- Product development expenditures 3–7 years.
- Technology acquired in business combinations 15–18 years.
- Other intangibles 3–5 years.
- Strategic tradenames indefinite.
- Goodwill indefinite.

Amortization and impairments are included in cost of goods sold, selling expenses or administrative expenses depending on where the assets have been used.

Internally developed intangibles
The Group's most significant internally developed intangibles are software in use, developed for internal purposes, and to a minor extent product development. The amortization plan for SKF ERP Programme (SEP) is a straight-line amortization for the rest of the useful life, with an amortization rate of 10%.

Intangible assets with definite useful lives
Intangible assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The determination is usually performed at the cash generating unit (CGU) level but could also be at the individual asset level.

Factors that are considered important are:
- Underperformance relative to historical and forecasted operating results;
- Significant negative industry or economic trends;
- Significant changes relative to the asset including plans to discontinue or restructure the operation to which the asset belongs.

When there is an indication that the carrying value may not be recoverable based on the above indicators, the profitability of the CGU to which the asset belongs is analyzed to further confirm the nature and extent of the indication. If an indication is confirmed, an impairment loss is recognized to the extent that the carrying amount of the affected assets exceeds its recoverable amount.

Intangible assets with indefinite useful lives
Goodwill and other intangible assets with indefinite useful lives have been allocated to CGUs, and are tested for impairment annually and whenever an indication of impairment exists. The impairment test is carried out at the lowest level at which these assets are monitored by management. The lowest CGU level used for impairment test is the segment level, Industrial and Automotive.

Accounting estimates and judgements
Significant management judgement is required in determining if development expenditures should be capitalized. Such expenses are only capitalized when it is probable that they will result in future economic benefits for the Group and the expenditures during the development phase can be reliably measured. The Group applies stringent criteria before a development project results in the recording of an asset, which include the ability to complete the project, evidence of technical feasibility, intention and ability to use or sell the asset. When evaluating software for internal use, management specifically considers new functionality and/or increased standard of performance to be strong evidence that future economic benefits will be achieved. In evaluating product development projects, management considers the existence of a customer order as significant evidence of technological and economic feasibility. All other research expenditures as well as development expenditures not meeting the capitalization criteria are charged to research and development expenses in the income statement when incurred.

When there is an indication that the carrying value may not be recoverable, the carrying amount of the asset is compared against its recoverable amount. The recoverable amount is the greater of the estimated fair value less costs to sell and value in use. In assessing value in use, a discounted cash flow model (DCF) is used. This assessment contains a key source of estimation uncertainty because the estimates and assumptions used in the DCF model encompass uncertainty about future events and market conditions. The actual outcomes may be significantly different. However, estimates and assumptions are reviewed by management and are consistent with internal forecasts and business outlook.

The DCF model involves the forecasting of future operating cash flows over a five-year period and includes estimates of revenues, production costs and working capital requirements, as well as a number of assumptions, the most significant being the revenue growth rates and the discount rate. These forecasts of future operating cash flows are built up from business strategic plans representing management's best estimates of future revenues and operating expenses using historical trends, general market conditions, industry trends and forecasts including climate related risks and other currently available information. Estimates are extrapolated using growth rates determined on an individual CGU basis, reflecting a combination of product, industry and country growth factors. A terminal value is then calculated based on the Gordon Growth model, which includes a terminal growth factor representing an outlook not exceeding the market growth for the industry.

Forecasts of future operating cash flows are adjusted to present value by an appropriate discount rate derived from the Group's cost of capital, considering the long-term government bond rate, the corporate spread, the market risk premium, the country risk premium where applicable, and the systematic risk of the CGU at the date of evaluation. Management determines the discount rate to be used based on the risk inherent in the related activity's current business model and industry comparisons.

10 Intangible assets, cont.

MSEK	2023 Closing balance	Additions	Businesses acquired/ sold	Disposals	Impair- ments	Other[1]	Translation effects	2023 Opening balance
Acquisition cost								
Goodwill	12,579	—	—	—	—	—	–420	12,999
Patents, tradenames and similar rights	3,281	4	—	—	—	1	–119	3,395
Internally developed software	2,679	3	—	–16	—	–6	–3	2,701
Customer relationships	5,039	—	—	–8	—	–16	–158	5,221
Leaseholds	85	—	—	—	—	2	–6	89
Product development	223	—	—	—	—	–79	–5	307
Technology	1,408	—	—	—	—	77	–40	1,371
Other intangible assets	200	4	—	—	—	3	2	191
Total	**25,494**	**11**	—	**–24**	**—**	**–18**	**–749**	**26,274**

MSEK	2023 Closing balance	Amorti- zations	Businesses acquired/ sold	Disposals	Impair- ments	Other[1]	Translation effects	2023 Opening balance
Accumulated amortization and impairments								
Goodwill	617	—	—	—	—	—	–31	648
Patents, tradenames and similar rights	578	24	—	—	—	–14	–5	573
Internally developed software	1,746	180	—	–13	4	–8	–3	1,586
Customer relationships	4,055	302	—	–8	—	–25	–129	3,915
Leaseholds	26	—	—	—	—	–1	–2	29
Product development	193	7	—	—	—	–28	–3	217
Technology	1,109	105	—	–3	—	41	–36	1,002
Other intangible assets	163	39	—	—	—	15	–2	111
Total	**8,487**	**657**	**—**	**–24**	**4**	**–20**	**–211**	**8,081**
Net book value	**17,007**							**18,193**

1) Includes reclassification between categories.

MSEK	2022 Closing balance	Additions	Businesses acquired/ sold	Disposals	Impair- ments	Other	Translation effects	2022 Opening balance
Acquisition cost								
Goodwill	12,999	—	44	—	—	12	1,450	11,493
Patents, tradenames and similar rights	3,395	11	45	—	—	–4	401	2,942
Internally developed software	2,701	19	—	—	—	2	14	2,666
Customer relationships	5,221	—	1	—	—	–86	606	4,700
Leaseholds	89	126	—	—	—	–328[1]	12	279
Product development	307	—	—	—	—	–85	31	361
Technology	1,371	—	—	—	—	—	157	1,214
Other intangible assets	191	27	—	—	—	–77	9	232
Total	**26,274**	**183**	**90**	**—**	**—**	**–566**	**2,680**	**23,887**

MSEK	2022 Closing balance	Amorti- zations	Businesses acquired/ sold	Disposals	Impair- ments	Other	Translation effects	2022 Opening balance
Accumulated amortization and impairments								
Goodwill	648	—	—	—	—	–1	80	569
Patents, tradenames and similar rights	573	20	—	—	3	–14	35	529
Internally developed software	1,586	199	—	—	—	–1	12	1,376
Customer relationships	3,915	295	—	—	—	–86	423	3,283
Leaseholds	29	4	—	—	—	–91[1]	6	110
Product development	217	17	—	—	72	–85	16	197
Technology	1,002	99	—	—	—	—	107	796
Other intangible assets	111	7	—	—	—	12	7	85
Total	**8,081**	**641**	**—**	**—**	**75**	**–266**	**686**	**6,945**
Net book value	**18,193**							**16,942**

1) Includes reclassification from Intangible assets to Right-of-use assets.

10 Intangible assets, cont.

Impairment losses
Impairments amounted to MSEK –4 (–75) in 2023.

Intangibles with indefinite useful lives
Certain tradenames and trademarks are considered to have indefinite useful lives as the Group anticipates to continue to promote these brands in the foreseeable future. This includes the tradenames and trademarks in Lincoln MSEK 1,320 (1,377), Kaydon Friction MSEK 772 (805), Peer MSEK 215 (224), GBC MSEK 228 (238) and others MSEK 84 (96).

Significant intangibles
Internally generated software related primarily to the development of SEP to create and deploy improved processes and solutions across the Group. The balance of capitalized expenditures was MSEK 924 (1,096), including amortizations of MSEK –188 (–184) made during 2023. Remaining useful life is five years.

Other individual intangible assets that are material for the Group include the customer relationships for Lincoln amounting to MSEK 293 (438) having a remaining useful life of three years, and for Kaydon amounting to MSEK 488 (639) having a remaining useful life of five years.

CGUs with significant intangibles
The CGUs follow the segment reporting. The table shows goodwill and other intangibles with indefinite useful lives allocated to the CGUs Industrial and Automotive, as well as some crucial rates that were used for the DCF calculation.

	2023		2022	
	Industrial	Automotive	Industrial	Automotive
Goodwill, MSEK	11,571	391	11,907	444
Tradenames, MSEK	2,307	228	2,406	238
Average revenue growth rate, %	4.9	5.0	8.7	4.8
Discount rate, pre tax, %	12.7	13.3	10.2	11.0
Terminal growth factor, %	2.5	2.5	2.5	2.5

The recoverable amounts used in the testing of the CGUs have been calculated based on value in use using the DCF model as described in Accounting estimates and judgements. The most significant assumptions are the discount rate and the growth rates, being both the revenue growth rates and the terminal growth factor. Revenue growth rates are expressed in the above table as the average growth rate over the five-year forecast period. The same discount rate is applied to all cash flows in the five-year forecast period. Additional information on the forecast period as well as the discount rate and growth rates and how they are calculated is described in accounting estimates and judgements above.

A number of sensitivity analyzes were performed to evaluate if any reasonable possible adverse changes in assumptions would lead to impairment. The analyzes focused around decreasing the revenue growth rates to zero, increasing the discount rate by two percentage points and decreasing the operating margin by two percentage points. Each taken individually and while holding all other assumptions constant. No impairment needs were indicated.

11 Property, plant and equipment

Accounting policy
Machinery and supply systems, land, buildings, tools, office equipment and vehicles are stated in the balance sheet at cost, less accumulated depreciation and any impairment loss. A component approach to depreciation is applied. This means that where items of property, plant and equipment are comprised of different components having a cost significant in relation to the total cost of the items, such components are depreciated separately. Depreciation is provided on a straight-line basis and is calculated based on cost. The rates of depreciation are based on the estimated useful lives of the assets, which are subject to annual review.

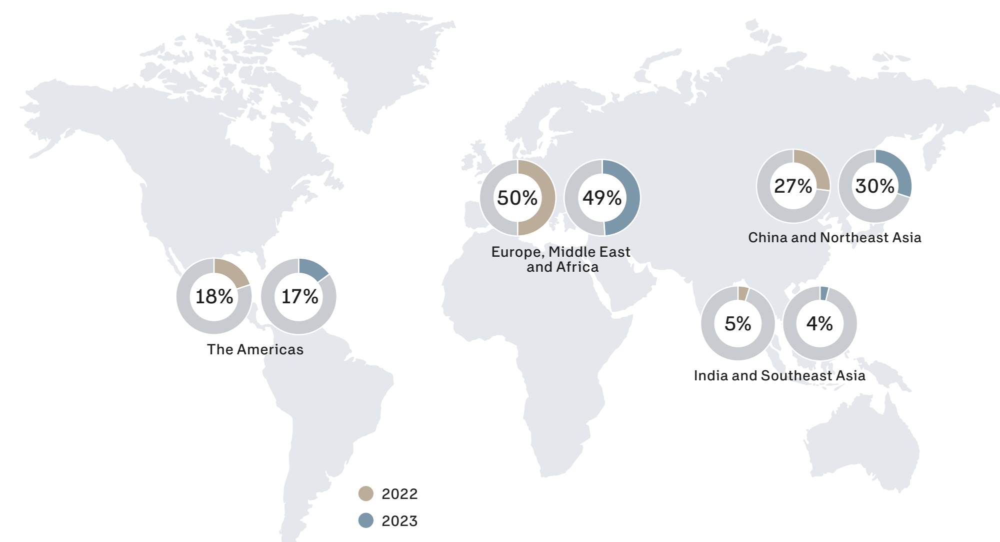
The useful lives are:
- 33 years for buildings and installations.
- 10–20 years for machinery and supply systems.
- 10 years for control systems within machinery and supply systems.
- 4–5 years for tools, office equipment and vehicles.

Depreciation and impairments are included in cost of goods sold, selling expenses or administrative expenses depending on where the assets have been used.

Accounting estimates and judgments
The useful lives are based upon estimates of the periods during which the assets will generate revenue and are based to a large extent on historical experience of usage and technological development. It also includes estimates related to investments connected to the green transition as part of SKF's strategy.

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicates that the carrying value may not be recoverable.

Geographical distribution of property, plant and equipment 2022–2023



11 Property, plant and equipment, cont.

MSEK	2023 Closing balance	Additions	Businesses acquired/sold	Disposals	Impairments	Other[1]	Translation effects	2023 Opening balance
Acquisition cost								
Buildings	12,161	809	—	–41	—	163	–239	11,469
Land and land improvements	705	1	—	–12	—	26	–342	1,032
Machinery and supply systems	40,261	2,243	–26	–592	—	–88	–1,140	39,864
Machine tooling and factory fittings	5,666	575	–12	–72	—	–181	–137	5,493
Assets under construction including advances[2]	6,952	2,121	–1	–1	—	–322	–503	5,658
Total	**65,745**	**5,749**	**–39**	**–718**	**—**	**–402**	**–2,361**	**63,516**

MSEK	2023 Closing balance	Depreciation	Businesses sold	Disposals	Impairments	Other[1]	Translation effects	2023 Opening balance
Accumulated depreciation and impairments								
Buildings	5,999	299	—	–7	96	–26	–156	5,793
Land improvements	279	6	—	–1	—	–5	–11	290
Machinery and supply systems	28,463	1,985	–21	–542	42	–737	–681	28,417
Machine tooling and factory fittings	4,184	363	–11	–81	7	49	–262	4,119
Total	**38,925**	**2,653**	**–32**	**–631**	**145**	**–719**	**–1,110**	**38,619**
Net book value	**26,820**							**24,897**

MSEK	2022 Closing balance	Additions	Businesses acquired/sold	Disposals	Impairments	Other[1]	Translation effects	2022 Opening balance
Acquisition cost								
Buildings	11,469	549	–65	–74	—	241	758	10,060
Land and land improvements	1,032	6	–21	–29	—	4	64	1,008
Machinery and supply systems	39,864	2,123	–150	–287	—	356	2,954	34,868
Machine tooling and factory fittings	5,493	309	–2	–70	—	207	418	4,631
Assets under construction including advances[2]	5,658	2,043	–11	–2	—	–390	206	3,812
Total	**63,516**	**5,030**	**–249**	**–462**	**—**	**418**	**4,400**	**54,379**

MSEK	2022 Closing balance	Depreciation	Businesses sold	Disposals	Impairments	Other[1]	Translation effects	2022 Opening balance
Accumulated depreciation and impairments								
Buildings	5,793	344	–23	–42	16	138	413	4,947
Land improvements	290	5	–6	–2	—	–26	22	297
Machinery and supply systems	28,417	1,601	–60	–250	30	–124	2,139	25,081
Machine tooling and factory fittings	4,119	338	–3	–66	7	214	298	3,331
Total	**38,619**	**2,288**	**–92**	**–360**	**53**	**202**	**2,872**	**33,656**
Net book value	**24,897**							**20,723**

1) Includes reclassification between categories.
2) Contractual commitments for acquisition of property, plant and equipment not yet booked amounted to MSEK 0 (0).

12 Right-of-use assets

Accounting policy
All lease contracts are recognized in the balance sheet, at commencement date, as a right-of-use asset and a lease liability. A contract is or contains a lease if it conveys, to the Group, the right to control the use of an identified asset for a period of time in exchange for a consideration. A right-of-use asset and a lease liability is recognized for all leases with a term of more than 12 months unless the underlying asset is of low value. The right-of-use asset is subsequently accounted for with the same regulations as Property, plant and equipment.

The lease liability is discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used. The incremental borrowing rate is established by the Group's treasury centre based on currency and maturity of lease contracts. The lease term is determined as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The Group also applies the practical expedient for fixed non-lease components and includes them together with any lease component in the contract.

Any future lease modification not registered as a separate contract, is recognized as a remeasurement of the lease liability and an adjustment to the right-of-use asset. For more information on lease liabilities, see Note 20.

Accounting estimates and judgments
Management judgement and assumptions are required to determine the value of the right-of-use assets and the present value of the lease liability. Such judgement and assumptions involve identifying a lease, defining the lease term and defining the discount rate.

Lease expenses for short-term leases, low-value assets and variable lease payments amount to MSEK 408 (336). The lease expenses correspond in all material aspects to the cash flow for those leases.

During 2023, total cash outflow related to leases amounted to MSEK 863 (809). Interest expenses related to leases amounted to MSEK 126 (119).

MSEK	2023	2022
Short-term lease expenses	329	248
Low-value asset lease expenses	68	62
Variable lease payments not included in lease liability	14	19
Other	–3	7
Total	**408**	**336**

MSEK	2023 Closing balance	Additions	Modifications	Impairments	Reclassi-fication	Translation effects	2023 Opening balance
Acquisition cost							
Premises	4,127	333	114	—	–356	–118	4,154
Vehicles	819	138	40	—	–98	–6	745
Forklifts	299	38	12	—	–24	–7	280
Machinery	30	4	—	—	–2	—	28
Office equipment	7	—	—	—	–13	—	20
Other	372	26	—	—	2	–24	368
Total	**5,654**	**539**	**166**	—	**–491**	**–155**	**5,595**

MSEK	2023 Closing balance	Depreciation	Modifications	Impairments	Reclassi-fication	Translation effects	2023 Opening balance
Accumulated depreciation and impairments							
Premises	1,774	576	–132	—	–322	–54	1,706
Vehicles	568	159	–1	—	–90	–2	502
Forklifts	203	51	—	—	–23	–9	184
Machinery	43	7	—	—	–2	—	38
Office equipment	12	8	—	—	–12	—	16
Other	93	36	—	1	–15	6	65
Total	**2,693**	**837**	**–133**	**1**	**–464**	**–59**	**2,511**
Net book value	**2,961**						**3,084**

12 Right-of-use assets, cont.

MSEK	2022 Closing balance	Additions	Modifications	Impairments	Reclassi-fication	Translation effects	2022 Opening balance
Acquisition cost							
Premises	4,154	379	–187	—	–66	371	3,657
Vehicles	745	134	12	—	–49	39	609
Forklifts	280	53	–3	—	–23	19	234
Machinery	28	—	2	—	–3	1	28
Office equipment	20	1	–1	—	–2	2	20
Other	368	—	20	—	359[1]	–1	–10
Total	**5,595**	**567**	**–157**	**—**	**216**	**431**	**4,538**

MSEK	2022 Closing balance	Depreciation	Modifications	Impairments	Reclassi-fication	Translation effects	2022 Opening balance
Accumulated depreciation and impairments							
Premises	1,706	507	–169	—	– 66	126	1,308
Vehicles	502	146	–17	—	–49	35	387
Forklifts	184	62	–5	1	–23	11	138
Machinery	38	2	–2	—	–3	3	38
Office equipment	16	4	–1	—	–2	1	14
Other	65	5	23	—	48[1]	–3	–8
Total	**2,511**	**726**	**–171**	**1**	**–95**	**173**	**1,877**
Net book value	**3,084**						**2,661**

1) Includes reclassifaction from Intangibles to Right-of-use asset.

13 Inventories

Accounting policy
Inventories are stated at the lower of cost (first-in, first-out basis) or market value (net realisable value). Initially raw materials and purchased finished goods are valued at actual purchase costs, and work in process and manufactured finished goods are valued at actual production costs. Production costs include direct costs such as material and labour, as well as manufacturing overhead as appropriate.

Accounting estimates and judgements
Adjustments to the cost of inventory may be necessary when the cost exceeds net realisable value. Net realisable value is defined as selling price less costs to complete and costs to sell. The estimates used in determining net realisable value are a source of estimation uncertainty. As future selling prices and selling costs are not known at the time of assessment, management's best estimates are used based on current price and cost levels. Adjustments to net realisable value also include estimates of technical and commercial obsolescence on an individual subsidiary basis. Commercial obsolescence is assessed by the rate of turnover and ageing as risk indicators.

MSEK	2023	2022
Finished goods	12,709	14,417
Raw materials and supplies	8,390	9,446
Work in process	2,095	2,189
Total	**23,194**	**26,052**

Inventory values are stated net of a provision for net realizable value of MSEK 1,599 (1,517). The amount charged to expense for net realizable provisions during the year was MSEK 207 (135). Reversals of net realizable provisions during the year were MSEK 86 (29).

14 Financial assets

Accounting policy
Financial assets are classified in three categories and are based on the Groups business model for managing the asset and the asset's contractual cash flow characteristics. The assets can be measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

Financial assets are recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are initially measured at fair value, which is normally equal to cost. Settlement day recognition is applied for purchases and sales of financial assets.

Financial assets measured at amortized cost are calculated using the effective interest method. For disclosure purpose, fair values have been calculated using valuation techniques, mainly discounted cash flow analysis based on observable market data. For current receivables, such as trade receivables, the carrying amount is considered to correspond to fair value.

Equity securities are measured at fair value. The Group have elected to classify Equity securities at FVOCI since these investments are held as long-term strategic investments. There is no reclassification of fair value gain or loss when the investments are derecognized and the dividends from those investments are recognized in profit or loss when the Group have the right to receive the payments.

Debt securities are valued at fair value based on the current bid price for the securities and they are classified as either at FVPL or at FVOCI depending on the Group's model for managing those securities and on the characteristics of the cash flows.

Derivatives are categorized as held for trading unless they are subject to hedge accounting. Derivatives classified as held for trading are mainly derivatives used in economic hedges where the changes in fair value are taken directly through profit or loss.

Financial assets and allowance for doubtful accounts are recognized with the use of a forward-looking 'expected-loss' impairment model which indicates when the asset may not be recovered. The forward-looking information should capture changes in the market that the customers operate in.

Financial assets are derecognized when the contractual rights to the cash flow have expired or been transferred together with substantially all risks and rewards.

Accounting estimates and judgements
An allowance for doubtful accounts for expected losses on trade receivables is maintained. When evaluating the need for an allowance, management considers the aging of trade receivable balances, and historical write-off experience of customer with similar characteristics. Management also makes an estimation of expected credit losses based on market conditions.

Where discounted cash flow techniques are used the future cash flows are determined (if not stated explicit in the contract) based on the best assessment by management and discounted using the market interest rate for similar instruments.

Financial assets per category 2023

			Fair value through profit or loss			
MSEK	Amortized cost	Fair value through other comprehensive income	At initial recognition	Trading	Total	Of which current
Trade receivables	16,811	—	—	—	16,811	16,811
Cash and cash equivalents	8,803	—	4,508	—	13,311	13,311
Equity securities	—	313	—	—	313	—
Marketable securities	—	—	—	769	769	—
Trading derivatives	—	—	—	333	333	333
Debt securities	—	30	—	—	30	6
Other loans and receivables	467	—	—	—	467	403
Carrying amount	**26,081**	**343**	**4,508**	**1,102**	**32,034**	**30,864**
Fair value	**26,081**	**343**	**4,508**	**1,102**		

Financial assets per category 2022

			Fair value through profit or loss			
MSEK	Amortized cost	Fair value through other comprehensive income	At initial recognition	Trading	Total	Of which current
Trade receivables	16,905	—	—	—	16,905	16,905
Cash and cash equivalents	8,169	—	2,086	—	10,255	10,255
Equity securities	—	395	—	—	395	—
Marketable securities	—	—	—	746	746	—
Trading derivatives	—	—	—	370	370	370
Debt securities	—	20	10	—	30	10
Other loans and receivables	652	—	—	—	652	589
Carrying amount	**25,726**	**415**	**2,096**	**1,116**	**29,353**	**28,129**
Fair value	**25,726**	**415**	**2,096**	**1,116**		

Financial assets categorized as amortized cost are assets held to collect contractual cash flows. These include trade receivables, loans granted, funds held with banks and deposits comprising principally of funds held with landlords and other service providers, for which substantially all initial investment is expected to be recovered.

Debt securities and strategic investments in equity securities are categorised as FVOCI. The exception is debt securities held by SKF Treasury Centre which are categorised as FVPL.

Financial instruments are at FVPL when the Group manages such investments and makes purchase and sale decisions based on their fair value. Derivatives are categorized as trading derivatives unless they are subject to hedge accounting.

14 Financial assets, cont.

Fair value hierarchy for financial assets at fair value (MSEK)	Level 1	Level 2	Level 3	2023	Level 1	Level 2	Level 3	2022
Fair value through other comprehensive income								
Equity securities	313	—	—	313	328	—	67	395
Debt securities	30	—	—	30	20	—	—	20
Fair value through profit or loss								
Debt securities	—	—	—	—	10	—	—	10
Trading securities	—	—	769	769	—	—	746	746
Cash and cash equivalents	4,508	—	—	4,508	2,086	—	—	2,086
Hedging derivatives	—	—	—	—	—	—	—	—
Trading derivatives	—	333	—	333	—	370	—	370
Total	**4,851**	**333**	**769**	**5,953**	**2,444**	**370**	**813**	**3,627**

Financial assets recorded at fair value, which include the columns Fair value through other comprehensive income and Fair value through profit or loss, are disclosed above according to the hierarchy that shows the significance of the inputs used in the fair value measurements as defined in IFRS 13. The carrying amount is a reasonable approximation of fair value. Level 1 includes financial instruments with a quoted price in an active market. Level 2 bases fair value on models that utilize observable data for the asset or liability other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Such observable data may be market interest rates and yield curves. Level 3 bases fair value on a valuation model, whereby significant input is based on unobservable market data.

Cash and cash equivalents includes cash free and cash on time deposits at banks and debt securities maturing within three months at the the time of the investment. Cash and cash equivalents are measured at amortized cost and fair value through profit and loss.

Cash and Cash equivalents (MSEK)	2023	2022
Cash	6,200	4,238
Cash Equivalents	7,110	6,017
	13,311	**10,255**

Trade receivables by due date (MSEK)	Carrying amount	Not yet due	Past due, net of allowance: 1–30 days	31–60 days	61–90 days	> 91 days
2023	16,811	14,191	1,677	485	199	259
2022	16,905	14,574	1,613	435	222	61

The average days outstanding of trade receivables in 2023 were 64 days (64). Trade receivables as a percentage of annual net sales totalled 16.2% (17.4). Trade receivables included receivables sold with recourse amounting to MSEK 74 (109). The risk of customer default for these receivables has not been transferred in such a way that the financial assets qualify for derecognition.

The table shows the development of the reserve for credit losses on trade receivables.

Specification of reserve for credit losses (MSEK)	2023	2022
Opening balance 1 January	**446**	**424**
Additions	115	271
Reversals	–115	–229
Changes through the income statement	**—**	**42**
Allowances used to cover write-offs	–25	–49
Acquired/Divested companies	2	–4
Currency translation adjustments	–20	33
Closing balance 31 December	**403**	**446**

15 Other short-term assets

MSEK	2023	2022
Value added tax receivables, net	2,326	2,620
Income tax receivables	1,265	866
Prepaid expenses	951	738
Accrued income	208	177
Advances to suppliers	467	236
Other current receivables	642	977
Total	**5,859**	**5,614**

16 Share capital

	Number of shares authorized and outstanding			
	A Shares	B Shares	Total	Share capital (MSEK)
Opening balance 1 January 2022	30,503,933	424,847,135	455,351,068	1,138
Conversion of A shares to B shares	–1,100,000	1,100,000	—	—
Closing balance 31 December 2022	**29,403,933**	**425,947,135**	**455,351,068**	**1,138**
Conversion of A shares to B shares	–97,000	97,000	—	—
Closing balance 31 December 2023	**29,306,933**	**426,044,135**	**455,351,068**	**1,138**

An A share has one vote and a B share has one-tenth of a vote. At the Annual General Meeting on 18 April 2002, it was decided to insert a share conversion clause in the Articles of Association which allows owners of A shares to convert those to B shares. Since the decision was taken, 197,629,814 A shares have been converted to B shares. The quota value for all shares is SEK 2.50.

Dividend policy
The SKF Group's dividend and distribution policy is based on the principle that the total dividend should be adapted to the trend for earnings and cash flow while taking account of the Group's development potential and financial position. The Board of Directors' view is that the ordinary dividend should amount to around one half of the SKF Group's average net profit calculated over a business cycle.

If the financial position of the SKF Group exceeds the target for capital structure, which is described in Note 26, an additional distribution to the ordinary dividend could be made in the form of a higher dividend, a redemption scheme or as a repurchase of the company's own share. On the other hand, in periods of more uncertainty a lower dividend ratio could be appropriate.

Dividend payments
The total surplus of the Parent Company amounted to MSEK 23,198 (24,061), see page 91. The Board has decided to propose to the Annual General Meeting, on 26 March 2024, a dividend of SEK 7.50 per share to be paid to the shareholders. The proposed dividend for 2023 is payable to all shareholders on the Euroclear Sweden AB's public share register as of 28 March 2024. The total proposed dividend to be paid is MSEK 3,415 (3,187). The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the balance sheet. On 30 March 2023, a dividend of SEK 7.00 per share was paid to the shareholders.

17 Earnings per share

	2023	2022
Net profit attributable to owners of AB SKF (MSEK)	6,395	4,469
Weighted average number of ordinary shares outstanding	455,351,068	455,351,068
Basic earnings per share (SEK)	**14.04**	**9.81**
Dilutive shares from Performance Share Programmes	—	—
Weighted average diluted number of shares	455,351,068	455,351,068
Diluted earnings per share (SEK)	**14.04**	**9.81**

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares outstanding during the period adjusted for all potential dilutive ordinary shares. Performance shares are considered dilutive if vesting conditions are fulfilled on the balance sheet date.

Shares from the Performance Share Programme are not considered dilutive.

18 Provisions for post-employment benefits

Accounting policy
The post-employment provisions and assets arise from defined benefit obligations in plans which are either unfunded or funded. For the unfunded plans, benefits paid out under these plans come from the all-purpose assets of the company sponsoring the plan. The related provisions carried in the balance sheet represent the present value of the defined benefit obligation. For funded defined benefit plans, the assets of the plans are held in trusts legally separate from the Group. The related balance sheet provision or asset represents the deficit or excess of the fair value of plan assets over the present value of the defined benefit obligation. However, an asset is recognized only to the extent that it represents a future economic benefit which is actually available to the Group, for example in the form of reductions in future contributions or refunds from the plan. When such excess is not available it is not recognized, but it is disclosed in the note as an asset ceiling adjustment.

The projected unit credit method is used to determine the present value of all defined benefit obligations and the related current service cost. Valuations are carried out quarterly for the most significant plans and annually for other plans. External actuarial experts are used for these valuations and estimating the obligations and costs involves the use of assumptions. Remeasurements arise from changes in actuarial assumptions and experience adjustments, being differences between actuarial assumptions and what has actually occurred. They are recognized immediately in other comprehensive income and are never reclassified to the income statement.

For all defined benefit plans the cost charged to the income statement consists of current service cost, net interest cost and when applicable past service cost, curtailments and settlements. Any past service cost is recognized immediately. Net interest cost is classified as financial expense while all other expenses are allocated to the operations based on the employee's function as manufacturing, selling or administrative.

18 Provisions for post-employment benefits, cont.

The defined benefit accounting described before is applied only in the consolidated accounts. Subsidiaries, as well as the Parent Company, continue to use the local statutory pension calculations to determine pension costs, provisions and assets in the stand-alone statutory reporting, and when applicable, funding requirements.

Some post-employment benefits are also provided by defined contribution schemes, where the Group has no obligation to pay benefits after payment of an agreed-upon contribution to the third party responsible for the plan. Such contributions are recognized as expense when incurred.

Accounting estimates and judgements

Significant judgements and assumptions are required to determine the present value of all defined benefit obligations and the related costs. Such assumptions vary according to the economic conditions of the country in which the plan is located and are adjusted to reflect market conditions at valuation point. However, the actual costs and obligations that in fact arise under the plans may be materially different from the estimates based on the assumptions due to changing market and economic conditions.

The most significant assumptions can vary per plan but in general include discount rate, pension increase rate, salary growth rate and longevity. These assumptions are established for each plan separately. The discount rate for each plan is determined by reference to yields on high quality corporate bonds (AA-rated corporate bonds as well as mortgage bonds for the plans in Sweden) having maturities matching the duration of the obligation. The pension increase rate assumption is relevant mainly for retired plan members, and refers to the indexation of pension payments tied primarily to inflation. The salary growth rate is relevant for active plan members and reflect the long-term actual experience, the near term outlook and assumed inflation. Longevity reflects the life expectancy of plan members and is established based on mortality tables used for each plan.

	2023						
Amounts recognized in the consolidated balance sheet (MSEK)	**USA pension**	**USA medical**	**Germany pension**	**United Kingdom pension**	**Sweden pension**	**Other**	**Total**
Present value of unfunded defined benefit obligation	367	518	627	—	288	733	2,533
Present value of funded defined benefit obligation	6,958	—	9,039	3,205	2,431	1,547	23,180
Less: Fair value of plan assets	–6,399	—	–5,201	–3,378	–772	–1,375	–17,125
Impact of asset ceiling	—	—	—	—	—	–10	–10
Total	**926**	**518**	**4,465**	**–173**	**1,947**	**895**	**8,578**
Reflected as:							
Other long-term assets	—	—	—	—	—	–219	–219
Provisions for post-employment benefits	926	518	4,465	–173	1,947	1,114	8,797
Total	**926**	**518**	**4,465**	**–173**	**1,947**	**895**	**8,578**

	2022						
Amounts recognized in the consolidated balance sheet (MSEK)	**USA pension**	**USA medical**	**Germany pension**	**United Kingdom pension**	**Sweden pension**	**Other**	**Total**
Present value of unfunded defined benefit obligation	383	563	606	—	252	798	2 602
Present value of funded defined benefit obligation	7,553	—	8,565	3,257	2,099	1,643	23,117
	–6,886	—	–4,746	–3,114	–761	–1,581	–17,088
Less: Fair value of plan assets	—	—	—	—	—	–10	–10
Total	**1,050**	**563**	**4,425**	**143**	**1,590**	**850**	**8,621**
Reflected as:							
Other long-term assets	—	—	—	—	—	–127	–127
Provisions for post-employment benefits	1,050	563	4,425	143	1,590	977	8,748
Total	**1,050**	**563**	**4,425**	**143**	**1,590**	**850**	**8,621**

The Group sponsors post-employment defined benefit plans in a number of subsidiaries. The most significant plans are the pension plans in USA, Germany, U.K., and Sweden, which supplement the social security pensions in these countries.

USA

The major USA pension plans represent around 89% of the total USA obligation. Benefits are based on length of service and average final salary, or a years of service multiplier. All these plans are closed for new entrants, who instead are covered by defined contribution pension solutions. The salary and non-Union defined benefit pension plans have been frozen as of December 2016 and in 2021 the remaining active accruing plans were frozen, hence no additional service cost will be accrued for these plans.

Governance of the plans lies with a benefit board whose members are chosen by the board of directors of the USA subsidiary. The plans are subject to regulatory minimum funding requirements based on an adjusted statutory pension formula, which in the case of funding deficits require contributions to achieve full funding in seven years.

The USA subsidiary also sponsors post-retirement health care plans which are closed for new entrants. The plans provide health care and life insurance benefits for eligible retired employees. The company is entitled to receive a subsidy under the U.S. Medicare Program Part D, for prescription drug costs for certain plan participants. On 31 December 2023, this reimbursement right totalled MSEK 1 (1).

Germany

The major German pension plans represent around 91% of the total German obligation. Benefits are based on length of service and final salary, and are indexed when paid. The majority of entitlement conditions are determined in accordance with a governmental pensions act. A plan change affecting around 75% of the participants of the major German pension plan occurred from 1 January 2018. For these participants defined contributions are made, and the value of the contributions is guaranteed to the participants as required by German law. Thus, this plan also qualifies as a defined benefit plan even if the benefit for the participants is equal to the contributions made into the plan.

18 Provisions for post-employment benefits, cont.

United Kingdom
The major plans in the U.K. represent around 91% of the total U.K. obligation. Benefits under these plans are based on length of service and a career average revalued earnings basis, and are indexed when paid. As of April 2012, these plans are closed to new entrants, who instead are entitled to defined contribution pension solutions. Responsibility for the governance of the plan lies jointly with the subsidiary and a board of trustees comprised of representatives of the subsidiary as well as plan participants in accordance with the Plan constitution. The plan is subject to statutory funding objectives based on the local pension calculation, which in the case of funding deficits have an agreed recovery plan to achieve full funding in ten years.

Sweden
The major plan in Sweden is the ITP plan and it represents around 90% of the total Swedish obligation. Benefits are based on final salary and are indexed when paid. Benefits are established in accordance with a collective agreement established between participating Swedish companies. The plan is closed for employees born after 1978, who instead are entitled to a defined contribution pension solution. The Swedish subsidiaries are required to have credit insurance which covers all pension obligations in case of insolvency. For the Swedish subsidiaries, the portions of the ITP pension financed through insurance premiums to Alecta only cover family pension, health insurance and TGL and as such are immaterial. There are no regulatory funding requirements, however, voluntary funding has been provided for the plans through a foundation, which is governed jointly by the company and employee representatives. The foundation must comply with government regulations.

Other
The most significant plans include the funded pension plans in Switzerland, Canada and Belgium. Additionally, there are retirement indemnity plans in France and termination indemnity plans in Italy, where lump sum payments are made upon retirement and termination respectively.

	2023			2022		
MSEK	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance 1 January	**25,719**	**–17,098**	**8,621**	**31,159**	**–19,448**	**11,711**
Interest expense/(income)	1,092	–735	357	583	–401	182
Current service cost	460	—	460	536	—	536
Past service cost	42	—	42	9	—	9
Settlements	–4	2	–2	–7	2	–5
Other	153	15	168	3	11	14
Subtotal expenses	**1,743**	**–718**	**1,025**	**1,124**	**–388**	**736**
Difference between actual return and interest (income)/expenses	—	–336	–336	—	3,600	3,600
Actuarial (gains)/losses – demographic assumptions	–129	—	–129	–58	—	–58
Actuarial (gains)/losses – financial assumptions	694	—	694	–8,012	—	–8,012
Experience adjustments (gains)/losses	74	—	74	805	—	805
Change in asset ceiling		–6	–6	—	–9	–9
Subtotal remeasurements in OCI	**639**	**–342**	**297**	**–7,265**	**3,591**	**–3,674**
Employer contribution	—	–578	–578	—	–466	–466
Employee contribution	21	4	25	25	–5	20
Benefit payments	–2,005	1,286	–719	–1 833	1 199	–634
Subtotal cash flow[1]	**–1,984**	**712**	**–1,272**	**–1,808**	**728**	**–1,080**
Other	–34	51	17	7	2	9
Translation differences	–370	260	–110	2,502	–1,583	919
Closing balance 31 December	**25,713**	**–17,135**	**8,578**	**25,719**	**–17,098**	**8,621**

1) Cash outflows for 2024 are expected to be some MSEK 878 which include contributions to funded plans as well as payments made directly by the companies under unfunded plans and partially funded plans.

Components of total post-employment benefit expenses (MSEK)	2023	2022
Post-employment defined benefit expense	1,025	736
Post-employment defined contribution expense	555	682
Total post-employment benefit expenses	**1,580**	**1,418**
Whereof amounts charged to:		
Cost of goods sold	731	681
Selling expenses	394	489
Administrative expenses	98	66
Financial expenses	357	182
Total	**1,580**	**1,418**

18 Provisions for post-employment benefits, cont.

Plan asset composition (MSEK)	2023 Quoted	2023 Unquoted	2023 Total	2022 Quoted	2022 Unquoted	2022 Total
Government bonds	1,535	—	1,535	1,533	—	1,533
Corporate bonds	6,193	—	6,193	6,077	—	6,077
Equity instruments	3,739	229	3,968	4,767	395	5,162
Real estate	205	2,497	2,702	254	1,861	2,115
Other, primarily cash and other financial receivables	1,600	1,127	2,727	1,115	1,086	2,201
Total	**13,272**	**3,853**	**17,125**	**13,746**	**3,342**	**17,088**

To enable consistent, proactive and effective management of the post-employment benefits in line with its business strategy and values, the SKF Group established a Global Pension Committee, a governance body who is responsible to align post-employment benefits to SKF Global Pension Policy. SKF Global Pension Policy sets out principles for managing SKF's pension and other long-term employee benefits within SKF globally.

The SKF Group strives to balance risk in the investments of plan assets by aiming for a range of 30–50% in equity instruments, with the remainder in lower risk/fixed income investments such as corporate and government bonds.

The investment positions for the major pension plans are managed within the asset-liability matching framework. Within this framework, the Group's objective is to match plan assets to the pension obligations by investing in securities with maturities that align with the benefit payments as they fall due, and in the appropriate currency. SKF Treasury Centre regularly monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Final investment decisions are taken by the local subsidiary/trustee together with SKF Treasury Centre.

Significant weighted-average assumptions at end of year	2023 USA pension	USA medical	Germany pension	U.K. pension	Sweden pension	Other
Discount rate	4.9	4.9	3.4	4.3	3.2	2.9
Pension increase rate[1]	n/a	n/a	2.0	3.0	2.0	n/a
Salary growth rate[2]	n/a	n/a	2.3	3.0	3.4	6.6
Longevity male/female[3]	20.7/22.6	20.6/22.6	20.7/24.1	21.9/23.9	20.0/25.0	18.9/22.3
Weighted average duration of the plan (in years)[4]	8.7	7.5	15.1	16.0	18.4	5.9

Significant weighted-average assumptions at end of year	2022 USA pension	USA medical	Germany pension	U.K. pension	Sweden pension	Other
Discount rate	5.2	5.1	3.8	4.5	3.5	3.5
Pension increase rate[1]	n/a	n/a	2.0	2.9	2.0	n/a
Salary growth rate[2]	n/a	n/a	2.3	3.1	3.4	5.2
Longevity male/female[3]	20.7/22.6	20.6/22.6	21.0/23.5	22.0/24.4	22.0/25.0	17.0/24.9
Weighted average duration of the plan (in years)[4]	8.7	7.4	15.4	16.1	18.5	8.0

1) Pension increase rate refers to indexation primarily tied to inflation.
2) Salary growth rate for the U.S. pension is n/a as no additional service cost will be accrued for these plans.
3) Longevity is expressed as the life expectancy of a current 65 year old in number of years.
4) Represents the average number of years remaining until the obligation is paid out.
n/a = assumptions not applicable or not significant for the plan.

Sensitivity analysis of significant assumptions	Change in actuarial assumption	Impact on defined benefit obligations, MSEK
Discount rate	+1%	–2,572
	–1%	3,222
Salary growth rate	+0.5%	260
	–0.5%	–235
Pension increase rate	+0.5%	879
	–0.5%	–800
Longevity	+1 year	841
	–1 year	–851

The sensitivity analysis is based on the change in one assumption while holding all other assumptions constant, see notes to previous table. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity analysis of the DBO to changes in assumptions the same method has been applied as when calculating the pension liability recognized within the obligation.

The sensitivity analysis considers the most significant plans in USA, Germany, U.K. and Sweden, and it has been prepared consistently with prior years.

19 Other provisions and contingent liabilities

Accounting policy
In general, a provision is recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as provisions is management's best estimate of the future cash flows necessary to settle the obligations at the balance sheet date, and the timing of settlement is uncertain.

Claims include both provisions for litigation and warranties, and represent management's best estimate of the future cash flows necessary to settle obligations. Other long-term employee benefits refer to benefits earned and expected to be settled before employment ends. These provisions are calculated using the projected unit credit method and remeasurements (actuarial gains and losses) are recognized immediately in the income statement.

Restructuring programmes are defined as activities that materially change the way a unit does business. Any related restructuring provisions are recognized when a detailed formal plan has been established and a public announcement of the plan has occurred thereby creating a valid expectation that the plan will be carried out.

