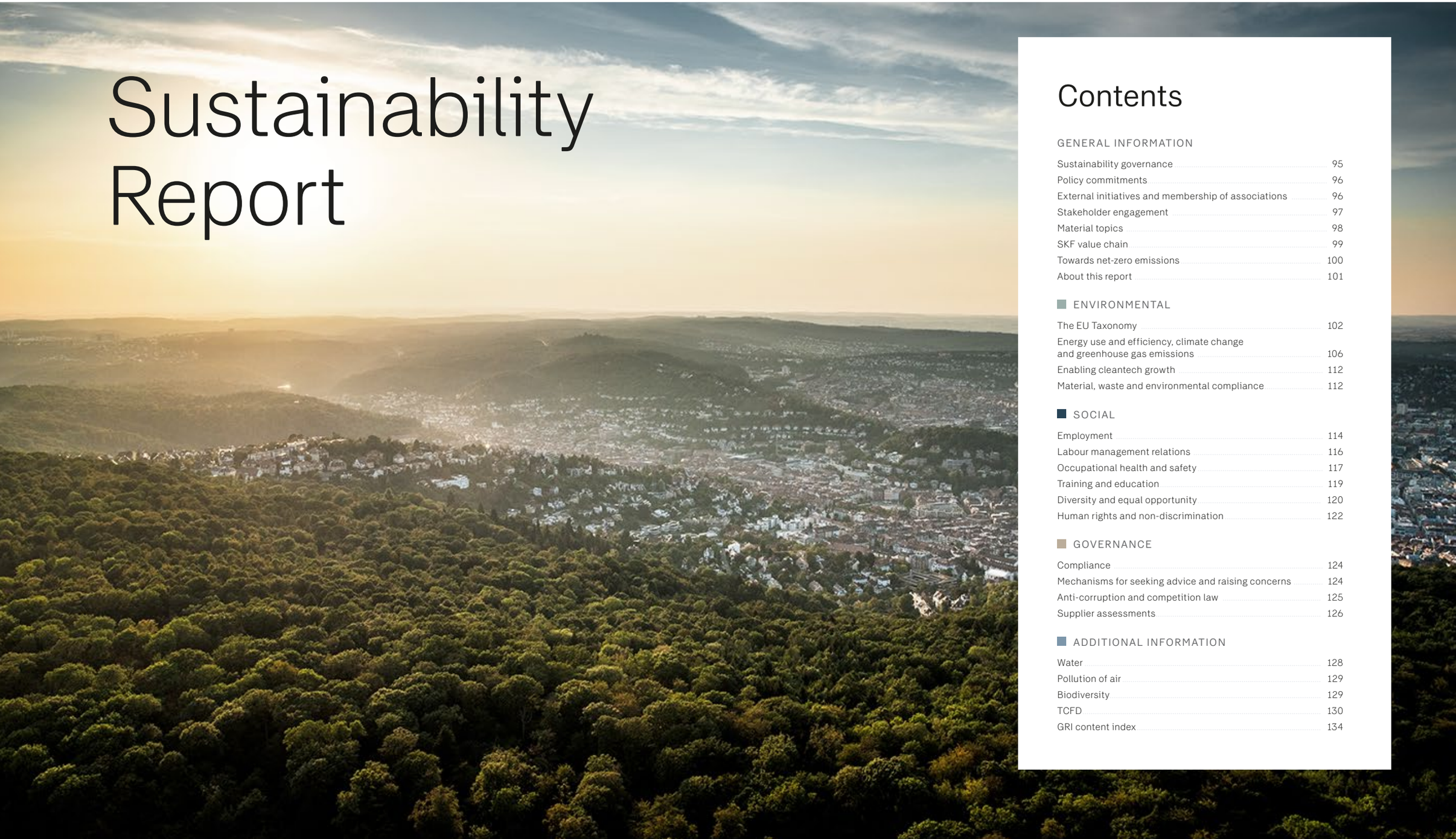


Sustainability Report

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 reviewing 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	Taxonomy-eligible per objective
CCM		35
CCA		
WTR		
CE		2
PPC		
BIO		

The EU Taxonomy, cont.

Financial year 2023

Economic activites	Code/codes (a)	CapEx	Proportion of CapEx, year N	Substantial contribution criteria: Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	DNSH criteria (Does Not Significantly Harm): 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)
		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)								
Economic activites	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)
		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	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.