When an obligation does not meet the criteria for recognition it may be considered a contingent liability and disclosed. Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. They also include existing obligations where it is not probable that an outflow of resources is required, or the outflow cannot be reliably quantified.

Accounting estimates and judgements
Significant management judgement is required in determining the existence and amount of provisions. As the estimates may involve uncertainty about future events outside the control of the Group, the actual outcomes may be significantly different.

Claims include both provisions for litigation and warranties, and represent management's best estimate of the future cash flows necessary to settle obligations, although the timing of the settlement is uncertain. Provisions for litigation are based on the nature of the litigation, the legal process in the applicable jurisdiction, the progress of the cases, the opinions of internal and external legal counsel and advisers regarding the outcome of the case and experience with similar cases. Tax claims in different countries and in different stages of the claim that do not meet the definition of tax liability are recognized as contingent liabilities.

SKF is part of investigations regarding possible violations of anti-trust rules, class action claims and lawsuits. SKF is subject to an investigation in Brazil by the General Superintendence of the Administrative Council for Economic Defense, regarding an alleged violation of antitrust rules by several companies active on the automotive aftermarket in Brazil. As per management judgement, these investigations did not qualify for recognition as other provisions or contingent liabilities.

Warranty provisions involve estimates of the outcome of claims resulting from defective products, which include estimates for potential liability for damages caused by such defects to the Group's customers. Assumptions are required for anticipated returns and costs replacing defective products and/or compensating customers for damage caused by the Group's products. These assumptions consider historical claims statistics, expected costs to remedy and the average time lag between faults occurring and claims against the Group.

Restructuring provisions involve estimates of the timing and costs of the planned future activities where the most significant estimates relates to the costs necessary to settle employee severance/separation obligations, as well as the costs involved in contract cancellations and other exit costs. These estimates are based on historical experience as well as the current status of negotiations with the affected parties and/or their representatives.

Claims increased during 2023 with MSEK 15, related to warranty claims.

In 2023, the total restructuring cost amounted to MSEK 1,398, whereof MSEK 1,171 refers to provisions, and includes closure and consolidation of factories as well as a general reduction in headcount driven by new ways of working and simplified organizational structures. This cost includes voluntary and involuntary termination benefits spread over several countries. The majority of the remaining restructuring provisions are expected to be settled in 2024.

The largest items in other employee benefits are jubilee bonus in Italy, part-time retirement programmes in Germany and special payroll tax in Sweden.

Other provisions primarily include insurance and worker's compensation as well as environmental commitments.

MSEK	2023 Closing balance	Provisions for the year	Utilized amounts	Reversal unutilized amounts	Other	Translation effect	2023 Opening balance
Claims	253	123	−76	−6	−21	−5	238
Other employee benefits	756	420	−325	57	34	−10	580
Restructuring	1,057	1,171	−1,020	−44	—	−9	959
Other	518	151	−67	−62	−24	−8	528
Total	**2,584**	**1,865**	**−1,488**	**−55**	**−11**	**−32**	**2,305**

MSEK	Of which current
Claims	166
Other employee benefits	146
Restructuring	690
Other	243
Total	**1,245**

Contingent liabilities at nominal values (MSEK)	2023	2022
Guarantees	61	51
Tax claims	874	729
Other contingent liabilities	19	32
Total	**954**	**812**

MSEK	2022 Closing balance	Provisions for the year	Utilized amounts	Reversal unutilized amounts	Other	Translation effect	2022 Opening balance
Claims	238	93	−75	−64	−4	25	263
Other employee benefits	580	202	−401	−42	−223	54	990
Restructuring	959	680	−485	−43	−87	70	824
Other	528	214	−78	−46	−43	41	440
Total	**2,305**	**1,189**	**−1,039**	**−195**	**−357**	**190**	**2,517**

MSEK	Of which current
Claims	129
Other employee benefits	3
Restructuring	871
Other	236
Total	**1,239**

20 Financial liabilities

Accounting policy
Financial liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. Financial liabilities are initially recorded at fair value, which is normally equal to acquisition cost. Transaction costs are included in the initial measurement of financial liabilities that are not subsequently measured at fair value through the income statement. Derivatives are recognized at trade date.

Financial liabilities, excluding derivatives, are classified as Other financial liabilities measured at amortized cost. Amortized cost is measured using the effective interest method. The carrying amount of liabilities that are hedged items, for which fair value hedge accounting is applied, are adjusted for gains or losses attributable to the hedged risks. Derivatives are classified into the category Fair value through profit or loss. Financial liabilities are derecognized when they are extinguished.

Accounting estimates and judgements
For disclosure purposes, fair values of financial liabilities have been calculated using valuation techniques, mainly discounted cash flow analyses based on observable market data.

Derivatives are measured at fair value and fall into Level 2 of the fair value hierarchy. See Note 14 for a description of the fair value hierarchy.

The maturities for bonds and loans stated in the table below are based on the earliest date on which they can be required to be repaid.

Two of the loans are subject to fair value hedging. The fixed EUR interest on the MEUR 300 loan, due in 2025, has been swapped into floating USD interest rate and the fixed EUR interest on the MEUR 400 loan has been swapped into floating EUR interest rate.

More information regarding financial risk management and hedge accounting can be found in Note 26. Methods used for establishing fair value are described in Note 14. Interest rates for the loans are disclosed in Note 11 of the Parent Company.

The Group does not have any pledged assets to secure financial liabilities.

		2023		2022	
MSEK	Maturity	Carrying amount	Fair value	Carrying amount	Fair value
Long-term financial liabilities					
MSEK 900	2024	—	—	899	875
MSEK 2,100	2024	—	—	2,098	2,134
MUSD 3	2025	3	3	—	—
MEUR 300	2025	3,177	3,192	3,095	3,113
MUSD 100	2027	1,000	1,033	1,042	1,076
MEUR 400	2028	4,363	4,422	4,213	4,273
MEUR 300	2029	3,307	3,051	3,326	2,881
MEUR 300	2031	3,275	2,865	3,290	2,666
Long-term lease liabilities	2024 and thereafter	2,207	2,207	2,286	2,286
Other long-term loans	2024–2030	200	201	212	227
Derivatives held for hedge accounting		362	362	758	758
Derivatives held for trading		—	—	—	—
Subtotal long-term financial liabilities		**17,894**	**17,336**	**21,219**	**20,289**
Short-term financial liabilities					
MSEK 900	2024	900	894	—	—
MSEK 2,100	2024	2,100	2,116	—	—
MUSD 3	2024	13	13	—	—
Trade payables	2024	11,236	11,236	11,594	11,594
Short-term lease liabilities	2024	629	629	635	635
Short-term loans	2024	158	158	170	170
Derivatives held for hedge accounting	2024	—	—	—	—
Derivatives held for trading	2024	260	260	111	111
Subtotal short-term financial liabilities		**15,296**	**15,306**	**12,510**	**12,510**
Total		**33,190**	**32,642**	**33,729**	**32,799**

21 Other short-term liabilities

MSEK	2023	2022
Employee related accruals	4,144	3,792
Accrual for rebates	1,577	1,622
Income tax payable	965	735
Deferred income	368	340
Customer advances	434	430
Value added taxes payable, net	916	808
Other current liabilities	795	893
Other accrued expenses	1,874	2,071
Total	**11,073**	**10,691**

22 Related parties including associated companies

FAM is a privately owned holding company that manages assets as an active owner with a long-term ownership horizon. FAM is owned by Wallenberg Investments AB, which is owned by the three largest Wallenberg foundations – the Knut and Alice Wallenberg Foundation, the Marianne and Marcus Wallenberg Foundation and the Marcus and Amalia Wallenberg Foundation. The Foundations have, since 1917, granted funding to excellent researchers and research projects beneficial to Sweden, primarily to Swedish universities.

The SKF Group has had no indication that FAM has obtained its ownership interest in the Group for other than investment purposes. No significant transactions have been identified between the parties with the exception of dividend paid during the year to FAM. At the end of 2023 FAM is the major shareholder of the Parent Company, holding 29.0% (28.9) of the voting rights and 15.0% (15.0) of the share capital.

Investments in associated companies include a 27% shareholding of Sunstrength Renewables Pvt. Ltd. in India, a 42% shareholding of Ningbo Hyatt Roller Co. Ltd. in China, a 20% shareholding of Colinx, LLC. in USA, a 50% shareholding of Wuhan Economos seals technology Co. Ltd. in China, and a 25% shareholding of Schwarz GmbH Technischer Großhandel in Germany.

During 2023, a 26% shareholding has been obtained in Clean Max Taiyo Pvt. Ltd. in India and a shareholding of 30% has been obtained in Sinoma Precision Bearings Co. Ltd. in China. The shareholding in Hunan SUND Technologies Co. Ltd. in China decreased from 7% to 5%.

Transactions with Associated companies (MSEK)	2023	2022
Sales of goods and services	39	64
Purchases of goods and services	511	550
Receivables as of 31 December	95	37
Liabilities as of 31 December	4	9

Other related party transactions include remuneration to key management as specified in Note 23. For a list of significant subsidiaries, see Note 8 to the financial statements of the Parent Company. No other significant transactions with related parties have occurred.

23 Remuneration to key management

Salaries and other remunerations for SKF Board of Directors, President and Group Management

Principles of remuneration for Group Management

In March 2022, the Annual General Meeting adopted the Board of Director's proposal for principles of remuneration for Group Management, which are summarized below.

Group Management is defined as the President and the other members of the management team. The principles shall apply to remuneration agreed and amendments to remuneration already agreed, after the adoption of the principles by the Annual General Meeting 2022, and, in other cases, to the extent permitted under existing agreements.

The objective of the principles is to ensure that the SKF Group can attract and retain the best people in order to contribute to the SKF Group's mission and business strategy, its long-term interests and sustainability. Remuneration for Group Management shall be based on market competitive conditions and at the same time support the shareholders' best interests.

The total remuneration package for a Group Management member shall consist of the following components: fixed salary, variable salary, pension benefits, conditions for notice of termination and severance pay, and other benefits such as a company car. The components shall create a well-balanced remuneration reflecting individual performance and responsibility as well as the SKF Group's overall performance.

Additionally, the Annual General Meeting 2023, irrespective of the principles of remuneration for Group Management, resolved on SKF's Performance Share Programme 2023 for senior managers and key employees, where Group Management is included. For more information on SKF's Performance Share Programme 2023, see page 77.

Fixed salary

The fixed salary of a Group Management member shall be at a market competitive level. It shall be based on competence, responsibility, experience and performance. The SKF Group shall use an internationally well-recognized evaluation system in order to evaluate the scope and responsibility of the position. Market benchmarks shall be conducted on a yearly basis.

The performance of Group Management members shall be continuously monitored during the year and shall be used as a basis for annual reviews of fixed salaries.

Variable salary

The variable salary of a Group Management member shall run according to a performance-based programme. The purpose of the programme shall be to motivate and compensate value-creating achievements in order to support operational, financial and sustainability targets and thereby promote the SKF Group's business strategy, sustainability and long-term interests.

The performance-based programme shall have predetermined and measurable criteria which can be both financial and non-financial and which contribute to the company's longterm and sustainable development. The criteria shall primarily be based on the annual financial performance of the SKF Group, such as financial result, growth and capital efficiency, and shall promote sustainability targets of the SKF Group.

The satisfaction of criteria for awarding variable salary shall be measured over a period of one year.

The maximum variable salary shall vary between 50% to 70% of the accumulated annual fixed salary of Group Management members.

Other benefits

The SKF Group may provide other benefits to Group Management members in accordance with local practice. Premiums and other costs relating to such benefits shall depend on and follow local conditions and local practice but shall represent, as a general rule, a limited value and may amount to not more than 10% of the accumulated annual fixed salary of the members of Group Management.

Other benefits can for instance be a company car or health and medical insurance.

23 Remuneration to key management, cont.

Pension

The SKF Group shall strive to establish pension plans based on defined contribution models, which means that a premium is paid amounting to a certain percentage of the employee's annual salary. The commitment in these cases is limited to the payment of an agreed premium to an insurance company offering pension insurance.

A Group Management member shall normally be covered by, in addition to the basic pension (for Swedish members usually the ITP pension plan), a supplementary defined contribution pension plan. By offering this supplementary defined contribution plan, it is ensured that Group Management members are entitled to earn pension benefits based on the fixed annual salary above the level of the basic pension. The normal retirement age for Group Management members shall be 65 years.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of the principles. For employments governed by Swedish rules, the premium for the supplementary pension plan shall be linked to age and amount to a maximum of 40% of the accumulated annual fixed salary not covered by any other pension plan.

Notice of termination and severance pay

A Group Management member may terminate his/her employment by giving six months' notice. In the event of termination of employment at the request of the company, employment shall cease immediately. The Group Management member shall, however, receive a severance payment related to the number of years' of service, provided that it shall always be maximized to two years' fixed salary.

Salary and terms of employment for employees

When preparing the principles, the Board of Directors has paid regard to the salary and terms of employment of the employees of the company. Information about employees' total remuneration, the components of the remuneration and the growth and growth rate over time have been part of the basis for the Board of Director's and the Remuneration Committee's evaluation of the fairness of the principles of remuneration and the limitations which the principles entail.

The decision-making process to determine, review and implement the principles

The Board of Directors has established a Remuneration Committee. The Committee consists of a maximum of four Board members. The Remuneration Committee prepares all matters relating to the principles of remuneration for Group Management, as well as the terms of employment for the President.

The principles of remuneration for Group Management are presented by the Remuneration Committee to the Board of Directors that, at least every fourth year, submits a proposal for such principles to the Annual General Meeting for approval. The principles of remuneration shall be valid until new principles have been adopted by the Annual General Meeting. The Board of Directors must approve the terms of employment for the President. The Remuneration Committee shall also monitor and evaluate programmes for variable remuneration for Group Management, the application of the principles of remuneration for Group Management and applicable remuneration structures and levels of the SKF Group.

The members of the Remuneration Committee are independent of the SKF Group and Group Management. The President and other members of Group Management shall not be present when the Board of Directors process and resolve on remuneration related matters in so far as they are affected by such matters.

The Board of Directors' right to derogate from the principles of remuneration

The Board of Directors may derogate from the principles of remuneration decided by the Annual General Meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the SKF Group's long-term interests, including its sustainability, or to ensure the SKF Group's financial viability.

As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration related matters. This includes any resolutions to derogate from the guidelines.

Board of Directors

The Chair of the Board and the Board members are remunerated in accordance with the decision taken at the Annual General Meeting. At the Annual General Meeting of AB SKF held in 2023 it was decided that the Board should be paid fees according to the following: – an allotment of SEK 2,610,000 to the Chair of the Board, of SEK 1,305,000 to the Vice Chair of the Board and with SEK 850,000 to each of the other Board members; and – an allotment of SEK 295,000 to the Chair of the Audit Committee, with SEK 217,000 to each of the other members of the Audit Committee, with SEK 170,000 to the Chair of the Remuneration Committee and with SEK 135,000 to each of the other members of the Remuneration Committee, with SEK 170,000 to the Chair of the Sustainability and Ethics Committee and with SEK 135,000 to each of the other members of the Sustainability and Ethics Committee.
A prerequisite for obtaining an allotment is that the Board member is elected by the Annual General Meeting and not employed by the company.

President and Chief Executive Officer

Rickard Gustafson, President and Chief Executive Officer of AB SKF has received remuneration from the company during 2023 governed by the remuneration principles decided upon by the Annual General Meeting; salary and other remunerations amounted to a total of 19,610,050 SEK of which 15,242,533 SEK was fixed annual salary and other benefits.

The pension arrangement for Rickard Gustafson is a combination of the ITP scheme and a defined contribution of 40% of the annual fixed salary above 30 income base amounts. The retirement age for the President and Chief Executive Officer is 65 years.

Rickard Gustafson's shareholdings (own and/or held by related parties) in the company is listed in the Corporate Governance Report.

Group Management

The SKF's Group Management, consisting of 13 people at the end of the year, received in 2023 (exclusive of the President) salary and other remunerations amounting to a total of SEK 69,085,979 of which SEK 58,742,504 was fixed annual salary, SEK 10,343,475 was variable salary related to 2022 year's performance, and SEK 3,169,146 was alottment of shares under the Performance Share Programme 2020.

The variable salary for Group Management was according to a short-term performance-based programme primarily based on the financial performance of the SKF Group with criteria such as operating profit and cash flow.

SKF's Performance Share Programmes are further described on page 77.

In the event of termination of employment at the request of the company of a person in Group Management, that person will receive a severance payment amounting to a maximum of two years' salary.

For Group Management the Board has decided on a defined contribution supplementary pension plan. The plan entitles Group Management members covered to receive an additional pension over and above the basic pension (for Swedish members usually the ITP pension plan). The contributions paid for Group Management members covered by the defined contribution plan are based on each individual's pensionable salary (normally the fixed monthly salary excluding holiday pay, converted to yearly salary) exceeding the level of the basic pension (for Swedish members 30 income base amounts). Group Management members are never covered by both defined benefit pension and defined contribution pension for the same part of their pension entitlements. The normal retirement age is 65 years.

23 Remuneration to key management, cont.

	Fixed salary and other benefits[1]/ fixed Board remuneration		Short-term variable salary		Performance Share Programmes		Remuneration for committee work		Gross pension costs[2]		
Amounts in SEK	Amounts paid in 2023[3]	Amounts expensed in 2023[3]	Amounts paid in 2023 related to 2022[3]	Amounts expensed in 2023[3]	Amounts paid in 2023 related to prior years[3]	Amounts expensed in 2023[3]	Amounts paid in 2023[3]	Amounts expensed in 2023[3]	Amounts expensed in 2023[3]	Total expensed in 2023	Total expensed in 2022
Board of directors of AB SKF											
Hans Stråberg	2,570,000	2,610,000	—	—	—	—	387,000	387,000	—	2,997,000	2,905,000
Håkan Buskhe	1,065,000	1,305,000	—	—	—	—	600,000	600,000	—	1,905,000	1,240,000
Hock Goh	837,500	850,000	—	—	—	—	135,000	135,000	—	985,000	825,000
Geert Follens	837,500	850,000	—	—	—	—	352,000	352,000	—	1,202,000	1,035,000
Susanna Schneeberger	837,500	850,000	—	—	—	—	135,000	135,000	—	985,000	825,000
Beth Ferreira	425,000	850,000	—	—	—	—	—	—	—	850,000	—
Therese Friberg	425,000	850,000	—	—	—	—	217,000	217,000	—	1,067,000	—
Richard Nilsson	425,000	850,000	—	—	—	—	217,000	217,000	—	1,067,000	—
Niko Pakalén	425,000	850,000	—	—	—	—	270,000	270,000	—	1,120,000	—
Colleen Repplier	412,500	—	—	—	—	—	—	—	—	—	955,000
CEO	15,242,533	15,781,966	4,367,517	8,943,411	—	4,790,022	—	—	5,572,609	35,088,009	31,009,230
Former CEO	—	—	—	—	—	—	—	—	—	—	4,011,309
Group Management[5]	58,742,504	61,028,167	10,343,475	20,802,164	3,169,146	12,818,494	—	—	12,151,528[4]	106,800,352	111,282,733
whereof AB SKF	32,718,290	35,003,953	7,161,439	13,622,910	3,169,146	10,777,071	—	—	10,662,939	70,066,872	69,397,063
Total 2023	82,245,037	86,675,133	14,710,992	29,745,575	3,169,146	17,608,516	2,313,000	2,313,000	17,724,137	154,066,361	—
whereof AB SKF	56,220,823	60,650,919	11,528,956	22,566,321	3,169,146	15,567,093	2,313,000	2,313,000	16,235,548	117,332,881	—
Total 2022	104,991,572	90,209,082	21,540,907	21,081,087	4,211,006	8,965,131	1,130,000	1,130,000	32,702,032	—	154,088,332
whereof AB SKF	77,463,874	62,681,384	14,448,881	13,162,253	3,304,119	8,746,594	1,130,000	1,130,000	26,482,431	—	112,202,662

1) Other benefits include for example company car and medical insurance.
2) Represents premiums paid under defined contribution plans as well as gross service costs under defined benefit plans.
3) Amounts paid represent the cash outflow and are amounts received by the individual during a specific calendar year. These amounts include remuneration for services rendered during given calendar year such as salary, but can also include remuneration for services rendered in a prior year where payment occurs subsequent to that year, for example the variable salary programmes. Amounts expensed refer primarily to the costs for the Group for services rendered during a specific calendar year by the individual, but can also include adjustments or reversals related to prior years. Consequently, differences between amounts paid and amounts expensed can arise as timing of the expense can be occurring in a different calendar year than the cash outflow to the individual.
4) Total pension obligations, for SKF Group, related to Group Management (including CEO) were MSEK 77.
5) Exclusive of CEO.

23 Remuneration to key management, cont.

SKF's Performance Share Programme

Performance Shares

The Annual General Meeting 2023 decided on the introduction of SKF's Performance Share Programme 2023. The programme covers a maximum of 225 senior managers and key employees in the SKF Group, including Group Management, with the opportunity of being allotted, free of charge, SKF shares of series B. Under the programme, no more than 1,000,000 SKF shares of series B may be allotted.

The allotment of shares shall be related to the level of achievement of the total value added (TVA) target level, as defined by the Board of Directors, and the SKF Group's CDP Climate Change score. The TVA performance measure is weighted 80% and the CDP Climate Change score performance measure is weighted 20%. The performance period is three years (2023–2025). Over the three-year programme period, the TVA performance target range is set annually by the Board against the baseline of the actual TVA achieved in the previous year.

In order for allocation of shares to take place the average TVA development must exceed a certain minimum level (the threshold level). In addition to the threshold level a target level is set. Maximum allotment is awarded if the target level is reached or exceeded.

The CDP Climate Change score performance achievement is the weighted average of the annual performance achievement, based on the criteria in the below table.

CDP Climate Change score	Performance achievement
A	100%
A–	75%
B	50%
<B	0%

Provided that the performance measures of the programme are fully met, the participants of the programme may be allotted the following maximum number of shares per person within the various key groups:

- CEO and President: shares corresponding to a value of 75% of the fixed base salary
- Other members of Group Management: shares corresponding to 55% of the fixed base salary, or 13,000 shares, whichever is higher
- Managers of large business units and similar: 4,500 shares
- Other senior managers: 3,000 shares
- Other key persons: 1,250 shares

Before the number of shares to be allotted is finally determined, the Board shall examine whether the allotment is reasonable considering SKF's financial results and position, the conditions on the stock market as well as other circumstances, and if not, as determined by the Board, reduce the number of shares to be awarded to the lower number of shares deemed appropriate by the Board.

If the total outcome of the programme exceeds the threshold level for allotment of shares but the final allotment is below 5% of the target level, payment will be made in cash instead of shares, whereupon the amount of the cash payment shall correspond to the value of the shares calculated on the basis of the closing price for SKF's B share the day before settlement.

The share-based compensation programmes of the Group are mainly equity-settled through the SKF Group's Performance Share programmes.

The fair value of the SKF B share at grant date is calculated as the market value of the share excluding the present value of expected dividend payments for the next three years.

The estimated cost for these programmes, which is based on the fair value of the SKF B share at grant date and the number of shares expected to vest, is recognized as an operating expense with a corresponding offset in equity. The fair value of the SKF shares of series B at grant date was determined as SEK 183 for SKF's Performance Share Programme 2023.

The dividend compensation amount is recognized as employee benefit expense separate from the share-based compensation expense. The cost for the programmes is adjusted annually for changes to the number of shares expected to vest and for the forfeitures of the participants' rights that no longer satisfy the programme conditions. Provisions for social costs to be paid by the employer in connection with share-based compensation programmes are calculated based on the fair value of the SKF B share at each reporting date and expensed over the vesting period.

Allotment of shares under SKF's Performance Share Programme 2023 requires that the employment of a person covered by the programme is not terminated before the end of the programme period.

SKF's Performance Share Programme 2020

Allotment of shares was made in February 2023. In total 225,779 SKF class B shares were allotted pursuant to the terms of the programme, based on the degree of achievement of TVA during the three year period 2020–2022.

SKF's Performance Share Programme 2021

Allotment of shares was made in February 2024: In total 561,145 SKF class B shares were allotted pursuant to the terms of the programme, based on the degree of achievement of the TVA during the three year period 2021–2023.

SKF's Performance Share Programme 2022

Allotment of shares may be made following the expiry of the three year calculation period, i.e. during 2025, if all the conditions of the programme are met and the allotment is approved by the Board.

SKF's Performance Share Programme 2023

Allotment of shares may be made following the expiry of the the three year calculation period, i.e. during 2026, if all the conditions of the programme are met and the allotment is approved by the Board.

Amounts expensed 2023 for all programmes were MSEK 77 (83) excluding social charges.

Men and women in Board of Directors and Group Management	2023 Number of persons	2023 Whereof men	2022 Number of persons	2022 Whereof men
The Group				
Board of Directors of the Parent company incl. CEO	10	70%	7	71%
Group Management incl. CEO	13	77%	12	83%
Parent Company				
Board of Directors of the Parent company incl. CEO	10	78%	7	71%
Group Management incl. CEO	9	67%	8	75%

24 Fees to the auditors

Fees to the SKF Group statutory auditors were split as follows (MSEK)	2023	2022
Deloitte		
Audit fees	64	57
Where of Deloitte AB	13	12
Audit related fees	2	2
Where of Deloitte AB	2	2
Tax fees	—	2
Where of Deloitte AB	—	—
Other fees	2	2
Where of Deloitte AB	2	1
	68	**63**

The Parent Company's share (MSEK)	2023	2022
Deloitte		
Audit fees	10	9
Audit related fees	2	2
Tax fees	—	—
Other fees to auditors	2	1
	14	**12**

Audit fees are related to examination of the Annual Report and financial reporting, the administration by the Board and the President as well as other tasks related to the duties of a company auditor.

Audit related fees are mainly attributable to the review of the SKF's Sustainability Report. Tax fees are related to tax consultancy and tax compliance services. All other assignments are defined as other.

25 Average number of employees

	2023		2022	
	Number of employees	Whereof men, %	Number of employees	Whereof men, %
Parent Company in Sweden	653	63	701	66
Subsidiaries in Sweden	1,920	79	1,949	81
Subsidiaries abroad	37,099	77	38,123	78
	39,672	**77**	**40,773**	**78**

	2023		2022	
Geographic specification of average number of employees in subsidiaries abroad	Number of employees	Whereof men, %	Number of employees	Whereof men, %
France	2,289	80	2,215	82
Italy	3,261	78	2,854	78
Germany	4,666	87	4,949	87
Other Western Europe excluding Sweden	3,302	82	3,304	82
Central and Eastern Europe	3,320	63	4,047	62
USA	3,522	73	3,657	73
Canada	190	76	189	79
Mexico	1,984	67	1,837	70
Latin America	3,050	89	3,142	88
China	7,347	70	6,833	71
India	2,007	89	2,688	92
Other Asian countries/Pacific	1,818	82	2,025	82
Middle East and Africa	343	71	383	73
	37,099	**77**	**38,123**	**78**

26 Financial risk management

The Group's overall financial objective is to create value for its shareholders. Over time, the return on the shareholders' investment in the SKF share should exceed the risk-free interest rate by around six percentage points. This is the basis for the Group's long-term financial objectives and the financial performance management model.

The SKF Group defines its managed capital as the capital employed. One of the Group's long term financial targets is to achieve a return on capital employed of 16%.

The capital structure target of the Group is a net debt/equity ratio, excluding pension liabilities of below 40%.

Key figures[1]	2023	2022
Total equity, MSEK	54,956	54,043
Gearing, %	35.2	35.6
Equity/assets ratio, %	49.1	48.7
Net debt/equity ratio, excluding post-employment benefits, %	13.9	19.3
Adjusted Return on capital employed[2], %	15.4	12.6

1) Definition of these key figures is available on page 144.
2) Adjusted for items affecting comparability.

This together with the self-funding principle in SKF's strategic framework, operating cash flow to fund investments and shareholder distribution, underpins the Group's financial flexibility and its ability to execute on the strategy while maintaining a strong credit rating. The Group's policy and structure of debt financing are presented below.

The SKF Group's operations are exposed to various types of financial risks; market risks (being currency risk, interest rate risk and other price risks), liquidity risks and credit risks, each being discussed below.

The Group's risk management incorporates a financial policy that establishes guidelines and definitions of currency, interest rate, credit and liquidity risks and establishes responsibility and authority for the management of these risks. The policy states that the objective is to eliminate or minimize risk and to contribute to a better return through the active management of risks.

The management of the risks and the responsibility for all treasury operations are largely centralized at SKF Treasury Centre, the Group's internal bank. The responsibility includes ensuring the appropriate level of funding through loans and secured credit facilities while simultaneously overseeing and ensuring the liquidity level for the Group.

The policy sets forth the financial risk mandates and the financial instruments authorized for use in the management of financial risks. Financial derivative instruments are used primarily to manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates.

Market risk – Currency risk

The Group is exposed to changes in exchange rates in the future flows of payments related to firm commitments and forecasted transactions and to loans and investments in foreign currencies, i.e. transaction exposure. The Group's accounts are also affected by translating the results and net assets of foreign subsidiaries into SEK, i.e. translation exposure. SKF applies natural hedging as the leading principle for strategic currency risk mitigation. This is managed organically within operations without financial instruments by leveraging on inherent business acitivies and by considering currency risk in all strategic investment decisions.

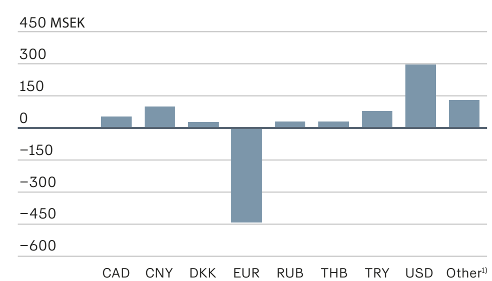
Transaction exposure

Transaction exposure mainly arises as a result of intra-Group transactions between the Group's manufacturing companies and the Group's sales companies, situated in other countries and selling the products to end-customers normally in local currency in their local market. In some countries, transaction exposure may arise from sales to external customers in a currency different from the local currency. The Group's principal commercial flows of foreign currencies pertain to exports from Europe to North America and Asia and to flows of currencies within Europe. Currency rates and payment conditions to be applied to the internal trade between SKF companies are set by SKF Treasury Centre. Currency exposure and risk is primarily, and to a large extent, reduced by netting internal transactions. The Groups external exposure is mitigated by matching in- and outflows of the same currency. The currency flows between SKF companies managed by SKF Treasury Centre were reduced through netting from MSEK 81,935 (77,793) to MSEK 5,542 (6,206). This amount represented the Group's main transaction exposure excluding hedges. Furthermore, SKF Treasury centre is using financial instruments such as forwards, options or currency swaps matching the underlying foreacasted cashflow to hedge the transactional currency exposure.

Net currency flows (MSEK)	2023	2022
CAD	1,021	949
CNY	1,998	2,249
DKK	547	622
EUR	–8,816	–7,856
RUB	—	333
THB	604	567
TRY	1,543	1,395
USD	5,947	5,667
Other[1]	2,106	2,280
SEK	–5,542	–6,206

1) Other is a sum comprising 11 different currencies.

Effect of transactional currency flows on operating profits of a 5% weaker SEK



1) Other is a sum comprising 11 different currencies.

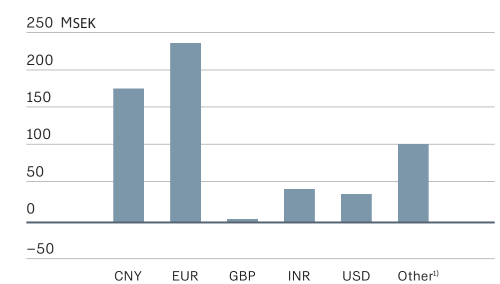
Based on the assumption that the net currency flows will be the same as in 2023, the below graph represents a sensitivity analysis that shows the effect in SEK on operating profit of a 5% weaker SEK against all other currencies.

The effect on equity is the below result after tax. The effects of fluctuations upon the translation of subsidiaries' financial statements into the Group's presentation currency are not considered.

Translation exposure

Translation exposure is defined as the Group's exposure to currency risk arising when translating the results and net assets of foreign subsidiaries to SEK. Moreover, SKF is mitigating the translations risk through the optimization of the internal capital structure, which involves allocating distributable funds in the financial statements to the ultimate parent company. Based on 2023 operating profits in local currencies, the below graph represents a sensitivity-analysis that shows the effect in SEK on the translation of operating profits of a 5% weaker SEK against all other currencies.

Effect of translation on operating profits to SEK of a 5% weaker SEK



1) Other is a sum comprising 44 different currencies.

26 Financial risk management, cont.

Interest rate risk
The Group defines interest rate risk as the risk of negative fluctuations in the Group's cash flow caused by changes in the interest rates and does not encompass credit spread.

At year-end, total interest bearing financial liabilities amounted to MSEK 29,910 (29,888) and total interest-bearing financial assets amounted to MSEK 14,576 (11,682). Liquidity management is concentrated to SKF Treasury Centre.

To manage the interest rate risk and currency risk in the borrowing, the Group uses cross-currency interest rate swaps, where fixed EUR interest rates are swapped into floating USD and floating EUR.

As of the balance sheet date, given the prevailing amount of net interest-bearing liabilities, an unfavorable change of the interest rates by 1% would have reduced pre-tax profit for the year, including the effect of derivatives, by around MSEK 39 (60). For details on interest rates of individual loans, see Note 11 of the Parent Company's financial statements.

Market risk – Price risks
Market risks also include other price risks, where the relevant risk variables for the Group are stock exchange prices or indexes.

As of 31 December, the Group held investments in equity securities with quoted stock prices, amounting to MSEK 313 (395), which are categorized as fair value through other comprehensive income. If the market share prices had been 5% higher/lower at the balance sheet date, the available-for-sale reserve in equity would have been MSEK 16 (20) higher/lower.

Liquidity risk
Liquidity risk, also referred to as funding risk, is defined as the risk that the Group will encounter difficulties in raising funds to meet commitments. Group policy states that, in addition to current loan financing, the Group should have a payment capacity in the form of available liquidity and/or long-term committed credit facilities. As of the balance sheet date, in addition to its own liquidity, the Group had one unutilized committed credit facility of MEUR 800 syndicated with ten banks that will expire in 2028, with two 1-year extension options.

A good rating is important in the management of liquidity risks. As of 31 December 2023 the long-term rating of the Group is Baa1 by Moody's Investors Service and BBB+ by Fitch Ratings, both with stable outlook.

The table below shows the Group's contractually agreed and undiscounted interest payments and repayments of the non-derivative financial liabilities and derivatives with payment flows. All instruments held on 31 December 2023 for which payments were contractually agreed were included. Planning data for future, new liabilities was not included. Amounts in foreign currency were translated at closing rate. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before 31 December 2023. Financial liabilities were assigned to the earliest possible time period when they can be required to be repaid.

	2023 Cash flows			
MSEK	2024	2025	2026–2028	2029 and thereafter
Loans	–3,459	–3,429	–5,919	–6,588
Trade payables	–11,236	—	—	—
Derivatives, net	–73	–299	–50	—
Lease liabilities	–632	–566	–1,059	–1,101
Total	**–15,400**	**–4,294**	**–7,028**	**–7,689**

Credit risk
Credit risk is defined as the Group's exposure to losses in the event that one party to a financial instrument fails to discharge an obligation. The SKF Group is exposed to credit risk from its operating activities and certain financing activities.

The maximum exposure to credit risk for the Group amounted to MSEK 31,722 (28,958) as of the balance sheet date. The exposure is represented by total financial assets that are carried on the balance sheet with the exception of equity securities. No granting of significant financial guarantees increasing the credit risk and no significant collateral agreements reducing the maximum exposure to credit risk existed as of the balance sheet date.

Credit risk (MSEK)	2023	2022
Trade receivables	16,811	16,905
Other receivables	1,267	1,428
Derivatives	333	370
Cash and cash equivalent	13,311	10,255
Total	**31,722**	**28,958**

At operational level, the outstanding trade receivables are continuously monitored locally in each area. The Group's concentration of credit risk related to trade receivables is mitigated primarily due to its many geographically and industrially diverse customers. Trade receivables are subject to credit limit control and approval procedures in all subsidiaries.

With regard to treasury related activities, the Group's policy states that only well-established financial institutions are approved as counterparties. Transactions are made within fixed limits and credit exposure by counterparty is continiously monitored. For derivatives, the SKF Group has signed ISDA agreements (International Swaps and Derivatives Association, Inc.) with nearly all of these financial institutions. ISDA is classified as an enforceable netting arrangement. One feature of the ISDA agreement is that it enables the SKF Group to calculate its credit exposure on a net basis per counterpart, i.e. the difference between what the Group owes and is owed. The agreement between the Group and the counterparty allows for net settlement of derivatives when both elect to settle net. In the event of default of one of the counterparties the other counterpart of the netting agreement has the option to settle on a net basis. As of the balance sheet date the Group had derivative assets of around MSEK 333 (370) and derivative liabilities of around MSEK 605 (852) subject to enforceable master netting arrangements.

Hedge accounting
The Group manages risks related to the volatility of balance sheet items and future cash flows, which otherwise would affect the income statement, by hedging. A distinction is made between cash flow hedges, fair value hedges and hedges of net investment in foreign operations based on the nature of the hedged item.

Derivative instruments which provide effective economic hedges, but are not designated for hedge accounting by the Group, are accounted for as trading instruments. Changes in the fair value of these economic hedges are immediately recognized in the income statement as financial income or expense or in the operating result depending on the nature of the hedged item.

Fair value hedges
Hedge accounting is applied to derivative financial instruments which are effective in hedging the exposure to changes in fair value in foreign borrowing. Changes in the fair value of these derivative financial instruments designated as hedging instruments are recognized in the income statement under financial items. The carrying amount of the hedged item (the financial liability) is adjusted for the gain or loss attributable to the hedged risk. The gain or loss is recognized in the income statement under financial items. If a hedge relationship is discontinued, the accumulated adjustment to the carrying amount is amortized over the duration of the life of the hedged item.

The SKF Group hedges the fair value risk of financial liabilities on December 2023, by using cross-currency interest rate swaps.

The MEUR 300 loan with fixed interest payments, which is due in 2025, has been swapped into floating USD interest. In addition, the MEUR 400 bond, which is due in 2028, with fixed interest payments has been swapped into floating EUR interest. Maturity and carrying amount are disclosed in Note 20. The effectiveness of the hedging relationship is measured at inception of the hedge relationship and prospectively to ensure that the economic relationship

26 Financial risk management, cont.

between hedge item and hedging instrument remains. When the effectiveness was being measured, the change in the credit spread was not taken into account for calculating the change in the fair value of the hedged item. As the list of the fair values of derivatives shows (see table in the Derivatives section below), the Group had designated interest rate derivatives for a net amount of MSEK −349 (−758) as fair value hedges as of 31 December 2023.

The following table shows the changes in the fair value of the hedges recorded in interest expense during the year.

MSEK	Financial expense 2023	Financial expense 2022
Financial liabilities (hedged items)	−278	522
Cross-currency interest-rate swaps (hedging instruments)	275	−531
Difference (inefficiency)	**−3**	**−9**

Derivatives

The table below shows the fair values of the various derivatives carried as of 31 December reflected as assets in Note 14 and liabilities in Note 20. A distinction is made depending on whether these are part of an effective hedging relationship or not.

Derivative net (MSEK)	Category	2023	2022
Interest rate and currency swaps			
Fair value hedges	Hedge accounting	−349	−758
Economic hedges	Trading	—	—
Currency forwards/currency options			
Economic hedges	Trading	57	260
Share swaps			
Economic hedges	Trading	5	−1
		−287	**−499**

27 Non-controlling interests

Accounting policy

Subsidiaries that the Group controls, but owns less than 100% in, are consolidated into the Group's financial statements. The category "non-controlling interests (NCI)" in the equity report accumulates the portion of a subsidiary's equity that is not attributable to the owners of AB SKF.

Significant non-controlling interests

During 2023, there has been no change in significant non-controlling interests.

The largest non-controlling interest is SKF India Ltd. The non-controlling interests holds a 47.4% (47.4) shareholding in the company. This represents 2.6% (2.4) of the Group's total equity. The tables present the summarized financial information of SKF India Ltd.

Summarized income statement (MSEK)	January–December 2023	2022
Net sales	5,640	5,378
Operating profit	920	1,027
Net income	**636**	**672**
Other comprehensive income	−154	72
Total comprehensive income	**482**	**744**
Profit allocated to NCI	302	319
Dividends paid to NCI	−122	−45

Summarized balance sheet (MSEK)	As of 31 December 2023	2022
Non-current assets	787	741
Current assets	3,493	3,208
Total assets	**4,280**	**3,949**
Equity attributable to shareholders of AB SKF	1,584	1,465
Equity attributable to NCI	1,427	1,321
Non-current liabilites	36	54
Current liabilities	1,233	1,109
Total equity and liabilities	**4,280**	**3,949**

Parent Company, AB SKF

AB SKF, corporate identity number 556007-3495, which is the Parent Company of the SKF Group, is a registered Swedish limited liability company domiciled in Gothenburg. The headquarters' address is AB SKF, SE-415 50 Gothenburg, Sweden.

AB SKF is the company within the Group that makes the strategic decisions and pays for the research and development. AB SKF owns and controls the Intellectual Property Rights within the Group. Subsidiaries perform tasks decided by AB SKF and, thus, have a limited commercial liability.

Dividend income from consolidated subsidiaries amounted to MSEK 2,054 (3,819).

Net investments in subsidiaries decreased by MSEK –11 (367) whereof MSEK –5 (–165) is attributable to impairments, MSEK 5 (531) related to capital contributions and MSEK –11 (0) related to capital repayments. Shares with a booked value of MSEK 0 (0) were sold during the year.

Risks and uncertainties in the business for the Group are described in the Administration Report for the Group. The financial position of the Parent Company is dependent on the financial position and development of the subsidiaries. A general decline in the demand for the products and services provided by the Group could mean lower residual profit and lower dividend income for the Parent Company, as well as a need for write-down of the values in the shares in subsidiaries. Due to the wide spread of markets, geographically as well as operationally in which the subsidiaries operate, the risk that the financial position for the Parent Company will be negatively affected is assessed as small.

Unrestricted equity in the Parent Company amounted to MSEK 23,198 (24,061).