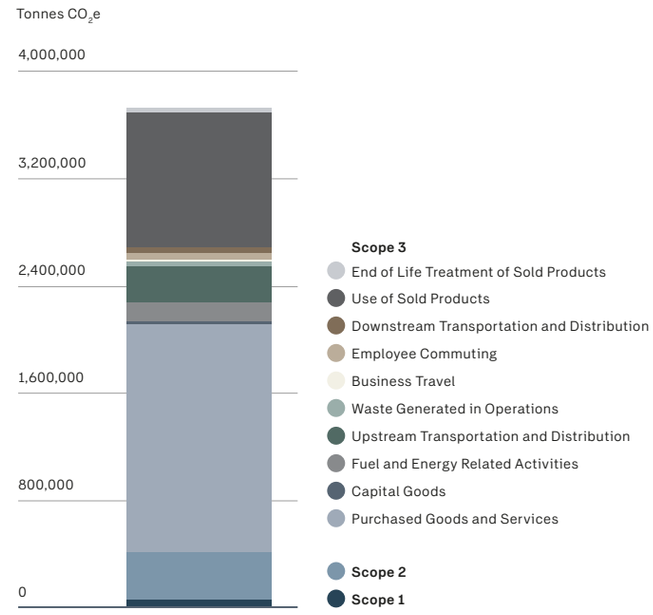
During 2023, SKF took further steps to increase the speed of achievement of its energy efficiency and scope 1 and 2 objectives. In order to assure effective planning and

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

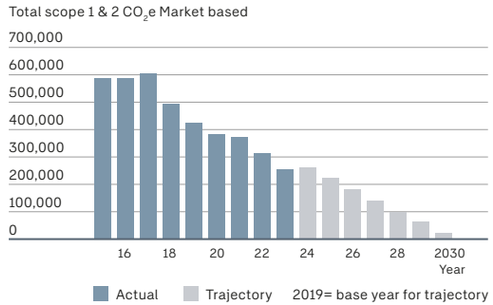
Source, GWh	2023	2022	2021[2]
LPG	19	19	18
Natural gas	259	288	295
Fuel oil	6	6	8
Renewable energy generated onsite[1]	58	46	32
District heating and cooling	106	114	141
Electricity	1,110	1,221	1,271
Total energy use	**1,557**	**1,694**	**1,764**

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

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!

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

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

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

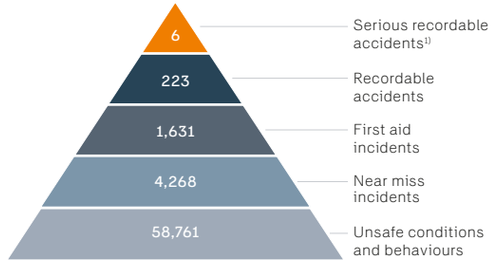
	2023	2022	2021
Work related fatalities	3	0	0
Serious recordable accidents	3	2	1
Recordable accidents	223	249	245
First aid incidents	1,631	1,799	1,863
Near miss incidents	4,268	3,601	3,582
Unsafe conditions and behaviours	58,761	34,830	30,171
Worked hours (x 200,000)	358	371	367

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, 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.

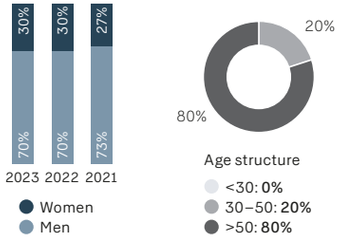
SKF integrates equality into the people processes, e.g., learning & development, succession planning and recruitment. The recruitment principles are based on the SKF Code of Conduct and facilitate skills-based recruitment by utilizing Assessio's Matrigma ability test. The test is a scientifically robust 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.

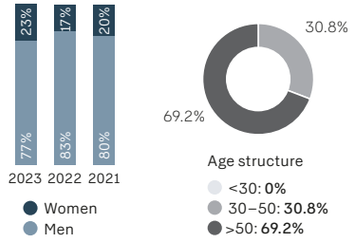
Diversity and equal opportunity, cont.

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.