Parent Company income statements

		January–December	
MSEK	Note	2023	2022
Revenue	2	7,782	6,658
Cost of revenue	2	–6,052	–5,923
General management and administrative expenses	2	–1,919	–1,799
Other operating income and expenses, net	2	9	8
Operating profit		**–180**	**–1,056**
Financial income and expenses, net	3	1,894	3,549
Profit after financial items		**1,714**	**2,493**
Appropriations	4	705	1,115
Profit before tax		**2,378**	**3,608**
Income taxes	5	–41	5
Net profit		**2,378**	**3,613**

Parent Company statements of comprehensive income

		January–December	
MSEK	Note	2023	2022
Net profit		2,378	3,613
Items that may be reclassified to the income statement			
Assets at fair value through other comprehensive income	9	–85	–15
Other comprehensive income, net of tax		**–85**	**–15**
Total comprehensive income		**2,293**	**3,598**

Parent Company balance sheets

MSEK	Note	As of 31 December 2023	2022
ASSETS			
Non-current assets			
Intangible assets	6	1,021	1,234
Property, plant and equipment	7	73	78
Investments in subsidiaries	8	22,431	22,442
Long-term receivables from subsidiaries		15,281	18,387
Investments in equity securities	9	253	338
Other long-term receivables		65	113
Deferred tax assets	5	466	398
		39,590	**42,990**
Current assets			
Short-term receivables from subsidiaries		6,176	5,555
Other short-term receivables		180	145
Prepaid expenses and accrued income		323	203
Cash and cash equivalents		2	10
		6,681	**5,913**
Total assets		**46,271**	**48,903**

MSEK	Note	As of 31 December 2023	2022
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1,138	1,138
Statutory reserve		918	918
		2,056	**2,056**
Unrestricted equity			
Fair value reserve		63	148
Retained earnings		20,757	20,300
Net profit		2,378	3,613
		23,198	**24,061**
		25,254	**26,117**
Untaxed reserves	4	**—**	**—**
Provisions			
Provisions for post-employment benefits	10	721	602
Other provisions		20	64
		741	**666**
Non-current liabilities			
Long-term loans	11	15,278	18,386
		15,278	**18,386**
Current liabilities			
Short-term loans	11	3,012	—
Trade payables		466	495
Short-term liabilities to subsidiaries		724	2,581
Other short-term liabilities		147	153
Accrued expenses and deferred income		649	505
		4,998	**3,734**
Total equity and liabilities		**46,271**	**48,903**

Parent Company statements of cash flow

MSEK	Note	January–December 2023	2022
Operating activities			
Operating loss/profit		–180	–1,056
Adjustments for			
Depreciation, amortization and impairments	6, 7	225	214
Other non-cash items		285	338
Payments under post-employment defined benefit plans	10	–50	–38
Income taxes paid/received		–20	–20
Changes in working capital			
Trade payables		–29	175
Other operating assets and liabilities, net		1,042	–564
Interest received		399	270
Interest paid		–471	–281
Other financial items		–92	–73
Net cash flow from operating activities		**1,109**	**–1,035**
Investing activities			
Additions to intangible assets	6	—	–70
Additions to property, plant and equipment	7	–7	–22
Sales of property, plant and equipment	7	—	—
Dividends received from subsidiaries	3	2,054	3,819
Investments in subsidiaries	8	–5	–533
Sales of shares in subsidiaries	8	—	—
Capital repayments from subsidiaries	8	11	—
Investments in equity securities	9	—	–5
Net cash flow used in investing activities		**2,053**	**3,189**
Net cash flow after investments before financing		**3,162**	**2,154**
Financing activities			
Proceeds from medium- and long-term loans		27	4,276
Repayment of medium- and long-term loans		–10	–3,236
Cash dividends to AB SKF's shareholders		–3,187	–3,187
Net cash flow used in financing activities		**–3,170**	**–2,147**
Increase(+)/decrease(–) in cash and cash equivalents		**–8**	**7**
Cash and cash equivalents at 1 January		10	3
Cash and cash equivalents at 31 December		**2**	**10**

.

Parent Company statements of changes in equity

MSEK	Restricted equity: Share capital[1]	Statutory reserve	Capitalized development reserve	Unrestricted equity: Fair value reserve	Retained earnings	Total
Opening balance 1 January 2022	**1,138**	**918**	**—**	**163**	**23,464**	**25,683**
Net profit	—	—	—	—	3,613	3,613
Components of other comprehensive income						
Change in assets to fair value through other comprehensive income	—	—	—	–15	—	–15
Capitalized development reserve	—	—	—	—	—	—
Transactions with shareholders						
Cost under Performance Share Programmes[2]	—	—	—	—	23	23
Dividends	—	—	—	—	–3,187	–3,187
Closing balance 31 December 2022	**1,138**	**918**	**—**	**148**	**23,913**	**26,117**
Net profit	—	—	—	—	2,378	2,378
Components of other comprehensive income						
Change in assets to fair value through other comprehensive income	—	—	—	–85	—	–85
Capitalized development reserve	—	—	—	—	—	—
Transactions with shareholders						
Cost under Performance Share Programmes[2]	—	—	—	—	31	31
Dividends					–3,187	–3,187
Closing balance 31 December 2023	**1,138**	**918**	**—**	**63**	**23,135**	**25,254**

1) The distribution of share capital between share types and the quota value is shown in Note 16 to the Consolidated financial statements.
2) See Note 23 to Consolidated financial statements for information about Performance Share Programmes.

Restricted equity includes share capital and statutory reserves as well as capitalized development reserves which are not available for dividend payments.

Unrestricted equity includes retained earnings which can be distributed to shareholders. It also includes the fair value reserve which accumulates the changes in fair value of available-for-sale assets.

Notes to the financial statements of the Parent Company

1 Accounting policies

Basis of presentation
The financial statements of the Parent Company are prepared in accordance with the Annual Accounts Act and The Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities, as well as their interpretation (UFR). In accordance with RFR 2, IFRS is applied to the greatest extent possible under Swedish legislation, but full compliance is not possible. The areas in which the Parent Company's accounting policies differ from the Group's are described below. For a description of the Group's accounting policies, see Note 1 to the Consolidated financial statements.

Post-employment benefits
AB SKF reports pensions in the financial statements in accordance with RFR 2. According to RFR 2, IAS 19 shall be adopted regarding supplementary disclosures when applicable.

Investments in subsidiaries
Investments in subsidiaries are recorded at acquisition cost, reduced by any impairment.

Untaxed reserves
The tax legislation in Sweden allows companies to make provisions to untaxed reserves. Hereby, the companies may, with certain limits, allocate and retain profits in the balance sheet instead of immediate taxation. The untaxed reserves are taken into taxation at the time of their dissolution. In the event that the business shows losses, the untaxed reserves may be dissolved in order to cover the losses without any taxation.

Equity
When development expenses are capitalized for internal development of intangible assets, a corresponding amount is transferred from retained earnings to a reserve for capitalized development in restricted equity. The reserve is released to retained earnings upon amortization of the capitalized development.

Intangible assets
According to Swedish legislation, goodwill has a definite useful life. The useful life amounts to eight years and the amortization follows a linear pattern.

Leases
RFR 2 allows an exception from IFRS 16 which the Parent Company has applied. Lease contracts are reported as operational leases.

2 Revenues and operating expenses

AB SKF is the company within the Group that makes the strategic decisions and pays for the research and development and is as such entitled to residual profits. Consequently the revenues are comprised of residual profits and royalties from subsidiaries. Cost of revenue include research and development expenses totalling MSEK 2,957 (2,874).

Of the total operating expenses, MSEK 4,402 (4,185) was invoiced from subsidiaries.

3 Financial income and financial expenses

MSEK	2023	2022
Income from participations in Group companies		
Dividends from subsidiaries	2,054	3,819
Other financial income from investments in subsidiaries	—	–2
Impairment and disposals of investments in subsidiaries	–5	–165
Total	**2,049**	**3,652**
Financial income		
Interest income from subsidiaries	399	270
Interest income from external parties	1	1
Other financial income	2	—
Total	**402**	**271**
Financial expenses		
Interest expenses to subsidiaries	–94	–72
Interest expenses to external parties	–405	–266
Other financial expense	–58	–36
Total	**–557**	**–374**

4 Appropriations

Appropriations (MSEK)	2023	2022
Paid/received group contribution	705	1,115
Untaxed reserves		
Change in accelerated depreciation reserve	–	–
	705	**1,115**
Untaxed reserves		
Accelerated depreciation reserve	–	–

5 Taxes

Taxes on profit before tax (MSEK)	2023	2022
Current taxes	–	–
Other taxes	–109	–81
Deferred tax	68	86
	–41	**5**

Net deferred assets per type net (MSEK)	2023	2022
Provisions for post-employment benefits	123	129
Tax credit carry-forwards	343	266
Tax loss carry-forwards	–	3
Deferred tax assets	**466**	**398**

Reconciliation of the statutory tax in Sweden and the actual tax (MSEK)	2023	2022
Tax calculated using the statutory tax rate in Sweden	–498	–743
Non-taxable dividends and other financial income	424	787
Tax referring to previous years	32	24
Other non-deductible and non-taxable profit items, net	1	–63
Actual tax	**–41**	**5**

The corporate statutory income tax rate in Sweden is 20.6% (20.6).

6 Intangible assets

MSEK	2023 Closing balance	Additions	Impairments	Derecognitions	2023 Opening balance
Acquisition cost					
Goodwill	42	–	–	–	42
Technology, Intellectual property and similar items	1,058	–	–	–	1,058
Internally developed software	2,308	–	–	–	2,308
	3,408	**–**	**–**	**–**	**3,408**

MSEK	2023 Closing balance	Amortization	Impairments	Derecognitions	2023 Opening balance
Accumulated amortization					
Goodwill	37	6	–	–	31
Technology, Intellectual property and similar items	965	21	–	–	944
Internally developed software	1,385	186	–	–	1,199
	2,387	**213**	**–**	**–**	**2,174**
Net book value	**1,021**				**1,234**

MSEK	2022 Closing balance	Additions	Impairments	Derecognitions	2022 Opening balance
Acquisition cost					
Goodwill	42	7	–	–	35
Technology, Intellectual property and similar items	1,058	45	–	–	1,013
Internally developed software	2,308	18	–	–	2,290
	3,408	**70**	**–**	**–**	**3,338**

MSEK	2022 Closing balance	Amortization	Impairments	Derecognitions	2022 Opening balance
Accumulated amortization					
Goodwill	31	6	–	–	25
Technology, Intellectual property and similar items	944	19	–	–	925
Internally developed software	1,199	182	–	–	1,017
	2,174	**207**	**–**	**–**	**1,967**
Net book value	**1,234**				**1,371**

See Note 10 to the Consolidated financial statements for information on the internally developed software including impairment. Technology and similar items are amortized over eight years.

7 Property, plant and equipment

MSEK	2023 Closing balance	Additions	Disposals	Other	2023 Opening balance
Acquisition cost					
Buildings	5	—	—	—	5
Machine toolings and factory fittings	121	—	—	35	86
Assets under construction including advances	16	7	—	–35	44
	142	**7**	**—**	**—**	**135**

MSEK	2023 Closing balance	Depreciation	Disposals	Other	2023 Opening balance
Accumulated depreciation					
Buildings	3	—	—	—	3
Machine toolings and factory fittings	66	12	—	—	54
	69	**12**	**—**	**—**	**57**
Net book value	**73**				**78**

MSEK	2022 Closing balance	Additions	Disposals	Other	2022 Opening balance
Acquisition cost					
Buildings	5	—	—	—	5
Machine toolings and factory fittings	86	5	—	—	81
Assets under construction including advances	44	17	—	—	27
	135	**22**	**—**	**—**	**113**

MSEK	2022 Closing balance	Depreciation	Disposals		2022 Opening balance
Accumulated depreciation					
Buildings	3	—	—	—	3
Machine toolings and factory fittings	54	7	—	—	47
	57	**7**	**—**	**—**	**50**
Net book value	**78**				**63**

8 Investments in subsidiaries

Investments in subsidiaries held on 31 December (MSEK)	2023	Additions	Impairment	Disposals and capital repayments	2022	Additions	Impairment	Disposals and capital repayments	2021
Investments in subsidiaries	22,431	5	–5	–11	22,442	533	–165	—	22,074

The Group is composed of 166 legal entities (subsidiaries), where AB SKF is the ultimate parent either directly or indirectly via intermediate holding companies. The vast majority of the Group's subsidiaries perform activities related to manufacturing and sales. A limited number are involved in central Group functions such as treasury or re-insurance, or as previously mentioned, act as intermediate holding companies. This legal structure is designed to effectively manage legal requirements, administration, financing and taxes in the countries in which the Group operates. In contrast, the Group's operational structure described in the Administration Report gives a better overview of how the Group runs its business. See also Note 2 to the Consolidated financial statements.

The tables below list firstly, the subsidiaries owned directly by the Parent Company, and secondly, the most significant of the remaining subsidiaries of the Group. Taken together these subsidiaries account for more than 90% of the Group's sales and for more than 90% of the Group's manufacturing facilities.

8 Investments in subsidiaries, cont.

Name of directly owned subsidiaries	Country/ Region	Registration number	No. of shares	% ownership	Book value (MSEK) 2023	Book value (MSEK) 2022	Main activities[1]
SKF Argentina S.A.	Argentina	—	14,677,299	86.25[2]	94	94	M, S
SKF Australia Pty. Ltd.	Australia	—	96,500	100	—	—	S
SKF Österreich AG	Austria	—	200	100	176	176	M, S
SKF Belgium NV/SA	Belgium	—	1,778,642	99.9[2]	109	109	S
SKF Logistics Services Belgium NV/SA	Belgium	—	29,907,952	99.9[2]	28	28	O
SKF do Brasil Ltda.	Brazil	—	517,294,748	99.9[2]	626	626	M, S
SKF Bearings Bulgaria EAD	Bulgaria	—	24,664,309	100	202	202	M, S
SKF Canada Ltd.	Canada	—	130,000	100	58	58	M, S
SKF Chilena S.A.I.C.	Chile	—	88,191	99.9[2]	—	—	S
SKF (China) Co. Ltd.	China	—	133,400	100	1,135	1,135	O
SKF China Ltd.	China	—	11,000,000	100	15	15	S
SKF CZ, a.s.	Czech Republic	—	430	100	10	10	S
SKF Danmark A/S	Denmark	—	5	100	7	7	S
Oy SKF Ab	Finland	—	48,400	100	12	12	M, S
SKF Holding France S.A.R.L.	France	—	1	100	3,371	3,371	O
SKF GmbH	Germany	—	1,000	100	1,573	1,573	M, S
SKF Lubrication Systems Germany GmbH	Germany	—	2,574	10,1[2]	223	223	M, S
SKF Hellas S.A.	Greece	—	2,000	100	—	—	S
SKF Svéd Golyóscsapágy Zrt	Hungary	—	20	100	—	—	S
SKF Engineering and Lubrication India Private Ltd.	India	—	1,196,450	52.8[2]	314	314	M, S
SKF India Ltd.	India	—	22,666,055	45.8[3]	87	87	M, S
PT. SKF Indonesia	Indonesia	—	53,411	60	26	26	M, S
PT. SKF Industrial Indonesia	Indonesia	—	2,455	96.3[2]	5	1	S
SKF AI Ltd	Israel	—	2,413,322	100	220	220	S
SKF Industrie S.p.A.	Italy	—	465,000	100	912	912	M, S
SKF Japan Ltd.	Japan	—	32,400	100	174	174	M, S
SKF Malaysia Sdn. Bhd.	Malaysia	—	1,000,000	100	57	57	S
SKF de México, S.A. de C.V.	Mexico	—	375,623,529	99.9[2]	600	600	M, S
SKF New Zealand Ltd.	New Zealand	—	375,000	100	—	11	S
SKF Norge AS	Norway	—	50,000	100	—	—	S
SKF del Peru S.A.	Peru	—	2,564,903	99.9[2]	—	—	S
SKF Philippines Inc.	Philippines	—	8,395	100	20	20	S
SKF Financial Services Poland Sp. z o.o.	Poland	—	100	100	37	37	O
SKF Polska S.A.	Poland	—	3,701,466	100	156	156	M, S
SKF Portugal-Rolamentos, Lda.	Portugal	—	64,843	100	5	5	S
SKF Korea Ltd.	Republic of Korea	—	128,667	100	74	74	M, S
SKF Sealing Solutions Korea Co. Ltd.	Republic of Korea	—	153,320	51	15	15	M, S
SKF Asia Pacific Pte. Ltd.	Singapore	—	1,000,000	100	—	—	S
Barseco (PTY) Ltd.	South Africa	—	1,422,480	100	157	157	O
SKF Española S.A.	Spain	—	3,650,000	100	383	383	M, S
SKF Förvaltning AB	Sweden	556350-4140	124,500	99.6[2]	4,144	4,144	O
SKF International AB	Sweden	556036-8671	20,000	100	1,320	1,320	O
Återförsäkringsaktiebolaget SKF	Sweden	516401-7658	30,000	100	125	125	O
Bagaregården 16:7 KB	Sweden	916622-8529	—	99.9[2]	99	99	O
SKF Eurotrade AB	Sweden	556206-7610	83,500	100	12	12	S
SKF Lager AB	Sweden	556219-5288	2,000	100	—	—	O
AB Svenska Kullagerfabriken	Sweden	556210-0148	1,000	100	—	—	O
The Waste Company Sweden AB	Sweden	559128-2016	50,000	100	—	—	O
SKF Efolex AB	Sweden	559233-1275	2,500	100	—	2	O
SKF Edge AB	Sweden	556785-4640	1,000	100	—	2	O
SKF Verwaltungs AG	Switzerland	—	500	100	502	502	O
SKF Taiwan Co. Ltd.	Taiwan	—	169,475,000	100	102	102	S
SKF (Thailand) Ltd.	Thailand	—	1,847,000	92.4[2]	37	37	S
SKF B.V	The Netherlands	—	1,450	100	304	304	S
SKF Holding Maatschappij Holland B.V	The Netherlands	—	60,002	100	423	423	O
Trelanoak Ltd.	United Kingdom	—	6,965,000	100	120	120	O
PSC SKF Ukraine	Ukraine	—	1,267,495,630	100	207	207	M, S
SKF USA Inc.	USA	—	1,000	100	4,155	4,155	M, S
SKF Venezolana S.A	Venezuela	—	20,014,892	100	—	—	O
					22,431	**22,442**	

1) M=Manufacturing, S=Sales, O=Other incl treasury, reinsurance, holding and/or dormant activities.
2) Parent Company together with subsidiares own 100%.
3) Parent Company together with subsidiares own 52.6%.

8 Investments in subsidiaries, cont.

Name of indirectly owned subsidiaries	Country /Region	% Ownership	Owned by subsidiary in	Main activities[1]
Alemite LLC	USA	100	USA	M, S
Beijing Nankou SKF Railway Bearings Co. Ltd.	China	51	China	M, S
Cooper Roller Bearings Co. Ltd.	United Kingdom	100	United Kingdom	M
Kaydon Corporation	USA	100	USA	M, S
Kaydon S de R.L. de C.V.	Mexico	100	The Netherlands	M
Lincoln Industrial Corporation	USA	100	USA	M, S
M3M S.A.S	France	100	France	M
Ningbo General Bearing Ltd.	China	100	Barbados	M, S
PEER Bearing Company	USA	100	USA	S
PEER Bearing Company, Changshan (CPZ1)	China	100	China	M
Pilgrim International Ltd.	United Kingdom	100	United Kingdom	M, S
SKF (China) Sales Co. Ltd.	China	100	China	S
SKF (Dalian) Bearings and Precision Technologies Co. Ltd.	China	100	China	M
SKF (Jinan) Bearings & Precision Technology Co. Ltd.	China	100	China	M
SKF (Schweiz) A.G.	Switzerland	100	Switzerland	S
SKF (Shanghai) Automotive Technologies Co. Ltd.	China	100	China	M
SKF (U.K.) Ltd.	United Kingdom	100	United Kingdom	M, S
SKF (Xinchang) Bearings and Precision Technologies	China	100	China	M
SKF (Zambia) Ltd.	Zambia	100	Sweden	S
SKF Aeroengine France S.A.S.	France	100	France	M, S
SKF Aerospace France S.A.S.	France	100	France	M, S
SKF Bearing Industries (Malaysia) Sdn. Bhd.	Malaysia	100	The Netherlands	M
SKF Distribution (Shanghai) Co. Ltd.	China	100	China	S
SKF Economos Deutschland GmbH	Germany	100	Austria	S
SKF France S.A.S.	France	100	France	M, S
SKF Kenya Ltd.	Kenya	100	Belgium	S
SKF Latin Trade S.A.S	Colombia	100	Chile	S
SKF Lubrication Systems CZ s.r.o	Czech Republic	100	Germany	M
SKF Magnetic Mechatronics S.A.S.	France	100	France	M, S
SKF Marine GmbH	Germany	100	Germany	M, S
SKF Marine Singapore Pte Ltd.	Singapore	100	Germany	S
SKF Mekan AB	Sweden	100	Sweden	M
SKF Metal Stamping S.R.L	Italy	100	Italy	M, S
SKF Saudi Arabia Ltd.	Saudi Arabia	100	Sweden	S
SKF Sealing Solutions Austria GmbH	Austria	100	Austria	M, S
SKF Sealing Solutions GmbH	Germany	100	Germany	M, S
SKF Sealing Solutions S.A. de C.V.	Mexico	100	USA	M, S
SKF Sealing Solutions (Wuhu) Co. Ltd.	China	100	China	M, S
SKF Seals Italy S.p.A.	Italy	100	Italy	M, S
SKF Slovensko, spol. S.r.o.	Slovakia	100	Sweden	S
SKF South Africa (Pty) Ltd.	South Africa	70	South Africa	S
SKF Steyr Liegenschaftsvermietungs GmbH	Austria	100	Austria	O
SKF Sverige AB	Sweden	100	Sweden	M, S
SKF Türk Sanayi ve Ticaret Limited Sirketi	Turkey	100	Belgium	S
SKF Uruguay S.A	Uruguay	100	Argentina	S
SKF Vietnam Co. Ltd.	Vietnam	100	Singapore	S
Stewart Werner Corporation of Canada	Canada	100	USA	S
Tenute S.R.L	Italy	100	Italy	M, S
Venture Aerobearings LLC.	USA	51	USA	M, S
Vesta Si Sweden AB	Sweden	100	Sweden	M

1) M=Manufacturing, S=Sales, O=Other incl treasury, reinsurance and/or holding activities.

9 Investments in equity securities

Name and location (MSEK)	Holding in percent	Number of shares	Currency	2023 Book value	2022 Book value
Wafangdian Bearing Company Limited, China	19.7	79,300,000	HKD	231	316
Other			SEK	22	22
Total				**253**	**338**

10 Provisions for post-employment benefits

All white collar workers of the Company are covered by the ITP-plan according to collective agreements. Additionally, the Company sponsors a complementary defined contribution (DC) scheme for a limited group of managers.

This DC scheme replaced the previous supplementary defined benefit plan which from 2003 is closed for new participants.

Amount recognized in the balance sheet (MSEK)	2023	2022
Present value of funded pension obligations	834	705
Fair value of plan assets	–297	–292
Net obligation	**537**	**413**
Present value of unfunded pension obligations	184	189
Net provisions	**721**	**602**

Change in net provision for the year (MSEK)	2023	2022
Opening balance 1 January	602	430
Defined benefit expense	169	210
Pension payments	–50	–38
Closing balance 31 December	**721**	**602**

Components of expense (MSEK)	2023	2022
Pension cost	155	174
Interest expense	20	15
Return on plan assets	–6	21
Defined benefit expense	**169**	**210**
Defined contribution expense	95	115
Total post-employment benefit expense	**264**	**325**

The calculation of defined benefit pension obligations has been made in accordance with regulations stipulated by the Swedish Financial Supervisory Authority, FFFS 2007:24 and FFFS 2007:31.

The discount rate for the ITP-plan was 2.85% (2.85) and for the other defined benefit plan it was 10.84% (2.51).

Next year's expected cash outflows for pension obligations are MSEK 152.

In January 2024, the pension debt is expected to increase due to the accrual of debt for free bond holders according to the inflation index of 6.48%.

11 Loans

			2023		2022	
MSEK	Maturity	Interest rate	Carrying amount	Fair value	Carrying amount	Fair value
Bonds						
MSEK 900	2024	1.13	900	894	899	875
MSEK 2,100	2024	5.03	2,100	2,116	2,098	2,134
MUSD 3	2024	0.00	13	13	—	—
MUSD 3	2025	0.00	3	3	—	—
MEUR 300	2025	1.25	3,307	3,192	3,324	3,113
MUSD 100	2027	4.06	1,000	1,033	1,043	1,076
MEUR 400	2028	3.13	4,385	4,422	4,406	4,273
MEUR 300	2029	0.88	3,307	3,051	3,326	2,881
MEUR 300	2031	0.25	3,275	2,865	3,290	2,666
Total			**18,290**	**17,589**	**18,386**	**17,018**

12 Salaries and wages, other remunerations, average number of employees and men and women in Management and Board

MSEK	2023	2022
Salaries and wages, and other remuneration	757	817
Social charges (whereof post-employment benefit expense)	488 (264)	585 (325)

See Note 23 to the Consolidated financial statements for information on remuneration to the Board and President as well as men and women in management and the Board.

Refer to Note 25 to the Consolidated financial statements for the average number of employees and to Note 24 to the Consolidated financial statements for fees to the auditors.

13 Contingent liabilities

MSEK	2023	2022
General partner	1	2
Other contingent liabilites	34	30
UK Pension guarantee	—	160
Total	**35**	**192**

General partner relates to liabilities in limited partnership Bagaregården 16:7.

Other contingent liabilities refer to guarantee commitment regarding pension liabilities in the Swedish subsidiaries.

Proposed distribution of surplus

Fair value reserve	SEK	62,585,341
Retained earnings	SEK	20,757,146,823
Net profit for the year	SEK	2,378,188,769
Total surplus	**SEK**	**23,197,920,933**
The Board of Directors recommend		
to the shareholders, a dividend of SEK 7.50 per share[1]	SEK	3,415,133,010[2]
to be carried forward:		
Fair value reserve	SEK	62,585,341
Retained earnings	SEK	19,720,202,582
	SEK	**23,197,920,933**

1) Suggested record day for right to dividend, 28 March 2024.
2) Board Members' statement: The members of the Board are of the opinion that the proposed dividend is justifiable considering the demands on Company and Group equity imposed by the type, scope and risks of the business and with regards to the Company's and the Group's financial strength, liquidity and overall position.

The results of operations and the financial position of the Parent Company, AB SKF, and the Group for the year 2023 are given in the income statements and in the balance sheets together with related notes.

The Board of Directors and the President certify that the annual financial report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Company and the Group, and that the management report for the Company and for the Group gives a fair review of the development and performance of the business, position and profit or loss of the Company and the Group, and describes the principal risks and uncertainties that the Company and the companies in the Group face.

Gothenburg, March 4, 2024

Hans Stråberg, *Chair*
Håkan Buskhe, *Vice chair*
Hock Goh, *Board member*
Geert Follens, *Board member*
Susanna Schneeberger, *Board member*
Rickard Gustafson, *President and CEO, Board member*

Beth Ferreira, *Board member*
Therese Friberg, *Board member*
Richard Nilsson, *Board member*
Niko Pakalén, *Board member*
Jonny Hilbert, *Board member*
Zarko Djurovic, *Board member*

Our auditors' report for this Annual Report and the consolidated Annual Report was issued March 4, 2024.

Deloitte AB

Hans Warén
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of AB SKF (publ) corporate identity number 556007-3495

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of AB SKF (publ) for the financial year 1 January –31 December 2023. The annual accounts and consolidated accounts of the company are included on pages 15–91 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of Goodwill

As of 31 December 2023, AB SKF (publ) accounts for goodwill in the consolidated balance sheet amounting to SEK 11 962 M. The value of the goodwill is dependent on future income and profitability in the cash-generating units, to which the goodwill refers, and is assessed for impairment at least once a year. Management bases its impairment test on several judgements and estimates such as growth, EBIT development and cost of capital (WACC) as well as other complex circumstances. Incorrect judgements and estimates may have a significant impact on the Group's result and financial position. Management has not identified any need for impairment for any of the cash-generating units within the Group.

For further information, see Note 1 about critical judgments and estimates and Note 10 about intangible assets.

Our audit procedures included, but were not limited to:

- Review and assessment of SKF's procedures and model for impairment tests of goodwill and evaluation of judgements and estimates made, that the procedures are consistently applied and that there is integrity in calculations;
- Verification of input data in calculations including information from business plans for the forecast period;
- Test of head room for each cash-generating unit by performing sensitivity analyses; and
- Review of the completeness in relevant disclosures to the financial reports.

When performing the audit procedures our valuation experts have been involved.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–14 and 94–160. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar
This description forms part of the auditor's report.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of AB SKF (publ) for the financial year 1 January–31 December 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar This description forms part of the auditor's report.

The auditor's examination of the Esef report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for AB SKF (publ) for the financial year 1 January–31 December 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of AB SKF (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of The Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4 (a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4 (a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Deloitte AB was appointed auditor of AB SKF (publ) by the general meeting of the shareholders on 25 March 2021 and has been the company's auditor since 25 March 2021.

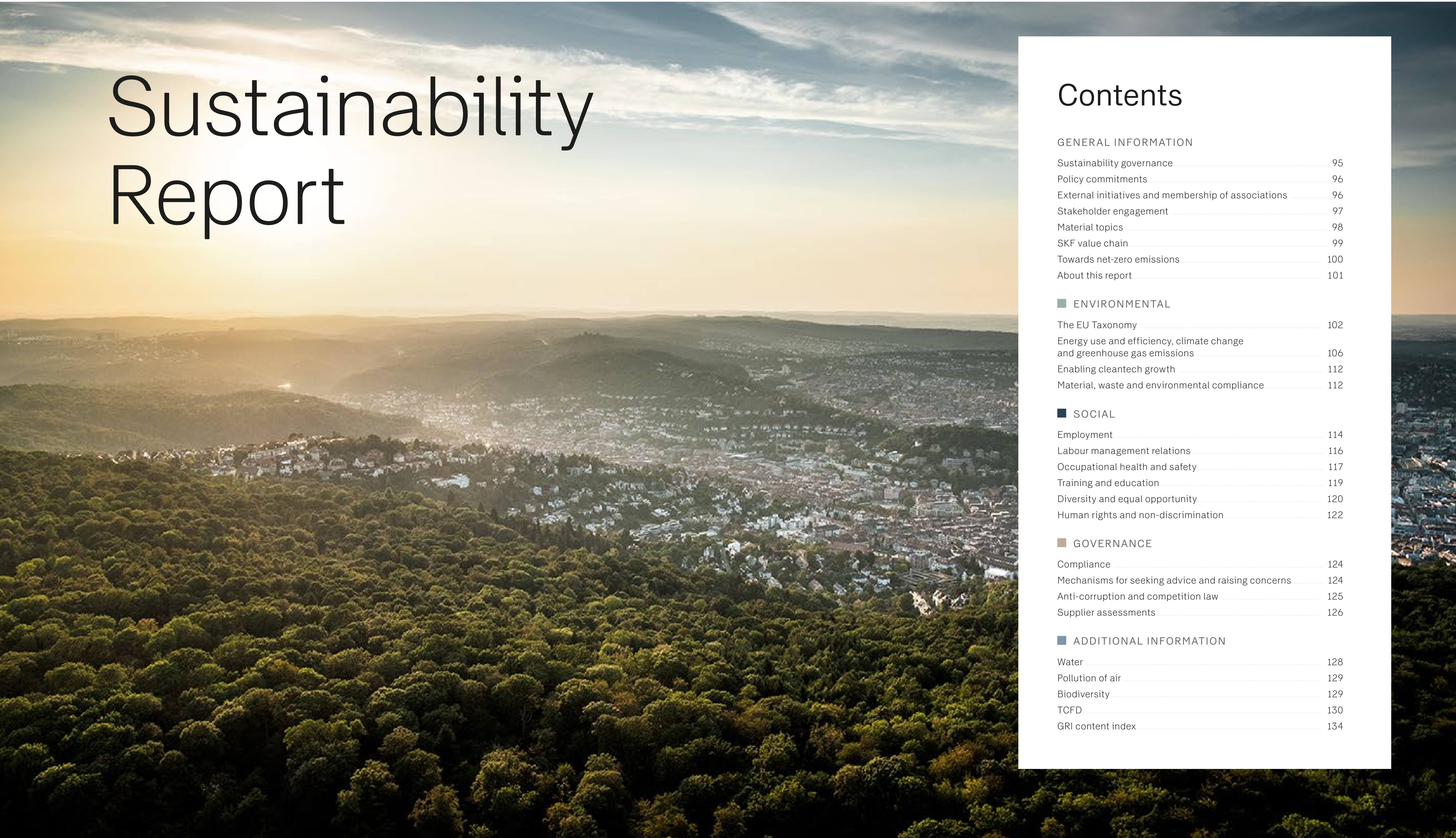
Gothenburg, March 4, 2024

Deloitte AB

Signature on Swedish original

Hans Warén

Authorized Public Accountant



Sustainability Report

Contents

General information

Sustainability governance

The Board of Directors has the ultimate responsibility for SKF's strategy. The CEO, together with the assistance of his management team, is responsible for the implementation of SKF's strategy as well as SKF's purpose and values. They continuously inform the Board of Director's about new developments, requirements and regulations within the sustainability and ethics area as well as about how SKF is working for a sustainable development based on SKF Care and the SKF Code of Conduct.

SKF recognizes and welcomes the increasing stakeholder expectations related to sustainability and the Environmental, Social and Governance (ESG) topics. The Board of Directors has established a Sustainability and Ethics Committee to oversee SKF's strategy in this area. The work includes reviewing, monitoring, and keeping informed about the strategic objectives and initiatives, and the implementation thereof related to sustainability and ethics. This includes climate change, circularity, health & safety, people, ethics and compliance.

The President & CEO is appointed by the Board of Directors and handles the day-to-day management of the company's business in accordance with the guidelines and instructions from the Board of Directors. More information about the SKF Corporate Governance is available in the Corporate Governance Report 2023 on pages 140–144.

Sustainability work is led by the Chief Sustainability Officer (CSO) who reports directly to the CEO and is part of SKF's Group Management team. SKF has a sustainability steering group consisting of the CEO, CFO, CSO, CTO and the Head of Sustainability who meets monthly to discuss ongoing and emerging sustainability and climate actions, events, and expectations.

The Head of Sustainability has the task to assure that all relevant aspects of sustainability are addressed and integrated into operations and activities throughout the SKF Group as established by adopted policies, strategies and targets related to SKF's overall sustainability performance. These in turn drive and support the integration of sustainability into business practices, processes, operations, and staff functions.

High level EHS and net-zero reviews are conducted every six months with the CSO and each Business Area president and their relevant staff. The purpose of these reviews is to follow up on the various strategic targets and related performance and address any gaps.

The Senior Vice President People Experience & Communication holds bi-yearly people business review meetings with all Business Areas, covering topics such as diversity & inclusion, talent development, and succession.

The Chief Ethics & Compliance Officer maintains monthly meetings with all Business Areas, and keeps Group Management, the General Counsel and the CEO updated regarding incidents related to for example corporate culture, corruption and bribery.

Sustainability and ethics topics are managed by corporate functions such as Group Sustainability, Group EHS, Group People Experience, and Group Ethics & Compliance, together with the business areas. Sustainability and ethics performance is the responsibility of the operations and shall be delivered in accordance with the strategic direction and under the accountability framework set within the SKF Group. The implementation of the sustainability and ethics initiatives in the line organization is driven by the respective SKF business areas, their business units or by country organizations, with direction and coordination from formal, cross-functional, decision-making bodies and working-groups, such as:

- The EHS and Net-zero board, which oversees issues related to the EHS management system, as well as the certification to ISO 14001, ISO 45001, and ISO 50001, and coordinates the deployment of the Group´s related priorities.
- The Global Energy Committee, which drives and coordinates the procurement of energy, and owns and drives the plan to transition to 100% renewable energy for the entire Group.
- The Green Finance Team, which oversees the green finance funds allocation process, reporting, approval and follow up of eligible projects.
- The Group Health and Safety Committee, which brings together senior managers from EHS and People Experience with employee representatives from the World Union Council to ensure consultation and participation with the employee representatives at Group level.
- The Responsible Sourcing Committee, which is established to assure that SKF's Code of Conduct for suppliers and sub-contractors is effectively deployed, and that appropriate measures are taken when deviations from the Code of Conduct are identified at our suppliers.
- The Group Ethics and Compliance Committee, which oversees the risks and opportunities related to the ethics and compliance areas.
- The Group Compliance Core Team, with representatives from legal, ethics, compliance and sustainability/ESG from all Business Areas, to ensure operational ownership within the business organization.

In addition, there are a number of cross-functional networks working on more detailed operational deployment and alignment. These include the operational EHS network, energy & decarbonization network, direct material and logistics decarbonization networks, and more.

Sustainability and ethics, including the risks and opportunities related to climate change, are fundamental to the Group's strategy and are consequently frequently discussed in connection with strategic decisions. The Group's related key targets and results are reviewed by Group Management and the Board of Directors each quarter and are part of SKF's quarterly reports.

In general, sustainability and ESG topics are integrated into SKF processes and governance structures – for example, performance and strategy are regularly addressed by all operational management teams. Authority and responsibility are further delegated to the country managers who are appointed by SKF's Group Management. Each country and company manager is responsible for their entity's performance including financial metrics, social impact, compliance, and other topics as stated in the SKF Group Policy on Country Manager and Managing Director Roles and Responsibilities.

Policy commitments

The SKF Code of Conduct is SKFs superior policy. It describes the fundament of SKFs responsibilities towards employees, customers, the environment, societies and shareholders. It is provided in 19 languages and publicly available on skf.com/code. There are several subordinate policies and instructions related to the Code of Conduct which further define the details of this commitment.

SKF acknowledges the recent legislative development in ESG compliance (Environment, Social, Governance) and are continuously re-viewing the need for developing and renewing policies, instructions, and guidelines accordingly. Group policies related to ESG include e.g;

Environment – environment and energy (EHS policy), conflict minerals, fossil fuel phase out and hazardous substances in products.
Social – equal pay, well-being, health and safety (EHS policy).
Governance – insider management, anti-corruption, antitrust, whistle-blowing, data privacy, trade.

SKF's commitment to respect human rights is described under the material topic Human rights and non-discrimination on page 122.

For managing third parties, SKF has a Code of Conduct for suppliers and subcontractors, as well as for its distributors, agents and intermediaries.

SKF Group adopts a decentralized operating model, where accountability and commitment to compliance and sustainability rest at the Business Areas, where Group policies, common processes and tools governed by the respective corporate functions, shall provide the framework and ensure compliance, risk management and synergies across the SKF Group.

In addition to the corporate policies, a number of Group-wide initiatives exist to drive improvements and facilitate strategy execution. These include strategic programmes such as Climate Transformation, Circularity, Responsible Business, Green Steel and more environmental initiatives. There is also an ethics- and compliance program, including risk assessment, training, awareness and systematic internal controls and auditing program, which aim to detect, correct and prevent non-compliance to legislation and policies, as well as to ensure a corporate culture based on ethical business conduct and good business practice.

Relevant and material risks, findings and root causes with regards to Code of Conduct and related policies, are reported to the Sustainability and Ethics Committee and to the Audit committee on frequent basis.

External initiatives and membership of associations

SKF endorses or subscribes to a number of internationally recognized principles, charters and guidelines which promote sustainable and ethical business practices. The main ones are:

- The United Nations Global Compact, which is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. SKF has participated in the Global Compact since 2006.
- The International Labour Organization (ILO), which draws up and oversees international labour standards, bringing together representatives of governments, employers and workers to jointly shape policies and programmes promoting decent work for all.
- The International Chamber of Commerce (ICC) is the voice of world business, championing the global economy as a force for economic growth, job creation and prosperity.
- The Organization for Economic Co-operation and Development (OECD) has the mission to promote policies that will improve the economic and social well-being of people around the world. SKF endorses and works to apply the OECD Guidelines for Multinational Companies. By doing this, SKF commits to conducting business in a global context in a responsible manner, consistent with applicable laws and internationally recognized standards.
- Pursuant to SKF's target to decarbonize its operations (scope 1 and 2 emissions) by 2030, SKF joined the RE100 initiative in 2020. This global initiative brings together some of the world's most influential businesses committed to using 100% renewable electricity.
- Pursuant to SKF's overall climate strategy and ambitions, SKF committed to the Science Based Targets initiative (SBTi) during 2021. SKF's near- and long-term emissions reduction targets were approved by the SBTi during 2023.
- Pursuant to SKF's net-zero 2050 target, which includes scope 3 upstream, SKF joined the SteelZero initiative in 2021. This global initiative brings together industrial users of steel committed to decarbonization of the global steel industry by 2050.
- As part of SKF's overall Responsible Sourcing strategy, SKF joined the ResponsibleSteel Initiative (RSI) in 2021. The RSI is the steel industry's first global multi-stakeholder standard and certification initiative.
- SKF is an active partner in several industry collaborations and initiatives. The Group holds dialogues with industrial peers on issues relating to technology and management across relevant short- and long-term aspects relating to economic, environmental, social and governance dimensions. SKF takes part in the World Bearing Association, Transparency International, Teknikföretagen, the Royal Swedish Academy of Engineering Sciences, the Swedish Life Cycle Centre and the International Standardization Organization among others. In addition, SKF collaborates with several internationally recognized universities on topics such as tribology, materials technology, remote diagnostics, environmental and social sustainability and metallurgy.
- SKF maintains a central list of the organizations SKF is a member of. This list is reviewed annually to make sure that the organizations are in line with SKF's values and commitments.

Stakeholder engagement

SKF aims to align its business practices with the needs and expectations from its stakeholders. Stakeholder groups are defined as entities or individuals that may both influence and be influenced by SKF's activities. SKF works in different ways to identify individuals with whom to engage and establish ongoing dialogue.

Connected to sustainable development, the general rationale is that all these different stakeholders have specific concerns. Feedback and input are therefore sought from a wide range of stakeholders and in many different ways during the year.

The input to SKF's sustainability activities is collected from customers, investors and analysts, employees, unions and representatives from civil society, and is collected via interviews, surveys, conferences, meetings and data analysis.

The work to engage with the stakeholder groups is conducted by respective functions within the Group (e.g. Investor Relations, People Experience, Communication, Sales, Business Areas, Purchasing, Legal and Compliance). This includes managing the direct dialogue and identifying individuals from whom to seek feedback.

	Approach to stakeholder engagement	Material topics of highest concern to stakeholder group
Customers	Customers' input is sought and received via sales, marketing operations and activities carried out by the Group. These range from global discussions with key account managers to daily conversations between customer representatives and SKF's local account managers. SKF also collects key issues and concerns from customer surveys and assessments.	• Energy use and efficiency • Climate change and greenhouse gas emissions • Enabling cleantech growth • Environmental compliance • Materials
Investors and analysts	SKF takes an active approach in communicating the Group's strategy and performance to existing and potential investors, analysts and media. Information is provided through various channels, such as the quarterly reports, meetings with investors, telephone conferences, the company's website and press releases. Capital market days are held to present the strategy, targets and the different businesses in more detail. SKF receives feedback from investors via discussions during investor meetings.	• Economic performance • Energy use and efficiency • Climate change and greenhouse gas emissions • Human rights • Enabling cleantech growth
Employees and union organizations	SKF holds an annual World Union Council meeting during which employee representatives meet with Group Management. This is a form of social dialogue to make sure that the framework based on the SKF Code of Conduct is deployed across the Group. Employee representatives are also members of SKF's Board – see SKF's Corporate Governance Report, on pages 140–147. In addition, SKF carries out periodic employee feedback surveys to drive continuous improvement on working climate.	• Occupational health and safety • Diversity and equal opportunity • Training and education • Environmental compliance • Employment and labour management relations
Civil society	The communities in which SKF operates are important stakeholders for the company and their input helps shape local SKF activities. Local SKF organizations interact with their surrounding communities through various activities and initiatives ranging from business related matters to volunteer work, charity work, sponsoring and local network collaboration. Local media is also considered to represent civil society. Formal and informal networks are used to share experiences and ideas with other companies, topic experts and NGOs.	• Energy use and efficiency • Climate change and greenhouse gas emissions • Employment and labour management relations • Anti-corruption and competition law • Human rights
Suppliers	Suppliers' input on material topics is managed via SKF's Responsible Sourcing programme. Local sourcing offices enable close communication on daily operations. On-site audits and training provide feedback to SKF on suppliers' performance related to quality and sustainability as part of a total assessment of supplier development. The SKF Code of Conduct is the standard used during audits and screening.	• Energy use and efficiency • Climate change and greenhouse gas emissions • Employment and labour management relations • Anti-corruption and competition law • Human rights

Material topics

SKF seeks to provide stakeholders with relevant information regarding operational, financial, environmental and social performance. To do this, SKF applies reporting principles of stakeholder inclusiveness, sustainability context, materiality and completeness.

Double materiality assessment

SKF updates the materiality assessment once a year, and during 2023 a double materiality assessment was conducted, identifying SKF's material ESG topics. The double materiality assessment was performed with a process and method based on the CSRD requirements and EFRAG guidance available at the time of the assessment. SKF will revise the double materiality assessment during 2024 as knowledge about how to interpret the new regulations is being defined.

The purpose of the materiality assessment was to evaluate both the impact materiality and the financial materiality and to determine SKF's material positive and negative impacts on people and environment, as well as the financial risks and opportunities connected to the same aspects. The material topics were also verified against previously conducted stakeholder dialogues.

A sustainability matter is material from an impact perspective when it pertains to the company's material actual or potential, positive or negative impacts on people or the environment over the short, medium and long term. For definitions of time horizons, SKF applies CSRD definitions where short term is defined as up to one year, medium term is one to five years and long term is defined as more than five years.

A material sustainability matter from an impact perspective includes impacts caused or contributed to by SKF and impacts which are directly linked to SKF's operations, products and services through business relationships. A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the company.

Materiality is not constrained to matters that are within the control of the company but includes information on material impacts, risks and opportunities attributable to business relationships with other companies/stakeholders beyond the scope of consolidation used in the preparation of financial statements. SKF has in the materiality assessment included significant parts of business relationships in the value chain upstream and downstream. The thresholds and time horizons applied in the process to assess financial materiality differ from the thresholds applied in the enterprise risk management (ERM) process.

Water has previously been considered as a material topic by SKF and pollution has been a topic of importance for several customers. Neither of these two topics did however reach the materiality threshold. In this report SKF chooses to include its report on water and pollution of air in the section Additional information.

The materiality assessment resulted in additional material topics regarding resources outflows, protection of whistle-blowers and corporate culture. These topics will be included in the report for 2024.

The context, scope and boundaries of each topic are described further in the specific disclosures on pages 102–127, along with descriptions of the management of material topics.

	Environment	Social	Governance
Material topics	• Climate change adaptation • Climate change mitigation • Energy • Resources inflows (including resource use) • Resources outflows • Waste	• Working conditions • Equal treatment and opportunities for all • Other work-related rights	• Corporate culture • Protection of whistle-blowers • Corruption and bribery
Non-material topics	• Pollution of air • Pollution of water, soil living organisms and food resources • Substances of high and very high concern • Microplastics • Water • Marine resources • Direct impact drivers of biodiversity loss • Impacts on the state of species • Impacts on the extent and condition of ecosystems • Impacts and dependencies on ecosystem services	• Communities' economic, social, cultural, civil and political rights • Rights of indigenous communities • Information-related impacts for consumers and/or end users • Personal safety of consumers and/or end users • Social inclusion of consumers and/or end users	• Management of relationships with suppliers incl. payment practices • Animal welfare • Political engagement

Impacts, risks and opportunities in the value chain

SKF has identified impacts, risks and opportunities across the value chain. The highest level of influence is in the Group's own operations, but SKF also takes responsibility and seeks to drive improvement both upstream and downstream in the value chain.

Upstream

The main upstream environmental impact comes from the sourcing of metal components and is associated to scarcity of resources, energy and emissions. SKF can influence this by focusing on material efficiency in the manufacturing processes extending the useful life of its products and those of our customers and by working with suppliers who can reduce these upstream impacts with a mix of short and long term measures.

Raw materials have a significant impact from a lifecycle perspective. SKF has initiated a circularity program showing a strategic commitment to transitioning into a circular company. It lays out well-defined objectives aiming at amplifying the circularity of the supply chain and refining operational practices, including optimizing material utilization, reducing waste and fostering sustainable resource cycles.

Social impact risks such as those related to human rights and labour practices exist in the companys upstream supply chain and these are addressed via SKF's responsible sourcing programme. The programme covers all of SKF's suppliers but uses a risk-based approach focusing auditing on tier one and sometimes tier two or three suppliers. SKF also has a grievance mechanism in place for incidents at suppliers' operations. This is coordinated by SKF's Responsible Sourcing committee and reported in an aggregated overview of deviations from supplier audits.

Human rights risk in SKF's supply chain are addressed systematically via the resposible sourcing program as well as when highlighted by the whistle-blower program.

Own operations

SKF has direct operational control of its own operations and therefore has the means and responsibility to directly drive improvements in environmental and social performance.

Safety always comes first and SKF is convinced that all work-related accidents can be prevented. The Group has a global management system with focus on risk elimination and correct safety behaviours. The Group's zero accident program, supported by proactive near miss reporting, aims to avoid all workplace accidents.

By increasing energy efficiency within its operations and the share of renewable energy utilized, SKF can reduce its environmental impact (mainly greenhouse gas emissions). A roadmap has been developed, defining the transition towards 100% renewable electricity, systematic improvement in energy efficiency and the near elimination of fossil gas use at all SKF units. By avoiding wasted material at SKF, the waste associated with the embedded energy and emissions upstream are also avoided. SKF also strives to increase the use of renewable, low carbon or recycled materials.

Periodic code of conduct compliance audits are performed and a whistle-blowing process is available at local and global levels, to ensure human rights respect for employees at SKF and in the value chain. SKF also integrates equality into the people processes, for example learning and development, succession planning and recruitment.

Upstream and downstream logistics

SKF's global upstream and downstream logistics requirements and networks are large and complex.

SKF is directly managing 80% of the goods transportation downstream and about 70% of the transportation upstream and strives to reduce emissions and at the same time improve cost efficiency. This is done reducing transport demand (regionalization), optimizing transport efficiency and making use of transport decarbonization opportunities.

Downstream

SKF works to continuously reduce any negative downstream impact relating to its business. This starts with ensuring compliance with laws and regulations and the avoidance of materials and substances hazardous to people and the natural environment. The purpose of SKF's products and solutions is to make things work better and run faster, longer, cleaner and more safely. SKF considers that business can drive prosperity and growth to overcome social issues over time.

The work related to human rights focuses on adhering to export control regulation and ensuring that SKF's distributors adhere to the SKF Code of Conduct.

In the product development phase, the focus is on designing for circularity to enable reuse, remanufacturing and refurbishment. Products are designed for disassembly, modularity, repairability, or recyclability. The design also aims to increase material efficiency to reduce material input and optimize manufacturing and supply chains to reduce waste generation.

The Group enables improvements in customers' sustainability performance through products, services, business models and value propositions. The improvements include for example increased energy efficiency, reduced greenhouse gas emissions and improved safety.

The Group is also developing new cleantech solutions through partnerships, business development, and acquisitions. The focus is on technologies that help enable cleantech areas such as renewable energy, electric vehicles, and railway applications, which will help to improve performance of current cleantech solutions as well as enable new innovations. SKF aims to support the growth of these technologies and industries, which in turn will help to reduce environmental impact on a large scale.

SKF is also growing its circular solutions such as bearing remanufacturing and RecondOil. Bearing remanufacturing avoids the need of replacement with a new bearing and therefore the large majority of the greenhouse gas emissions from bearing production. In addition to emissions associated with raw materials being avoided, it also provides the customers with lower costs and in many cases, better availability compared to replacing with new products.

SKF RecondOil is a service that provides a solution for the complete recovery and reuse of industrial oil. It uses a technology called DST (Double Separation Technology) to remove contaminants from the oil, allowing it to be used again and again. This reduces the environmental impact of industrial oil use and can save on maintenance costs.

Policys and guiding documents

- SKF Code of Conduct
- SKF Code of Conduct for suppliers and sub-contractors
- SKF Policy for hazardous substances in products
- SKF Conflict mineral policy
- SKF Sustainability standard for suppliers
- Position Paper: Decarbonizing in progress
- Recycling guidelines for SKF bearings and packing material

These documents and more information on SKFs climate goals can be found on SKF.com/sustainability

Towards net-zero emissions

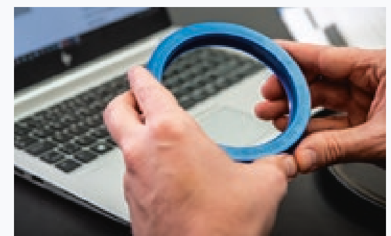
SKF has been reporting and reducing their greenhouse gas emissions since the early 2000's, and has for many years demonstrated a decoupling of its revenue growth from the (systematically reducing) scope 1 and 2 emissions. SKF's current net-zero targets and strategy are validated and approved by the SBTi as aligned with the Paris agreement (1.5 degree scenario).

Examples of activities 2019–2022

- Energy and material efficiency improvements and increasing share of renewable energy.
- Working to promote and advocate the decarbonization of steel production with other industrial steel consumers in the SteelZero and ResponsibleSteel initiatives.
- Developing and delivering solutions to enable cleantech growth – e.g. EV's, Wind, Hydrogen.
- Optimized design of products resulting in significant energy and carbon savings for customers.
- Climate work and reduction of greenhouse gas emissons as part of the company's short- and long-term bonus program.
- Issued the first Green Bond in 2019 and the second in 2022, making sure we invest in projects that support the transformation journey.

Examples of activities 2023

- 3 bn SEK decarbonization investment frame.
- Was the first ever bearing company to issue Product Category Rules.
- Banned fossil fuel investments in the Group.
- Short and long term Climate Targets validated and approved by Science Based Targets initiative.
- Major power purchase agreement signed to provide 1/3 of SKF European electricity demand with renewable electricity from an upcoming solar farm in Spain.



2030
Decarbonized operations

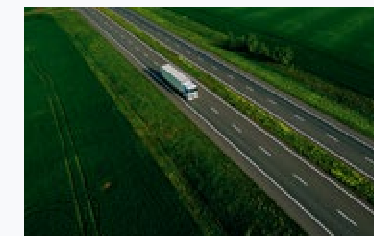
= 95% reduction in scope 1 and 2 emissons by 2030 vs. 2019

32%
reduction in emissions from purchased direct materials

35%
reduction in emissions from inbound and outbound logistics

Examples of activities

- Play a leading role in improving energy and material efficiency, the enabling of cleantech and decarbonization solutions for our customers.
- Drive the emission reduction plans for suppliers.
- Reduce the embodied greenhouse gas emissions from components and materials such as forgings, rings and rolling elements that SKF purchases, primarily through the increased use of renewable energy by suppliers.
- Optimize logistics efficiency and decarbonize transportation.



2050
Net-zero greenhouse gas emissions in the entire value chain

2019 Base year | 2030 | 2050

About this report

SKF's Sustainability Report is produced annually, and the reporting period corresponds to the fiscal year 1 January to 31 December 2023. The previous report was published on 1 March 2023. SKF's Sustainability Report has been prepared in accordance with GRI Standards 2021. The GRI content index is found on pages 134–138. Entities included in reporting see pages 87–89.

The Board of Directors is ultimately responsible for this report as part of the Annual Report.

Contact point for questions regarding the report is Magnus Rosén, Head of Sustainability, email: magnus.rosen@skf.com.

Restatements of information
On pages 110–111, as defined by the GHG reporting protocol, energy and greenhouse gas emissions statements relating to scope 1 and 2 emissions have been restated due to acquisitions and divestments.

Changes in reporting
During 2023 SKF has further expanded the reported scope of scope 3 greenhouse gas emissions related to purchased materials – specifically steel and forgings, see page 106.

SKF's Climate Targets were validated and approved by the SBTi during 2023 and this resulted in some changes to scope and terminology which are described on page 106.

External assurance
To ensure SKF's stakeholders and readers of the Group's Sustainability Report are confident in the transparency, credibility and materiality of the information published, SKF Group Management has decided to submit the Sustainability Report for third-party review and verification. This has been done since the year 2000.

The Sustainability Report is subject for limited assurance by our auditors in accordance with the standard ISAE 3000. Please refer to the Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report on page 139.

Topics related to the Annual Report
In addition to the information provided in this Annual Report, related topics can be found at skf.com/ar2023.

- Greenhouse gas emissions data
- Environmental performance data
- Articles of Association
- SKF Code of Conduct
- SKF Environmental, Energy, Health and Safety (EHS) Policy
- Green Bond Investor Letter and Impact Report
- SDG analysis

Statutory Sustainability Report
SKF has prepared a separate report according to the Swedish Annual Account Act chapter 6, § 11 on sustainability reporting and reports on the topics:

- Business model pages 16–17
- Anti-corruption page 125
- Climate and environment pages 106–111
- Employees pages 114–116
- Human rights and other relevant social topics pages 116–123
- EU Taxonomy pages 102–105

Risks associated with the topics above are found in connection to the topics in SKF's overall risk management on pages 39–41.

Environmental

The EU Taxonomy

Contextual Information
The EU Taxonomy is a classification system to help define environmentally sustainable economic activities to support the transition to an economy consistent with the EU´s environmental objectives. The EU Taxonomy regulation entered into force on 12 July 2020 and reporting is mandatory for companies that fall within the scope of the NFRD/CSRD.

For the reporting of fiscal year 2021 and 2022, SKF's own operations were not covered by the EU Taxonomy. However, in June 2023 the European Commission adopted an amendment for the Climate Delegated Act where manufacturing of automotive and mobility components (3.18) and railway rolling stock constituents (3.19) were included. Based on the current understanding of these activities, they include products and services that SKF provides to customers within the automotive and railway sectors.

In addition, the European Commission also adopted the Environmental Delegated Act in June 2023. This delegated act includes sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention, control, protection and restoration of biodiversity and ecosystems. SKF has performed a screening of the activities described in the Environmental Delegated Act and its interpretation is that condition monitoring products and services provided by SKF are included in Provision of IT/OT service data-driven solutions (4.1) under transition to circular economy. New for 2023 is also the mandatory reporting on nuclear and fossil gas activities. SKF does not have such taxonomy eligible activities.

Assessment of compliance
For 2023, SKF will report on eligibility for the new reporting scope followed by reporting on alignment for 2024. A first review of the technical screening criteria for substantial contribution and do no significant harm has been performed during 2023. Since SKF has many products and services provided and more than 70 production sites globally, SKF will also launch a project for assessing and improving alignment where applicable during 2024.

Alignment for purchases of output from taxonomy eligible activities is dependent on information from suppliers and is challenging to validate. One example is for company cars, where information related to the do no significant harm requirement for tires and rolling resistance coefficient is not available.

For investments in buildings SKF launched a new sustainable building policy during 2023, which sets the requirements for new facilities built on the international standard LEED (Leadership in Energy and Environment Design). The policy also states that EU Taxonomy requirements should be evaluated. Considering that the policy was launched in 2023, SKF has not yet been able to verify alignment with the EU Taxonomy for the new buildings.

Accounting policies
Total turnover corresponds to net sales in the consolidated financial statement. Total capital expenditures cover investments in tangible assets, intangible assets and right-of-use assets considered before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments and excluding fair value changes. Capital expenditures also covers investments in tangible assets, intangible assets and right-of-use assets resulting from business mergers and acquisitions. Additions to property, plant and equipment, intangible assets and right-of-use assets are included in the segment information in Note 2 to the consolidated financial statement. Total operational expenditures correspond to research and development costs, short-term leases, maintenance and repair costs, including building renovation and day to day servicing of assets and property.

Eligible turnover for CCM 3.18, CCM 3.19, CE 4.1 corresponds to the net sales for specific products and services sold. All sales data is extracted at the same time from the same source system. To avoid double counting, each piece of sales information is only tagged to one reporting scope. Since the products and services in scope are provided by factories and operational units that also provide products and services that are not eligible, capital expenditures and operational expenditures has been allocated based on net sales.

Compared to the reporting for 2022, purchases of output from taxonomy eligible activities (CCM 7.2, CCM 7.3, CCM 7.6, CCM 7.7) have decreased since more investments are covered by the new reporting scope for SKF's own operation. Leasing of company cars has been added (CCM 6.5).

Mandatory table related to nuclear and fossil gas activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

The EU Taxonomy, cont.

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activites	Code/codes (a)	Turnover	Proportion of Turnover, year N	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) turnover, year N-1	Category (enabling activity)	Category (transitional activity)
		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of automotive and mobility components	CCM 3.18	30,444	29	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of rail rolling stock constituents	CCM 3.19	5,419	5	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Provision of IT/OT data-driven solution	CE 4.1	2,301	2	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		38,163	37	EL	N/EL	N/EL	N/EL	EL	N/EL								0		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**38,163**	**37**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**0**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		65,718	63																
Total (A + B)		**103,881**	**100**																

%	Proportion of turnover/Total turnover: Taxonomy-aligned per objective	Proportion of turnover/Total turnover: Taxonomy-eligible per objective
CCM		35
CCA		
WTR		
CE		2
PPC		
BIO		

The EU Taxonomy, cont.

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
	Code/codes (a)	CapEx	Proportion of CapEx , year N	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
Economic activites		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
CapEx of environmental sustainable activities (Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of automotive and mobility components	CCM 3.18	2,156	34	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of rail rolling stock constituents	CCM 3.19	257	4	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Provision of IT/OT data-driven solution	CE 4.1	95	2	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	3	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Acquisition and ownership of buildings	CCM 7.7	97	2	EL	N/EL	N/EL	N/EL	N/EL	N/EL								16		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activties) (A.2)		2,609	41	EL	N/EL	N/EL	N/EL	EL	N/EL								16		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**2,609**	**41**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**16**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		3,691	59																
Total (A + B)		**6,300**	**100**																

	Proportion of CapEx/Total CapEx	
%	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM		40
CCA		
WTR		
CE		2
PPC		
BIO		

The EU Taxonomy, cont.

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
	Code/codes (a)	OpEx	Proportion of OpEx , year N	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) OpEx, year N-1	Category (enabling activity)	Category (transitional activity)
Economic activites		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
OpEx of environmental sustainable activities (Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of automotive and mobility components	CCM 3.18	1,270	23	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of rail rolling stock constituents	CCM 3.19	245	5	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Provision of IT/OT data-driven solution	CE 4.1	274	5	N/EL	N/EL	N/EL	N/EL	EL	N/EL								0		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,789	33	EL	N/EL	N/EL	N/EL	EL	N/EL								0		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**1,789**	**33**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**0**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		3,630	67																
Total (A + B)		**5,419**	**100**																

%	Proportion of OpEx/Total OpEx: Taxonomy-aligned per objective	Proportion of OpEx/Total OpEx: Taxonomy-eligible per objective
CCM		28
CCA		
WTR		
CE		5
PPC		
BIO		

Energy use and efficiency, climate change and greenhouse gas emissions

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021
Material topics – GRI 302: Energy 2016
and GRI 305: Emissions 2016

Management approach

SKF is a relatively energy intensive business – directly using energy, mainly in the form of electricity and gas, in its operations around the world. In addition SKF utilizes materials and services which can be energy and carbon intensive – such as transports and raw material in production and processing. The combined impact of these direct and indirect energy uses (scope 1, 2 and 3 upstream) generates more than two million metric tons of greenhouse gas emissions per year. This figure would however be significantly higher were it not for the actions SKF has taken to reduce both energy and carbon intensity. For example, 64% of the electricity which SKF uses is generated from renewable sources and this reduces the Groups scope 2 emissions dramatically. SKF's ability to run its operations and supply chain in a highly energy and carbon efficient manner also increases the company's competitive advantage.

In 2021, SKF committed to having its Climate targets validated and approved by the Science Based Target initiative (SBTi). This validation process involved detailed discussions and exchanges with the SBTi which took place between July 2021 and March 2023. In March 2023, the SBTi validated SKF's long- and short-term targets. The approved targets are aligned with (in fact ahead of) the so called '1.5 Degree Trajectory' which was agreed at COP 21 in Paris 2015. Although many companies have committed to SBTi and many of those have validated their short-term targets, SKF is one of the few who have had both the short and long term targets approved (only 509 out of 6600).

Although the basic objectives of the previously communicated 2030, 2050 and other interim climate goals were not changed, certain changes in the previously used terminology and definitions were made to fully comply with the SBTi approach.

Firstly, the 2030 goal for Scope 1 and 2 emission reductions is now described as 'Decarbonized operations by 2030'. According to the SBTi definitions, the term 'net-zero' can only be applied when all relevant scopes (Scope 1,2 and 3) are covered, whereas our 2030 goal seeks near elimination of Scope 1 and 2 and a 31% reduction in scope 3 emissions. Since the 2050 goal takes all Scope 1, 2 and 3 emissions close to zero – this can be described as 'net-zero'.

Secondly, our previously communicated Scope 1 and 2 2030 goal had included the use of carbon offsets to achieve zero emissions by the end of the period. However, the SBTi and a growing number of other significant stakeholders do not formally recognize the use of carbon offsets as a legitimate means of achieving short to medium term climate goals. Consequently, SKF has revised its target to a 95% reduction in Scope 1 and 2 emissions by the year 2030, compared to 2019 levels. This revised target allows for a small amount of residual Scope 1 and 2 emissions, but does not permit the use of carbon offsets. This decision aligns SKFs emissions reduction target with the SBTi's criteria for science-based targets and reflects SKFs commitment to achieving meaningful and verifiable emissions reductions.

Thirdly, certain SKF products are associated with emissions during the use phase. These are the emissions produced by customers operating electrically driven machines supplied by SKF, such as magnetic bearings, lubrication systems, and any other SKF system that directly requires a power supply to operate.

Such systems represent a relatively small part of SKF's revenues and had not been previously considered in SKF's emissions reduction targets. However, given their significant magnitude (~1 million tones CO_2e per year), they have now been incorporated into the company's net-zero scope and goals.

The deployment of these systems often supports the electrification of the facilities and processes where they are applied – replacing diesel power used in compressors for example. Once electrified, the remaining emissions will reduce over time as the power sectors in the regions where these machines are applied are decarbonized.

The goals are summarized below;

- Overall net-zero target. SKF commits to reach net-zero greenhouse gas emissions across the value chain by 2050 from a 2019 base year.
- Near-term targets: SKF commits to reduce absolute scope 1 and scope 2 GHG emissions by 95% by 2030 from a 2019 base year. SKF also commits to reduce absolute scope 3 emissions from purchased goods and services, upstream transportation and distribution, and use of sold products by 31% within the same timeframe.
- Long-term targets: SKF commits to maintain at least 95% absolute reduction of scope 1 and 2 GHG emissions from 2030 through 2050, relative to a 2019 base year. SKF also commits to reduce absolute scope 3 GHG emissions from purchased goods and services, fuel- and energy-related activities, upstream transportation and distribution, and use of sold products by 90% by 2050 from a 2019 base year.

More information can be found at the SBTi website; https://sciencebasedtargets.org/companies-taking-action#dashboard

The graph on the next page shows an estimation of all relevant GHG impacts from SKF in 2019 in relation to the above scope. The table shows the main goals and sub-goals.

A deeper explanation of the overall approach can be found on skf.com/sustainability where you can find a Position Paper with more details.

SKF has established and is continuing to evolve robust reporting approaches for all these aspects. Scope 2 emissions are calculated using the market-based method. In this statement, the management approach along the value chain and total energy use and emissions are disclosed.

SKF's own operations – Scope 1 and 2

SKF's goal to decarbonize its operations requires a 95% reduction in the scope 1 and 2 emissions by 2030 compared to 2019 . This is being achieved by a combination of efforts focused on energy and material efficiency, the sourcing and generation of renewable energy, and phasing out direct fossil fuel use through electrification or use of bio-fuels.

As part of this approach, SKF is a member of the RE100 initiative – a signal that the Group intends to source 100% renewable electricity by 2030.

In 2023, SKF used 1,557 GWh of energy in its manufacturing operations, which has resulted in around 253,700 tonnes of CO_2e emissions. In addition to ISO 14001:2015 for environmental management, SKF has an energy management system globally certified according to ISO 50001:2018. The certificate covers the 47 most energy intensive operations making up about 80% of the Group's total energy use.

SKF has a centralized function to manage strategic energy sourcing decisions for the Group, including cost effective reduction of greenhouse gas emissions intensity. Through this function, a roadmap defining the transition towards 100% renewable electricity for all SKF units has been defined and is being deployed and followed up. As a result of this, the share of renewable electricity used by SKF has been increasing every year since 2017 and is now 64%.

To increase focus and accelerate improvements, in both energy and greenhouse gas emissions performance, SKF applies a Group wide energy target to all units within the scope of the ISO 50001 standard.

In 2023, SKF required an improvement in energy performance of 5% compared to factory, Business Area or Group energy base line. The base line is established using linear regression of the previous two years' monthly energy use vs. value added (a measure of production activity, which is known to correlate with energy demand). This KPI removes distortions, which impact more simplistic measurements of energy performance (such as production volume variations) and allows a focus on the real underlying energy performance. In 2023, the performance against this target was –4.7% vs. the –5.0% target. This is the largest annual improvement achieved since this KPI was introduced. This improvement came from a mix of investing in more energy efficient equipment, optimizing energy use, a more efficient use of the production facilities and waste detection and avoidance measures.

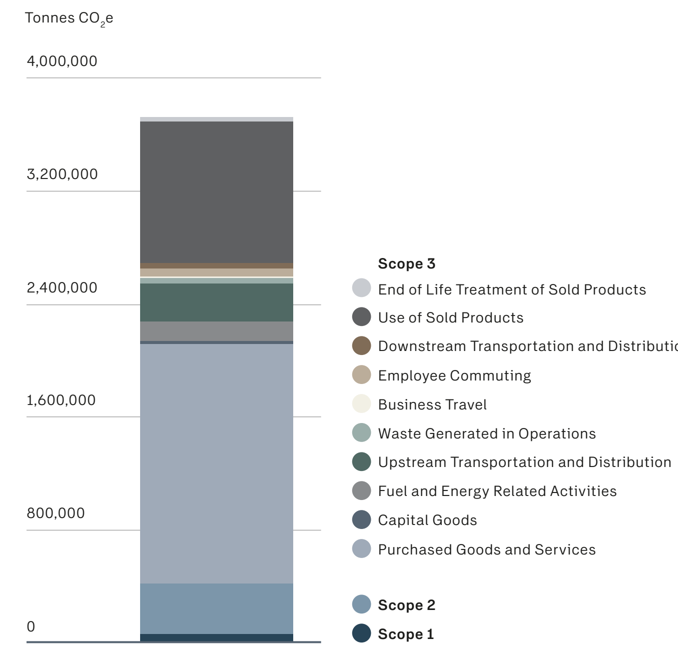
During 2023, SKF took further steps to increase the speed of achievement of its energy efficiency and scope 1 and 2 objectives. In order to assure effective planning and

Energy use and efficiency, climate change and greenhouse gas emissions, cont.

Summary of SKF's climate goals, including those approved by the SBTi

	Purchased direct material	Logistics	Other up-stream impacts	SKF's own operations	Downstream
GHG Reporting Scope	**Scope 3, Category 1**	**Scope 3, Category 4**	**Scope 3, other**	**Scope 1 & 2**	**Scope 3, Category 11**
2025	15% reduction in emissions from forgings and rings suppliers.	40% reduction in CO_2e emissions per tonne of goods shipped to end customer, base year 2015.	TBD	40% reduction of CO_2e emissions from manu-facturing per tonne of bearings sold, base year 2015.	Follows the decarbonization of the electric power grid in all regions.
2030	32% reduction in emissions from direct material vs 2019.	35% reduction vs 2019.	TBD	95% reduction vs 2019.	
2035	43% reduction in emissions from direct material vs 2019.	55% reduction vs 2019.	TBD		
2040	60% reduction in emissions from direct material vs 2019.	77% reduction vs 2019.	TBD		
2050	**Net-zero emissions through 95% reduction of scope 1 and 2, and 90% reduction of scope 3 vs 2019. Remaining emissions addressed via Carbon Dioxide Removals.**				

Estimated GHG emissions (tonnes), base year 2019



Energy use and efficiency, climate change and greenhouse gas emissions, cont.

resource allocation, a Group wide system in which sites are required to define in detail each of their energy efficiency and decarbonization activities and status was introduced. The Group also introduced a fossil fuel phase out policy – which bans any new investment in equipment to be used in SKF which requires fossil fuel and requires that any remaining fossil fuel use be phased out before 2030. In conjunction with this policy, the Group also instigated a specific investment frame on 3 BSEK to be applied between 2023 and 2028 exclusively for the investments needed to deliver on the decarbonization plan in general and the fossil fuel phase out in particular. Further, a 'Sustainable Buildings Policy' was introduced – setting requirements for new buildings in terms of decarbonization and the use of the USGBC's LEED 4.1 standard.

Goods transportation – Scope 3, category 4
SKF is directly managing 80% of the goods transportation downstream and about 70% of the transportation upstream. The Group focuses on reducing transportation greenhouse gas emissions in four main areas: optimizing transport networks and routing; using energy efficient modes of transport with low greenhouse gas intensity (e.g. ocean and rail instead of air where and when feasible); procuring transport with high fuel efficiency and low-carbon fuels; and optimizing mileage between suppliers, factories and end customers (i.e. optimize SKF's foot print).

Raw material and components – Scope 3, category 1
As seen in the organizational carbon footprint on the previous page the emissions from raw material and components (direct materials) are typically the most significant of all 'cradle to customer gate' emissions.

For several years, SKF has worked to influence energy intensive suppliers by requiring them to implement energy management systems certified according to ISO 50001. This standardized way of managing energy and emissions is considered a pragmatic approach to cut emissions in the upstream value chain.

In the last three years, SKF has been increasing its focus on driving reductions related to raw materials and components. The Group has investigated the emissions of most of the largest steel suppliers (representing 89% of total steel sourcing by weight), most of the suppliers of forgings and rings (representing 90% of total forging supply) and most of the rolling elements suppliers sites (representing 96% of total rolling elements supply).

SKF has started to focus on this because steel, forgings, rings and rolling elements are by far SKF's most energy and carbon intensive suppliers with steel representing more than 95% of weight of total direct material for bearings purchased by the company.

During 2023 the focus has been extended to other categories of components like plastics and polymers, sheetmetal parts and ceramics. Some suppliers in these areas have been investigated.

The focus is applied in several ways.

- Firstly, the companies in scope are required to report emissions related to the materials supplied to SKF from their own operations (scope 1 and 2) and, if available, their upstream emissions (scope 3). The aggregated report of this data is included in this report.
- Secondly, the suppliers are required to explain and present their plans to improve energy efficiency and greenhouse gas per tonne of output. SKF has developed a tool which allows product designers and purchasing colleagues to estimate the upstream greenhouse gas impact of different steel supplier options. This allows SKF to meet increasing customer focus on reducing the embedded greenhouse gas emissions in the products which they buy. During 2022 and 2023, SKF has been engaging with the direct material suppliers in the scope of the Group's net-zero 2050 target and activities.
- Thirdly, during 2022, SKF initiated an R&D activity that is continuing in 2023–2024, which is investigating the feasibility and technical implications of lower embodied carbon steel production processes which are currently being developed by various steel companies.

While steel and steel components make up by far the most significant impact from purchased materials, SKF continues to expand the reporting scope to include other material and component inputs.

Energy and carbon savings enabled by SKF's magnetic bearing technology

For its capacity increase, our factory in XinChang county, western China, installed state-of-the art electric chillers with SKF magnetic bearings. Their high efficiency gets them a top rating by the China Energy Conservation Program.

Compared to chillers with traditional screw compressors installed at the same factory only three years ago, they will save more than 60,000 MWh over their life span. With the current average carbon intensity of electricity generation in China, this represents more than 35,000 tons of avoided CO_2e in the lifetime of the machines.

Energy use and efficiency, climate change and greenhouse gas emissions, cont.

Business travel, scope 3, category 6
SKF monitors CO_2 emissions from the large majority of business travel undertaken by its employees. Included in the scope are Argentina, Brazil, Canada, Chile, China, Europe, India, Mexico, Uruguay and USA.

In 2023 SKF did not achieve the ambition set in 2020, which was to not exceed 50% of the full year 2019 (pre-covid). These emissions amounted to 10,386 tonnes in 2023 vs. the target of 6,500 tonnes. Travel increased after the pandemic due to reconnecting with customers, suppliers and colleagues.

During 2024 the target will be revised and aligned with the overall net-zero commitment.

Upstream fuel and energy related emissions, scope 3, category 3
These are the emissions associated with the production of fuels used either directly (scope 1) or indirectly (scope 2). SKF has estimated these emissions to be around 100,000 tonnes annually. SKF works in a number of ways to reduce these emissions. These include working on energy efficiency and reducing energy demand, switching to renewable energy sources and promoting (via. RE100) and enabling (via. our cleantech solutions) increased renewable energy generation capacity.

Other upstream impacts
As described in the carbon footprint graph above and Position Paper referred to previously, there are several other upstream GHG impacts associated with SKF's activities. These include information and communications technology, employee commuting and indirect material purchasing. These impacts are much less significant compared to those from SKF operations, direct material purchasing and logistics. In total, they make up around 2% according to the base year data-2019 of the total footprint. Nevertheless, as part of the Group's Net-zero 2050 commitment, SKF will work to find pragmatic ways to report and drive toward net -zero also in these aspects.

Customer solutions and downstream impacts
Life cycle studies confirm that the greatest potential for SKF to reduce environmental impact relates to the application of our products and solutions by the Groups diverse global customer base. As reported on page 112 (Enabling cleantech growth), many of SKF's offerings help enable renewable and low carbon technologies or improve energy and carbon efficiency of customers systems and processes.

SKF also works to develop new circular business models that reduce climate and other environmental impacts, as well as cost. For example, the Group works to apply condition monitoring and other tools which extend the life of customers' systems, improve reliability and operational efficiency, and in doing so, reduce carbon emissions.

SKF is also growing its remanufacturing business – where used bearings are inspected, refurbished and put back into service. This avoids the need to replace with a new bearing and therefore reduces the large majority of the greenhouse gas emissions from bearing production since emissions associated with raw materials are avoided.

As mentioned above and as part of the Group's SBTi approved net-zero goal, SKF is now reporting on the downstream greenhouse gas impacts resulting from the use of products and services (category 11). This relates only to the directly powered electrical systems which SKF delivers to some customers – mainly magnetic bearing and electric motor systems, and lubrication systems. The sales of these solutions represents around 9% according to 2023 data of SKF's total sales volume. Very often these systems enable improved energy efficiency for the customers.

An example of this is illustrated on page 108, where the SKF Magnetic Technology solution enables reduction of energy and emissions associated with providing chilled water to the SKF plant by around 40% - avoiding 35,000 tons of CO_2e over the product lifetime when compared to previously applied technologies. While there is not yet a widely adopted framework for the accounting of such avoided emissions, solutions of this kind play a significant role in reducing customer and, therefore, global emissions.

With that said, and since these systems directly consume electricity, we report the associated emissions under Scope 3, Category 11. Assuming the global average electricity emission factor and allocation factor to account for the energy used by our products, the Group estimates that they result in indirect emissions totalling around 1 million tonnes CO_2e annually (about 96% of which is related to chillers, compressors and blowers). While SKF continually works to further improve the energy efficiency of these systems, the main lever for reducing the related emissions is the utilization of low carbon and renewable electricity by the customers and end users buying and operating the systems. This is beyond the control of SKF, although SKF actively promote a transition to decarbonized power through the participation in the Climate Group RE100 and WeMeanBusiness coalitions. As these decarbonization efforts continue, we can anticipate that the emissions will reduce accordingly.

Data reporting according to the Greenhouse Gas Protocol guidance
SKF works to report all relevant scopes and categories of greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Corporate Standard and other related guidance documents (for scope 1, 2 and 3) also published by the Greenhouse Gas Protocol.

SKF has been reporting scope 1 and 2 emissions for many years and has established robust and reliable processes to gather and report this data.

Scope 3, category 1
Measuring, reporting and reducing the upstream scope 3 category 1 emissions (from direct material production) is a critical challenge. It is, however, a relatively new dimension for SKF (and industry as a whole) and the majority of the Groups suppliers (and their suppliers). SKF (along with our partners in the supply chain) is therefore learning and evolving its approach so that the completeness, accuracy and value of this data as a management tool is improving every year.

SKF's reporting makes use of primary data (direct from suppliers) whenever possible and where it is not possible, credible secondary data sources are applied. The main primary data requested from the suppliers is their greenhouse gas intensity (kg of CO_2e by kg of product), this is then multiplied by the total weight of products delivered to SKF (kg) to give the total emissions. Although more complex and challenging to collect, primary data is preferred since it captures specific supplier performance year on year and shows the impact of supplier choice (which is not possible when using secondary data). As a result of the increased use of primary data vs the approach taken in the 2022 report, the accuracy of the reporting has improved and the annual emissions from 2019–2022 have been re-calculated. This has changed the previous years reported values, with a baseline (2019) increase of approximately 18%.

In a small number of cases, steel suppliers were not able to provide their upstream scope 3 emissions. In these cases, SKF applies an assumption of the upstream scope 3 impact. This is made using the experience gathered by SKF in collecting primary data from other, similar suppliers. On average, this assumption increases the total scope 1 and 2 impact (for the suppliers) by +65%. In the mean time SKF works to assure that the suppliers provide direct declarations for their scope 3 impact.

It is also important to note that SKF has focused on the main raw material inputs to the Group which is the steel used in the rings and rollers of rolling bearings. As previously stated, during 2023 more categories have been investigated. During 2024 and onwards, SKF will continue to discuss and challenge the targets and the improvement plans in terms of greenhouse gas emissions of the major direct materials suppliers.

During 2024, SKF will start to report the remaining categories of direct material (rubber, plastics etc.) using a "spend-based" greenhouse gas estimation approach, Going forward this will be refined by using primary data from the suppliers when it becomes available. The results will be aggregated and compared with the Net-zero 2050 strategy of SKF, to push the suppliers for more aggressive targets and for further reductions.

Scope 3, category 4
Considering scope 3 category 4 (emissions from upstream and downstream transportation), SKF covers some 80% of the emissions resulting from downstream flows (where SKF controls the transport), and around 70% upstream. SKF uses emission factors coming from NTM – the Swedish Network for transport measures. SKF intends to further improve the process for collecting the upstream emissions for these categories during 2024 to achieve a more complete coverage of this aspect.

Energy use and efficiency, climate change and greenhouse gas emissions, cont.

Depending on the data availability, SKF applies one of two methods to calculate and aggregate these emissions:

- Method 1: Transport statistics are collected from transport suppliers and the emissions are calculated using a tool developed by SKF. The tool calculates emissions based on modelling of the SKF transport network and uses emission factors per mode of transport combined with the distance and weight shipped.
- Method 2: Transport emission reports are collected directly from transport suppliers and aggregated.

Method 1 is used for all SKF-operated transports except for express shipments, where method 2 is used. In both cases, the emissions reported are CO_2e with a well to wheel scope.

302-1 Energy consumption within the organization

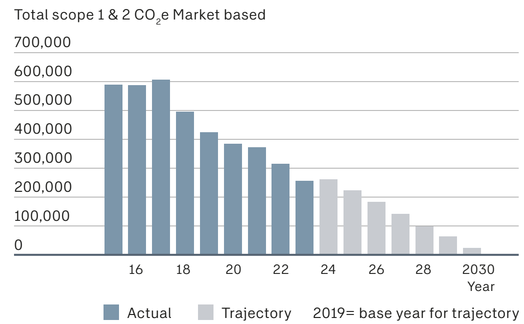
Source, GWh	2023	2022	2021[2]
LPG	19	19	18
Natural gas	259	288	295
Fuel oil	6	6	8
Renewable energy generated onsite[1]	58	46	32
District heating and cooling	106	114	141
Electricity	1,110	1,221	1,271
Total energy use	**1,557**	**1,694**	**1,764**

1) Includes electricity procured with Power Purchase Agreement (PPA)
2) Historical data in this disclosure has been adjusted for acquisitions and divestments in line with the GHG Protocol (mainly Russia, divested).

302-3 Energy intensity

This disclosure includes all energy generating scope 1 and 2 emissions for the SKF Group, and revenues in SEK million for the SKF Group. In this disclosure, the revenue data has not been adjusted for acquisitions and divestments.

Progress towards net-zero goal



GWh per SEK million	2023	2022	2021
Total energy use within the organization (GWh)	1,557	1,694	1,764
Revenues, net sales (MSEK)	103,881	96,933	81,732
Energy intensity (GWh/SEK million x 1,000)	**14.99**	**17.48**	**21.58**

302-4 Reduction of energy consumption

As mentioned, SKF uses a specific target and KPI to drive improved energy performance at the main manufacturing sites. 2023 showed a –4,7% improvement against this target –5% indicating an underlying energy efficiency saving of around 80 GWh.

305-1 Direct (scope 1) GHG emissions and 305-2 Energy indirect (scope 2) GHG emissions

Historical data in this disclosure has been adjusted for acquisitions and divestments in line with the GHG Protocol (mainly Russia, divested).

Market-based emissions, tonnes	2023	2022	2021
Direct (scope 1) GHG emissions CO_2e emissions	49,716	52,816	55,941
Energy indirect (scope 2) GHG emissions CO_2e emissions market-based	204,024	257,516	312,180
Total CO_2e emissions, market-based	**253,740**	**310,331**	**368,121**

Once again in 2023, SKF made good progress towards its 2030 decarbonization goal and the trajectory shown above shows that the Group is on-track to meet this. This has been achieved by significantly improved energy efficiency (–4.7% 2023 vs. –3.8% 2022), increased share of renewable electricity and changes in production levels.

Location-based, tonnes	2023	2022	2021
Direct (scope 1) GHG emissions[1] CO_2e emissions	53,179	52,816	55,941
Energy indirect (scope 2) GHG emissions CO_2e emissions, location-based	447,320	470,895	524,626
Total CO_2e emissions, location-based	**500,499**	**523,711**	**580,567**

1) Scope 1 location-based higher than scope 1 market-based mostly because Gothenburg uses biogas.

Sources of emissions

Tonnes, conversion factors in tonne per unit in brackets	2023	2022	2021
Direct (scope 1) LPG (221 per GWh)	4,197	3,696	3,890
Fuel oil (273 per GWh)	1,639	1,543	1,937
Natural gas (169 per GWh)	43,880	47,576	50,114
Supplied (scope 2), market-based Electricity	195,978	239,866	287,366
District heating and cooling	8,046	17,650	24,813
Total CO_2e emissions, market-based	**253,740**	**310,331**	**368,121**

Scope 1 emission factors have been derived from DEFRA, except Gothenburg where the local RED-Cert standard has been applied.

Scope 2 contractual emission factors have been provided by relevant electricity suppliers. Scope 2 location based emission factors have been taken from IEA, DEFRA and other recognized data sources.

Emission factors from DEFRA are used for district heat except certain sites in Germany, Sweden and Poland where specific emission factors from suppliers are provided by the local district heat provider.

305-3 Other indirect (scope 3) GHG emissions

Under scope 3 emissions, SKF reports greenhouse gas emissions from the most significant direct material suppliers (steel, forgings and rings, rolling elements, some plastics, rubber compounds and ceramics), goods transportation and business travel.

Direct material supplier emissions

These data are based on aggregation of figures provided by the 37 major suppliers of steel, the 91 major suppliers of rings and the 41 major suppliers of rolling elements (in terms of weight of material and greenhouse gas emission factor) and some plastics and ceramics. The greenhouse gas emissions for the suppliers where direct declarations are not yet available have been estimated based on the average greenhouse gas emission factor based on primary data collected for similiar suppliers. With the increased scope we now cover almost 50% by volume of total direct material spend. This is the fourth year in which SKF reports this information and the data quality and accuracy has been improving year after year. Going forward, SKF will continue to increase both the scope and accuracy of the data collected and reported.

CO_2e Tonnes	2023	2022[2]
Scope 3 category 1 direct material supplier emissions in scope[1]	1,614,721	1,852,942

1) Total estimated emissions related to steel, forgings and rings, rolling elements, some plastics and ceramics.
2) Scope of reporting was increased and figure for 2022 recalculated (restated) based on updated CO_2e factors and volume purchased.

Energy use and efficiency, climate change and greenhouse gas emissions, cont.

Goods transportation data and related CO_2e emissions

	2023	2022	2021[1]	2015[1]
CO_2e emissions from transports scope 3, (tonnes)	163,726	213,061	227,228	152,988
Transport works (tonnes shipped)	420,615	474,772	411,073	344,729

1) Baseline recalculated from 2015 due to methodology change of counting inbound volumes in India

Shipped volumes and emissions per transport mode 2023

	Road	Sea	Air	Rail	Express
Transport works, tonnes shipped, % of total	72.3	25.7	0.8	0.7	0.6
CO_2e emissions, % of total	24.9	36.6	31.7	1.2	5.6
Tonne * kilometer, % of total	11.9	84.3	1.7	2.0	N/A

Business travel (air travel)

	2023	2022	2021	2020
CO_2e emissions (tonnes) from air travel (scope 3, category 6)	10,386	6,395	3,990	3,584

305-4 GHG emissions intensity

All greenhouse gases are included and converted to CO_2e emissions according to the GHG Protocol for scope 1–3.

SKF's bearing manufacturing (scope 1 and 2)

Intensity in tonnes unless otherwise stated	2023	2022	2021[1]	2015[1]
CO_2e emissions – bearings & units factories	218,596	258,443	306,853	481,083
Weight bearings and units sold[2]	448,078	439,979	425,940	336,803
GHG emissions intensity CO_2e emissions per tonnes sold products	0.49	0,59	0.72	1,43
Change vs 2015, %	–66	–59	–50	—

1) All data has been restated to reflect acquisitions and divestments. Missing historical data for acquisitions are estimated.
2) "Weight bearings and units sold" for 2015 restated in 2020.

Goods transportation (scope 3)

	2023	2022	2021[1]	2015[1]
GHG emissions intensity kg CO_2e emissions per tonnes shipped goods to end customer[2]	389	449	553	444
Change vs 2015, %	–12	1	25	—

1) Scope of reporting was increased in 2020 and previous years restated accordingly. Restated 2015–2020.
2) "Weight bearings and units sold" for 2015 restated in 2020.

Goods transportation (scope 3)

In 2023, the global external transport market saw significant improvements in reliability, allowing optimization of the global supply chain through SKF's global ocean freight program.

Our strong focus on minimizing global air freight resulted in a 35% reduction, surpassing our target of 25%.

Additionally, SKF made further improvements in road freight utilization, contributing to lower transport emissions per transport work. These significant reductions in CO_2e emissions across all transport modes have led to a 13% improvement in our indexed transport emission KPI and a 23% reduction in absolute transport emissions.

Other scope 3 impacts

During 2023, the number of direct material suppliers in scope has drastically increased compared to 2022, from 79 to 169. SKF has focused on energy intensive suppliers, with the higher GHG emissions (steel, forgings and rings, rolling elements suppliers) adding some plastics and ceramics (these are on top of the 169). All investigated suppliers have been requested to share their greenhouse gas emissions and weight of products for SKF. Most of the suppliers have also disclosed their greenhouse gas reduction targets for the next years.

During 2024 and onwards, the targets and the improvement plans in terms of greenhouse gas emissions of the major direct materials suppliers will be discussed in detail. The results will be aggregated and compared with the Net-zero 2050 strategy of SKF, to push the suppliers for more aggressive targets and for further reductions.

More direct materials categories will be included gradually from 2024 onwards. Where direct supplier declaration won't be available, a spend-based (or similar) emission estimation will be done, including as many categories as possible.

As the scope of reporting is still evolving significantly, it is not yet possible to comment on the performance trend for most other impacts such as ICT, employee commuting and indirect material purchasing.

Enabling cleantech growth

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021
Material topic, SKF indicator: Enabling cleantech growth

Management approach
SKF's products are used all over the world and in a large variety of rotating applications, ranging from renewable energy, such as wind and ocean power, to heavy industries like mining, metal, and pulp & paper. SKF's products are also used in cars and commercial vehicles, as well as in bicycles, skateboards and household appliances.

Over many years, SKF has conducted numerous life cycle assessments and in most cases, the use phase is dominant in terms of energy use and related greenhouse gas emissions. This is linked to the fact that most of SKF's products are applied in dynamic applications which require energy to perform their intended functions. If the energy source powering these applications is based on fossil fuel, then this will also mean a negative impact in terms of related greenhouse gas emissions. The same logic applies to the friction losses that occur within the SKF products themselves.

However, thanks to the inherent feature to reduce friction in the products and in the applications where they are used, SKF can help avoid energy use and related greenhouse gas emissions in all customer applications and systems.

SKF can enable improvements in customers' sustainability performance through products, services, business models and value propositions. The improvements include for example increased energy efficiency, reduced greenhouse gas emissions, improved safety, reduced water use, increased lifetime of applications, increased material efficiency, reduced noise levels and more. The Group also brings value to customers through the way we run our operations as a responsible business partner.

Recent years' development, with an increased understanding of the connection between economic, social and environmental issues and the implementation of the Sustainable Development Goals (SDGs) from the United Nations has provided the Group with the opportunity to collaborate more closely with customers to create and deliver even more sustainable solutions. In doing so, the Group has carefully assessed the targets and activities proposed by the Agenda 2030, and mapped risks and opportunities related to both internal activities and how SKF can further support customers with engineered solutions.

SKF has made cleantech one of its strategic focus areas and will continue to add technologies and offerings to the value propositions. The Group enables and drives technology development in industries such as renewable energy generation and sustainable transport systems, including electric vehicles. Moreover, the Group develops new circular business models and works in collaboration with its customers to improve sustainability performance of their applications and systems. To support this work, SKF has established guidelines for product development, environmental pre-evaluation tools and guidelines for quantifying and communicating customer sustainability performance.

As part of the Group's climate and strategic objectives, SKF provides yearly aggregated revenue data from SKF customer solutions enabling cleantech growth in areas where SKF's customer solutions clearly contribute to climate change mitigation and circular economy, including: renewable energy, electric vehicles, electric railway, recycling industry, bearing remanufacturing, RecondOil and magnetic bearing solutions. The total revenue from customer solutions enabling cleantech amounted to SEK 10.6 billion in 2023.

SEK billion	2023	2022	2021
Total revenues from customer solutions enabling cleantech	10.6	10.1	9.2[1)]

1) Previously published figures have been restated based on adaptation of the scope to better reflect and align with the sectors of the EU Taxonomy.

Material, waste and environmental compliance

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021
Material topics – GRI 301: Material 2016, GRI 306: Waste 2020, GRI 307: Environmental compliance 2016

Management approach
SKF is in a strong position to improve the sustainability of customers, own operations, and suppliers as the products and solutions provided aim at reducing friction. SKF's environmental impact comes mainly from the manufacturing sites. SKF is working actively to protect the environment by preventing pollution and applying measures which reduce or avoid material waste and pollution, and promote sustainable resource utilization. There is also an indirect environmental impact arising from the materials used to manufacture products and the related logistics required.

SKF has a history of prioritizing sustainability by increasing material efficiency and reducing waste. In September 2023, SKF initiated a circularity program showing a strategic commitment to transitioning into a circular company. It lays out well-defined objectives aiming at amplifying the circularity of the supply chain and refining operational practices, including optimizing material utilization, reducing waste, foster sustainable resource cycles, and grow revenue from circular solutions. The program aims at strengthening collaborations with suppliers and aligning on circular principles. This includes adopting more efficient production techniques, encouraging the use of recycled materials where feasible, and embracing innovative designs that extend the lifespan of our products.

The output from SKF's double materiality analysis (see page 98), is used for the continual improvement of Environmental, Energy, Health and Safety (EHS) management and related activities and initiatives applied in the organization and its processes. As water and pollution to air are not considered material in the 2023 double materiality analysis, these topics are presented in the Additional Information section of this report, page 128.

SKF has deployed an environmental management system certified according to ISO 14001:2015. This is integrated with the health, safety and energy management system and is based on the Group EHS Policy. The management system is further defined at Group, country and site level. It includes all significant manufacturing sites, technical and engineering centres and logistics centres. New or recently acquired subsidiaries are provided a time frame for inclusion (time frame is depending on size and complexity).

The overall coordination of the work is managed by a central staff function and the responsibility to drive inclusion is with SKF's functional areas in the line organization. To ensure focus and awareness of the aim and ambition in the Group EHS Policy, a mandatory e-learning and policy commitment has been launched during December 2023. The employee commitment to the Group EHS Policy will be renewed annually.

During 2023, the Group sourced about 476,000 tonnes of metal components. The main impact from this lies within the value chain and is associated to scarcity of resources, energy and emissions. The main way in which SKF can influence this is by focusing on material efficiency in the manufacturing processes. By avoiding wasted material at SKF, the waste associated with the embedded energy and emissions upstream are also avoided. Waste is relevant from SKF's manufacturing operations.

Environmental compliance is followed up in relation to SKF's manufacturing operations and those of its suppliers.

SKF assures that environmental matters are prioritized through the line organization by integrating environmental performance delivery into the responsibilities of the factory manager and up through to business area/region and to Group. Local support, competence (particularly for legal compliance) and coordination for the sites is provided by the EHS country coordinators.

Potential spills, incidents and fines are publicly reported in the Environmental Data spreadsheet in Topics related to the Annual Report, please refer to skf.com/ar2023.

Evaluation of the effectiveness of the management approach is done through internal and external audits and periodical reporting reviews.

Material, waste and environmental compliance, cont.

SKF also has a grievance mechanism in place for incidents at suppliers. This is coordinated by SKF's Responsible Sourcing committee and reported in an aggregated overview of deviations from supplier audits. Environmental performance at suppliers is further reported on page 126.

One important feature of SKF's Group environmental management system is to ensure that all SKF sites are compliant with local rules and legislation.

Data collection

All environmental data is compiled either bi-annually or annually, using the Group's main reporting and consolidation tool. It includes all significant manufacturing sites, technical and engineering centres and logistics centres. Sales units are included when they are at the same site as manufacturing or logistics. Separate sales offices are excluded due to their minor environmental impact. Joint ventures are included where SKF has management control.

Defined Group level environmental objectives

- Grinding swarf recycling at a rate above 80% year by year.
- Eliminate emissions of volatile organic compounds (VOC) from washing of bearings and bearing components by 2025.[1]
- Waste recycling excluding direct material waste.[2]
- Waste recycling including direct material waste.[2]
- Water use targets are established at SKF sites with significant water risks. In 2023, SKF had 18 such sites.[3]

1) The VOC objective is presented on page 129 – Pollution of air
2) For waste recycling, Group level targets have been deemed not suitable due to the wide variation in the types and quantities of waste generated, as well as the local related infrastructure. SKF sites are required to define local objectives
3) The water objective is presented on page 128 – Water

Data from sites can be included in the compilation even if the site is not yet fully integrated in the management systems. Information is reported at site level and aggregated to country/area and Group level.

Performance

SKF has set realistic and ambitious objectives to reduce environmental impact from its operations. Overall, the data presented indicates that the environmental performance of SKF's operations are at a comparable level as the performance of recent years.

301-1 Materials used by weight or volume

SKF uses various materials such as metals, rubber, solvents, hydraulic oil and grease. Steel is the main material used by SKF and much of the steel purchased by the Group is produced by re-melting steel scrap, as this provides favorable material properties.

SKF does not report any renewable materials or recycled input material. The most significant part of the material used comes from components which have been machined and refined along the value chain. This means that SKF does not have direct influence over the source of the material but only the specified quality. In general, bearing steel is made from around 50% scrap steel globally, and SKF is working to increase that.

Non-renewable material

Tonnes	2023	2022[1]	2021[1]
Metal as raw material from external suppliers	475,686	621,794	581,428
Rubber as raw material from external suppliers	4,956	5,087	5,322
Oils	8,054	8,982	8,539
Greases	2,322	2,424	2,547

1) Past data are restated for divested units and data amendment.

306-2, 306-3, 306-4, 306-5 Waste by type and disposal method

SKF works to avoid waste generation in several ways. Upstream, these include the use of near-net shape production technologies such as cold rolling (minimizing the amount of material which needs to be removed in subsequent processes). Examples within SKF operations include avoidance of scrap and excessive material use through optimized processes. Downstream, SKF works with its remanufacturing approach to extend the life of SKF products and the systems in which they operate – thereby avoiding waste.

Almost all recycling, reuse and recovery of waste which is diverted from disposal is undertaken by external companies (steel plants, waste management and recycling companies etc.). SKF is performing recycling (reconditioning) of lubrication oil at some sites using SKF's RecondOil solution, but this is not yet reported separately.

As part of the Group's overall responsible sourcing approach, SKF requires that waste management companies and other companies making use of SKF's residual materials operate in full compliance with the SKF Code of Conduct and therefore all applicable local legislation.

The Group reports disposal methods by reuse, recycling, incineration with and without energy recovery and landfill. Local objectives have been required by the Group to be established and these shall drive sites upwards in the waste hierarchy with the goal to reach zero waste.

The amounts of residual material and recycling rate are disclosed below, and in more detail in the Environmental data spreadsheet available at skf.com/ar2023. SKF reports all significant residuals and waste site-by-site. In this report, SKF highlights the most significant residuals, recycling rates and the amount of waste sent to landfill. The data on weight of waste generated comes from both SKF measurements and those made by the waste management companies – depending on the fraction and the location.

Non-hazardous waste

Tonnes	2023	2022[1]	2021[1]
Total residuals generated	127,287	131,703	146,460
Recycled or reused	96,402	106,852	120,696
Recycling rate, %	76	81	82
Incinerated with energy recovery	8,133	8,629	8,374
Incinerated without energy recovery	2,230	1,970	1,921
Landfill, excl. grinding swarf	20,522	14,252	15,469

1) Past data are restated for divested units and data amendment.

Group objective: 80% recycling of grinding swarf

On hazardous waste, SKF reports only grinding swarf, which is a mix of small metal particles and abrasives mixed with emulsion. The Group objective is to achieve recycling at a rate above 80% year by year. SKF continues to depend greatly on variations in regional legislation, volatile scrap prices and other aspects which mean that this continues to be a very challenging objective.

SKF is constantly working to find business partners who can use grinding swarf as input to their production, both as direct and indirect material. During 2023, the rate of recycled or reused grinding swarf decreased slightly to 68%.

Hazardous waste, grinding swarf

Tonnes	2023	2022[1]	2021[1]
Grinding swarf generated	22,821	23,709	24,122
Recycled or reused	15,584	16,328	14,822
Recycling rate, %	68	69	61
Incinerated, heat recovery	653	430	1,581
Incinerated, no heat recovery	4,310	5,076	4,040
Landfill	2,274	1,875	3,678

1) Past data are restated for divested units and data amendment.

307-1 Non-compliance with environmental laws and regulations

SKF received no significant fines or directives from the environmental authorities in 2023.

Social

Employment

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021
Material topic – GRI 401: Employment 2016

Management approach
As an employer, SKF needs to attract and develop a diverse and effective workforce to stay competitive and to deliver on the strategy and objectives set out by the Group.

SKFs' people ambitions are an integral part of the overall strategy and are clarified in the SKF 2025 People Agenda.The top three strategic priorities are: Culture & Leadership; Workforce for the Future; and Employee Experience. The strategic priorities are further broken down into strategic areas, i.e. Purpose & meaningful work; Develop self, others & business; Diversity trust and inclusion; Organizational efficiency; Attract & build critical skills & capabilities; Talent development; Employee well-being & growth; and Reward & recognition.

The people strategic priorities and the strategic areas serve as the framework when yearly ambitions, activities and targets are defined and followed up. The People Agenda is the guiding star and is shared with all parts of the company.

The people vision at SKF is "People Make it Happen". This firm belief calls for SKF to put the employees at the centre of everything it does. Employee experience always needs to be top of the agenda. If SKF is not able to offer a working environment and culture in which employees want to develop and contribute, the success of the company will be threatened. Attrition would spiral and competence sourcing would be increasingly difficult. The effect would hit the business and, by that, also the wider communities. Negative consequences would include less investments, less innovations, less market share, increased unemployment, healthcare constraints through poorer well-being and lower public sector income due to a decreased tax base.

The SKF People Agenda is driven and coordinated by the People Experience function. Group People Experience is the lean corporate centre, which constantly interacts and collaborates with People Experience professionals in the business areas and regions. This is fully aligned to the SKF strategic intent, driving for regionalization and full value chain. Group People Experience offers policies, guidelines, processes, methods and tools to ensure corporate compliance and realize synergies, in the best interest for SKF globally. Some of the areas with a global mandate are digitalization and strategic IT-systems, training infrastructure and common content, leadership, people development and excellent overall employee experience. During 2023, Group People Experience also increased its focus on Purpose & Culture, Diversity Equality & Inclusion (DEI) and Well-being. These are all areas impacting the employee experience and setting the culture. To ensure leverage a Purpose Director is employed and a Well-being, Diversity & Inclusion Manager is mandated to drive global initiatives.

The People Experience function is represented in SKF's Group Management by the Senior Vice President People Experience & Communication.

The top risk in the people area is failing to source, develop and retain a highly capable workforce. The company is reliant upon a workforce that is engaged and flexible in all its dimensions and geographies, and has the competencies, energy and capabilities needed to deliver on the SKF strategy. Some competencies needs extra attention, as those are more challenging to source on the labour market. Examples of competence challenges can be found within the areas of artificial intelligence, automation, cyber security, sustainability and deep technical expertise. 2023 has been the year when artificial intelligence has gone from a vision to reality. The opportunities are plenty, but the downside could be significant if we fail in the up-skilling needed to harvest these opportunities. All parts of SKF are challenged to experiment, discuss and learn about artificial intelligence. This is combined with the expert functions taking ownership in defining user cases, frameworks and partnerships with external companies.

To strengthen the position as an employer of choice and the employee experience, SKF is intensifying employee involvement to develop an attractive workplace. The quarterly employee satisfaction survey SKF Team Pulse, see above, is recognized as an essential tool and has a global reach. Each team gives input on a quarterly basis and receives a team result (teams with <5 employees get an elevated report, due to anonymity requirements). The teams are encouraged to work with improvement activities. The tool covers staff and workers. Participation is encouraged from the top of SKF. The SKF Engagement score in Q4 2023 is 7.9 and this demonstrates an increase of 0,1 compared to 2022 and is considerably above manufacturing benchmark.

During 2023 the SKF Team Pulse has been further developed, to incorporate Diversity & Inclusion and Health & Well-being. Both these drivers are above benchmark.

SKF Team Pulse result

Drivers	2023	Manufacturing benchmark
Diversity & Inclusion	8.1	8.0
Health & Well-being	8.1	7.8
Engagement	7.9	7.7

Restricted only by rules of anonymity, SKF uses the data to better understand how the employees perceive their working conditions and to determine improvement areas and actions. The result is also used to understand perceptions using different demographic parameters, e.g. age and

SKF Team Pulse

SKF is using a quarterly Team Pulse survey to understand the perceptions of all employees and encourage/welcome them to actively make SKF a great place to work.

- Performed quarterly
- Score from 1 to 10
- 18 rotating questions out of 44 covering engagement, health and well-being, and diversity and inclusion.
- Multiple touchpoints such as QR code, emails and SMS messages to encourage participation.
- Strictly anonymous.
- Report only generated for teams of 5 and over.
- Workday Peakon is the external supplier of the SKF Team Pulse. The manufacturing benchmark is provided by Workday Peakon and is an average of industry standard.

SKF Team Pulse is a quick and simple way to capture opinions, create dialogue within teams and influence!

Employment, cont.

gender. As one example, we can determine that no significant differences exist between females and males in the overall engagement result.

The overall aggregated response rate is 77%, but SKF is challenged to increase the share of respondents among the worker category. This was observed by the Group Management, and easier access to digital tools is a priority for 2024.

During 2023 the new SKF Purpose has been defined: Together, we re-imagine rotation for a better tomorrow. To make sure the Purpose reflects the true SKF, all employees were invited to contribute with input through digital means, interviews and workshops. The engagement was overwhelming and about 10.000 employees were part of the process.

With the new Purpose as a base, SKF has, during 2023, reviewed and amended the SKF Values and the Employee Value Proposition. The values are Collaboration, Courage, Curiosity and Care – and the 4Cs are now thoroughly communicated across all parts of SKF, and will require a high focus in the years to come. Only this way, can SKF become a purpose-driven organization. Already in 2023, it has been observed that both Purpose and Values are being used in everyday work, also in business considerations and decisions. Again, the employees of SKF were engaged in the creation process of the 4Cs.

In SKF, not only the people managers are recognized as leaders. All employees are exercising leadership by being experts in their work fields and are expected to act in line with the SKF leadership expectations. Strong leaders at SKF can balance leading themselves, leading others and leading the business. This is a model introduced in 2022 and is now a foundation in leadership assessments and the performance development process. Twice a year, the executive management conducts people business reviews. At these meetings the leadership expectations are followed up, as well as, for example, succession, diversity and inclusion, organizational fit, talent development and development needs.

All parts of SKF have during 2023 worked rigorously to install new ways of working and drive efficiencies in the organisations. This has enabled SKF to meet the staff headcount saving target externally communicated late 2022. Included in this program is a reduction of 1,000 staff employees.

People Experience has a strong local presence with delegated authority. However, synergies through digitalization in operations and business are important to reach efficiency. Efficiency is enabled through global tools and processes supporting employee data lifecycle, recruitment, performance development, compensation, engagement, learning and development. During 2023, SKF has decided to strengthen its learning capabilities by introducing a content library connected to its learning platform People Learn. The content library will be implemented early 2024 offering all staff employees self-driven learning and upskilling opportunities. During 2023, SKF has continued to strengthen the employee master data by improving systems and providing local countries with tools to secure data quality and enable automation. Automation to improve user experience and increase efficiency will also be a key focus for 2024; globally, regionally, and locally.

SKF management and People Experience has a regular dialogue with the SKF World Union Council (WUC) and the European Work Council (EWC) according to the global framework agreement, which is based on the SKF Code of Conduct. Issues relating to significant changes at SKF are always handled in close collaboration between company management, the WUC, the EWC and local unions. As SKF Group operates under Swedish legislation and the Swedish Corporate Governance Code, employee representatives are part of the Board. Among other things, this means that employee representatives from white and blue collar unions have direct insight on board level issues and the strategic outlook for the Group.

As the trade unions in SKF play an integral part in shaping the methods and content of employee engagement, a people follow up is always on the agenda when the World Union Council meets the company representatives at the annual summit.

With confidence SKF and the People Experience function is now ready to enter 2024. The new year comes with plenty of new opportunities to continue the employee experience journey. The Pay Transparency Directive and CSRD are two examples of new directives offering new opportunities.

401-1 New employee hires and employee turnover

Employee turnover by region	2023			
%	Women	Men	Total	2022
Europe, Middle East and Africa	15.3	11.2	12.1	11.3
The Americas	19.2	18.6	18.8	22.0
China and Northeast Asia	13.3	14.9	14.4	18.4
India and Southeast Asia	25.1	14.3	15.3	15.9
The Group	**16.1**	**13.6**	**14.2**	**14.9**

New hires by region	2023			
Total number	Women	Men	Total	Women as share of total, %
Europe, Middle East and Africa	467	913	1,380	33.8
The Americas	403	1,137	1,540	26.2
China and Northeast Asia	96	373	469	20.5
India and Southeast Asia	166	368	534	31.1
The Group	**1,132**	**2,791**	**3,923**	**28.9**

Age (groups) by region Total number	<30	30–50	>50	Total
Europe, Middle East and Africa	699	535	146	1,380
The Americas	556	802	182	1,540
China and Northeast Asia	193	271	5	469
India and Southeast Asia	339	189	6	534
Total	**1,787**	**1,797**	**339**	**3,923**

Age (groups) by region %	<30	30–50	>50	Total
Europe, Middle East and Africa	17.8	13.6	3.7	35.2
The Americas	14.2	20.4	4.6	39.3
China and Northeast Asia	4.9	6.9	0.1	12.0
India and Southeast Asia	8.6	4.8	0.2	13.6
Total	**45.6**	**45.8**	**8.6**	**100.0**

Employment, cont.

Employees and other workers by employment type

	Permanent		Temporary		Total[1]	Agency[2]
2023	White collar	Blue collar	White collar	Blue collar		
Europe, Middle East and Africa	8,540	11,760	249	953	**21,502**	1,304
The Americas	2,957	5,300	36	389	**8,682**	463
China and Northeast Asia	2,060	4,329	14	—	**6,403**	1,003
India and Southeast Asia	1,580	1,991	24	214	**3,809**	1,816
Total	**15,137**	**23,380**	**323**	**1,556**	**40,396**	**4,593**

1) Reported as total Headcount as of 31 December 2023 (excluding agency).
2) Employed by an agency to which SKF pays a fee; working within the business under SKF Management responsibility.

Employees by contract and region

2023	Full time	Part time
Europe, Middle East and Africa	20,644	858
The Americas	8,672	10
China and Northeast Asia	6,403	—
India and Southeast Asia	3,795	14
Total	**39,514**	**882**

Employees by gender and contract

2023	Full time	Share, %	Part time	Share, %
Men	31,178	98.9	355	1.1
Women	8,336	94.0	527	6.0
Total	**39,514**	**97.8**	**882**	**2.2**

Collective bargaining agreements

SKF holds collective bargaining agreements in most countries where it is present. The 20 countries that are part of the SKF World Union Council, i.e. Argentina, Austria, Brazil, Bulgaria, China, Czech Republic, France, Germany, India, Indonesia, Italy, Malaysia, Mexico, Poland, Spain, Republic of Korea, Sweden, the U.K., Ukraine and USA – all have collective bargaining agreements.

These countries make up over 93% of all employees (around 39,000 of SKF's total workforce of about 40,000). If the employees at a site choose not to be unionized, or if there are restrictions to the independence of a trade union, they are still covered by the SKF Framework Agreement and are part of a collective bargaining group.

In addition to the 20 countries above, SKF employed more than 1000 employees who are covered by a National Union Agreement (e.g. Belgium, Chile, Japan, Netherlands, Taiwan, Uruguay).

The total number of employees covered by the SKF Framework Agreement and National Union Agreement is more than 96% of total employees (40,000 employees).

Labour management relations

Direct impact on UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

Management approach – GRI 3: Material topics 2021
Material topic – GRI 402: Labour management relations 2016

Management approach

SKF is a truly international company, with organizations present in many different cultures and contexts. Accountability and mandate are moved as close to the business as possible. Decentralization comes with the risk of differences in practice also in the labour relations area. This could impact the employee experience at SKF and the overall SKF brand. Labour relations have a strong presence in the SKF Code of Conduct and strong labour affair relations are a foundation that SKF needs to maintain and develop. Open information sharing and dialogue builds a strong culture, with high loyalty and trust. This is protected by the Global Framework Agreement and by having the Labour Affairs Director as part of the Global People Experience Management team.

The main priority of the relationship between labour and management is to ensure that the Global Framework Agreement between SKF and the unions works in practice. This is based on the SKF Code of Conduct and the work focuses on labour management relations between SKF Group and workers within SKF Group and its subsidiaries. SKF also collaborates with other companies in formal and informal networks. Issues relating to significant changes at SKF, such as acquiring, divesting, or consolidating operations, are always discussed and resolved openly and constructively with union leaders locally and with the leadership of the SKF World Union Council (WUC).

The precise approach must be adapted to the specific conditions of each occasion. The European Work Council (EWC) directive is the base for European related issues. SKF makes it clear in its Code of Conduct that all employees have the right to join a union and to bargain collectively. Continual dialogue is ongoing to ensure that it works for both SKF and the union members. The WUC, which today includes 20 countries (see the list in the previous disclosure "Collective bargaining agreements") meets every year to openly discuss labour issues and to share what is on the Group's agenda. An EWC meeting involving only European delegates is held in conjunction to the WUC meeting. All countries fulfilling the EWC/WUC agreement requirements and with major operations, have the right to send appointed union officials or observers to the SKF EWC/WUC meeting.

In 2023, the annual EWC and WUC meeting was held in the second week of October according to normal procedures. It was held in Schweinfurt with online translations. During this one-week event, the EWC-meeting was conducted separately, according to the EU directive. This was followed by the WUC-meeting with representatives from Group Management and included a factory tour as well as internal meetings between the delegates. Main topics for the day with Group Management were the new SKF strategic framework and its' implications on organization, flexibility and digitalization. The focus areas were employment, environment, health & safety and digitalization. Overall, SKF's setup with the WUC is seen as a great competitive advantage for addressing and deploying global initiatives between Group management and the unions.

All WUC meetings are followed up with lessons learned discussions, to have new practices introduced at the next meeting. The chairperson of WUC is continuously interacting with representatives in the different countries and Group Management. When needed the chairperson brings issues to the Steering Committee, which includes internal and external union representatives.

402-1 Minimum notice periods regarding operational changes

SKF does not state a specific minimum notice period as the Group cannot overrule the centrally agreed collective bargaining agreements in the countries SKF operates in. SKF holds consultations and provides information to relevant parties, which are two separate procedures. Notice regarding operational changes is always defined on a case-by-case basis but always with the local unions involved, and/or reviewed at the World Union Council. SKF units located in EU member states also adhere to the EWC directive 2009/38/EG.

Occupational health and safety

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021
Material topic – GRI 403: Occupational health and safety 2018

Management approach
SKF gives top priority to the health and safety of employees, contractors, agency workers and visitors. This is clearly stated in the Group EHS Policy together with SKF's commitment to provide safe and healthy working conditions to prevent work-related injury and ill health, as well as to assure well-being in the work environment. The Group EHS Policy is available both internally and externally. To ensure focus and awareness of the aim and ambition in the Group EHS Policy, a mandatory e-learning and policy commitment was launched during December 2023. The employee commitment to the Group EHS Policy will be renewed annually.

Health and safety are material topics in different aspects of SKF's direct operations, as well as activities occurring along the value chain. In blue-collar work roles the focus is primarily on physical health and safety. This is also relevant for suppliers and is addressed as part of SKF's responsible sourcing approach, see page 126. In addition, psychological health and well-being are increasingly material across all job roles within the company.

The overall health and safety ambition for SKF is to reach zero accidents (objective established since year 2000). In addition, accident rate and severity rate are monitored together with other categories of incidents described in the health and safety pyramid on page 119. In this pyramid, near misses and unsafe conditions and behaviours are presented which is monitored to ensure increasing proactivity in the health and safety management. SKF's accident rate has steadily improved over the last two decades and the accident rate for 2023 was 0.64 (0.68) showing an improved performance compared to previous years. SKF strives to achieve further reductions in the accident rate by increasing the effectiveness of its management approach towards health and safety.

The overall EHS governance in SKF emphasizes line ownership for health and safety. EHS managers are appointed in the regions, business areas and their equivalent management teams across SKF. Working as part of the operational management teams, these individuals make sure that appropriate attention, resources and investments are given to health and safety in their respective units. They are supported in this work by the long established EHS country coordinators who provide local expertise, guidance and support to the sites.

The employees are key stakeholders for occupational health and safety, and as part of the governance structure, health and safety committees are available on all certified sites (ISO 14001/ISO 45001) with more than 50 employees to ensure effective communication (consultation and participation) with employee representatives. A similar committee is available also on Group level and brings together senior managers from EHS and People Experience with employee representatives from the World Union Council.

In August, SKFs factory in Lutsk, Ukraine, was hit by a Russian missile attack. Three employees were killed, and five were physically injured, and in addition the factory was damaged. Priority has been put on protecting the health and safety of the employees and their families as well as mitigating the damages.

403-1 Occupational health and safety management system
SKF has established and deployed a Group-wide health and safety management system according to the ISO 45001:2018 standard. High-level requirements on health and safety are defined in the Group's EHS Policy and detailed instructions and procedures are integrated within the environment, energy, health and safety management system at Group, country and site level. The system drives compliance with legal requirements and those defined by the Group, its customers and other stakeholders. The system also provides a framework to drive continuous improvement in health and safety performance.

The scope of the management system includes physical and psychological health and safety. It covers employees at SKF sites, in commute or working for SKF off-site (such as maintenance engineers at a customer to SKF), contractors, and visitors at SKF sites. Please refer to disclosure 403-8 for more information on the management system and its coverage.

403-2 Hazard identification, risk assessment and incident investigation
SKF and its subsidiaries apply tools and processes as prescribed in the management system and according to legal requirements to prevent accidents and ill-health. Risk assessments are carried out on a regular basis at all levels from shop floor to office. The quality of risk assessments is assured by defined Group requirements and provision of training for EHS staff and other persons undertaking them. Risk assessments are a part of internal and external audits, where typically a sample of risk assessments and corrective and preventative actions are reviewed.

Measures to mitigate or eliminate the identified risks are defined and implemented and risk assessments are reviewed and updated periodically or after an accident or serious near miss has occurred. Recordable accidents are reported and followed up both at the unit level and further up in the organization right up to Group level.

Thorough investigations, which result in corrective and preventative actions must be deployed after each recordable accident. In cases where the issue is linked to risks which may be relevant for other units, the causes of the accident and the corrective and preventative measures to avoid a repeat are shared within the organization. In certain cases, changes may be needed in the Group level management system as part of a preventative measure.

All employees are required to report accidents, incidents and unsafe conditions and behaviours, as they are vital sources of improvements and indicate opportunities to better control the associated risk. The SKF Code of Conduct and related processes make it clear that any management reprisals against individuals making such reports are strictly forbidden. In the event that a manager acts against the Code of Conduct, the SKF Ethics and Compliance Reporting Line can be used to escalate this.

Health and safety incidents reported must be addressed at the local level but are not required to be reported in detail further up in the organization. Only the total number of such cases should be reported for the unit as this gives an indication of the level of safety-related activity. No distinction is made between SKF employees, agency workers or other persons on-site for the identification and control of risk.

SKF employs health and safety coordinators with expertise to support team leaders and managers at all levels in the organization. Training is also organized on health and safety procedures, roles and responsibilities as part of the SKF Improvement Academy.

Based on the risk assessment carried out for a specific machine, process or role, employees receive training so that they understand the risks and how to manage them by following defined procedures or wearing personal protective equipment for example. Any employees who intentionally ignore the defined safety rules will face disciplinary measures to protect themselves and their colleagues from unsafe behaviours.

When defining corrective or preventative actions in response to identified risk, SKF's management system requires that the hierarchy of control measures principles be applied. The first option is hazard elimination. If this is not possible, substitution, engineering controls, administrative controls and, finally, personal protective equipment.

SKF's Group EHS Policy is distributed and is highly visible on the walls of every factory and office within the SKF Group.

403-3 Occupational health services
Occupational health services are provided to employees at most sites and vary from one country to another, depending on the need, the level of health service provided externally, etc. SKF cannot report exactly how the quality of such health services are evaluated and ensured. Services are generally supplied by third parties who ensure data-privacy in accordance with applicable regulations.

Occupational health and safety, cont.

403-4 Worker participation, consultation and communication on occupational health and safety

Employee representatives are appointed to the health and safety committees by the employees in line with SKF World Union Council (WUC) processes.

SKF health and safety committees operate on site or unit management level with the objective to bring together employee and management representatives to discuss and agree on needed measures to improve the health and safety performance at the site or unit. The committees meet at least once per quarter and decisions taken shall be communicated to the workforce and acted and followed up on. The committees are often involved in accident and incident investigations and may define additional corrective or preventative measures based on this. A Group level Health and Safety Committee is also established with representatives from the World Union Council, Group EHS and Group People Experience. This committee meets formally once per quarter, however more frequent update meetings are conducted as needed.

403-5 Worker training on occupational health and safety

All employees and agency workers are provided health and safety training, as well as other Code of Conduct trainings as part of induction training. More specific training is provided depending on the job description. Specific training for potentially hazardous jobs, such as working with electricity, at heights, hot work and so on is mandatory for employees working with these aspects. These jobs are identified at each site or unit based on risk assessments and legal requirements to ensure applicable coverage and provision of adequate training. All trainings is provided during work hours. The efficiency is assessed based on accident rates in combination with severity rates, which are expected to be reduced towards zero over time.

403-6 Promotion of worker health

The SKF Group is offering various health promoting activities beyond occupational safety. Employees are covered by locally defined health promoting programs, encouraging regular health screenings, local initiatives around HIV/AIDS prevention, substance abuse, obesity, healthy lifestyle and stress management. Where feasible, SKF locations should also provide options for employees to enhance their physical health, for example by providing access to exercise facilities, healthy food choices and health guidance. Increasingly the established programs and initiatives take a more holistic approach to health, in line with the SKF Group Employee Well-being Policy. All managers shall be aware of the risks and opportunities related to well-being. They need to have the ability to understand how their actions and approach can also protect the psychological well-being of SKF's workforce. The well-being of employees is a key cornerstone of the SKF organization; it aligns strongly with SKF's Purpose and the value of Care for the entire workforce. People make it happen and they are at the heart of the company, their health and well-being are paramount. Well-being is focused on three main areas: psychological health and safety; life balance; and healthy life choices. The confidentiality of individuals is protected in line with general data privacy laws. As of 2023, Health & Well-being related questions have been incorporated into the quarterly employee survey, SKF Team Pulse (see page 114). This employee survey is anonymous and now allows each employee to give a score on a scale of 0 to 10 (with 10 being most positive) to assess how SKF is doing in those areas. Each manager is encouraged to have regular team discussions to evaluate together their team's survey dashboard scores, the trends and suggested improvement areas. The SKF Team Pulse has demonstrated to be a powerful tool to allow to gauge what is going well and what can be improved. Beyond the score, employees can also leave anonymous comments which provide valuable insights for continuous improvement.

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

As part of the SKF Code of Conduct for suppliers and sub-contractors, the Group performs on-site audits on a wide variety of sustainability topics. Health and safety are central elements of these follow-ups with suppliers. Read more about this on page 126, Supplier assessments.

SKF's employees also work at customers' sites, at suppliers or other locations outside SKF premises. As part of the process of defining such off-site activities, SKF assesses health and safety risks. Occasionally, risks not previously identified by the customer or supplier are found, and in such cases, control measures must be agreed before work commences.

Occupational health and safety are also a central element in courses held by SKF for customers on mounting and dismounting SKFs products.

403-8 Workers covered by an occupational health and safety management system

Over 78%, or some 32,000 employees are covered by the certified health and safety management system. The system focuses on the manufacturing sites, workshops, logistics and technical centres. In addition, over 84% of the agency workers under SKF's management control (around 3,900 people) are also covered by health and safety management systems. No specific type of workers or staff are excluded. Newly acquired sites and companies are given a time period before being included in the scope. All certified sites are subject to internal audit every one to three years. The data has been collected from the SKF financial reporting system using headcount data for sites and units included in the Group's ISO 45001:2018 certification. SKF is globally certified according to ISO 45001:2018. SKF engages a third-party certification body to audit for compliance to this standard at Group and site level. In addition to these external audits, a number of SKF employees are qualified as Group internal auditors and these individuals also audit sites to assure compliance with the standards, the environment, energy, health and safety policy and related Group instructions and requirements.

Read more on the certification on skf.com/45001.

403-9 Work-related injuries

Health and safety data are collected using the Group's main reporting and consolidation tool.

The accident rate is calculated with R × 200,000/h, where R = number of recordable accidents and h = total hours worked, which approximately corresponds to the number of accidents per 100 full time employees and year.

SKF does not separately report accidents on workers who are not employees (e.g. agency workers) but includes them in the total figures reported.

Accident rates

	2023	2022	2021	2020	2019	2018	2017	2016
Recordable accidents	0.64	0.68	0.67	0.75	0.77	0.81	0.85	0.87
Serious recordable accidents	0.017	0.005	0.003	0.003	0.013	0.013	0.013	—

Health and safety incident statistics

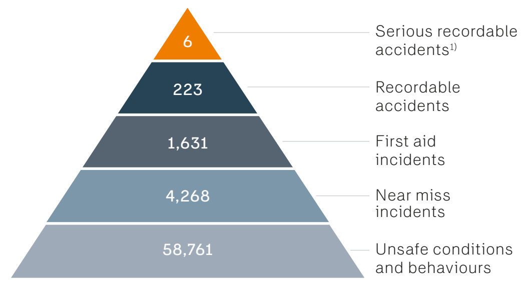
	2023	2022	2021
Work related fatalities	3	0	0
Serious recordable accidents	3	2	1
Recordable accidents	223	249	245
First aid incidents	1,631	1,799	1,863
Near miss incidents	4,268	3,601	3,582
Unsafe conditions and behaviours	58,761	34,830	30,171
Worked hours (x 200,000)	358	371	367

Occupational health and safety, cont.

Near miss and first aid incidents, as well as unsafe conditions and behaviours, are addressed locally. Health and safety statistics are reported at Group level; however, the incident details are not always included.

The Russian missile attack on the Lutsk factory resulted in three fatalities and five recordable accidents, clearly visible in the Group's health and safety performance.

During 2023, there has been additional focus on proactive health and safety management driving identification of a large number of near misses, unsafe conditions and behaviours. This proactive approach help ensure proper risk mitigation and prevention of accidents.



1) Includes work related fatalaties.

Training and education

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021
Material topic – GRI 404: Training and Education 2016

Management approach

In an era where change is the only constant, SKF has embraced the necessity of a culture of continuous learning. The absence of such a culture can lead to a deficit in competencies, increased attrition, and the erosion of the employer brand. Recruiting talent will become increasingly challenging if the brand is seen as lacking a commitment to continuous learning and development. To mitigate these risks, SKF has intensified its efforts in creating the right environment to enable people for self-driven learning. In the first quarter of 2024, a comprehensive content library from LinkedIn Learning has been launched, accessible to all staff employees and selected groups of workers. This initiative will significantly enrich the employees' opportunities for training, enabling a personalized on-demand learning experience and possibilities for the organization to build critical competencies in a resource efficient way.

Presently, SKF gauges the time invested in its main Learning Management System (People Learn) and monitors the progress of skills development against the strategic competencies. The goal is to empower individuals to future-proof their careers and, concurrently, future-proof the organization's ability to deliver. SKFs legacy of success is built upon the collective competencies and capabilities of its employees. The personal dedication of its employees to their own competence development is a critical factor in maintaining up-to-date competencies. SKFs staff employees have an average of 9 hours of formal learning during 2023. Informal learning, facilitated by daily work interactions, knowledge sharing, and collaboration via social platforms, is increasingly important. The informal and social learning time is not included in the 9 hours average.

SKF Academies ensure that competence development aligns with SKFs strategic business challenges. Local initiatives and teams augment this, ensuring the localization of learning. The Group People Experience function oversees the strategic direction, methods, and tools for enhanced learning within SKF. The global learning platform,

Training and education, cont.

People Learn, integrates training for diverse user groups, extending beyond internal staff and workers to external partners. In 2023, the inclusion of workers was initialized on this platform, democratizing learning across the organization, and this initiative will continue. The platform also serves as a compliance training tracker to ensure SKF's adherence to customer commitments, the Code of Conduct, and regulations.

During the year external learning portals for distributors, dealers, and customers were launched to deepen their understanding of SKF products. The aim is to ensure knowledge for optimal use for greater durability and minimal environmental impact. This initiative not only strengthens the bonds with partners and customers but also results in a more sustainable use of SKFs products, reflecting the Groups commitment to responsible business practices and enduring customer relationships.

The performance development process was revamped in 2023 to foster continuous dialogue between managers and their teams, grounded in SKF's leadership expectations. The three pillars of the leadership philosophy – Develop Yourself, Develop Others, Develop the Business – is forming development activities, which include job rotation, shadowing, mentoring, and specialized technical training. To maintain employee engagement, SKF regularly assesses satisfaction with development opportunities through SKF Team Pulse (see page 114) encompassing all employees globally. In the field of growth and learning SKF are above true benchmark. According to SKF Team Pulse, the employees feel a strong sense of professional growth and support within the organization, recognizing clear pathways for career and skill development, fostered by the encouragement and guidance they receive from managers and mentors.

404-2 Programmes for upgrading employee skills and transition assistance programmes

SKF offers internal programs and funding for external education. The exact approach differs from country to country. Dialogue with management is a cornerstone of the training and competence-upgrading efforts.

In partnership with the SKF World Union Council, the work continues to identify the need for competence development to meet new digital technologies' demands and evolving business practices.

In 2023, the Manufacturing Academy expanded its focus on digitalization, maintenance, automation and SKF Production System. By combining digital learning with physical training in learning centres within the factories, employees engage with both hands-on equipment and digital courses in their local language. This approach allows for scalable, standardized training, ensuring that all employees, regardless of location, have access to essential knowledge and skills.

In its pursuit of innovative solutions, SKF´s Technology Academy has launched an initiative focused on artificial intelligence (AI) to explore and experiment with its potential applications. This initiative is at the forefront of driving innovation within SKF´s operations.

SKF is also offering the possibility of outplacement assistance through coaching and training programs, for employees needing to explore opportunities outside SKF.

404-3 Percentage of employees receiving regular performance and career development reviews

Clear expectations are a cornerstone of management at SKF. Managers are tasked with collaborating with their teams to define individual and collective goals, linking them to the broader company strategy. Supported by a global platform (SuccessFactors), this process enables a dynamic and updated dialogue on progress and priorities throughout the year. An annual performance review meeting, integral to our talent management and salary review process, helps to define an overall performance rating. In 2023, this platform served approximately 14,000 white-collar employees globally.

The calculation method for the documented performance rating is the ratio of total staff to staff with documented performance ratings in the global employee master data system. This transparent metric underlines SKFs commitment to the continuous professional development of its workforce.

	2023		2022	
	Women	Men	Women	Men
Users with documented performance reviews in SKF's global system, %	88	89	85	86

Diversity and equal opportunity

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021
Material topic – GRI 405: Diversity and Equal Opportunity 2016

Management approach
SKF operates across the world in a fast-changing environment, where acting with speed, agility and creativity is of vital importance for its customers, stakeholders and people. It is obvious that SKF needs to attract and retain the very best talents with the skillset and competencies required to continue to be the leading innovative solution provider for a sustainable future. SKF's customers and employees live and operate in thousands of diverse communities around the world, where its products are used daily. People make it happen, they are at the heart of SKF's cutting-edge technologies and accomplishments. SKF nurtures diversity, as this mirrors the communities of its customers, its employees and their families. An inclusive culture benefits creative thinking and brings different thought-perspectives to the table thus resulting in innovative technological developments, with the SKF Purpose and Values as the guiding principles. Failing in creating a fair, diverse and inclusive workplace will have several negative impacts. It will stifle innovation and future business growth. It will have a negative impact on employees' engagement and their well-being, while also hurting new talent attraction and SKF's brand image internally and externally.

Diversity, equality & inclusion (DEI), non-discrimination and equal opportunity are cornerstones in SKF's People Agenda. The Code of Conduct sets the baseline, it requires that all employees are to be treated equally, fairly and with respect, including race (colour), gender (sex), age, national origin or nationality, disability, caste, religion, sexual orientation, union membership or political affiliation. Building further on the Code of Conduct baseline, several existing initiatives have been continued and enhanced, as well as new ones rolled out in 2023. To remain attractive and competitive, SKF has increased its efforts across many touchpoints with its present and future workforce. This includes – but is not limited to – learning and development, competency assessment and job postings using more inclusive wording, as well as piloting an inclusive language platform to attract the best candidates from diverse backgrounds.

During 2023, SKF's gender diversity programs gained additional focus. For example Elevate, a global virtual programme for SKF 's women leadership and career development was run for the 4th consecutive year and will continue in 2024. SKF's Global Leadership Program (GLP) and the Global Graduate Program have a gender balance ambition for each graduation class. Gender balance KPI's have been established for senior leaders within SKF, a target group of 150, which has inspired some business areas and teams to adopt their own KPI's, with the goal to set the overall pace for increased gender diversity in the larger SKF. People Business Reviews are being held with the business areas and executive management twice a year, conducted by People Experience. These review meetings are not limited to gender balance KPI follow-ups, but equally include senior leaders' mix of experience across different units and roles, existing succession plans and diversity and inclusion (D&I) initiatives per region and business area. Quarterly follow-up meetings are being held to track progress on gender balance, as well as to share successful steps taken to weave D&I into the organization. Workshops and training materials are available via the learning academy and internal Sharepoint sites to build further awareness on unconscious bias and the need for D&I through human-centric leadership, etc.

The next phase of an SKF global D&I ambition is being developed with the aim to roll out a 5-year strategy spanning 2024–2028 to build diversity, equal opportunity and inclusion further into the fabric of SKF's DNA across all business areas, regions and relevant processes. This plan will incorporate many of the successful local initiatives already in place, which are tailored to regional needs. D&I ambassadors, women networks, Diversity (DEI) Council in North America, Employee Resource Groups (ERG) – promoting inclusion of e.g. neurodiversity, veterans, LGBTQ+, employees with disabilities (or rather, different abilities) and other underrepresented affinity groups – will be fundamental drivers for developing the Global D&I framework. SKF wants all employees' voices to be heard to enable each to contribute to SKF's future, with full psychological safety to express one's opinions and ideas. This new and ambitious D&I global framework will set the stage and vision, driven by SKF's Purpose and Values, and supported by local and regional teams to develop strategic initiatives that work best for each region and business area.

Since Q3 2023, Diversity & Inclusion, as well as Health & Well-being related questions have been incorporated into the quarterly employee survey, SKF Team Pulse. This employee survey is anonymous and now allows each employee to give a score on a scale of 0 to 10 (with 10 being most positive) to assess how SKF is doing on those drivers. In the most recent Q4 2023 Team Pulse survey, SKF's Diversity & Inclusion score was 8.1, which is 0.1 points above benchmark. The Health & Well-being score of SKF stands at 8.1, which is 0.3 points above benchmark. Each manager is encouraged to have regular team discussions to evaluate together the survey dashboards for each driver, the trends and suggested improvement areas. The SKF Team Pulse has demonstrated to be a powerful tool to allow to gauge what is going well and what can be improved. Beyond the score, employees can also leave anonymous comments which give valuable insights on their overall employee experience. Going forward, a new roadmap is being developed to further incorporate well-being into the entire organization, fostering a sense of belonging in a healthy inclusive work environment.

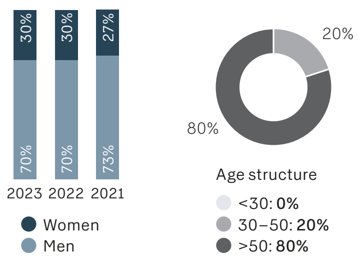
Through the quarterly SKF Team Pulse survey, SKF can gauge the employee experience from an equal opportunity perspective. Furthermore, employees are requested to report any behaviour that is not in line with SKF's Code of Conduct to their manager, the local People Experience channels or to other senior managers. Employees can also raise concerns or seek advice through the third party hosted SKF Ethics and Compliance Reporting Line or confidential whistle-blowing line.

SKF integrates equality into the people processes, e.g., learning & development, succession planning and recruitment. The recruitment principles are based on the SKF Code of Conduct and facilitate skills-based recruitment by utilizing Assessio's Matrigma ability test. The test is a scientifically robust instrument, reviewed and certified by Det Norske Veritas. SKF is strongly committed to fostering an inclusive workplace and firmly believes that a diverse workforce is essential for continued success. Therefore, SKF encourages all employees and new people joining the organization to come as they are, bringing with them their whole person, their experiences, skills and potential.

405-1 Diversity of governance bodies and employees
The graphs on the next page show the percentage of women and men, and the age structure at different categories within the organization. Information on minorities is not available.

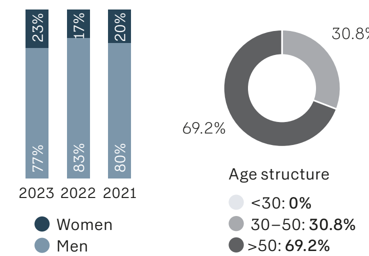
Diversity and equal opportunity, cont.

The Board
The Board refers to the SKF Board of Directors which makes up the highest governance body for the organization. The percentage refers to Board members elected by the annual general meeting. For more information, see page 145–147.

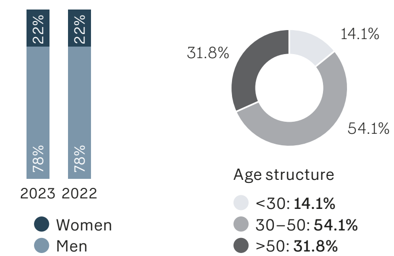


Including CEO. Excluding Employee representatives.

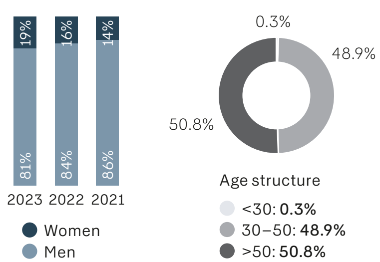
Group Management
Group Management is the operational management team of the SKF Group. For more information, see page 150–151.



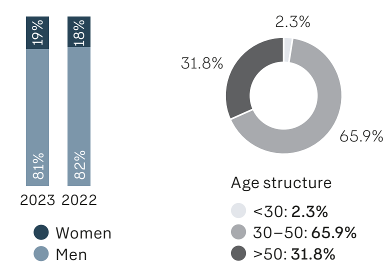
Total employees
Total employees refers to the total number of employees in SKF as per end of 2023.



Higher management
Higher management refers to the around top 400 managers in the SKF Group. The actual number in this population changes over time.



Managers
Managers refers to the employees who have direct reports.



405-2 Ratio of basic salary and remuneration of women to men

Average annualized basic salary[1], %	2023
Women's average basic salary as percentage of men's – Senior Management	88
Women's average basic salary as percentage of men's – Local Management	97
Women's average basic salary as percentage of men's – Other Staff	84

1) Applies to staff basic salaries from all countries of the Group. Salaries for Group Management and blue collars are excluded. Total remuneration could not be reported at Group level.

The SKF Code of Conduct requires that all employees are treated equally, fairly and with respect regardless of race (colour), gender (sex), age, national origin or nationality, disability, caste, religion, sexual orientation, union membership or political affiliation.

We ensure that wages and other benefits meet at least the legal or industry minimum standards and are rendered in full compliance with laws and collective agreements. SKF sets staff salaries based on performance and position evaluation to ensure internal equity and to pay people fairly. Salary setting also follows legislation and/or union agreements as locally applicable.

Reducing the unadjusted gender pay gap is an important area of work for SKF. Differences in salary as shown by the gender pay ratios have been identified being mainly due to a higher proportion of men in higher level positions.

In 2023, our Group Equal Pay policy was launched requiring all countries to perform equal pay and gender pay gap analysis, even in the countries where there is no local legislation requiring this. Moreover, an Equal Pay and Gender Pay gap analysis tool was developed to identify, analyse and close base salary pay gaps if any are found. Equal pay audits are carried out in all countries.

In preparation for the EU Pay Transparency Directive, research was conducted on employees' perceptions of pay transparency as an effective action to close the gender pay gap. The majority of employees surveyed believe that increased pay transparency will increase workplace trust and help reduce pay inequalities between men and women.

SKF already has many of the prerequisites in place for increased pay transparency, such as salary ranges based on objective and transparent job evaluation methods, and is actively working to include all employees and total remuneration in the gender pay gap reporting, as well as CEO to median employee pay ratio during 2024.

The financial year 2023 gender pay gap information is based on the base salaries of staff employees, as in previous years.

Human rights and non-discrimination

Direct impact on UN Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

Management approach – GRI 3: Material topics 2021 Material topics: Non-discrimination 2016, Freedom of association and collective bargaining 2016, Child labour 2016, Forced or compulsory labour 2016, Human rights assessments 2016

This part of the report is prepared according to UN Guiding Principles on Business and Human Rights Reporting Framework as well as GRI Standards.

Management approach

SKF considers that its approach to Human Rights is largely covered by the Group's well-established programs within Environment, Health, Safety, responsible sourcing, ethics and compliance programme. This includes human rights aspects in SKFs own operations and its supply chain.

SKF works to integrate human rights aspects in all processes where SKF sees a risk that people could be adversely affected. This means that human rights are considered in EHS audits, ethics reviews, compliance programmes, quality audits and Code of Conduct audits at suppliers. Deviations or risks are resolved in the operations or escalated if needed. Alarming issues would be escalated to Group management and relevant committees of the Board. SKF Group Management are continually updated on specific issues, such as health and safety for SKF's employees, serious incidents, or high-risk ethics and compliance incidents.

Modern Slavery Act 2015

AB SKF is committed to ensure that the companies within the SKF Group do not allow slavery or human trafficking. As with other human rights, this commitment extends to the supply chains used by the SKF Group. This statement is made pursuant to Section 54, Parts 1, 5 and 6 of the Modern Slavery Act 2015 and sets out the steps the SKF Group has taken to ensure that slavery and human trafficking are not taking place in company operations or supply chains.

Salient human rights risks

SKF has identified salient human rights risks being related to freedom of association and collective bargaining, compensation, work hours, health, safety, well-being and discrimination. The salient risks are mainly associated to the supply chain. Lack of transparency and traceability means that the further upstream in the value chain, the more difficult it is for SKF to identify concrete human rights risks. Other human rights issues that SKF is following closely are related to children's rights, child labour and young workers, and forced or bonded labour. SKF follows up closely with potential new suppliers on their risks related to these human rights. In this work, SKF focuses on geographic regions where risks are higher, since rule of law and social equality are weaker. SKF uses published third party data to access human rights risks from several perspectives including regional and industry specific risks.

During 2023, SKF has taken steps to prepare for the reinforced legalization with regards to Human Rights due diligence and has installed a Human Rights Officer (starting January 2024) and reviewed its salient human rights. Furthermore, SKFs entity in Germany has established the necessary procedures and responsibilities for compliance to the German Supply Chain Due Diligence Act (LkSG).

Stakeholder collaboration

SKF collaborates with a range of stakeholder groups to avoid or mitigate human rights risks. Customers typically require SKF to manage such risks. The primary stakeholder group with whom SKF has a direct relationship is the employees, and so a social dialogue is held between local management and worker representatives. In addition to this ongoing dialogue on a local level, SKF Group Management meets annually with SKF World Union Council (WUC). SKF also maintains dialogues with peers and NGOs via networks such as the UN Global Compact, Transparency International and Roundtable on Sustainable Palm Oil.

Steel and steel components represent by far the most significant material input to SKF in terms of value and weight. The steel supply chain is complex and highly globalized and may involve human rights risks particularly at the top end of the supply chain. Typically, SKF has no direct business relationship with actors beyond tier 1 or 2 and so driving change unilaterally is not feasible. Therefore, in 2021, SKF joined many other actors in the steel value chain as well as representatives from civil society in the ResponsibleSteel Initiative (RSI). The RSI is a multi-stakeholder initiative which works to identify and address salient human rights (along with environmental) risks in the full steel value chain – from scrap or raw material to finished steel.

Trends and patterns 2023

During 2023, SKF recognized that the importance of human rights has increased, mainly due to upcoming legal frameworks from the EU, such as the draft for the Corporate Sustainability Due Diligence Directive. SKF has also prepared for the Corporate Sustainability Reporting Directive to drive further requirements and reporting expectations within the area of ESG compliance, where human rights are represented in social compliance.

Integrating findings and taking action

The SKF Code of Conduct describes SKFs responsibilities towards its employees, customers and investors as well as towards the society and the environment, and hence it is the main policy to protect human rights, salient to SKF.

Through training and awareness, SKFs employees and suppliers are encouraged to report any behaviour, decisions or actions that may violate the Code of Conduct, or international regulations or local laws, including that of human rights, via the established local grievance mechanism. In cases where the normal escalation routine is not an option, SKF provides a globally available, externally hosted whistle-blowing service, the SKF Ethics and Compliance Reporting Line, which is also accessible externally for suppliers and customers. Read more on page 124. SKF investigates all reports and in case of substantiated findings, the root cause is assessed, and corrective and preventive actions are taken.

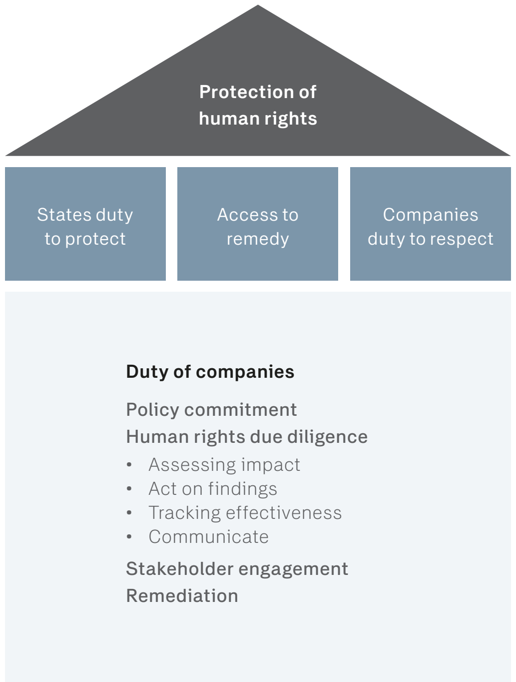
The work to prevent adverse human rights impacts is a continuously ongoing task involving several functions at the Group. SKF works together with the World Union Council to seek pragmatic ways to prevent health and safety risks, discrimination, as well as to promote inclusion and diversity, collective bargaining and nominate worker representatives, in line with its global framework agreement with the union, while at the same time making sure to adhere to local laws, and not put employees at risk.

Impacts from SKF's business and products

SKF works to continuously reduce any negative downstream impact relating to its business. This starts with ensuring compliance with laws and regulations and the avoidance of materials and substances hazardous to people and the natural environment.

With regards to SKF's business, the purpose of SKF's products and solutions is to make things work better, run faster, longer, cleaner and more safely. SKF considers that business can drive prosperity and growth to overcome social issues over time. The work related to human rights downstream focuses on adhering to export control regulation and ensuring that SKF's distributors adhere to the SKF Code of Conduct. SKF has identified a few industry hotspots where the general human risks are higher, such as the extractive industries, forestry and energy, as these are associated with significant land use. No cases of systematic human rights violations linked to SKF business activities have been identified during 2023.

Human rights and non-discrimination, cont.



406-1 Incidents of discrimination and corrective actions taken

During 2023, 67 reports related to discrimination and harassment have been received through the SKF Ethics & Compliance Reporting Line. These cases are normally assigned to local investigators (mainly People Experience country leads) and actions are taken on a local level.

SKF has had a process in place since 2021 so that concerns about harassment and discrimination reported locally (e.g. via email or in person to People Experience) are also reported and documented centrally.

407-1 Operations and suppliers in which the freedom of association and collective bargaining may be at risk

All employees are covered by collective agreement or the SKF Framework agreement. The overall approach from the state towards union membership and the level of independence of trade unions in certain countries where SKF has operations, creates challenges in this respect. SKF works pragmatically with the WUC and the appointed union representatives to try and address these challenges. Please refer to page 116 for a description of the SKF WUC's work related to collective bargaining agreements. Information on which countries SKF has operations in is available on skf.com/locations.

408-1 Operations and suppliers at significant risk for incidents of child labour

The risk for child labour in SKF's operations is very low but the issue is nonetheless included in SKF's internal audits.

The risk for child labour at SKF suppliers is higher and therefore the supplier audits have a high focus on this. However, due to the nature of suppliers and the long standing relationship with them, the cases are extremely rare. During 2023, SKF found no cases of child labour at its own operations and no cases at SKF's suppliers.

409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour

The issue of forced, bonded and compulsory labour is included in SKF's Code of Conduct and internal and supplier audits. In 2023, one case of potential forced or bonded labour have been identified during the screening assessment at a potential supplier in India. SKF immediately stopped all potential business development with this supplier and exited.

SKF applies regional risk characterization from tools such as Maplecroft to help identify countries with these potential risks (407-1, 408-1, 409-1).

412-1 Operations that have been subject to human rights reviews or impact assessments

SKF's manufacturing units are subject to an ethics review including relevant aspects on the Code of Conduct with a riskbased periodicity. In 2023, 14 such reviews were carried out. In addition, sites undergo audits on specific topics and most audits related to human rights focus on health and safety. SKF also carries out site audits at suppliers. Read more on the next page.

Governance

Compliance

SKF acknowledges compliance with international declarations, conventions, treaties and local laws and regulations as critical for sustainable development. SKF works proactively to prepare for and adhere to requirements on governance and compliance.

SKF has implemented a Group-wide compliance program to prevent, detect and correct non-compliance. This program adheres to international guidelines from EU, US and UK authorities (eg. Department of Justice, UK Bribery Act, and EU ICP) and includes the elements of management commitment, risk assessment, training and awareness, policies and procedures and whistle-blowing, investigations, and audits. The compliance program is directed by the Chief Compliance Officer, who reports to SVP Legal & Compliance, and reports material compliance issues to the Board of Directors Sustainability & Ethics Committee, and the Audit Committee.

SKFs Compliance Core team consists of management representatives from all Business Areas and is chaired by the Chief Compliance Officer. The team shall ensure that priorities and activities are aligned across the Business Areas, drive risk assessment, participate in investigations and ensure an operational ownership of compliance in the business operations.

The group-wide program of online training courses for awareness on compliance, are mandatory for all employees having an SKF email address. The training courses cover key topics related to ethics and compliance, such as Antitrust in relation to competitors (83%), Corruption at SKF (88%), Fraud awareness (85%), How to avoid antitrust risks in the sales channel (94%), Workplace harassment (85%), Ethical leadership (86%) and Reporting ethical concerns (95%). The numbers in brackets represents the % of the total number of the employees who have completed the training as per January 2024.

GRI 2-27 Compliance with laws and regulations
Management approach
Compliance with laws and regulations is a high priority for the Group. SKF works actively to ensure compliance with local laws and international regulations including anti-bribery and anti-corruption, antitrust, anti-money laundering, export control, labour laws and human rights. SKF monitors the emerging regulatory environment within ESG compliance and human rights and is prepared to integrate new rules and regulations into its compliance program.

Adherence to local laws is the responsibility of the respective legal entities. SKFs major sites keep inhouse lawyers that shall monitor and support the companies to comply locally, while support is provided from Group functions with regards to international regulations and international standards such as export control, sanctions, data privacy, labour and tax rules.

No significant/material cases of noncompliance related to these topics have been identified.

Mechanisms for seeking advice and raising concerns

SKF employees are requested to report behaviour that is not in line with SKF's Code of Conduct to their manager, local People Experience function or to other senior managers. Employees can also raise concerns or seek advice via the SKF Ethics and Compliance Reporting Line. The reporting line is hosted by a third-party and reports can be made anonymously, unless this is prohibited by local legislation.

The SKF Ethics and Compliance Reporting Line is also available to external parties, such as suppliers and distributors, through skf.com. SKF employees and others can report concerns in their own language via a designated web portal or by calling a local telephone number (telephone service is available only in Brazil and Mexico). SKF has a Group Whistle-blowing policy, which is based on the EU Whistle-blowing Directive and prohibits retaliation towards anyone raising concerns in good faith.

During 2023, 390 concerns were reported to the central functions via the SKF Ethics and Compliance Reporting Line or via other channels.

The major types of concerns reported were workforce management (21%), leadership issues (19%), discrimination or harassment (17%), corruption (8%) and conflict of interest (7%). In addition to the concerns reported to the central functions, grievances related to ethics and compliance are reported to – and managed by – local management. All reported concerns are reviewed and assessed by Group Ethics & Compliance, for assignment to an appropriate investigator. Concerns deemed as critical are communicated on a case-by-case basis to the General Counsel, to the Ethics & Sustainability Committee and/or to the Audit Committee.

Anti-corruption and competition law

Direct impact on UN Sustainable Development Goals

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Management approach – GRI 3: Material topics 2021
Material topics – GRI 205: Anti-corruption 2016 and GRI 206: Anti-competitive Behavior

Management approach

SKF addresses anticorruption and antitrust (competition law) as part of the Group's compliance program. SKF has, over many years, had a strong focus on business ethics in its corporate values. Openness and transparency are key to a successful compliance program. SKF continues to work on fully incorporating these values in the corporate culture in all regions via training and awareness, risk assessment, investigations, audits and internal controls. SKF considers that an effective anticorruption and compliance program has a positive impact not only on economic performance, but also to reduce risks or breaches that may impact the environment, human rights and local communities.

Apart from the Code of Conduct, SKF has Group policies and instructions, such as the Group Anticorruption policy and the Group Antitrust policy, setting out specific expectations on its employees and business partners, on how to act according to SKF standards. Processes, controls, guidelines, training and tools are integrated parts of the program and are available for employees on the Group's internal websites as well as launched on a frequent basis as mandatory trainings for all SKF employees, or for specific functions on a risk basis.

SKF's compliance program actions to prevent or mitigate the risks, are focused on the main risks identified in the Group's yearly compliance risk assessment. During 2023, SKF stepped-up its compliance risk assessment, engaging close to 400 managers from all Business Areas, regions and corporate functions in a self- assessment of key compliance risks. The number of units participating is a KPI for the quality of the risk assessment. The conclusions of the risk assessment are the basis for the mitigation plans per Business Area and for the Group.

SKF has dedicated legal & compliance officers from all its Business Areas. Together with the Chief Ethics & Compliance Officer, the business areas develop a compliance plan based on risks and identified risks and incidents. This is approved by the Ethics & Sustainability Committee of AB SKF on an annual basis.

Positive examples of the compliance activities, such as employee and business partner engagement, are shared between the Group's Compliance core team.

During 2023, SKF developed and launched mandatory e-learnings regarding Conflict of Interest (97%), Export Control (89%) and the SKF Code of Conduct commitment (95%). Furthermore, SKF launched a mandatory awareness training and commitment to the Groups Environment, Health and Safety Policy (76%). Numbers in brackets represent completion rates. The completion rates are followed up on a regular basis and indicate the engagement level and effectiveness of the compliance program. The number of concerns reported and investigated is an important KPI of the effectiveness of SKF's compliance program. The goal is to increase awareness about and compliance with the Code of Conduct, e.g. via additional e-learnings, to gradually decrease the number of serious concerns reported and investigated. Internal control issues, training completion rates and number of reported and substantiated ethical concerns give SKF indications of the needs for improving the compliance program.

During 2023, SKF has taken steps towards compliance to upcoming ESG compliance requirements and expectations from stakeholders, including EU's Corporate Sustainability Reporting Directive (CSRD). SKF has also started to prepare for EU's upcoming Corporate Due Diligence Directive (CSDD) and aims to integrate the ESG requirements with the Third-party risk management framework, that is under construction. To ensure a long term and sustained progress in ESG compliance and third-party risk management, the decision was taken in 2023 to install a new position (ESG Compliance and Human Rights Officer) reporting to the Chief Compliance Officer. This role aims to progress SKF´s ability to comply to ESG risks and third-party risk management, as well as ensuring compliance to human rights regulations.

205-1 Operations assessed for risks related to corruption

The compliance risk assessment indicates that the risk of corruption is in general low, while slightly higher in regions and in sectors of high level of corruption.
The main corruption risk is when distributors and agents are used to represent SKF when interacting with governments or stateowned entities in regions with a high corruption risk.

Together with Group Ethics & Compliance, each business area consolidated the results and set an action plan in accordance with the results. At SKF's manufacturing units, riskbased ethics and compliance reviews are carried out, in conjunction with environmental, health and safety audits. The purpose is to assist units in their work to identify and address specific ethics and compliance risks, including corruption. During 2023, 14 such reviews have been reported.

205-3 Confirmed incidents of corruption and actions taken

During 2023, SKF substantiated 9 incidents of corruption (incl bribery, fraud, conflict of interest). As a consequence, 5 employees have left SKF.

206-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices

For any ongoing investigations, see Note 19 on page 72.

Supplier assessments

Direct impact on UN Sustainable Development Goals

Management approach – GRI 3: Material topics 2021 Material topics – GRI 414: Supplier social assessment 2016 and GRI 308: Supplier environmental assessment 2016

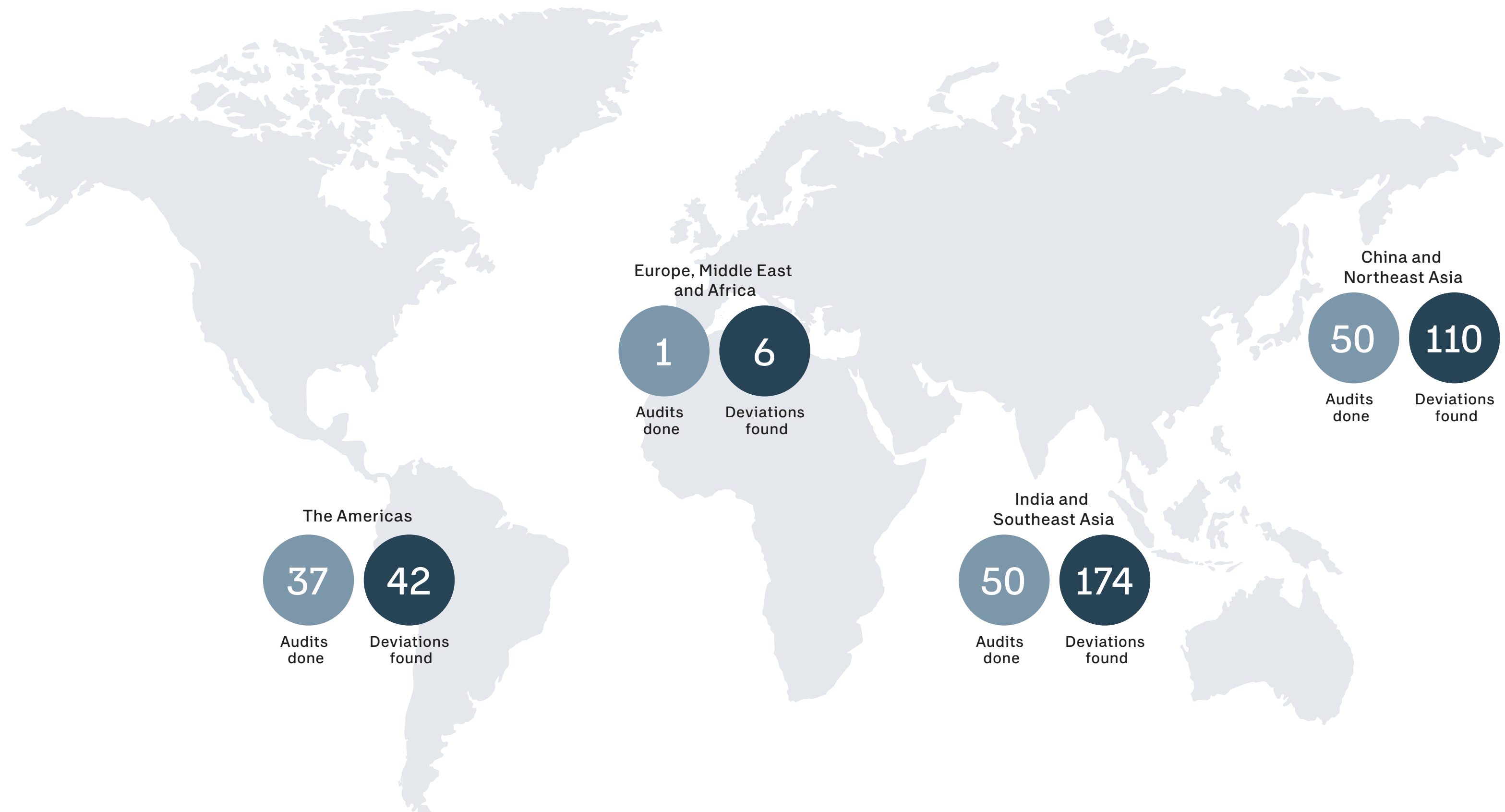
Management approach

SKF addresses supplier impact on the environment, human rights, labour practices and society under the Responsible sourcing programme. The programme covers all SKF's suppliers but uses a risk-based approach focusing auditing on tier one and sometimes tier two suppliers.

SKF's Responsible sourcing programme works to ensure the Group's effective deployment of the SKF Code of Conduct for suppliers and sub-contractors (CoC4S). The programme is part of supplier development, which covers the areas of delivery, quality, product compliance and Code of Conduct. All potential suppliers are initially screened using a set of minimum criteria related to the Code of Conduct and quality demands. These must be met to be considered as an SKF supplier.

The SKF CoC4S was revised during 2022. The new version, which was published in March 2023, covers more areas and more details with the addition of new chapters like Ethics and Compliance, GHG reduction, certification to international standards and others.

SKF's responsible sourcing strategy uses a risk-based approach, where direct material suppliers making up 90% are automatically subject to audits if they are in high risk regions. These can be both tier one and tier two suppliers. In addition to these, when risks to people, the environment or business ethics are flagged during site visits or screenings, the suppliers are escalated to be audited. This can be any type of supplier, e.g. professional services or other indirect material. Screening of suppliers is done using SKF's own risk tool and audits are always done on suppliers' locations by SKF specialists or third-party auditors.



Warning signs may also be raised by other SKF staff visiting suppliers, such as during a quality review. The Code of Conduct audit procedure is based around a checklist with 62 specific questions focusing on a wide range of aspects, such as human rights and labour standards, environment, bribery, fraud, and other ethical guidance. This checklist will be revised during 2024 to be fully in line with the new CoC4S.

Screening of suppliers

External risk maps, combined with SKF's operations and spend have resulted in a region or country focus when it comes to risk assessment audits and follow-ups.

Supplier assessments, cont.

Most non-compliance cases are managed by SKF's regional purchasing offices. Significant deviations are escalated to SKF Group's Responsible Sourcing Committee. First and foremost, the work focuses on establishing a strong partnership and developing targeted suppliers. However, suppliers that fail to address critical issues over time risk having their contracts with SKF terminated.

During 2023, unacceptable deviations were found at three suppliers in India and China. These cases were escalated to the Responsible Sourcing Committee, who decided to assign specific support to help these suppliers to improve. At the end of the year, some of the main problems have been solved and one of the three suppliers were confirmed as conditionally approved (with un-announced audits). Contracts were (or will be soon) terminated with the other two suppliers in China and India; sourcing with them have already been stopped, or will be finished within the first half of 2024.

During 2023, SKF worked to increase the alignment between quality and Code of Conduct audits, striving to improve the process of escalating warning signs found during any supplier visits to a full Code of Conduct audit. The most common deviations found are related to compensation, work hours, health and safety, pollution and waste handling, fire license and environmental permits. The data reported in these statements are consolidating SKF's findings into GRI's designations.

414-1, 308-1 New suppliers that were screened using social and environmental criteria

All new suppliers of direct material in high risk countries are visited on site. In other countries, all new direct material suppliers are subject to a modular quality audit, which could include or trigger a Code of Conduct audit. Major suppliers in high risk countries are subject to re-audit. Indirect material suppliers are audited when awarded strategic sourcing status.

During 2023, 138 physical audit assessments have been carried out to suppliers. 38 out of 138 have been audited without negative impact identified (no critical deviations). With the 100 other suppliers, all have confirmed improvements, although with two of them business exit decisions have been taken by SKF. 67 new suppliers were audited on site using environmental and social criteria, and one of these was not approved to supply SKF.

414-2 Negative social impacts in the supply chain and actions taken

In 2023, 292 deviations to the SKF Code of Conduct in this category have been identified and are being resolved in the operations. The most common deviations are related to occupational health and safety, work hours, compensation and employment contract procedures. Three suppliers with major deviations have been escalated to the Responsible Sourcing Committee. All cases are prioritized and addressed according to their urgency. In two cases SKF has decided to stop the business.

308-2 Negative environmental impacts in the supply chain and actions taken

During 2023, 40 environmental deviations related to pollution control and waste handling have been identified and actions are ongoing at the suppliers to resolve them. SKF's management systems, skills and experience in environmental management provides support and competitive advantages in the local supplier development. Specific training programmes about Code of Conduct, as well as social and environmental matters, have been conducted in India and China with particular focus on suppliers having social and environmental issues, including direct and indirect material suppliers as well as sub-contractors and service providers. Around 67 suppliers attended the training in India and China. To strengthen these supplier follow-ups, local purchasing staff must also be trained.

To increase focus and coverage of Code of Conduct Audits at suppliers, six new auditors have been trained in India.

Other trainings are planned in the different regions during 2024.

Leading sustainable procurement in the rail industry

Railsponsible, an industry association with 17 members, including operators and manufacturers, drives sustainable procurement in the rail-sector. Members, as SKF, signed a groundbreaking climate pledge in Vienna, committing to decarbonization aligned with the Paris Agreement.

This move reflects a collective commitment to responsible procurement and climate action within the railway industry, showcasing SKF's dedication to sustainability and influencing positive change in the market.

Additional information

Water

Direct impact on UN Sustainable Development Goals

Management approach

SKF operations are not considered to be water intensive, however, water is relevant at specific locations. Performance is monitored for sites located in areas of actual and potential water stress.

303-1, Interactions with water as a shared resource and 303-2, Management of water discharge-related impacts

Water is used at SKF sites for processes and civil purposes (toilets, showers, cooking facilities, etc.). Focus on efficient water use is applied in various ways, for example, new factory building projects where the latest technologies have been put in place to achieve minimal impact on local resources. Practices like closed loop systems for industrial water used and rainwater harvesting are common in many SKF facilities.

Water use is metered at site level for "water from municipal supply" (the most common source) and "water from other sources". The first is the aqueducts supply and the second includes supply by wells or other surface sources (e.g. rivers, creeks) practiced according to regional regulations. There are no cases of sourcing from the sea, or local water production. Water is discharged in surface water or sewage systems after treatment, with quality levels according to local regulations and in this way, water related impacts are addressed.

Numerous lifecycle assessments (according to ISO 14044:2006) have been conducted both on product and process levels, and water impacts have been identified. The main findings from these studies are that SKF's direct water use is relatively insignificant compared to upstream use in energy generation, steel production, etc. However, SKF recognizes the increased importance of water efficiency and other measures at its sites located in areas of water scarcity. SKF uses the World Resources Institute's tools to identify those sites in areas of water stress or projected water stress. These sites are then required to define improvement plans to drive reduced water use through various means (see table below). In other locations the nature of SKF's processes (most systems utilizing water are closed loop) means that SKF typically does not represent a major water user in the local industrial context.

Due to low water intensity of SKF's direct operations and the measures in place to follow applicable wastewater treatment requirements, the chances of SKF water usage impacting local community water availability/quality are very low.

As part of our overall environmental approach, SKF works with upstream users of water, such as steel and energy suppliers, to reduce water use. For example, by switching to renewable electricity sources, a dramatic reduction in water needed per/kWh can be achieved compared to thermal power sources. The SKF requirements for suppliers to adopt the ISO 14001 standard will also help increase focus on water by the direct material suppliers (e.g. steel).

Water efficiency performance for sites in water stressed areas

Site	KPI 2023 vs. 2022, %
Ahmedabad	+2
Bangalore: DGBB	–14
Bangalore: Lincoln	–17
Bari	–14
Cajamar & Jordanésia	–11
Chakan[1]	–55
Dalian	+15
Haridwar	–5
Jakarta	–3
Jinan	–38
La Silla	+16
Monterrey: Solution Factory[1]	–42
Mysore	+14
Nairobi[2]	—
Nankou	–10
Puebla	+16
Pune	–10
Shanghai ATC	–4

The KPI for manufacturing sites is water intensity calculated as water use / production volume. Non-manufacturing sites, marked;

1) Use a KPI for water intensity calculated as water use/average full time employees.
2) Included in scope during 2023, no historical data available to calculate KPI.

303-3 Water withdrawal by source

As the clear majority of SKF's factories are in industrial zones, water is supplied by municipalities. Other sources have not been considered significant. Therefore, SKF monitors total water consumption at sites and not per withdrawal by source. As the reporting is based on actual measurements from water suppliers or at SKF sites, no specific assumptions are referred to.

Water

1,000 cubic metres	2023	2022[2]	2021[2]
Water from municipal supply	1,666	1,881	1,963
Water use from other source[1]	1,007	1,307	1,117
Water withdrawal total	2,673	3,188	3,081

1) The "other source" is mostly wells from which water is extracted.
2) Past data are restated for divested units and data amendment.

303-4 Water discharge

Water discharge follows regional regulations. The flow goes to local sewage systems or to surface water flow in compliance with mentioned regulations for the quality of discharged water (suspension, temperature, etc.). Metered discharge flows are thus not reported.

Pollution of air

Direct impact on UN Sustainable Development Goals

SKF has an objective to eliminate emissions from the use of volatile organic compounds (VOC) in washing processes for bearings and bearing components by 2025. These washing processes are the main source of VOC emissions from the Group's operations.

As the due date for fulfilling the objective is approaching, each business area has during 2023 put additional focus on mapping operations with remaining VOC emissions to enable any further activities required to achieve elimination on time.

Group objective: Eliminate emissions of volatile organic compounds from washing of bearings and bearing components by 2025

Tonnes	2023	2022[1]	2021[1]
VOC (volatile organic compounds) total use	646	793	1,156
VOC (volatile organic compounds) emitted to the atmosphere (washing of bearings and components in bearings manufacturing)	131	136	144

1) Past data are restated for divested units and data amendment.

Biodiversity

Direct impact on UN Sustainable Development Goals

SKF does not currently have any targets or KPIs related to biodiversity on a Group level. However, during 2023, SKF has worked to improve its understanding of the impact and dependencies of biodiversity as well as associated risks and opportunities through the full value chain. The assessment shows that SKF has potential impact on the direct drivers of biodiversity loss specifically in terms of climate change, land use change, and pollution. To mitigate the impacts on these drivers of biodiversity loss, SKF sees strong synergies with meeting its decarbonization targets, increasing its circular use of products and resources, and reducing its risks of pollution through strong environmental management.

The assessment conducted in 2023 shows that SKF's dependency on steel and its related environmental impacts from both production and mining is critical for the Group to address also from a biodiversity perspective. Reducing use of virgin resources, re-using materials and products, and increasing the use of recycled materials are key for SKF to meet its net-zero goals, as well as to reduce its impact on biodiversity, pollution, and land use.

- For SKF's targets, KPIs, and activities related to climate change, please see page 107.
- For SKF's targets, KPIs, and activities related to material use, pollution and environmental compliance, please see page 113.

What is biodiversity and how can SKF reduce negative impacts and increase positive contributions?

Biodiversity and ecosystems are essential for nature and human life on our planet. Biodiversity loss is therefore a threat to society, nature, and business. The direct drivers of biodiversity loss are land, freshwater, and sea use change as well as pollution, resource exploitation, invasive species, and climate change. It is however also possible to increase and enhance biodiversity by contributing to conservation, protection, and landscape connectivity where possible, restoring ecosystems, and by using natural resources sustainably to enhance biodiversity and sequester carbon.

SKF can contribute to this complex and global challenge by reducing its negative impact on the direct drivers of biodiversity loss and by increasing and enhancing biodiversity where possible.

Next year, SKF will continue to improve its understanding of its impact on local flora and fauna in relation to the company's sites across the globe. SKF will also further address how it integrates biodiversity-related impact, risks, and opportunities in its environmental management system for sites near or in proximity to protected areas.

TCFD

TCFD is the Task Force on Climate-related Financial Disclosures initiated by the Financial Stability Board. The aim with the initiative is to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures. SKF reports according to the TCFD recommendations since 2020.

SKF is also a respondent to the CDP Climate Change survey and achieved an A score for its 2023 submission. The Group's submission is publicly available on the CDP website, CDP has aligned their survey with the TCFD and so the SKF response provides a further, more detailed resource for stakeholders wishing to gain a deeper understanding of SKF's climate risks and opportunities and how the company is addressing these.

Governance	Strategy	Risk management	Metrics and targets
The board's oversight of climate-related risks and opportunities. **See pages 39–41. 95, 143**	Identified climate-related risks and opportunities over the short, medium, and long term. **See pages 99, 130–131, 133**	Processes for identifying and assessing climate-related risks. **See pages 39, 133**	Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process. **See pages 100, 107**
Management's role in assessing and managing climate-related risks and opportunities. **See pages 95, 131–132, 157**	Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. **See pages 99, 130–131**	Processes for managing climate-related risks. **See pages 39, 130–133**	Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. **See pages 110–111**
	Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. **See pages 131–132**	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. **See page 39**	Targets used to manage climate-related risks and opportunities and performance against targets. **See pages 29, 100,102, 107, 112**

Climate-related risks and opportunities and impact on SKF

SKF's core business is based on well-established technology and the Group is diversified in terms of products, markets, manufacturing location and currencies used, which reduces SKF's overall exposure to business risks. SKF defines substantive financial risks as those which can have an impact of more than 0.5% of Group turnover.

Overall, SKF find that the rapid deployment of external mitigation measures (legislation, customer demands, investor requirements etc.) driving the growth of cleantech industries and decarbonization of traditional industries in which SKF is, or has the potential to be, a key enabler, far outweighs any negative impacts from penalization of industries such as fossil oil, gas and/or internal combustion engines. SKF also see climate-related increases in energy and material cost as more of an opportunity (to promote energy and resource reducing solutions to SKFs customers) than as a threat (increased input costs for SKF operations). SKF conclude that under the IEA Net Zero 2050 Scenario or similar, significant growth would result for SKF, and this would result in a materially positive impact on the Group's revenues and financial performance.

SKF sees that physical impacts of climate change are very likely to increasingly impact on SKF operations and supply chain. However, SKF analysis concludes that our highly diversified production, supply chain and customer footprint in conjunction with current and planned mitigation measures mean that this will not be a material impact according to the above definition.

Short term (0–1 years) climate risks and opportunities are integrated into yearly operational business planning and follow-up.

Medium term (1–3 years) and long term (>3 years) climate risks and opportunities are integrated into strategic business planning. The Group's climate targets typically cover a longer time horizon, for example, the target to decarbonize SKF's operations by 2030 and achieve net-zero greenhouse gas emissions in the value chain by 2050, This is to make sure that long term climate-related risks and opportunities are proactively identified.

As part of the strategy work, a comprehensive list of climate related risks and opportunities have been identified. Some areas are highlighted below. Risks and opportunities have also been quantified using the Sustainable Development Scenario (SDS), IEA Net Zero and RCP 6.0 scenarios to analyze what their financial impact could be in 2030.

Carbon taxes and increasing cost of steel

The production of steel is energy intensive and mostly also greenhouse gas emission intensive. For a long time, SKF has been working actively to reduce greenhouse gas emission in the supply chain in collaboration with suppliers. As the EU Carbon Border Adjustment Mechanism moves into deployment, this will increase costs for some raw materials imported into the EU by SKF (mainly steel). Similar discussions are ongoing in the United States but where taxation might not be the preferred method. The effect will be relatively higher on steel with high embodied greenhouse gas emissions. For the last years, SKF has simulated potential outcomes of the Carbon Border Adjustment Mechanism to understand the impact. SKF has also accelerated the collection of energy and greenhouse gas emission data from its major steel and forging suppliers representing most of the value, weight and environmental impact in the upstream supply chain. Through scenario analysis and financial simulation on cost increase at different levels of greenhouse gas emission taxation, SKF has increased the understanding of this risk, the potential financial impact to SKF, and actions the Group can deploy to mitigate this risk. SKF has prepared the process and systems needed to comply with CBAM and is addressing the implications of this (and other potential legislations) in its global sourcing strategy.

Increasing cost of energy

A structural transformation is expected in the energy sector and massive investments globally are planned for more efficient and cleaner energy production. One of the most immediate and obvious financial risks, related to

TCFD, cont.

climate change for SKF and its value chain, is an increased cost of energy, linked to, for example, carbon taxation but also due to an increasing demand when more and more products run on electricity. Based on the SDS and net-zero scenarios, the Group has analyzed the impact from an increased cost of energy and defined actions to minimize that impact. The best way to mitigate this risk is to reduce the energy demand and in 2023 SKF stepped up its focus on energy efficiency within its operations, delivering a 4,7% improvement in efficiency. In terms of spend, electricity makes up most of the energy cost with a smaller share of natural gas, biomass, heat, fuel oil and LPG. To give an indication of the potential financial impact, based on 2023 data, a 20% increase in costs related to energy used in SKF operations would impact the Group's result by around SEK 340 million. SKF also works to improve energy and carbon efficiency in its supply chain – as described in later in this section.

Transformation of the automotive industry
Electrification is a strong trend in many industries, especially in the automotive industry. The growing market of electric and connected vehicles is positive for SKF, as the bearings play an important role in these applications. Today, SKF has a portfolio of innovative solutions that enable robust and efficient e-powertrain drives.

SKF's innovation within the automotive sector focuses on the technology transformation heading to a net-zero vehicle market. SKF is partnering with key OEMs and tier 1 pioneers for the launch of fully electric vehicles, for example, by providing a complete package offering of bearings and seals featuring high speed, thin sections and electric current insulation options. Power density and friction reduction are some of the main drivers of current and new vehicles. SKF has become a leader by developing low friction bearings for electric vehicles.

The specific requirements for electrification such as bearing features for high speed and electric current insulation have considerably increased the value for bearings. Transmission electrification results in bigger bearing sizes, and more innovative features both on seals and bearings. Through analysis and financial simulations, the conclusion is that SKF is well positioned for the transition to fully electric vehicles and that the opportunity outweighs the risk.

Growth of cleantech, including wind energy generation
Cleantech covers all businesses in SKF which provide a sustainable output, for example, wind and tidal energy, remanufacturing, RecondOil circular use of oil, the Rotating Equipment Performance (REP) value proposition and specific applications that provide a reduced environmental footprint.

To build the position and capabilities within cleantech, SKF is accelerating the remanufacturing offer, scaling magnetic bearings and other low friction applications.

SKF has also made several acquisitions in the field, e.g. in laser cladding to improve offers within the circular economy by increasing the possibilities to remanufacture worn products instead of scrapping them.

SKF is finding and developing new cleantech applications, solutions and technologies, for example, through partnerships, business development and acquisitions. This is an area where SKF is looking at possibilities outside the core business, around the rotating shaft, to see if they can provide a significant environmental or sustainability impact.

A significant opportunity is the investments in wind energy production, which are projected to increase in the years up until 2030 and then accelerate even further up to 2050. SKF offers both products and services for the wind market. SKF technology and solutions enable wind farm operators to optimize the efficiency and thereby the competitiveness of wind turbines. The wind industry is growing worldwide and SKF sees a large business potential in sales of both products and services. SKF reports the specific revenues from cleantech industries, in 2023 this amounted to 10.6 BSEK (see page 112).

SKF reports in accordance with the EU Taxonomy, see pages 102–105 and work to ensure alignment in the future.

An increasingly important factor for winning new business is how a solution contributes to the customer's climate footprint. The combination of SKF's offering and internal commitment to reduce the impact of SKF's operations will continue to be a source of competitive advantage in the future. Industries will adopt new and efficient business models, which are less dependent on physical resources and generate less climate impact.

Energy and material efficient manufacturing operations in SKF
New technologies such as digitalization and automation, the use of sensors and AI etc. will support further improvements in energy and material efficiency of SKF manufacturing operations. The result will be lower costs, better material utilization and a significantly lower carbon footprint for the SKF factories and the products they produce.

Mitigation actions and resilience of SKF's strategy

Scenario analysis
Building on the previously executed IEA SDS scenario analysis, in 2023 SKF has applied the IEA Net Zero 2050 scenario with an updated process. This involved identifying several key output variables from the scenario and reviewing these to identify and quantify potential financial impacts upon SKF.

A quantitative study was undertaken by a cross-functional team from SKF's strategy and net-zero functions, who coordinated this process and worked directly with colleagues from various functions to conduct the analysis. The functions involved were: Sales and Marketing; Business Development; Manufacturing Operations; Loss Prevention & Risk; Purchasing; Group Legal; Group Real Estate and Facility Management; and Group Sustainability.

SKF has developed a bottom-up and top-down approach towards physical risk scenario analysis. The bottom-up approach is long standing and based on the Group's EHS management system and loss prevention processes. Operating units are required to identify physical risks including those related to climate change and develop mitigation measures based on this. SKF is in the process of developing the bottom up climate physical risk management approach and is deploying an externally sourced tool to support SKF and suppliers operations in the identification and evaluation of relevant risks. This tool will be introduced during 2024. The top-down approach has been developed during 2023 and is based on the RCP 6.0 scenario. The cross functional team has performed a quantitative and qualitative assessment of the potential risks and the effectiveness of existing mitigation measures.

The input from these investigations resulted in an updated list with the major climate-related risks and opportunities. Actions to meet these risks and opportunities were identified and discussed.

For more information, please refer to section 3 of SKF's 2023 CDP response.

The IEA NetZero 2050 scenario aims for no net greenhouse gas emissions by 2050, an aggressive scenario in terms of policy changes and legal requirements. The RCP 6.0 scenario assumes global temperature increase and

TCFD, cont.

rising sea level, causing systematic and acute weather events such as storms and floodings.

With this approach, SKF has included the quantitative perspective on climate-related risks and opportunities in the scenario analysis using the TCFD framework. The time frame for the scenario analysis is 2030.

A shortlist of the risks and opportunities and their related financial impact until 2030 was estimated together with Group Finance and SKF subject matter experts within the respective field. Based on the conclusions from the scenario analysis, further understanding of climate related risks and opportunities was achieved and resulted in updated actions that SKF will drive going forward. Further work and refinement will be conducted on a yearly basis.

The risk and opportunity assessment together with the scenario analysis have shown that climate-related risks in the short- and medium-term time horizons are limited. However in the long-term time horizon there are some risks.

The risk of SKF holding stranded assets is negligible due to the diversified customer base and policies defined to avoid investments in fossil based assets for the Group operations.

SKF's diversification in terms of products, markets, manufacturing location and currencies used reduces SKF's overall exposure to business risks, and the specific mitigation measures in place or planned mean that SKF do not consider the climate related risks to be substantive according to the above definition.

However, with the green transformation the world is going through, SKF believes that there are substantive opportunities in the short- and medium term time horizons, and especially the long-term horizon. These opportunities include our potential to provide products and solutions that are, or will be needed to enable many aspects of the climate transformation. For example electrification of transport and industry, growth of renewable energy capacity, and decarbonization of heavy industries like steel. The business strategy will be continually adapted and adjusted to mitigate the risks and manage the opportunities coming up with a stronger focus in society to combat climate change. More information (including quantification) of these opportunities can be found in Section 2.4a of SKF's 2023 CDP response.

Products and services

SKF is well-positioned to enable reduced greenhouse gas emissions in customer industries and applications. SKF's products and solutions help to reduce friction and enable reliable rotation, which leads to reduced energy use and greenhouse gas emissions in customer applications. SKF also provides products and services enabling the growth of cleantech industries, such as renewable energy generation, electric vehicles, etc.

SKF is focusing on the environmental benefits of products, services and customer solutions, including increased energy efficiency, reduced greenhouse gas emissions, improved safety, reduced water use, increased lifetime of applications, increased material efficiency, reduced noise levels and more.

For many years, SKF has built up knowledge around lifecycle management and worked closely with customers to reduce or avoid greenhouse gas emissions. Already in 2005, SKF introduced its BeyondZero concept in this regard. SKF has established guidelines for product development, environmental pre-evaluation tools and guidelines for quantifying and communicating sustainability performance.

The shift to a more circular way of doing business is changing the way business is done and how SKF provides value to customers. By combining sensor technology with direct access to SKF expertise and analysis from the REP centres, customers can perform condition-based maintenance to avoid costly unplanned downtime. By creating and capturing customer value through e.g. fee-based business models with incentives based on key performance indicators, the interests of SKF and the customers are aligned to reduce cost, safety risks and environmental impacts.

Supply chain

The GHG emissions resulting from the production of the raw materials and components which SKF buys are significantly larger than those which result from SKF's direct manufacturing operations. For several years, SKF has worked to influence energy intensive suppliers to implement energy management systems certified according to ISO 50001. The Group also works to reduce emissions from transportation.

SKF has accelerated the collection of energy and greenhouse gas emission data from its major steel and forging suppliers representing most of the value, weight and environmental impact in the upstream supply chain and is now able to publicly report this data.

Organizational carbon footprints of SKF show that, of all the raw material inputs, steel production generates the most significant greenhouse gas impact (occurring 'cradle to gate' – raw material to finished SKF product). SKF is acting to measure and reduce this impact in accordance with its net-zero strategy. This involves working directly with steel suppliers as well as advocating for the needed changes through active membership of multi-stakeholder initiatives such as SteelZero and the ResponsibleSteel initiative. SKF is piloting internal shadow carbon pricing in certain markets, and intends to expand the scope further during 2024.

SKF also works to develop new business models to reduce environmental impact alongside cost. For example, SKF works to predict maintenance and enable cost-effective repairs and services within the customers processes. This reduces unplanned shutdowns, which are very often linked to significant waste of energy, materials and related greenhouse gas emissions. In addition, SKF works to bring back bearings and units for refurbishment or remanufacturing – a process which can cut energy and emissions by up to 90%, compared to the production of a new bearing.

Research and development

In 2019, SKF was one of the first industrial companies ever to issue a Green Bond and a second bond was issued in 2022. The bonds raised EUR 300 million and EUR 400 million respectively to fund eligible green projects in accordance with the Group's Green Finance Framework, which was launched in 2019. R&D projects targeting cleantech, as well as green products and processes, are eligible for Green Bond financing. For example, SKF's R&D focusing on technologies and products for renewable energy generation, electric vehicles and railway applications will help to improve the performance of current cleantech technologies, as well as enable new cleantech innovations. Thereby, SKF aims to support the growth of these technologies and industries which, in turn, will help to reduce environmental impact on a large scale. As an example of strategic research activities, SKF has joined the Center for Hydrogen Energy Systems Sweden – CH2ESS at Luleå University of Technology to enable the transition to steel with low embodied carbon.

Operations

SKF has an energy management system globally certified according to ISO 50001. SKF has a centralized function to manage strategic energy sourcing decisions for the Group,

To increase focus and drive improvements in both energy and greenhouse gas emission performance, SKF has defined yearly energy efficiency targets for all major manufacturing units and progress towards these targets is followed up unit by unit, month by month.

In addition to this SKF, has defined policies and allocated investment frames to decarbonize it operations by 2030 as explained in the section on 'SKF's own operations – scope 1 and 2' on page 106. SKF includes climate performance in both short and long variable salary (bonus) schemes, see page 157.

TCFD, cont.

Risk management

Risk identification, evaluation and response are carried out within the operations through several means, such as Group policies and instructions, training, management systems, reporting reviews and approval processes. All are coordinated and overseen by the related Group functions.

Risk	Mitigation
Current and emerging regulations	The Group's energy and EHS management systems assure that SKF operations are up to date with applicable current regulations and have adequate ways of addressing them. Obligations on emissions reporting are followed via implementation of relevant reporting frameworks such as the GRI Standards. Group Sustainability's work includes mapping of relevant trends from a legislative perspective, including for example, impacts from current energy and carbon related regulations, such as, carbon tax and carbon emissions trading schemes, banned substances or other product material compliance issues.
Technology risks	Climate risks and opportunities are integrated into SKF's overall R&D strategy development process. The approach used is based on PESTEL with input received through a structured stakeholder analysis. Throughout the year, there is a continuous patent watch with special focus in the steels and materials area and looking into competitors' filings and scenario outputs.
Legal risks	SKF considers the risk of legal non-compliance climate-related risk for the Group to be very low. SKF is not a heavy emitting industry and has a well-established way of working to measure, report and mitigate the climate impact related both to its operations and to the products and services provided to customers. Inclusion in the EU Emissions Trading System is an example of a legal risk. SKF's EHS management system assures that we are aware of any such legal obligations.
Market risks	Bearing Market Information (BMI) is SKF's key instrument to understand and monitor the sizes and structures of the markets for rolling bearings. It gives an understanding of the SKF market position and the market share development compared to competitors. Climate related trends and market developments are integrated and captured within the BMI process. The work also includes mapping of relevant trends from a macroeconomic perspective, including, for example, sustainability drivers.
Reputational risks	SKF's performance and credibility in the climate-related area is very important. Poor performance and/or associated stakeholder perception is judged as a potential risk for negative impact on the brand value. To mitigate this risk, SKF tries, for example, to be as transparent as possible regarding the climate impact, not only from SKF's own operations, but from a value chain perspective. SKF reports on scope 1, scope 2, and some scope 3 emissions through the Annual Report. The data is third-party verified to improve quality and credibility.
Physical risks	SKF has a globally unified EHS management system, which is certified according to the ISO 14001, ISO 45001 and ISO 50001 management standards. This system requires that all sites conduct regular risk assessments including the identification of physical climate-related risks such as flooding, water shortages or forest fires which could impact the facilities. SKF also incorporates the identification of such risks into the due diligence process when building new facilities or acquiring companies. In addition, SKF's loss prevention activities require that site-level risks of flooding and related scenarios are captured through Flood Emergency Response Plans, which are part of SKF's loss prevention activities with processes for assessing the potential size and scope of identified climate-related risks.

GRI content index

Statement of use AB SKF has reported in accordance with the GRI Standards for the period 2023-01-01–2023-12-31
GRI 1 used GRI 1: Foundation 2021
Applicable GRI Sector Standard(s) No applicable GRI sector standards exists

			Omission		
GRI standard/Other source	Disclosure	Location	Requirement(s) omitted	Reason	Explanation
GENERAL DISCLOSURES					
GRI 2: General Disclosures 2021	**2-1** Organizational details	4–6 and 95			
	2-2 Entities included in the organization's sustainability reporting	87–89			
	2-3 Reporting period, frequency and contact point	101			
	2-4 Restatements of information	101			
	2-5 External assurance	101 and 139			
	2-6 Activities, value chain and other business relationships	15–27			
	2-7 Employees	114–121			
	2-8 Workers who are not employees	116			
	2-9 Governance structure and composition	140–148			
	2-10 Nomination and selection of the highest governance body	140–148			
	2-11 Chair of the highest governance body	140–148			
	2-12 Role of the highest governance body in overseeing the management of impacts	95			
	2-13 Delegation of responsibility for managing impacts	95			
	2-14 Role of the highest governance body in sustainability reporting	95			
	2-15 Conflicts of interest	74			
	2-16 Communication of critical concerns	124			
	2-17 Collective knowledge of the highest governance body	95			
	2-18 Evaluation of the performance of the highest governance body	140–148			
	2-19 Remuneration policies	74–77			
	2-20 Process to determine remuneration	74–77			
	2-21 Annual total compensation ratio	—		Information unavailable /incomplete	The median annual total compensation for all employees and the median percentage increase in total compensation for all employees has not been collected yet. Base salary for blue collar workers, local short-term variable pay, long-term variable pay and other remuneration and benefits cannot be obtained to calculate total compensation, as this data is not stored in the global HR system. This applies to all locations and legal entities. The remuneration and change of remuneration for the President compared to the remuneration and change of the average remuneration of employees in AB SKF is reported in the Remuneration Report.

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Reason	Explanation
GENERAL DISCLOSURES CONT.					
	2-22 Statement on sustainable development strategy	15–27			
	2-23 Policy commitments	96			
	2-24 Embedding policy commitments	96			
	2-25 Processes to remediate negative impacts	96–133			
	2-26 Mechanisms for seeking advice and raising concerns	124			
	2-27 Compliance with laws and regulations	124			
	2-28 Membership associations	96			
	2-29 Approach to stakeholder engagement	97			
	2-30 Collective bargaining agreements	116			
MATERIAL TOPICS					
GRI 3: Material Topics 2021	**3-1** Process to determine material topics	98			
	3-2 List of material topics	98			
Anti-corruption and competition law					
GRI 3: Material Topics 2021	**3-3** Management approach	125			
GRI 205: Anti-corruption 2016	**205-1** Operations assessed for risks related to corruption	125			
	205-3 Confirmed incidents of corruption and actions taken	125			
GRI 206: Anti-competitive Behavior 2016	**206-1** Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	125			
Enabling cleantech growth					
GRI 3: Material Topics 2021	**3-3** Management approach	112			
SKF Specific topic	Revenue from sales to cleantech areas	112			
Energy use and efficiency, climate change and greenhouse gas emissions					
GRI 3: Material Topics 2021	**3-3** Management approach	106			
GRI 302: Energy 2016	**302-1** Energy consumption within the organization	110			
	302-3 Energy intensity	110			
	302-4 Reduction of energy consumption	110			
GRI 305: Emissions 2016	**305-1** Direct (Scope 1) GHG emissions	110			
	305-2 Energy indirect (Scope 2) GHG emissions	110			
	305-3 Other indirect (Scope 3) GHG emissions	110			SKF has substantially increased the scope of scope 3 reporting in 2022 to include a significant amount to the emissions related to its direct material suppliers (steel and forging suppliers), however this does not cover the entire potentially applicable Scope 3 emissions. SKF intends to continue to increase the scope of reported Scope 3 emissions in the coming years.
	305-4 GHG emissions intensity	111			

			Omission		
GRI standard/Other source	Disclosure	Location	Requirement(s) omitted	Reason	Explanation
MATERIAL TOPICS CONT.					
Material waste and environmental compliance					
GRI 3: Material Topics 2021	**3-3** Management approach	112			
GRI 301: Materials 2016	**301-1** Materials used by weight or volume	113			
GRI 303: Water and Effluents 2018	**303-1** Interactions with water as a shared resource	128			
	303-2 Management of water discharge-related impacts	128			
	303-3 Water withdrawal	128			
	303-4 Water discharge	128			Water discharge follows regional regulations. The flow is going to local sewage systems or to surface water flow in compliance to mentioned regulations for the quality of discharged water (suspension, temperature, etc.). Metered discharge flows are thus not reported.
GRI 306: Waste 2020	**306-2** Management of significant waste-related impacts	113			
	306-3 Waste generated	113			
	306-4 Waste diverted from disposal	113			
	306-5 Waste directed to disposal	113			SKF reports only grinding swarf separately as its main hazardous waste.
GRI 307: Environmental Compliance 2016	**307-1** Non-compliance with environmental laws and regulations	113			
Resource outflows		113, 132			Resource outflow is a new material topic 2023. SKF aims to build reporting including KPIs on this topic going forward but this information is not available when publishing this report.
Employment					
GRI 3: Material Topics 2021	**3-3** Management approach	114			
GRI 401: Employment 2016	**401-1** New employee hires and employee turnover	115			
Labor/management relations					
GRI 3: Material Topics 2021	**3-3** Management approach	116			
GRI 402: Labour/Management Relations 2016	**402-1** Minimum notice periods regarding operational changes	116			

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Reason	Explanation
MATERIAL TOPICS CONT.					
Occupational health and safety					
GRI 3: Material Topics 2021	**3-3** Management approach	117			
GRI 403: Occupational Health and Safety 2018	**403-1** Occupational health and safety management system	117			
	403-2 Hazard identification, risk assessment, and incident investigation	117			
	403-3 Occupational health services	117			
	403-4 Worker participation, consultation, and communication on occupational health and safety	118			
	403-5 Worker training on occupational health and safety	118			
	403-6 Promotion of worker health	118			
	403-7 Prevention and mitigation of occupa-tional health and safety impacts directly linked by business relationships	118			
	403-8 Workers covered by an occupational health and safety management system	118			
	403-9 Work-related injuries	118			
Training and education					
GRI 3: Material Topics 2021	**3-3** Management approach	119			
GRI 404: Training and Education 2016	**404-2** Programs for upgrading employee skills and transition assistance programs	119			
	404-3 Percentage of employees receiving regular performance and career development reviews	119			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	**3-3** Management approach	120			
GRI 405: Diversity and Equal Opportunity 2016	**405-1** Diversity of governance bodies and employees	120–121			
	405-2 Ratio of basic salary and remuneration of women to men	121			

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Reason	Explanation
MATERIAL TOPICS CONT.					
Human rights and non-discrimination					
GRI 3: Material Topics 2021	**3-3** Management approach	122			
GRI 406: Non-discrimination 2016	**406-1** Incidents of discrimination and corrective actions taken	123			
GRI 407: Freedom of Association and Collective Bargaining 2016	**407-1** Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	123			
GRI 408: Child Labour 2016	**408-1** Operations and suppliers at significant risk for incidents of child labour	123			
GRI 409: Forced or Compulsory Labour 2016	**409-1** Operations and suppliers at significant risk for incidents of forced or compulsory labour	123			
	412-1 Operations that have been subject to human rights reviews or impact assessments	123			
Supplier assessments					
GRI 3: Material Topics 2021	**3-3** Management approach	126			
GRI 308: Supplier Environmental Assessment 2016	**308-1** New suppliers that were screened using environmental criteria	127			Percentage cannot be disclosed. The total number of new suppliers is not known.
	308-2 Negative environmental impacts in the supply chain and actions taken	127			138 suppliers have been audited, total number of suppliers assessed in other ways cannot be disclosed.
GRI 414: Supplier Social Assessment 2016	**414-1** New suppliers that were screened using social criteria	127			
	414-2 Negative social impacts in the supply chain and actions taken	127			
Socioeconomic compliance					
GRI 3: Material Topics 2021	**3-3** Management approach	124			
GRI 2-27: Compliance with laws and regulations	**2-27** Non-compliance with laws and regulations in the social and economic area	124			

Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report

To AB SKF (publ), corporate identity number 556007-3495

Introduction

We have been engaged by the Board of Directors of AB SKF to undertake a limited assurance engagement of the AB SKF Sustainability Report for the year 2023. The Company has defined the scope of the Sustainability Report on page 3 in connection to the table of content in Annual Report and the Statutory Sustainability Report on page 101.

Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 101 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of AB SKF in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

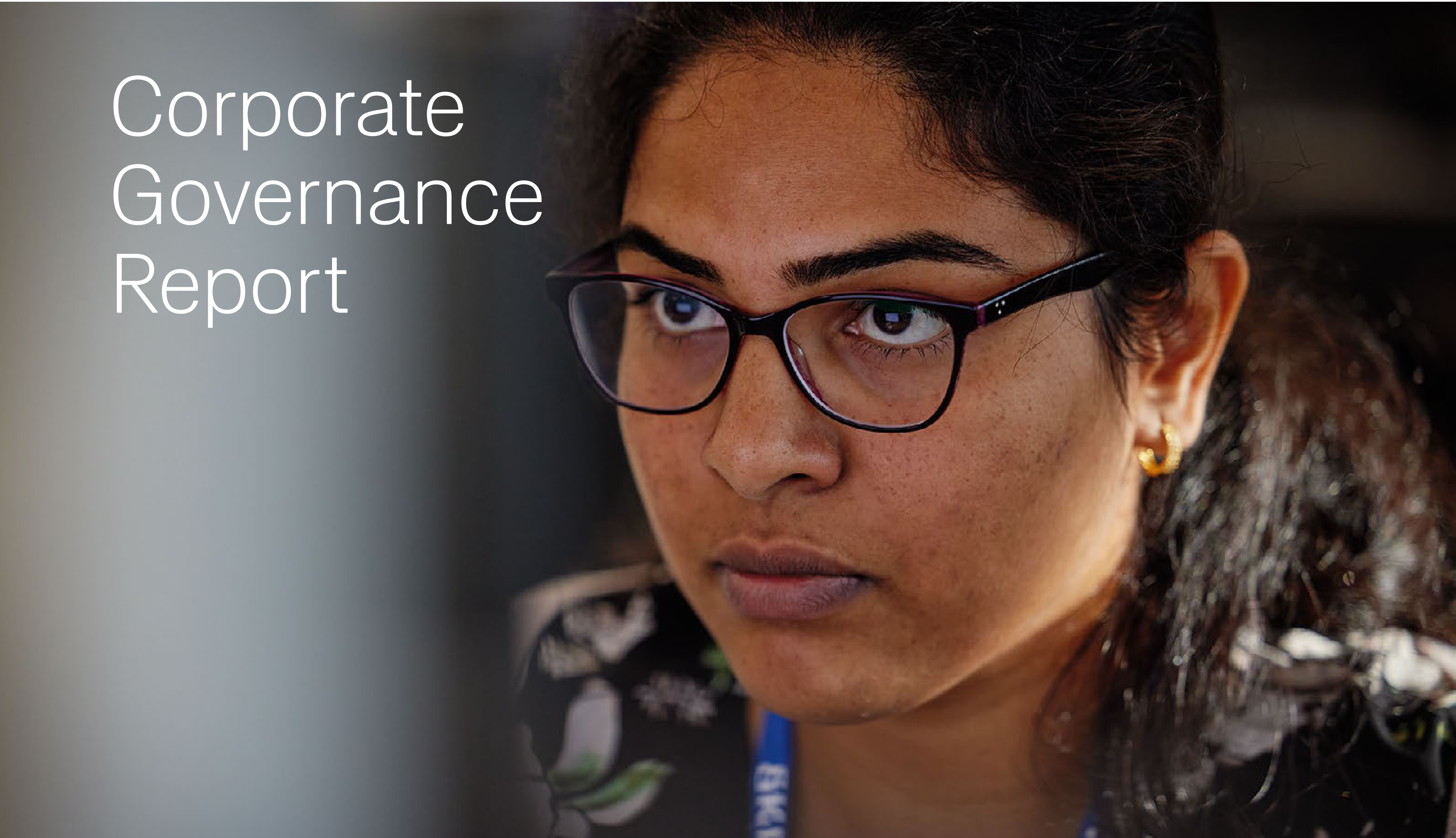
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Gothenburg, March 4, 2024
Deloitte AB

Hans Warén	Lennart Nordqvist
Authorized Public Accountant	*Expert Member of FAR*

Corporate Governance Report



Introduction

SKF applies the principles of sound corporate governance as an instrument for increased competitiveness and to promote confidence in SKF among all stakeholders. Among other things, this means that the company maintains an efficient organizational structure with clear areas of responsibility and clear rules for delegation and decision making together with an accountability framework, that the financial and sustainability reporting is transparent and that processes governing such reporting is paved by a robust risk management and assurance framework and that the company in all respects maintains good corporate citizenship.

SKF is purposefully working to ensure sustainability, ethics and compliance to achieve a positive development over the short, medium and long term. More information is found on pages 124–125 in the Sustainability Report for the Group in the Annual Report 2023.

The corporate governance principles applied by SKF are based on Swedish law, in particular the Swedish Companies Act and the Swedish Annual Accounts Act, and the regulatory system of NASDAQ Stockholm AB (Stockholm Stock Exchange) as well as the Swedish Code of Corporate Governance (the "Code") issued by the Swedish Corporate Governance Board and the AB SKF Articles of Association.

Information under the Annual Accounts Act Chapter 6, § 6, sections 3–4, are found at pages 42–44 of the Administration Report for the Group in the Annual Report 2023.

Swedish Code of Corporate Governance

The Code was originally introduced on 1 July 2005 by the Swedish Corporate Governance Board. The Code has been revised several times since the introduction and the applicable Code is available at the website of the Swedish Corporate Governance Board, www.corporategovernanceboard.se.

It is considered good stock exchange practice for Swedish companies whose shares are traded on a regulated market to apply the Code. SKF applies the Code and this Corporate Governance Report has been prepared in accordance with the Code as well as the Swedish Annual Accounts Act. Furthermore, SKF has provided information on the company's website in line with the Code requirements. The Annual General Meeting in 2023 was also held in accordance with the Code rules. The auditor of the company has read and performed a statutory examination of the Corporate Governance Report.

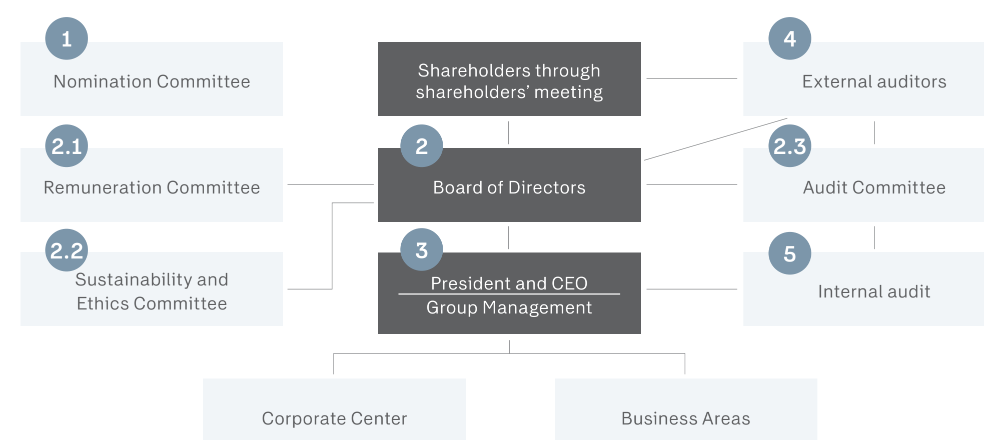
General information about how the company is managed

The shareholders' meeting is the company's highest decision-making body. An Annual General Meeting of shareholders shall be held annually and within six months after the end of the financial year. At the Annual General Meeting the shareholders may exercise their voting rights to part take in decision making of the company for e.g. in relation to the composition of the Board of Directors, adoption of principles of remuneration for Group Management and election of external auditors. SKF has issued A and B shares. An A share entitles the shareholder to one vote and a B share to one-tenth of a vote. In all other aspects, SKF's class A and B shares have the same rights.

The Board of Directors has a responsibility for the company's organisation and for the oversight of the management of the company's affairs and is, together with the President and Group Management defining and continuously monitoring SKF's purpose, strategy, values and drivers. The Chair of the Board of Directors shall direct the work of the Board and monitor that the Board fulfils its obligations. The Board of Directors annually adopts written rules of procedure for its internal work and written instructions. For more details on the rules of procedures and the written instructions, see below under the heading "Activities of the Board of Directors".

The President of the company, who is also the Chief Executive Officer, is appointed by the Board of Directors and handles the day-to-day management of the company's business in accordance with the guidelines and instructions from the Board. The approval of the Board of Directors is, for example, required in relation to investments and acquisitions above certain amounts, as well as for the appointment of certain senior managers. The President is supported by a Group Management team, see pages 150–151 in the Annual Report 2023.

SKF is organized in four industrial regions: The Americas, Europe, Middle East and Africa (EMEA), India and Southeast Asia (ISEA) and China and Northeast Asia (CNEA). There is one global Automotive business unit and additionally seven independent business units collectively referred to as Independent and Emerging Businesses. All of the above mentioned business areas are respectively accountable for their own operational and financial performance. Further, there is a lean corporate center consisting of six Group staff functions: Group Operations, Group Technology Development, Group Commercial Excellence Bearings, Group Finance, Group Legal & Compliance and Group People Experience & Communication. The management of SKF's operations is based on a decentralised operating model for the business areas achieving decision making close to the customer and the goal of serving customers with increased speed and responsiveness, however within a set of accountability frameworks ensuring compliance, risk management and synergies across the SKF Group. The corporate center govern these defined frameworks being fundamental requirements for the management of the SKF Group. Within these frameworks, defined processes, policies and instructions are in place to manage risk, strategically important matters, and ensure compliance. Furthermore, certain transactions/arrangements of high value or strategic importance are referred to the relevant decision-making bodies and ultimately the President and/or the Board of Directors.



1 Nomination Committee

At the Annual General Meeting of AB SKF it was resolved that the company shall have a Nomination Committee formed by four members appointed by each one of the four largest shareholders with regard to the number of votes held as well as the Chair of the Board of Directors. When constituting the Nomination Committee, the shareholdings per the last banking day in August each year would determine which shareholders are the largest with regard to the number of votes held. The names of the four members were to be published as soon as they had been elected, however, not later than six months before the next Annual General Meeting. The Nomination Committee shall remain in office until a new Nomination Committee has been appointed.

In a press release on 8 September 2023, it was announced that a Nomination Committee consisting of the following members, together with the Chair of the Board of Directors, had been appointed in preparation of the Annual General Meeting 2024:

- Marcus Wallenberg, FAM
- Philip Ahlgren, Cevian Capital
- Anders Algotsson, AFA Försäkring
- Anders Jonsson, Skandia

The Nomination Committee is to furnish proposals in the following matters to be presented to, and resolved by, the Annual General Meeting in 2024:

- proposal for Chair of the Annual General Meeting
- proposal for Board of Directors
- proposal for Chair of the Board of Directors
- proposal for remuneration to the Board of Directors
- to the extent deemed necessary, proposal for new instructions for the Nomination Committee.

The proposals of the Nomination Committee were published in a press release dated 23 January 2024 and in connection with the notice to the Annual General Meeting 2024.

2 The Board of Directors

Composition and remuneration of the Board

The Board of Directors shall, in addition to specially appointed members and deputies, according to the Articles of Association of SKF, comprise a minimum of five and a maximum of twelve Board members, with a maximum of five deputies. The Board members are elected each year at the Annual General Meeting for the period up to the end of the next Annual General Meeting.

The Nomination Committee proposes decisions to the Annual General Meeting regarding electoral and remuneration issues, including proposals for the composition and remuneration of the Board of Directors. As reflected in the Nomination Committee's statement regarding the composition of the proposed Board of Directors and the proposed remuneration presented to the Annual General Meeting 2023, the Nomination Committee has applied the provisions in the Code as diversity policy. The objectives of the diversity policy is for the Board of Directors to have a composition appropriate to the company's operations, phase of development and other relevant circumstances; that the Board members elected by the shareholders' meeting collectively are to exhibit diversity and breadth of qualifications, experience and background; and that the company is to strive for gender balance on the Board. The Annual General Meeting 2023 resolved to appoint Board members in accordance with the Nomination Committee's proposal.

Ten Board members, including the Chair, were elected at AB SKF's Annual General Meeting held in the spring of 2023. Colleen Repplier resigned from the Board of Directors. In addition, the SKF labor unions have appointed two Board members and two deputy Board members. No Board member, except for the President, is included in the management of the company.

Information on the composition and remuneration of the Board members decided upon by the Annual General Meeting 2023 can be found in the Annual Report 2023, Consolidated Financial Statements, Note 23.

Independence requirements

The Nomination Committee has a responsibility to take independence into consideration in its proposal for Board of Directors. The Board of Directors has been considered to comply with the requirements regarding independence of the Code. The table below shows the Board member's independence according to the requirements of the Code in relation to the company and major shareholders[1].

1) Major shareholders are defined as those controlling ten per cent or more of the shares or votes in the company.

Activities of the Board of Directors

The Board of Directors held eight meetings in 2023. The Board members were present at the Board meetings as described in the table below.

The Board of Directors adopts written rules of procedure annually for its internal work. These rules prescribe i.a.:

- the number of Board meetings and when they are to be held,
- the items normally included in the Board agenda, and
- the presentation to the Board of reports from the external auditors.

The Board of Directors has also issued written instructions on:

- when and how information required for the Board's assessment of the company's and the Group's financial position shall be collected and reported to the Board, and
- the allocation of the tasks between the Board and the President.

Name of the Board members elected by the Annual General Meeting	Independence in relation to the company/senior management	Independence in relation to the major shareholders[1] of the company
Hans Stråberg (Chair)	•	•
Håkan Buskhe (Vice Chair)	•	
Colleen Repplier (resigned in March 2023)	•	•
Hock Goh	•	•
Geert Follens	•	•
Susanna Schneeberger	•	•
Rickard Gustafson		•
Beth Ferreira	•	•
Therese Friberg	•	•
Richard Nilsson	•	
Niko Pakalén	•	•
Total	**9/10 (90%)**	**8/10 (80%)**

Issues dealt with by the Board of Directors in 2023 include i.a. strategy execution, market outlook, the impacts of the increased cost inflation, issues related to the war in Ukraine, cash flow and investment analysis, financial and sustainability reporting, capital structure, acquisitions and divestments of companies and the strategic review of the Aerospace business, the implementation of the new operating model, including material organizational changes of the Group and management issues.

The Board of Directors continuously evaluates economic, environmental and social aspects for the Group's performance and reviews specific issues such as accident rates, greenhouse gas emissions and Code of Conduct adherence.

Each new board member has to go through a general introduction training about the SKF Group. The Board of Directors visits on a regular basis different SKF sites in order to enhance knowledge about the SKF Group.

Name of the board member	Presence/Total number of meetings[1]
Hans Stråberg (Chair)	8/8
Håkan Buskhe (Vice Chair)	8/8
Colleen Repplier (resigned in March 2023)	2/2
Hock Goh	8/8
Geert Follens	8/8
Susanna Schneeberger	8/8
Rickard Gustafson	8/8
Beth Ferreira (elected in March 2023)	6/6
Therese Friberg (elected in March 2023)	5/6
Richard Nilsson (elected in March 2023)	6/6
Niko Pakalén (elected in March 2023)	6/6
Jonny Hilbert	8/8
Zarko Djurovic	8/8
Thomas Eliasson	8/8
Steve Norrman	7/8
Total presence in percentage	**98.1 %**

1) Total number of meetings is displayed for each board member, based on the number of board meetings held during the time they were each elected during the year.

2.1 Remuneration Committee

The Board of Directors of AB SKF has in accordance with the principles in the Code established a Remuneration Committee consisting of the Chair of the Board, Hans Stråberg as Chair, Vice Chair of the Board Håkan Buskhe and the board members Susanna Schneeberger and Niko Pakalén.

The Remuneration Committee prepares matters related to the principles of remuneration for Group Management and employment conditions for the President as well as supporting the succession planning for Group Management. The principles of remuneration for Group Management shall be submitted to the Board of Directors, which shall submit a proposal for such remuneration principles to the Annual General Meeting for approval at least every fourth year. The employment conditions for the President shall be approved by the Board of Directors.

The Remuneration Committee continuously monitors and evaluates the SKF Group's remuneration package for Group Management. No later than three weeks prior to the Annual General Meeting the Board of Directors submits on the company's website, in accordance with the Swedish Companies Act and the principles in the Code, a remuneration report.

The Remuneration Committee held three meetings in 2023. The members of the committee were present at the meetings as follows:

Name of the board member	Presence/Total number of meetings[1]
Hans Stråberg (Chair)	3/3
Håkan Buskhe	3/3
Colleen Repplier (resigned in March 2023)	1/1
Susanna Schneeberger (elected in March 2023)	1/2
Niko Pakalén (elected in March 2023)	2/2

2.2 Sustainability and Ethics Committee

The Board of Directors of AB SKF has established a Sustainability and Ethics Committee. The Sustainability and Ethics Committee consists of the Vice Chair of the Board, Håkan Buskhe, as Chair and the board members Hock Goh, Geert Follens and Niko Pakalén. The Sustainability and Ethics Committee oversees SKF's strategy related to ethics and sustainability. The work also includes to review, monitor and keep informed on the strategic objectives, initiatives, and the implementation thereof for a sustainable development of SKF based on SKF Care including SKF's values, employee organization including talent acquisition, development, retention and planning, business- and work ethics, compliance, community care, environment, health and safety. The Sustainability and Ethics Committee held two meetings in 2023. The members of the committee were present at the meetings as follows:

Name of the board member	Presence/Total number of meetings[1]
Håkan Buskhe (Chair)	2/2
Hock Goh	2/2
Geert Follens	2/2
Niko Pakalén (elected in March 2023)	2/2

2.3 Audit Committee

The Board of Directors of AB SKF has in accordance with the principles of the Swedish Companies Act and the Code appointed an Audit Committee. The Audit Committee consists of the Vice Chair of the Board, Håkan Buskhe, as Chair, the Chair of the Board, Hans Stråberg, and the board member Geert Follens, Therese Friberg and Richard Nilsson.