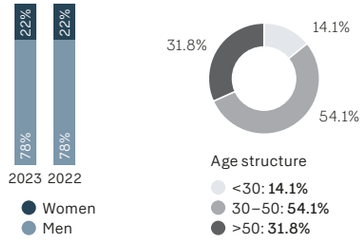


Including CEO. Excluding Employee representatives.

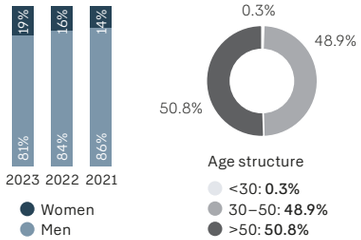
Group Management
Group Management is the operational management team of the SKF Group. For more information, see page 150–151.



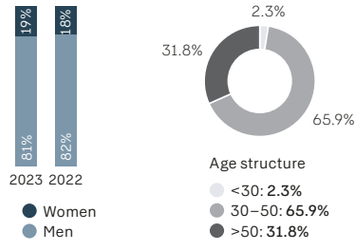
Total employees
Total employees refers to the total number of employees in SKF as per end of 2023.



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

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.

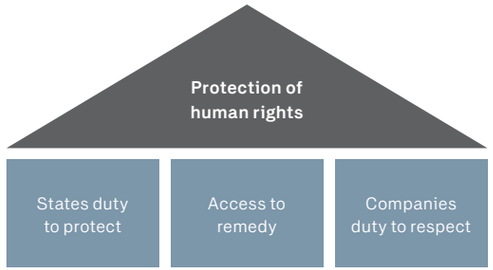
The work to prevent adverse human rights impacts is a continuously ongoing task involving several functions at the Group. SKF works together with the World Union Council to seek pragmatic ways to prevent health and safety risks, discrimination, as well as to promote inclusion and diversity, collective 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.



Duty of companies

Policy commitment
Human rights due diligence
- Assessing impact
- Act on findings
- Tracking effectiveness
- Communicate