The Audit Committee oversees and ensures the quality and reliability of the accounting and financial and sustainability reporting processes and reports, monitors the effectiveness of the Group's internal control over financial and sustainability reporting, audit and risk management processes and the adequacy of the Group's controls for compliance with laws and regulations. The Audit Committee also reviews and monitors the work of external auditors as well as make preparations in relation to the nomination of external auditors.

The Audit Committee held six meetings in 2023. The members of the committee were present at the meetings as follows:

Name of the board member	Presence/Total number of meetings[1]
Hans Stråberg	6/6
Håkan Buskhe (Chair)	6/6
Geert Follens	6/6
Therese Friberg (elected in March 2023)	5/5
Richard Nilsson (elected in March 2023)	5/5

1) Total number of meetings is displayed for each board member, based on the number of board meetings held during the time they were each elected during the year.

Assessment

The members of the Board of Directors assess the quality of the work of the Board through the completion of a questionnaire and interviews, which reflect the Group's values and drivers including sustainability. The result is then discussed at a Board meeting. The Nomination Committee has been provided with the result of the assessment.

3 President and Chief Executive Officer

The Board of Directors has delegated the day-to-day management of AB SKF (publ) and the SKF Group's operations to the President and CEO, including an authorization to make decisions and govern issues that are not exclusively under the authority of the Board. It is the President and CEO's responsibility to implement and ensure that the SKF strategy, purpose, long term financial targets and operational objectives determined by the Board of Directors are carried out and that effective governance and control is maintained. The President and CEO is also responsible for preparing materials to the Board of Directors in front of the Board meetings and keeping the Board informed on SKF's financial position, development, risks and opportunities. The President and CEO's role, areas of responsibility and authorizations are described in more detail in the CEO instruction each year adopted by the Board of Directors. More information on SKF's President and CEO is found on page 146 in the Annual Report.

4 The auditor of the company

The task of the auditor is to audit, on behalf of the shareholders, the Annual Report including SKF's financial and sustainability reporting and reporting processes and also to audit the Board of Directors' and the President's management of the company.

The Annual General Meeting elects the auditor for a period of four years. The AB SKF's Annual General Meeting 2021, elected Deloitte AB (Deloitte) as auditor for the time up to the closing of the Annual General Meeting in 2025. Hans Warén is the auditor in charge.

Hans Warén has many years of experience as auditor in a number of other listed companies, and is currently the lead auditor for Industrivärden, Trelleborg and Atrium Ljungberg.

The auditor shall according to a resolution of the Annual General Meeting be remunerated in accordance with approved invoice. SKF has a procedure in place whereby all matters that are intended to be handled by the elected auditors are evaluated in relation to the independence requirements and are approved or, as the case may be, rejected, by the Audit Committee. Deloitte applies a similar procedure and issues annually, in addition thereto, a written statement to the Audit Committee stating that the audit firm is independent in relation to SKF.

Deloitte has during 2023 been involved in matters besides the audit assignment. These matters have primarily concerned tax and sustainability services. The total fees for Deloitte's services besides auditing in 2023 amount to MSEK 2.

Financial and sustainability reporting

The Board of Directors is responsible for documenting how the quality of the financial and sustainability reporting is secured and how the company communicates with its auditor.

The Audit Committee assists the Board of Directors by preparatory work to secure the quality of the company's financial and sustainability reporting. This is, for example, achieved through the Audit Committee's review of the financial and sustainability information and the company's internal financial controls.

The Board of Directors had one meeting with the auditors in 2023 and has been provided with the audit and its result. Within the scope of its work, which includes reviewing the extent of the external audit and evaluating the performance of the external auditors, the Audit Committee met with the auditors in connection with three Audit Committee meetings. In addition to that, the auditors gave both the Audit Committee and the Board of Directors information in writing regarding matters including the planning and implementation of the audit and an assessment of the risk position of the company.

The Board of Directors as of 31 December 2023

Hans Stråberg

Chair, Board member since 2018
Born 1957

Education and job experience
Master of Science in Engineering from Chalmers University of Technology, Gothenburg. President and CEO of Electrolux AB 2002–2010. Several leading positions within the Electrolux Group in Sweden and USA since 1983. Former EU Co-Chair TABD, Trans-Atlantic Business Dialogue.

Other assignments
Chair of Atlas Copco AB, Roxtec AB, CTEK AB and Anocca AB. Board member of Investor AB and Mellby Gård AB. Member of the Royal Swedish Academy of Engineering Sciences.

Shareholding
(own and/or held by related parties[1])
37,000 SKF B

Håkan Buskhe

Vice Chair, Board member since 2020
Born 1963

Education and job experience
Master of Science, Licentiate of Engineering, Chalmers University of Technology. CEO of FAM AB since 2020, owned by Wallenberg Investments AB. Previous senior positions include CEO of Saab AB, 2010–2019 and CEO of E.ON Nordic AB, 2008–2010.

Other assignments
Chair of IPCO AB, Vice Chair of Stora Enso Oyj, board member of FAM AB, Kopparfors Skogar AB, The Grand Group, Navigare Ventures AB, Qarlbo Energy AB and Swedish Defense University.

Shareholding
(own and/or held by related parties[1])
5,000 SKF B

Hock Goh

Board member since 2014
Born 1955

Education and job experience
Bachelor's degree (honours) in Mechanical Engineering from Monash University, Australia, completed the Advanced Management Program at INSEAD. Operating Partner of Baird Capital Partners Asia, 2005–2012. Several senior management positions in Schlumberger Limited, 1995–2005, President of Network and Infrastructure Solutions division in London, President Asia and Vice President and General Manager China.

Shareholding
(own and/or held by related parties[1])
0 SKF B

Geert Follens

Board member since 2019
Born 1959

Education and job experience
Master of Science in Electromechanical Engineering and a post graduate degree in Business Economics from the university of Leuven, Belgium. Senior Executive Vice President and Business Area President Vacuum Technique at Atlas Copco AB. Several leading positions within the Atlas Copco Group in Sweden, Belgium and the U.K. since 1995, including General Manager of Atlas Copco Compressor Technique customer center, President of the Portable Energy division and President of the Industrial Air division.

Shareholding
(own and/or held by related parties[1])
1,500 SKF B

Susanna Schneeberger

Board member since 2020
Born 1973

Education and job experience
Master of European Affairs (MBA) and Master of Science in International Business, Lund University. Senior advisor and several leading positions including Chief Digital Officer and executive board member of the KION Group, 2018–2020, CEO of Demag Cranes & Components, 2015–2018, and various senior positions in the Trelleborg Group 2007–2014.

Other assignments
Chair of Yunex GmbH. Board member of Concentric AB and Hempel A/S.

Shareholding
(own and/or held by related parties[1])
1,000 SKF B

1) SKF has chosen to apply the following definition of "related parties" when calculating the shareholdings: close relatives and legal entities set up for the benefit of the board member or his/hers close relatives.

Rickard Gustafson
President and Chief Executive Officer of AB SKF, Board member since 2021
Born 1964

Education and job experience
Master of science from the Institute of Technology at Linköping University. Previous senior positions include president and CEO of the SAS Group, CEO of the insurance company Codan/Trygg-Hansa and several positions within General Electric.

Other assignments
Board member of Telia Company and Confederation of Swedish Enterprise.

Shareholding (own and/or held by related parties[1])
9,600 SKF B

Beth Ferreira
Board member since 2023
Born 1973

Education and job experience
Bachelor of Science in International Studies, Emory University, Atlanta. Chief Executive Officer, Life Technology at IMI plc responsible for the Climate Control, Life Science & Fluid Control and Transport sectors. Other leading positions with IMI plc such as Divisional Managing Director, Precision Engineering 2020–2023. Previous senior positions also include multiple Group President roles at Illinois Tool Works (ITW) 2014–2020, and President of Belden Industrial Cables Group 2008–2014. Various marketing and commercial roles in Ingersoll Rand 1997–2008.

Shareholding (own and/or held by related parties[1])
0 SKF B

Therese Friberg
Board member since 2023
Born 1975

Education and job experience
Bachelor's Degree in Business Administration, Stockholm University. She is the Group CFO and Executive Vice President of Electrolux. Several leading positions within the Electrolux Group since 1999, including CFO, Major Appliances EMEA, Head of Group Business Control and Sector Controller Home Care & SDA.

Shareholding (own and/or held by related parties[1])
0 SKF B

Richard Nilsson
Board member since 2023
Born 1970

Education and job experience
Bachelor of Science in Business Administration and Economics, Lund University. Investment Director at FAM AB. Employed by FAM since 2008. Previous positions include equity research analyst at SEB Enskilda, 2000–2008, Alfred Berg 1995–2000 and Handelsbanken 1994–1995.

Other assignments
Board member of Stora Enso Oyj, IPCO Holding AB and Group companies, GROPYUS AG, Cinder Invest AB and TBox Sweden AB.

Shareholding (own and/or held by related parties[1])
5,000 SKF B

Niko Pakalén
Board member since 2023
Born 1986

Education and job experience
Master of science in Economy and Business Administration, Helsinki School of Economics (today Aalto University). Partner at Cevian Capital since 2017. Several management positions within Cevian Capital 2011–2016 and was before that associate at Danske Bank Corporate Finance 2009–2011.

Other assignments
Member of the Board of Metso Outotec Corporation and of Human Practice Foundation Sweden.

Shareholding (own and/or held by related parties[1])
0 SKF B

1) SKF has chosen to apply the following definition of "related parties" when calculating the shareholdings: close relatives and legal entities set up for the benefit of the board member or his/hers close relatives.




Employee representatives

Jonny Hilbert
Board member since 2015
Born 1981

Education and job experience
Employed in the SKF Group since 2005.

Other assignments
Chair Unionen, SKF, Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

Zarko Djurovic
Board member since 2015
Born 1977

Education and job experience
Employed in the SKF Group since 2006.

Other assignments
Chair Metalworker's Union, SKF, Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

Thomas Eliasson
Deputy Board member since 2021
Born 1965

Education and job experience
Employed in the SKF Group since 1984.

Other assignments
Chief Safety Representative and Board member of Unionen at SKF in Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

Steve Norrman
Deputy Board member since 2021
Born 1965

Education and job experience
Employed in the SKF Group since 1994.

Other assignments
Vice Chair and Safety Officer Metalworker's Union, SKF, Gothenburg.

Shareholding (own and/or held by related parties[1])
0 SKF B

1) SKF has chosen to apply the following definition of "related parties" when calculating the shareholdings: close relatives and legal entities set up for the benefit of the board member or his/hers close relatives.

5 Internal control and risk management regarding financial reporting

SKF uses the established framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as a foundation. SKF has implemented these requirements as a Group standard, SKF Internal Control Standard (SICS) for all Group Companies. Through its policies, instructions and organizational structure, SKF has documented the division of responsibility throughout the SKF organization. This is reflected in the fact that policies and instructions, where applicable, are developed on the basis of internationally accepted standards and/or best practice. Policies and instructions are reassessed by the responsible central function based on the need to adapt these to changes in requirements and legislation.

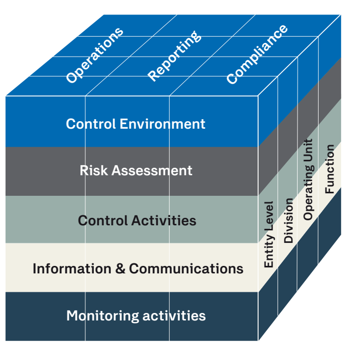
SKF is a process-oriented company and includes integrated risk assessment with the business processes such as business planning. In the area of control activities, SKF has documented all the critical finance processes and controls for the parent company and subsidiary companies. The documentation standards require that relevant controls in the business processes are described and performed. When deficiencies in individual controls are identified, action plans are created to remediate control gaps. A selection of defined control activities are tested annually. SKF has a risk approach to controls, control testing and actions to remediate control gaps. During 2023 self-assessments and control test activities have been performed in business processes cross the regions including also smaller entities that are not covered by external auditors.

SKF has information and communication systems and procedures in place in order to ensure the completeness and correctness of the financial reporting. Accounting and reporting instructions are updated when necessary. These instructions are available to all relevant employees together with training material. Changes to accounting and reporting instructions are communicated regularly. Detailed financial process and control documentation are stored centrally and/or locally. This enables access to individual control documentation and analysis of results from the testing of SKF's financial internal control system.

SKF has an internal control function, with the main responsibility to support the business to implement and maintain good internal control as well as to perform control testing to evaluate adherence with the framework and identify control weaknesses.

The internal audit department conducts high level risk-based process audits within prioritized areas. The internal audit and internal control functions report to the Global Finance Sustainability & Operation Director who regularly submits reports to the Audit Committee of the Board of Directors. The Board of Directors receives regular financial reports and the Group's financial position and development are discussed at every Board meeting. The Audit Committee of the Board of Directors reviews all interim and annual financial and sustainability reports before they are released to the public.

Gothenburg, 4 March 2024
The Board of Directors



Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in AB SKF (publ), corporate identity number 556007-3495

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2023-01-01–2023-12-31 on pages 141–148 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, March 4, 2024
Deloitte AB

Signature on Swedish original

Hans Warén
Authorised Public Accountant

Group Management as of 31 December 2023

Rickard Gustafson
President and CEO
Born 1964

MSc from the Institute of Technology at Linköping University, Sweden. Employed since 2021.

Previous positions
President and CEO of SAS Group, CEO of the insurance company Codan/Trygg Hansa and he has held several positions within General Electric.

Board member
Telia Company and The Confederation of Swedish Enterprise.

Shareholding
9,600 SKF B

John Schmidt
President, Industrial Region Americas
Born 1969

BSc in Mechanical Engineering from the Pennsylvania State University. Employed since 2001 and 1993–1998.

Previous positions
President, Industrial Sales Americas, President and CEO SKF USA Inc, Vice President Industrial Market NAM and several other positions within SKF.

Shareholding
29,254 SKF B

David Johansson
President, Industrial Region Europe Middle East and Africa
Born 1980

MSc in Industrial Marketing, Electrical Engineering at Chalmers University of Technology, Gothenburg. Employed since 2005.

Previous positions
President Automotive, Director, Global Railway and China Mobility business, Director, China Automotive, Aerospace and Railway business and several other positions within SKF.

Board member
SKF India Ltd.

Shareholding
2,159 SKF B

Henry Wang
President Industrial Region China and Northeast Asia
Born 1968

MBA from the University of Calgary and a Bachelor of Engineering from Shanghai Jiaotong University. Employed since 2022 and 1997–2019.

Previous positions
President of Alstom's operations in China, CEO of KUKA in China, Head of SKF Industrial Sales in China as well as several other positions within SKF.

Shareholding
0 SKF B

Manish Bhatnagar
President, Industrial Region India and Southeast Asia
Born 1969

MBA from Indian Institute of Management Calcutta, and B.E. in Electronics Engineering from Birla Institute of Technology & Science, Pilani, India. Employed since 2018.

Previous positions
Senior roles at General Electric and Danaher.

Board member
SKF India Ltd.

Shareholding
2,107 SKF B

Kerstin Enochsson
President, Automotive
Born 1975

Masters Degree in Law from Freie Universität, Berlin and MBA from ESCP-EAP European School of Management, Paris. Employed since 15 August 2023.

Previous positions
Head of Procurement and Supply Chain, Vice President Corporate Strategy & Project Office, both at Volvo Car Group. Global Director Parts at Volvo Construction Equipment and several other senior positions.

Shareholding
0 SKF B

Thomas Fröst
President, Independent and Emerging Business
Born 1962

Degree in Industrial Economics from Chalmers University of Technology. Employed since 1988.

Previous positions
President, Industrial Technologies, Director Industrial Units, Head of Industrial Marketing, and several other positions within SKF.

Shareholding
4,302 SKF B

Joakim Landholm
Senior Vice President Group Operations and Chief Sustainability Officer
Born 1969

MSc from Stockholm School of Economics.
Employed since 2022.

Previous positions
CEO Hector Rail, Chief Commercial Officer SAS and senior positions at Codan/Trygg Hansa and GE Capital.

Board member
SKF India Ltd.

Shareholding
4,090 SKF B

Annika Ölme
Chief Technology Officer and Senior Vice President, Technology Development
Born 1973

MSc in Electrical Engineering from Chalmers University of Technology and a MBA from Waikato University. Employed since 2022 and 2002–2017.

Previous positions
CTO and Head of Engineering at SAAB Radar Solutions, Managing Director of Arcam, a subsidiary of General Electric and several various positions within SKF.

Board member
Image Systems AB and Jacob Wallenberg Foundation

Shareholding
45 SKF B

Hans Landin
Senior Vice President, Group Commercial Excellence Bearings
Born 1972

MSc in Mechanical Engineering at Chalmers University of Technology, Gothenburg.
Employed since 1 August 2023.

Previous positions
Group Vice President and Officer and several other senior positions at the Timken Company.

Board member
Beijer Alma AB.

Shareholding
600 SKF B

Niclas Rosenlew
Chief Financial Officer and Senior Vice President, Group Finance
Born 1972

MSc in Finance, Hanken, Swedish School of Economics.
Employed since 2019.

Previous positions
Senior positions within Basware, Microsoft, Nokia and Deutsche Bank.

Shareholding
11,671 SKF B

Mathias Lyon
General Counsel and Senior Vice President, Group Legal and Compliance
Born 1975

Master of Laws, Faculty of Law at Lund University.
Employed since 2012.

Previous positions
SKF Deputy General Counsel and several other positions at Volvo, AstraZeneca, Mannheimer Swartling and Rosengrens.

Shareholding
2,615 SKF B

Ann-Sofie Zaks
Senior Vice President, Group People Experience and Communication
Born 1976

Bachelor's degree, Innovation Program with special focus on Behavioural Science from University college of Mälardalen.
Employed since 2001.

Previous positions
People Experience Director Bearing Operations, Program manager, Group People Transformation initiative and several other positions within SKF.

Board member
The International Council of Swedish Industry

Shareholding
6,414 SKF B

Changes in Group Management in 2023
Aldo Cedrone, interim President, Industrial Region Europe, Middle East and Africa, stepped down from his role in Group Management in August 2023.

Changes in Group Management in 2024
In February, Manish Bhatnagar, former President, Industrial Region India and Southeast Asia was appointed President, Industrial Region Americas. Fredrik Hallen, Director Finance, Controlling, IT & Digitalization in Industrial Region India and Southeast Asia, was appointed interim President, Industrial Region India and Southeast Asia.

John Schmidt, President, Industrial Region Americas, stepped down from his role in Group Management in February.

Seven-year review

MSEK unless otherwise stated	2023	2022	2021	2020	2019	2018	2017
Income statements							
Net sales	103,881	96,993	81,732	74,852	86,013	85,713	77,938
Operating income/expenses incl. associated comp.	–92,797	–88,401	–70,974	–67,783	–76,618	–74,664	–69,346
Operating profit	11,084	8,532	10,758	7,069	9,395	11,049	8,592
Financial income and expense, net	–1,903	–1,239	–695	–769	–926	–861	–934
Profit before taxes	9,181	7,293	10,063	6,300	8,469	10,188	7,658
Taxes	–2,404	–2,438	–2,484	–1,826	–2,677	–2,603	–1,898
Net profit	6,777	4,855	7,579	4,474	5,792	7,585	5,760
Balance sheets							
Intangible assets	17,007	18,193	16,942	16,242	18,397	17,722	17,360
Deferred tax assets	3,107	3,173	3,839	4,800	4,437	3,563	3,633
Property, plant and equipment	26,820	24,897	20,723	18,161	18,420	16,688	15,762
Right of use assets	2,961	3,084	2,661	2,517	2,991	—	—
Non-current financial and other assets	2,091	1,781	1,674	1,939	2,019	1,964	1,627
Inventories	23,194	26,052	20,997	15,733	18,051	17,826	17,122
Trade receivables	16,811	16,905	13,972	12,286	14,006	13,842	13,416
Other current assets	19,912	16,838	18,820	18,879	15,787	15,568	12,283
Total assets	**111,903**	**110,923**	**99,628**	**90,557**	**94,108**	**87,173**	**81,203**
Equity	54,956	54,043	45,365	35,712	37,366	35,452	29,823
Provisions for post-employment benefits	8,797	8,748	11,781	15,170	15,366	12,894	12,309
Deferred tax provisions	1,220	1,365	1,040	792	960	1,118	1,100
Other provisions	2,584	2,305	2,517	3,482	2,474	2,541	2,275
Financial liabilities	21,954	22,135	19,336	18,349	19,017	17,157	18,508
Trade payables	11,236	11,594	9,881	8,459	8,266	7,831	7,899
Other liabilities	11,156	10,733	9,709	8,593	10,659	10,180	9,289
Total equity and liabilities	**111,903**	**110,923**	**99,628**	**90,557**	**94,108**	**87,173**	**81,203**

MSEK unless otherwise stated	2023	2022	2021	2020	2019	2018	2017
Key figures[1]							
Operating margin, %	10.7	8.8	13.2	9.4	10.9	12.9	11.0
EBITA	11,741	9,173	11,340	7,681	10,008	11,541	9,064
EBITDA	15,381	12,316	14,064	10,470	12,892	13,522	10,916
Return on capital employed, %	13.3	10.6	14.8	9.8	13.2	17.6	14.2
Return on equity, %	12.0	9.5	18.8	12.1	15.7	22.8	20.4
Net working capital, % of sales	27.7	32.4	30.7	26.1	27.7	27.8	29.0
Net debt/equity, %	29.5	35.2	38.3	51.7	59.3	49.1	71.3
Net debt/EBITDA	1.1	1.5	1.2	1.8	1.7	1.3	1.9
Turnover of total assets, times	0.90	0.90	0.85	0.79	0.90	1.00	0.96
Gearing, %	35.2	35.6	40.5	48.0	47.1	45.0	49.9
Equity/assets, %	49.1	48.7	45.5	39.4	39.7	40.7	36.7
Net cash flow after investments before financing	7,916	295	2,100	5,259	4,953	8,326	4,753
Investments and employees							
Additions to property, plant and equipment	5,749	5,030	3,822	3,332	3,461	2,647	2,243
Research and development expenses	3,303	3,177	2,751	2,515	2,691	2,591	2,395
Patents – number of first filings	245	240	241	200	201	202	192
Average number of employees	39,672	40,773	40,861	38,385	41,559	42,565	43,814
Number of employees registered at 31 December	40,396	42,641	42,602	40,963	43,360	44,428	45,678

1) See page 154 for definitions.

Three-year review

MSEK unless otherwise stated	2023	2022[1]	2021[1]
Industrial			
Net sales	73,651	69,516	58,559
Operating profit	9,819	7,874	9,463
Operating margin, %	13.3	11.3	16.2
Assets and liabilities, net	50,483	50,469	43,410
Registered number of employees	34,044	35,991	35,539
Automotive			
Net sales	30,230	27,417	23,173
Operating profit	1,265	658	1,295
Operating margin, %	4.2	2.4	5.6
Assets and liabilities, net	14,548	15,177	10,587
Registered number of employees	4,062	4,023	3,969

1) Previously published figures have been restated to conform to the current Group structure. For more information refer to Note 2 in the consolidated financial statements.

Per-share data[1]

SEK per share unless otherwise stated	2023	2022	2021	2020	2019	2018	2017
Earnings per share	14.04	9.81	16.10	9.44	12.20	16.0	12.02
Dividend per A and B share	7.50[1]	7.00	7.00	6.50	3.00	6.00	5.50
Total dividends, MSEK	3,415[2]	3,188	3,188	2,960	1,366	2,732	2,504
Purchase price of B shares at year-end on NASDAQ Stockholm	201.30	159.15	214.5	213.4	189.4	134.5	182.2
Equity per share	116	114	96	75	78	74	62
Yield (B), %	3.7[2]	4.4	3.3	3.0	1.6	4.5	3.0
P/E ratio, B (share price/earnings per share)	14.3	16.2	13.3	22.6	15.5	8.4	15.2
Cash flow from operations, per share	30.27	12.4	11.5	18.2	20.7	18.3	14.1
Cash flow after investments and before financing, per share	17.38	0.7	4.6	11.6	10.9	18.3	10.4

1) See page 154 for definitions.
2) According to the Board's proposal for the year 2023.

Distribution of shareholding

Shareholding	Number of shareholders	%	Number of shares	%
1–1,000	68,532	89.25	14,395,617	3.16
1,001–10,000	7,539	9.82	19,981,873	4.38
10,001–	713	0.93	357,679,228	78.55
Anonymous ownership	—		63,294,350	13.90
	76,784	**100**	**455,351,068**	**100**

Source: Modular Finance as of 31 December 2023.

Definitions

SKF has applied the guidelines issued by ESMA (European Securities and Markets Authority) on APMs (Alternative Performance Measures). These key figures are not defined or specified in IFRS but provides complementary information to investors and other stakeholders on the company's performance. These measures are used internally by management, as a complement to IFRS measures, as basis for business decisions. The alternative performance measures, defined by SKF Group, may not be comparable to similar measures presented by other groups.

Adjusted operating profit
Operating profit excluding items affecting comparability.

Adjusted operating margin
Operating profit margin excluding items affecting comparability.

Average number of employees
Total number of working hours of registered employees, divided by the normal total working time for the period.

Basic earnings per share in SEK (as defined by IFRS)
Net profit less non-controlling interests divided by the ordinary number of shares.

Capital employed
Twelve months rolling average of total assets less the average of non-interest bearing liabilities.

Currency impact on operating profit
The effects of both translation and transaction flows based on current assumptions and exchange rates compared to the corresponding period last year.

Debt
Loans plus provisions for post-employment benefits, net.

Dividends pay-out ratio
Dividends paid in relation to net income for the year the dividend relates to.

EBITA (Earnings before interest, taxes and amortization)
Operating profit before amortizations.

EBITDA (Earnings before interest, taxes, depreciation and amortization)
Operating profit before depreciations, amortizations, and impairments.

Equity/assets ratio
Equity as a percentage of total assets.

Equity per share
Equity excluding non-controlling interests divided by the ordinary number of shares.

Gearing
Debt as a percentage of the sum of debt and equity.

Gross margin
Gross income as a percentage of net sales.

Items affecting comparability
Significant income/expenses that affects comparability between accounting periods. This includes, but is not limited to, restructuring costs, impairments and write-offs, currency exchange rate effects caused by devaluations and gains and losses on divestments of businesses.

Net debt
Debt less short-term financial assets excluding derivatives.

Net debt/EBITDA
Net debt, in relation to twelve months rolling EBITDA.

Net debt/equity
Net debt, as a percentage of equity.

Net working capital as % of annual sales (NWC)
Trade receivables plus inventory minus trade payables as a percentage of twelve months rolling net sales.

Operating margin
Operating profit, as a percentage of net sales.

Organic growth
Sales excluding effects of currency and acquired and divested businesses.

Revenue growth
Sales excluding effects of currency and divested businesses.

P/E ratio
Share price at year end dividend by basic earnings per share.

Registered number of employees
Total number of employees included in SKF's payroll at the end of the period.

Return on capital employed (ROCE)
Operating profit/loss plus interest income, as a percentage of twelve months rolling average of total assets less the average of non-interest bearing liabilities.

Return on equity (ROE)
Profit/loss after taxes as a percentage of twelve months rolling average of equity.

Turnover of total assets
Net sales in relation to twelve-month rolling average of total assets.

Total value added (TVA)
TVA is the operating profit, less the pre-tax cost of capital. The pre-tax cost of capital is based on a weighted cost of capital with a risk premium of 6% above the risk-free interest rate.

Alternative performance measures

MSEK unless otherwise stated	2023	2022
EBITA & EBITDA		
Net profit	6,777	4,855
Taxes	2,404	2,438
Financial income and expense, net	1,903	1,239
Operating profit	11,084	8,532
Amortizations of intangible assets	657	641
EBITA	**11,741**	**9,173**
Depreciation and impairments of intangible and tangible assets	3,640	3,143
EBITDA	**15,381**	**12,317**
Adjusted operating profit		
Operating profit	11,084	8,532
Items affecting comparability[1]	1,893	1,672
Adjusted operating profit	**12,977**	**10,204**
Net work capital (NWC), % of 12 months rolling sales		
Total net sales (rolling 12-months)	103,881	96,933
Inventory	23,194	26,052
Trade receivables	16,811	16,905
Trade payables	–11,236	–11,594
Net working capital	28,768	31,363
NWC, % of 12 months rolling sales	**27.7**	**32.4**
Return on Equity (ROE) for the 12-month period, %		
Net profit (rolling-12 months)	6,777	4,855
Equity (rolling 12-month average)	56,511	50,943
ROE for the 12-month period, %	**12.0**	**9.5**
Capital employed (rolling 12-months average)		
Total assets	115,434	108,014
Provisions	3,658	3,567
Other non-current liabilities	58	28
Trade payables	11,877	11,415
Other current liabilities	11,953	11,062
Non-interest bearing liabilities	27,546	26,073
Capital employed (rolling 12-months average)	**87,888**	**81,942**
Return on capital employed (ROCE) for the 12-month period, %		
Operating profit (rolling 12-months)	11,084	8,532
Interest income – external (rolling 12-months)	562	135
Operating profit plus interest income	11,645	8,667
Capital employed (rolling 12-months average)	87,888	81,942
ROCE for the 12-month period, %	**13.3**	**10.6**

1) For more information, see page 47.

MSEK unless otherwise stated	2023	2022
Adjusted return on capital employed (ROCE) for the 12-month period, %		
Adjusted operating profit (rolling 12-months)	12,977	10,204
Interest income – external (rolling 12-months)	562	135
Adjusted operating profit plus interest income	13,539	10,339
Capital employed (rolling 12-months average)	87,888	81,942
Adjusted ROCE for the 12-month period, %	**15.4**	**12.6**
Debt and Net debt		
Long term loans – total	15,325	18,175
Current financial liabilities	4,060	916
Short term derivative liabilities	–260	–111
Post-employment benefits – other	780	760
Post-employment benefits – pension	8,017	7,988
Defined benefit assets	–219	–127
Long term lease liabilities	2,207	2,286
Debt	**29,910**	**29,888**
Current financial assets	–14,053	–11,224
Short term derivative assets	334	370
Net debt	**16,191**	**19,034**
Gearing, %		
Shareholder's equity	54,956	54,043
Debt	29,910	29,888
Gearing, %	**35.2**	**35.6**
Equity/assets ratio, %		
Shareholder's equity	54,956	54,043
Total assets	111,903	110,923
Equity/assets ratio, %	**49.1**	**48.7**
Net debt/equity, %		
Shareholder's equity	54,956	54,043
Net debt	16,191	19,034
Net debt/equity, %	**29.5**	**35.2**
Net debt/equity, excl post-employment benefits, %		
Shareholder's equity	54,956	54,043
Net debt, excluding post-employment benefits	7,613	10,413
Net debt/equity, excl post-employment benefits, %	**13.9**	**19.3**
Net debt/EBITDA		
Net debt	16,191	19,034
EBITDA (rolling 12 months)	15,381	12,317
Net debt/EBITDA	**1.1**	**1.5**

General information

Annual General Meeting

The Annual General Meeting will be held at Radisson Blu Scandinavia Hotel, Södra Hamngatan 59, Gothenburg, Sweden, at 14.00 on Tuesday, 26 March 2024.

The Board of Directors has decided that the shareholders shall be able to exercise their voting rights by postal voting in accordance with the company's articles of association.

More information about the Annual General Meeting including preconditions for participation and instructions for postal voting can be found in the notice and is available at www.skf.com.

Contact information

Sophie Arnius
Head of Investor Relations
email: sophie.arnius@skf.com
www.investors.skf.com

Carl Bjernstam
Head of Media Relations
email: carl.bjernstam@skf.com

SKF Group Headquarters
SE-415 50 Gothenburg, Sweden

Telephone: +46 31 337 10 00
www.skf.com
Company reg.no 556007-3495

Payment of dividend

The Board of Directors proposes a dividend of SEK 7.50 per share for 2023. Thursday, 28 March 2024 is proposed as the record date. Subject to resolution by the Annual General Meeting, it is expected that Euroclear will distribute the dividend on Thursday, 4 April 2024.

Financial information and reporting

Publishing dates for financial reports in 2024.

Annual Report 2023	4 March
Q1 report	26 April
Q2 report	18 July
Q3 report	30 October
Q4 report	31 January 2025

The reports are available in Swedish and English on investors.skf.com. A subscription service for press releases and interim reports, sent via e-mail or SMS, is available on the website.

Cautionary statement

This report contains forward-looking statements that are based on the current expectations of the management of SKF. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors mentioned in the Administration Report in this Annual Report.

AB SKF is obliged to make this Annual Report public pursuant to the Securities Markets Act. The report was submitted for publication at 4 March 2024 at 13.00 CET.

PUB GCR/R1 19776 EN · March 2024
SKF Annual Report 2023 was published on 4 March 2024.

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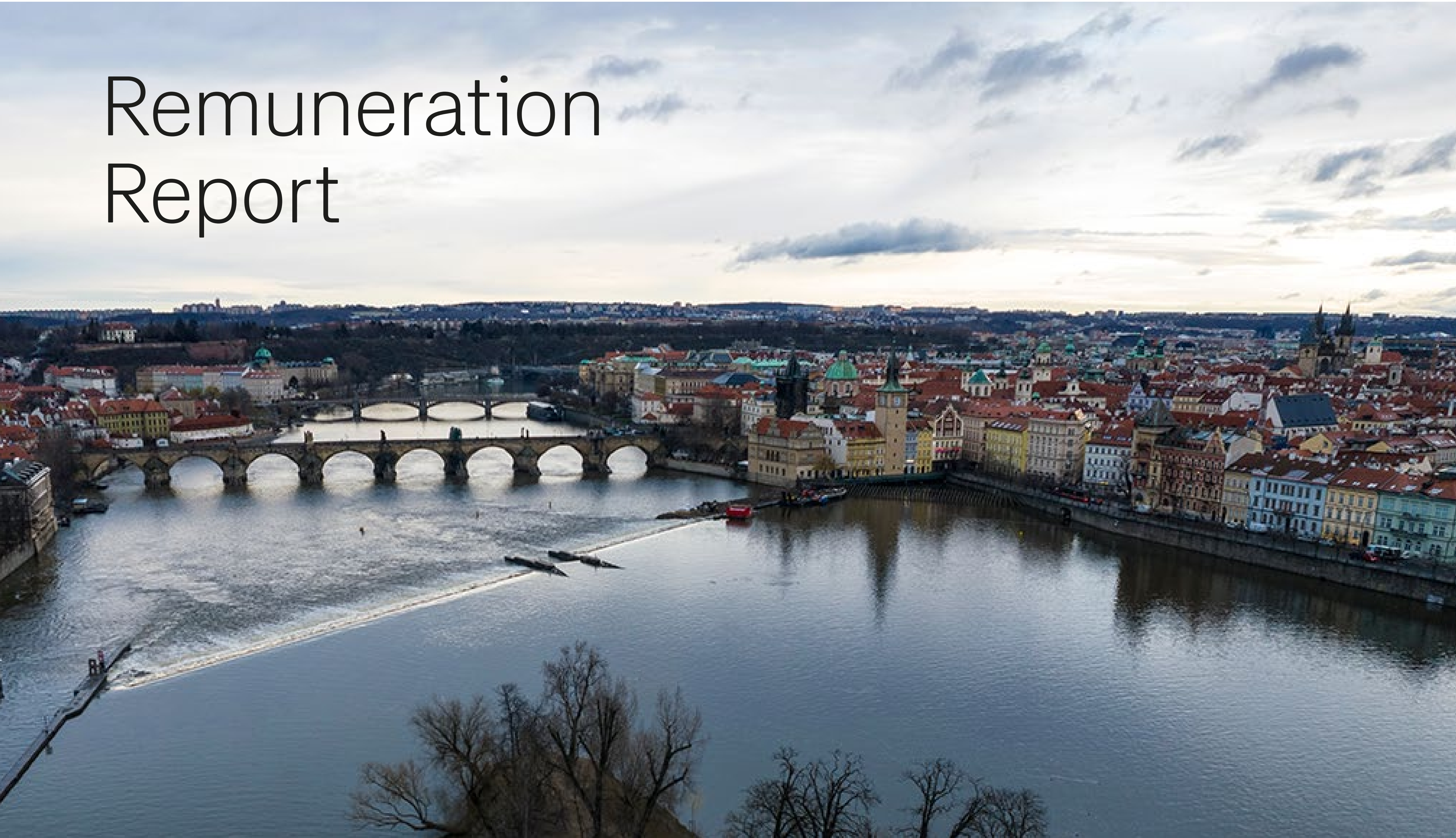
Remuneration Report



Introduction

This remuneration report provides an outline of how AB SKF's principles for remuneration for Group Management (the "remuneration principles"), adopted by the Annual General Meeting 2020 and revised in 2022, have been implemented in 2023. The report also provides details on the remuneration of AB SKF's CEO. In addition, the report contains a summary of AB SKF's outstanding share and share-price related incentive programs. The report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Rules on Remuneration to directors and Incentive programs issued by the Swedish Corporate Governance Board.

Information required by Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554) is available in note 23 on pages 75–77 in the company's annual report for 2023 (the "annual report 2023"). Information on the work of the Remuneration Committee in 2023 is set out in the corporate governance report, which is available on pages 140–151 in the company's annual report 2023.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 23 on page 74–77 in the company's annual report 2023.

Key developments 2023

The CEO summarizes the company's overall performance in his statement on pages 11–14 in the company's annual report 2023.

Overview of the application of the remuneration principles in 2023

The objective of the remuneration principles is to ensure that the SKF Group can attract and retain the best people in order to contribute to the SKF Group's mission and business strategy, its long-term interests and sustainability. Remuneration for Group Management shall be based on market competitive conditions and at the same time support the shareholders' best interests. Variable salary covered by the principles shall be linked to predetermined and measurable criteria, aiming to promote the SKF Group's business strategy and long-term interests, including its sustainability.

The total remuneration package for a Group Management member shall consist of the following components: fixed salary, variable salary, pension benefits, conditions for notice of termination and severance pay, and other benefits such as a company car. The components shall create a well-balanced remuneration reflecting individual performance and responsibility as well as the SKF Group's overall performance. The Annual General Meeting may also – irrespective of the principles – resolve on other remuneration components, e.g. SKF's Performance Share Programme. Hence, allotment of shares under the SKF Performance Share Programme is not covered by the remuneration principles and is reported separately under the heading share-based remuneration below.

The principles are found at the company's webpage, www.skf.com. The remuneration principles, adopted by the Annual General Meeting 2020 and revised in 2022, have been fully implemented.

No deviation from the principles have been decided and no derogations from the procedure for implementation of the principles have been made. The auditor's report regarding the company's compliance with the principles is available on www.skf.com. No remuneration has been reclaimed.

In addition to remuneration covered by the remuneration principles, the Annual General Meeting of the company have resolved to implement SKF Performance Share Programmes for senior managers and key employees.

Application of performance criteria related to the One-Year variable remuneration programme

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives, sustainability, short-term and long-term business priorities for 2023 have been taken into account.

Table 1 – Total CEO remuneration in 2023 (kSEK)

Table 1 below sets out total remuneration earned by AB SKF's CEO during 2023[1].

	Fixed remuneration		Variable remuneration					
Total remuneration	Base salary incl. vacation pay	Other benefits	One-year variable	Multi-year variable[2]	Extra ordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
Rickard Gustafson, CEO	14,970	222	8,928	6,297	–	5,573	35,990	58% / 42%

1) Disbursements may or may not have been made during the year.
2) The multi-year variable consists of shares received under SKF's Performance Share Program 2021. The CEO was invited to particiapte in SKF's Performance Share Program the first time in 2021. The performance period for the SKF Performance Share Program 2021 was between the year 2021 until and including 2023. PSP vesting shareprice was SEK 209.90.

The performance measures for the CEO's variable cash remuneration have been divided between adjusted operating margin, net working capital and organic growth. There is also one criterion linked to reduction of greenhouse gas emissions. To determine the range for the parameters, both the business plan and the final result of the year before is the baseline. The reduction of greenhouse gas emissions criterion is related to the SKF Group net-zero 2030 objective. During 2023, the financial performance measures were partly met and the net-zero 2030 measure was fully met. The outcome was therefore that 87% of the maximum variable cash remuneration was earned by the CEO during the year; 41% relating to adjusted operating margin, 36% relating to net working capital, 0% relating to organic growth and 10% related to the reduction of greenhouse gas emissions.

Comparative information on the change of remuneration and company performance

2020 was the first reference year and therefore no year over year changes for the previously reported financial years (RFY) will be presented. Coming years will be added so that the annual change over the last five years will be visible.

Share-based remuneration

Outstanding share-related incentive plans

Since 2008 the Annual General Meeting has resolved each year upon the SKF Performance Share Programme for senior managers and key employees. The SKF Performance Share Programmes for 2021–2023 have been ongoing during 2023.

The number of shares that may be allotted must be related to the degree of achievement of the Total Value Added (TVA) target level, as defined by the Board, for the TVA development during each of the calculation periods during the programme (each equaling one calendar year). From the SKF Performance Share Programme 2023 a performance criterion related to the CDP Climate Change score has been included in the programme. The performance criteria used to assess the outcome of the proposed SKF Performance Share Programme is distinctively linked to the business strategy and thereby to the SKF Group's long-term value creation, including its sustainability. These performance criteria include a clear link to the SKF Group's yearly growth, long-term financial targets and capital efficiency. Allotment of shares under the programme requires that the persons covered by the programme are employed in the SKF Group during entire calculation period. For further information on said SKF Performance Share Programme, including the criteria which the outcome depends on, please refer to the Board of Directors' proposal on SKF's Performance Share Programme 2023 which can be found on www.skf.com.

At the end of 2023, the SKF Performance Share Programme 2021 expired. Allotment of shares was subject to the satisfaction of performance conditions during the three-year period 2021–2023, compared to the financial year 2020. Since the threshold level of the TVA was met and the TVA target was fully met, as decided by the Board, the participants of the programme were awarded 100% allotment of shares under the programme. In total, around 562,000 SKF B shares were allotted under the programme. The CEO Rickard Gustafson, participated in the Performance Share Programme 2021 and was therefore awarded shares under the programme. The CEO was allotted 30,000 shares.

The CEO Rickard Gustafson participates in the Performance Share Programme 2022 and the Performance Share Programme 2023. Allotment of shares may be made following the expiry of the three-year calculation period, i.e. during 2025 and 2026 respectively, if all the conditions of the programme are met and the allotment is approved by the Board.

Table 2 – Change of remuneration and company performance over the last reported financial years (kSEK)

	2023	2023 vs. 2022	2022 vs. 2021	2021 vs. 2020
CEO remuneration[3]	35,990	+11,223 (+45%)	+868 (+3.6%)	+2,506 (+11.7%)
Adjusted operating profit[4]	12,997,000	+2,773,000 (+27%)	–635,000 (–5.9%)	+ 1,645,000(+17.9%)
Cash flow[5]	13,783,000	8,142,000 (+144%)	+393,000 (+7.5%)	–3,017,000 (–36.5%)
Average remuneration on a full-time equivalent basis of employees in AB SKF	1,137	+86 (+8%)	+3 (+0.3%)	+18 (+1.7%)

3) The development of the CEO remuneration between 2022 to 2023 relates to a +2% increase on the base salary, a 18% increase related to improved results in the one-year variable pay program and a +25% increase related to the multi-year variable pay program (SKF Performance Share Program 2021). The SKF Performance Share Program 2021 is the first multi-year incentive program in which the CEO has participated under and which he has been alloted shares.
4) Operating profit excluding items affecting comparability.
5) Net cash flow from operating activities.

AB SKF
SE-415 50 Gothenburg, Sweden
Telephone +46 31 337 10 00
www.skf.com