Stakeholder engagement
Remediation

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

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

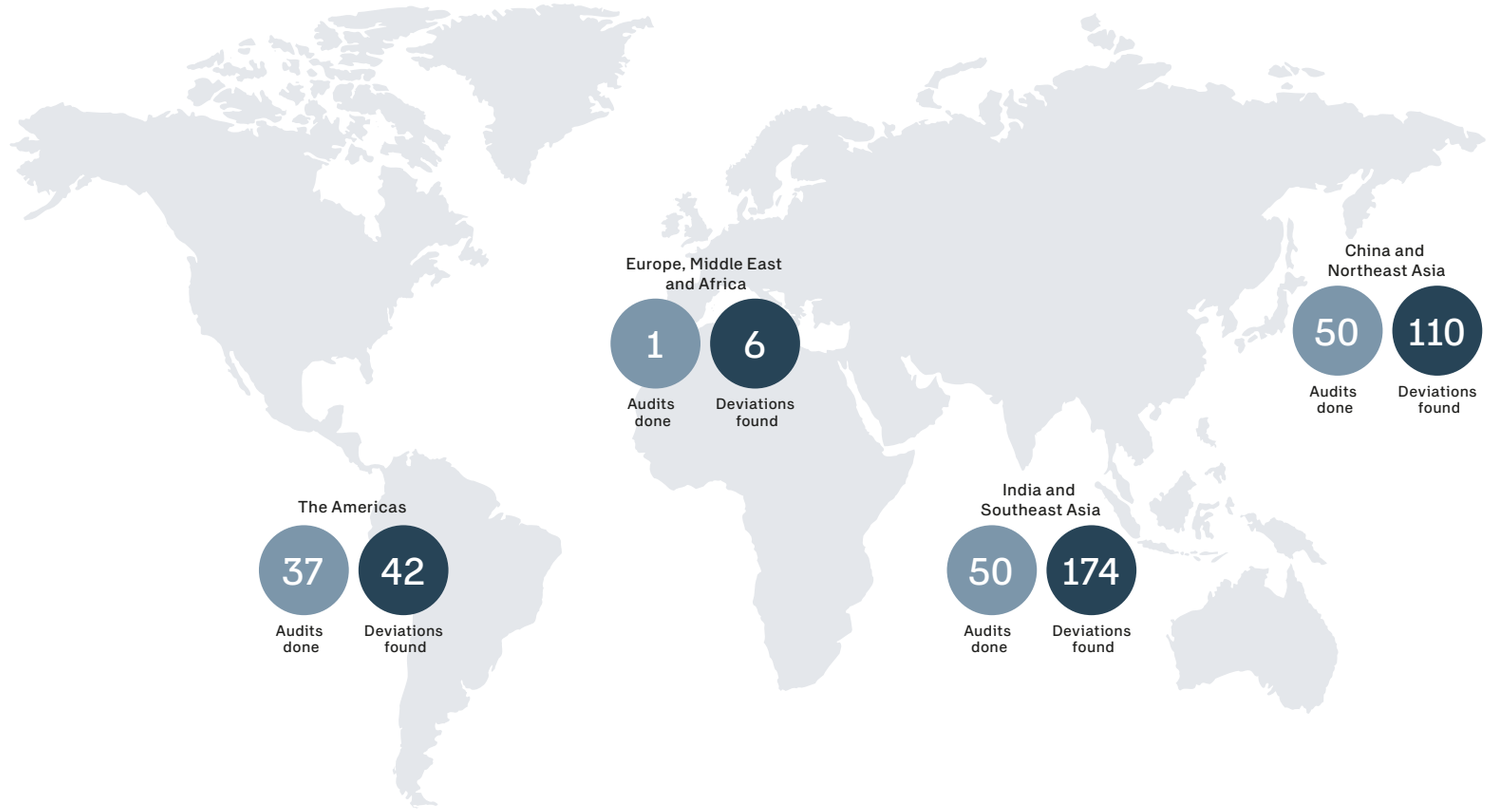
Management approach

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

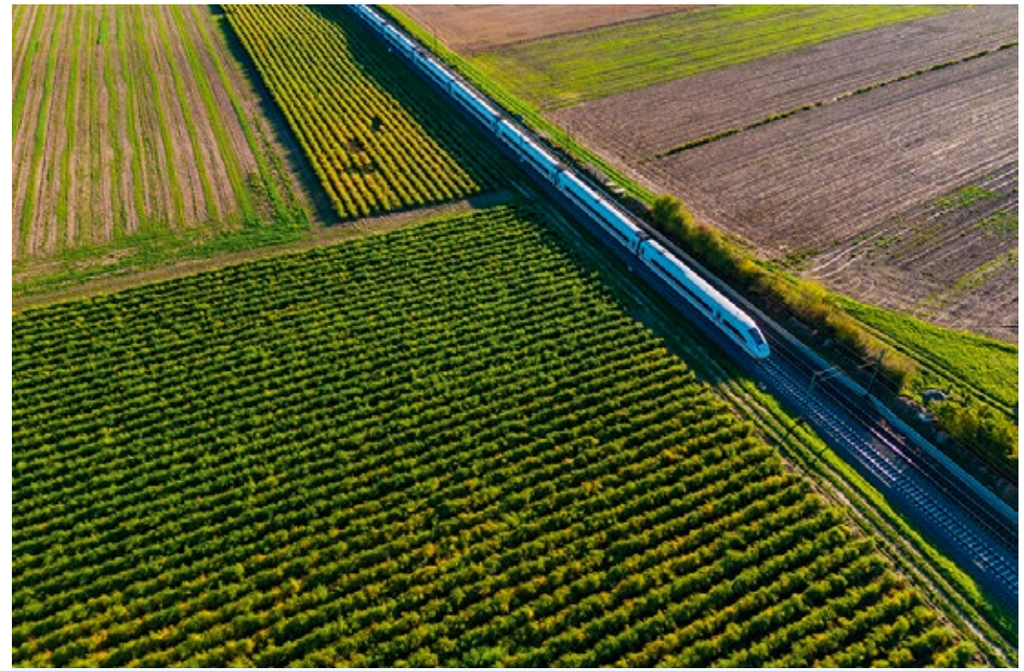
In 2023, 292 deviations to the SKF Code of Conduct in this category have been identified and are being resolved in the operations. The most common deviations are related to occupational health and safety, work hours, compensation and employment contract procedures. Three suppliers with major deviations 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.

			Omission		
GRI standard/Other source	Disclosure	Location	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			

			Omission		
GRI standard/Other source	Disclosure	Location	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 occupational 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			

			Omission		
GRI standard/Other source	Disclosure	Location	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
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR