SKF

DECARBONIZING IN PROGRESS

The SKF path to net-zero emissions
in operations and supply chain by 2050



The first version of this report was published in June 2021 in conjunction with the announcement of SKF's net-zero commitment. Now, in 2026 we are pleased to publish the fifth version which provides stakeholders with an update on the latest progress and developments.

Contents

1 Introduction and overview of developments since launch 4

2 Overview of SKF's net-zero and decarbonization targets and performance 9

3 Reporting principles 12

4 Detailed strategy, plans and performance 16

- 4.1 SKF's own operations (scope 1 and 2) 17
- 4.2 Upstream purchased materials (Scope 3, Category 1) 25
- 4.3 Upstream fuel and energy related activities (scope 3, category 3) 31
- 4.4 Logistics (scope 3, category 4) 32
- 4.5 Business travel (Scope 3, Category 6) 35
- 4.6 Emissions from use of sold products (Scope 3, Category 11) 36

5 Governance, follow-up and reporting 37

6 Conclusion and next steps 38

1 Introduction and overview of developments since launch

Scientific evidence clearly indicates that human actions are driving climate change, which poses a substantial risk to the planet's climate, ecosystems, and human society. The climate has already undergone changes and will continue to evolve. However, to mitigate the most severe impacts, it is imperative to reduce human-generated greenhouse gas (GHG) emissions to net-zero by 2050.

To achieve this, the global economy must transition from reliance on unabated fossil fuels to a carbon-free, highly efficient, circular, and clean system. The sixth report from the Intergovernmental Panel on Climate Change (IPCC), made clear the severity of the problem and the urgent need for action – defining this point in history as 'code red for humanity'.

At SKF, we see it as a moral obligation to our customers, shareholders, employees, and future generations to do everything we can to help realize this transformation. We also see that by doing so, we are positioning the company to grow profitably and reduce risk.

SKF's largest contribution to this transformation lies in what we can do with, and for, our customers. With our strategic focus on clean technology industries (at all stages of industrialization), we are developing products, solutions and services that help enable these technologies, making them competitive and supporting the need for rapid growth in the coming years.

We can also enable significant energy and carbon savings for our customers, in all industries, by optimizing the design of our products. We are making them lighter, more efficient, longer lasting and repairable, as well as improving the performance of our customers' products by optimizing system designs, through advanced modelling and simulation, for example.

Our service offering including condition monitoring, reliability services and asset optimization is fundamentally about the removal of waste from customer processes and value chains.

These offers help customers to reduce energy, material and transportation waste saving money and reducing emissions.

With a combination of these approaches, we have the potential to make an important contribution to the transition to a carbon free world and, at the same time, drive innovation and growth for SKF, its customers and shareholders. But our ethical and economic obligations do not stop with our ability to enable the transformation with our customers. We must also address the carbon emissions of our own operations and activities, as well as those in our extended supply chain. By doing so, we set a positive example for our customers, suppliers and other stakeholders, and create long-term competitive advantages by reducing costs and risks.

SKF has been measuring and acting on carbon emissions from our own production activities for more than 20 years. We have achieved sustained economic growth, while reducing our climate impact in real terms. We have also been working, for several years, to understand and reduce the carbon impact of our suppliers, as well as other activities such as logistics and business travel.

Net-zero emission operations and supply chain

Building on this history of action on climate, in 2021, we announced our target to achieve net-zero emissions of greenhouse gases throughout SKF's value chain by 2050. We intend to achieve this overall objective before 2050. We will reach some goals much sooner. We will, for instance, decarbonize[1] our own operations by 2030. When we talk about emissions in this paper, this refers to greenhouse gas emissions.

To ensure a credible, pragmatic and effective approach we applied the following basic principles when developing our objectives for net-zero and decarbonized operations.

1. The targets (near and long term) must be aligned with the most ambitious aim of the Paris Agreement and with what science dictates is necessary to reduce the destructive impacts of climate change. This means net-zero global emissions by 2050, at the latest, to limit global warming to 1.5 °C (the IEA Net-Zero Scenario). The SBTi approval of SKF's science-based emissions reduction targets in 2023, validated the application of this principle.
2. We have set interim targets (2025, 2030, 2035, 2040) for each of the main goals – defining our short and medium-term ambitions in alignment with the long-term goals. We will also review the scope and ambition as we go forward – taking any chance to increase the rate of achievement or expand the scope, as the global situation evolves, and new technologies, measuring and reporting practices emerge.
3. Even if the full pathway to zero for the specific sub-target may not be fully defined, we must seek viable options for SKF to address its achievement through direct means, through advocacy or with a combination of both.
4. Our targets are informed by understanding the complete life cycle. This means our priorities are based on the degree of impact and the avoidance of unintended negative trade-offs. We should also be aware of, and address, any other risks such as human rights, biodiversity and other ESG objectives that may be relevant.
5. We must have (or be confident that we can develop) credible methods to follow up and report on our progress, both internally and externally.

While these principles were applied in the development of all the targets, actions differ depending on the value chain position and SKF's influence. For example, the 2030 target for our own operations will be achieved by improving efficiency and switching to renewable energy, which we directly control. Upstream emissions from steel production require a broader approach due to limited potential of unilateral influence. Hence, SKF collaborates with industrial steel consumers and producers through the SteelZero[2] and Responsible Steel Initiative[3] to drive and advocate for industry-wide changes. Advocacy is crucial for the global carbon net-zero transformation, as businesses alone cannot address market failures. Through initiatives like SteelZero, RE100, and SBTi, we advocate for policy and industry solutions that can drive the transformation.

Like many long-established global industrial companies with a diversified customer base, we at SKF operate in sectors associated with fossil fuel extraction and energy generation, specifically the coal, oil, and gas sectors. Our business in these sectors represents a small proportion of our overall revenue. We anticipate that these sectors will gradually transform or become less relevant in the coming years, depending on how widely carbon capture and storage technologies are adopted.

Our business in transportation sectors, such as automotive, rail, shipping, and air, is significant and growing. Many of these sectors still use fossil fuels. However, a major part of our R&D work is currently supporting the transition to carbon neutrality in these sectors through electrification, for example.



1) Decarbonized operations refer to achieving at least 95% reduction in scope 1 and 2.
2) https://www.theclimategroup.org/steelzero
3) https://www.responsiblesteel.org/

Developments since SKF's net-zero launch

Since the announcement of our net-zero targets in October of 2021, we have been working hard to evolve the strategy and deliver on them. Some examples of important steps and developments since then are provided below.

2021

- Announced SKF near and long-term net-zero and decarbonization targets
- Joined the Responsible Steel Initiative (a multistakeholder group working to drive sustainability in the steel value change with a strong focus on climate mitigation).
- Joined SteelZero - a global corporate initiative led by the Climate Group that brings together leading organizations to commit to buying and using 100% net-zero steel by 2050, and advocates for the transition to a net-zero steel industry. SKF joined RE100 – another initiative led by the climate group, bringing together influential businesses committed to sourcing 100% renewable electricity.
- Started work on development of fossil-free bearing steel through a collaboration with Luleå University of Technology's CH2ESS initiative. As part of the collaboration, SKF will participate in and fund research within hydrogen use in industrial processes and energy systems, speeding up the development of fossil-free bearing steel.
- SKF's magnetic bearing technology selected by Finnish cleantech company Tamturbo for their high-speed turbo motors used in industrial air compressors. This SKF solution helps enable the use of high-speed, direct drive centrifugal compressors which allows industrial customers to generate compressed air with lower emissions, longer service intervals and a lower total cost of ownership, compared to oil-based screw compressors.





2022

- SKF Factory in Gothenburg Sweden becomes 3rd SKF unit to achieve Decarbonized site status.
- Climate and net-zero aspects included in short- and long-term bonus programmes.
- SKF issues 2nd Green Bond for 400 M Euro (1st issued for 300 M Euro in 2019). The bond was well received in the market and is used to make SKF and our customers more energy and carbon efficient in many ways.
- The Responsible Steel Initiative published the Responsible Steel International Standard V2 in September of 2022. SKF was part of the multi-stakeholder group who helped develop this standard. This new version brings much needed clarity and standardization to the measurement of GHG impact and performance in the global steel industry.
- SKF and the Swedish steel producer Ovako announced the production of Spherical Roller Bearing (SRB) with 90% less emissions than its standard SRB bearing. The bearing was manufactured in SKF's factory in Gothenburg using recycled steel from Ovako's Hofors mill which runs on 100% fossil free electricity.

2023

- Short- and long-term net-zero targets validated by SBTi. Our commitment to a net-zero future by 2050 earned approval from the Science Based Targets initiative (SBTi) validating that our goals align with climate science and the Paris Agreement.
- Secured an important step in our 100% renewable electricity goal by signing a 15-year Virtual Power Purchase Agreement with Enel. We will buy guarantees of origin from Enel's Spanish solar project, equivalent to one-third of SKF's European electricity use.
- Signed a supplier agreement with Lilium, the developer of the first all-electric, vertical take-off and landing jet, to produce electric motor bearings for the Lilium Jet.
- Allocated 300 M Euro to meet our energy and decarbonization goal by 2030, also published a policy banning investments in assets using fossil fuel within our own operations and requiring the replacement of direct fossil gas use with renewable energy or approved non-fossil fuel alternatives by 2029.
- First ever bearing company to issue Product Category Rules (standardized method to calculate product environmental life cycle assessment – including carbon footprint).
- Participated in New York Climate Week - the largest annual climate event of its kind, hosted by the Climate Group in partnership with the United Nations General Assembly. SKF participated in discussions and events focused on accelerating the transition to renewable energy, reducing carbon emissions, and promoting sustainable practices within the industry. SKF highlighted our innovative solutions aimed at improving energy efficiency and reducing environmental impact in various sectors.

2024

- Signed two Renewable Energy Certificate (REC) purchase agreements in North Americas, enabling SKF factories and facilities in the U.S. and Canada to achieve 100% renewable electricity. The first agreement focuses on investing in Green-e certified wind energy. This partnership will span through 2025, reinforcing SKF's commitment to supporting renewable energy sources. The second is a 12-year agreement, starting in 2026, signed with Clearway Energy Group (Clearway) for a portion of the RECs generated from a newly constructed 452 MW solar farm in Kent County, Texas, USA.
- Shadow carbon price (SCP) policy published – this aims to internalize the environmental cost of steel and steel components within our supply chain. The SCP is calculated and used to influence supplier selection for major direct material sourcing decisions, helping us reduce embodied emissions and prepare for regulations like the Carbon Border Adjustment Mechanism (CBAM).
- Airfreight avoidance policy published. This aims to minimize airfreight due to its environmental impact and high cost. Alternative transport modes like sea, rail and road should be used whenever feasible. Planned airfreight requires approval from the Business Area president or a delegate. Unplanned airfreight, used in urgent situations, needs approval from the relevant sales unit or factory manager, with efforts to address the root causes.
- SKF, along with voestalpine Wire Technology, successfully produced the first prototype bearing made from steel containing hydrogen direct reduced iron (H-DRI). This achievement marked a significant breakthrough in the efforts to decarbonize bearing production, as H-DRI is a low-emission alternative to conventional iron ore-based steelmaking and is considered one of the important methods for making steel sustainable in the future. The two companies have been collaborating to explore the possibilities of using H-DRI steel for bearing applications. By utilizing H-DRI steel, SKF and voestalpine Wire Technology aimed to meet the demand for green steel and thereby contribute to global efforts to combat climate change.
- Significant increase of renewable electricity sourcing in India and China (see examples in section 4.1).
- Accelerated deployment of decarbonization investment frame with 33 M Euro allocated.
- Set up a new collaboration, sourcing "GreenSteel Climate+" from Swiss Steel Group for bars and wires produced in EMEA, reduced SKF's GHG emissions related to steel bars and wire in scope by 40% over a period of nine months.
- Secured 430 M Euro financing from the European Investment Bank (EIB) with a tenor of up to ten years. The financing will support SKF's research and development (R&D) to increase the focus on high-growth segments and accelerate the design and development of enabling technologies particularly for the green transition and sustainability. As the climate bank of the European Union (EU), the EIB financing supports the European Green Deal, EU's plan to become net-zero by 2050. This financing forms an important part of SKF's overall funding strategy, further helping to complement and diversify the Group's funding sources.
- Participated in New York Climate Week - the largest annual climate event of its kind, hosted by the Climate Group in partnership with the United Nations General Assembly. SKF participated in discussions and events focused on accelerating the transition to renewable energy, reducing carbon emissions, and promoting sustainable practices within the industry. SKF highlighted their innovative solutions aimed at improving energy efficiency and reducing environmental impact in various sectors.

2025

- Announced six additional factories achieving decarbonized status, defined as corresponding to at least a 95% reduction in Scope 1 and 2 emissions versus 2019, with plans in place to address remaining emissions, marking continued progress towards the 2030 operational emissions target.
- Increased the completeness of Scope 1 emissions reporting by including hard to abate emissions from methanol used as a process gas, as well as fugitive emissions from refrigerants in equipment such as heat pumps and chillers.
- Launched the Investment Ready Concept for Decarbonization, effective from the start of 2026, linking capital allocation to credible decarbonization planning and halting new investments at sites lacking feasible and timely emissions reduction plans.
- At COP30 in Belém, Brazil, SKF showcased scalable circular and clean technology solutions including remanufacturing and RecondOil, with its remanufacturing solutions recognised as winners of Sustainable Business COP's (SBCOP) Best Cases.
- Following COP30, SKF announced the inaugural Friction Fighting Summit, held 3–4 December 2025 in Gothenburg, to convene industry stakeholders, policymakers, academics and innovators to accelerate implementation of sustainable solutions such as remanufacturing and RecondOil.
- Early 2026, SKF published a Corporate Sustainability Reporting Directive (CSRD) compliant sustainability report for 2025, strengthening transparency, consistency and regulatory alignment of climate and sustainability disclosures.
- SKF maintained strong external credibility for its climate work by achieving a CDP Climate Change score of A, reflecting robust governance, transparency and execution of the Group's net-zero strategy.

2 Overview of SKF's net-zero and decarbonization targets and performance

As a global industrial company, we at SKF recognize that the greenhouse gas emissions resulting from our activities—whether directly or indirectly—originate from a wide range of sources and geographical locations. For many years, we have applied the Greenhouse Gas Reporting Protocol to define, report, and follow up on this critical aspect of our Group's performance. The protocol outlines three 'scopes' of greenhouse gas emissions, based on how and where they occur.

Scope 1 refers to the direct emissions generated at our own facilities, such as those produced by burning fossil-based gas or oil.

Scope 2 covers the indirect emissions generated by the electricity and district heating we purchase.

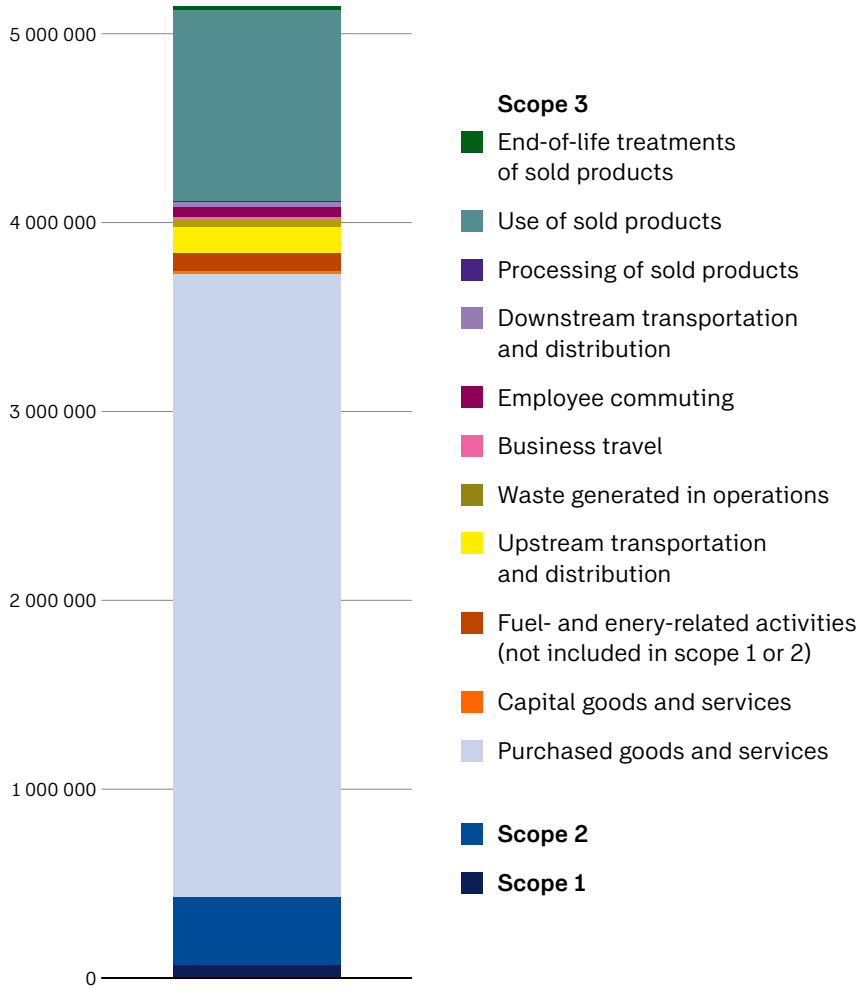
Scope 3 includes all other indirect emissions that occur throughout our value chain, both upstream and downstream.

The GHG Protocol further breaks down Scope 3 emissions into several categories, which are illustrated in **table 1**.

Table 1

Upstream or downstream	Scope 3 category
Upstream scope 3 emissions	1. Purchased goods and services 2. Capital goods 3. Fuel and energy related activities 4. Upstream transportation and distribution 5. Waste generated in operations 6. Business travel 7. Employee commuting 8. Upstream leased assets
Downstream scope 3 emissions	9. Downstream transportation and distribution 10. Processing of sold products 11. Use of sold products 12. End of life treatment of sold products 13. Downstream leased assets 14. Franchises 15. Investments

Estimated GHG emissions (tonnes), base year 2019 Figure 1



To support continuous improvement, SKF has applied this reporting framework consistently over multiple years, allowing emissions data to be tracked, compared and analysed over time. This long-term approach is essential for identifying trends, understanding the effectiveness of implemented actions and guiding future reduction measures. The bar chart in **figure 1**, for 2019 GHG emissions, provides a transparent snapshot of SKF's greenhouse gas emissions by scope/category and serves as a reference point within the company's decarbonization journey. By measuring emissions systematically, SKF ensures that climate-related decisions and targets are based on reliable data and that progress towards net-zero GHG emissions can be monitored and managed effectively.

It's important to note that these figures have been revised compared to those we published in the original 2021 position paper. This revision reflects our improved understanding of upstream emissions associated with the materials, components and services that we purchase (category 1), as well as the downstream customer use impact of SKF solutions that generate direct use-phase emissions. With this more complete information, we now calculate total emissions for 2019 at just over 5 million tonnes CO_2e. This doesn't mean that more emissions occurred—it simply means we now have a more comprehensive understanding of the scope.

To make the greatest impact on reducing global emissions, we recognize the need to prioritize. That's why we focus on activities that deliver the most material impact. We've set near-term targets for 2030 and, wherever possible, we use primary data to track our performance. For relatively small impacts, or those we cannot directly influence, we rely primarily on secondary data for reporting.

Based on this approach, we've established the following sub-targets and reporting methodologies.

Our status as of reporting year 2025 vs the 2030 goals is summarized in **table 3**.

Our net-zero targets

Table 2

	Scope 1, 2 and 3 Full value chain	Scope 1 and 2 Own operations	Scope 3, Cat 1 Upstream	Scope 3, Cat 4 Upstream/Downstream	Scope 3, Cat 11 Downstream
Milestones	2030	95% absolute reduction	32% absolute reduction from purchased goods and services vs 2019	35% absolute reduction vs 2019	28% absolute reduction vs 2019
	2035	Maintain 95%	43% absolute reduction in emissions from direct material vs 2019	55% absolute reduction vs 2019	
	2040	Maintain 95%	60% absolute reduction in emissions from direct material vs 2019	77% absolute reduction vs 2019	
	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.			

Progress on our net-zero targets

Table 3

GHG reporting Scope	Description	2025 actual	2025 goal trajectory	Status
Scope 1 and 2	SKF Operations	79% reduction	52% reduction	Ahead of plan
Scope 3, Category 1	Purchased goods	17% reduction	17% reduction	On plan
Scope 3, Category 4	Logistics	18% reduction	21% reduction	Behind plan

3 Reporting principles

Following the GHG Protocol Corporate Reporting Standard, we prioritize the use of primary data over secondary data, and mass allocation over economic allocation. At SKF, we report our Scope 2 emissions using the market-based method. We have selected 2019 as the base year for all our SBTi-approved targets, as it represents a typical year in terms of demand, production output, and building heating and cooling loads—prior to the disruptions caused by the pandemic.

We use a cross-sector emission pathway aligned with limiting global warming to 1.5 °C. Our targets are based on 1.5 °C-aligned pathways from the Science Based Targets initiative (SBTi), with the IEA Net-Zero Emissions (NZE) scenario serving as our primary reference.

We have established our targets with a solid understanding of potential future changes in sales, production volumes, and the effects of technological, operational, and market-related developments. For example, in setting our 2030 goal for Scope 3, Category 1 (direct materials), we have accounted for the expected shift to lower-carbon steel production methods—such as scrap-based steel combined with renewable energy. Similarly, our 2030 goal for Scope 3, Category 4 reflects anticipated benefits from our regionalization and manufacturing footprint strategy, which brings our production closer to both customers and suppliers.

Our targets are consistent with our GHG reporting boundaries, with the following exceptions:

- Scope 3 Categories 2, 5, 8, 10, 12, 13, 14, and 15 are not considered material at this stage, so we have only defined 2050 targets for them.
- Scope 3 Categories 3 and 7 are material, but we have not yet defined medium-term targets. For Category 3, the main lever is our renewable electricity target, which is covered through our Scope 1 & 2 objective. For Category 7, we have not yet established a target or a direct measurement approach.

SKF operations scope 1 and scope 2

This covers our scope 1 and 2 emissions from electricity, gas, district heating, and other energy sources used at SKF facilities, as well as other greenhouse gas emissions related to our processes. We include all SKF factories, testing and research centres, larger warehouses, and offices around the world in this scope. Our detailed approach to addressing these emissions is outlined in Section 4. Calculations are based on CO_2 and other greenhouse gases, where data is available. For Scope 1 and 2 emissions, we apply the operational control approach.

Our energy consumption and energy mix data includes renewable energy, which we account for only when supplier-specific documentation is available.

Scope 1 emissions also include (since 2025) hard-to-abate emissions from use of methanol as process gas, as well as fugitive emissions from refrigerants use in e.g. heat pumps and chillers. These are small compared to 2019 baseline emissions in Scope 1 and 2, but in relation to the 95% reduction objective, they are substantial. Primary data is collected from the sites for both these emission sources.

We have issued an internal position statement referring to the use of bio-fuels, where it is stated all such use must be approved from the central net-zero team to assure we make sustainable choices of e.g. feedstocks. As bio-fuels will be necessary for decarbonization in other industry segments, and supply is limited, we will only use them when other alternatives are not feasible, and after efforts to reduce consumption.

For grid injected bio-methane the GHG protocol has no definite guidance, but an interim update[1] from 2023 opens for accounting for bio-methane certificates using a market-based approach. We intend to use such certificates to accelerate our emissions reductions but only after case-by-case evaluation where we will align with our auditors, as well as only utilizing high quality certificates that are aligned with local regulatory schemes and has mechanisms to avoid double-counting.

Considering final guidance from GHG Protocol is not expected until 2028 Q4 the use of bio-methane certificates is an interim solution to progress our emissions reductions, but until final guidance is set, we cannot rely on this method to meet our 2030 objective.

Scope 3, Category 1 (purchased goods and services)

Scope 3, Category 1 emissions represent the largest share of our upstream greenhouse gas emissions. These emissions arise from the production of materials, components and services that we purchase and use in the manufacture of our products.

We apply the Greenhouse Gas (GHG) Protocol Corporate Value Chain (Scope 3) Standard when calculating and reporting Scope 3, Category 1 emissions. As a general principle, we prioritize the use of physical, supplier-specific primary data wherever feasible. For direct materials, and in particular steel and steel components, we

1) https://ghgprotocol.org/blog/interim-update-accounting-biomethane-certificates



request our suppliers to provide greenhouse gas emission intensities expressed as kilograms of CO_2e per kilogram of material supplied, covering the supplier's full upstream value chain. These emission intensities are multiplied by the physical quantities purchased to calculate total emissions. This approach enables year-on-year tracking of supplier performance and reflects supplier-specific production methods rather than industry averages.

Where primary data is not available, we apply secondary data from credible external sources, in line with the GHG Protocol data quality hierarchy.

In 2025, we expanded our Scope 3, Category 1 calculation to include spend-based emissions for the first time. This was done to improve the completeness of the reported emissions and to address remaining gaps where primary data could not be obtained. Spend-based emissions are calculated using purchasing spend data combined with appropriate emission factors, in accordance with GHG Protocol guidance. The inclusion of spend-based emissions resulted in a significant increase in reported Scope 3, Category 1 emissions compared with previous disclosures.

This increase reflects an expansion of reporting coverage rather than a change in underlying performance. To ensure transparency and consistency, we restated the 2019 base year to reflect the improved scope and methodology.

We continue to prioritize the transition from spend-based estimates to primary supplier data for high-impact materials and suppliers. Spend-based methodology is used to ensure completeness, while we progressively strengthen supplier engagement, data quality and auditability.

Scope 3, category 3 (fuel and fuel related energy)

This refers to the GHG emissions resulting from the activities which occur pre-energy generation and from the distribution and transmission of the energy which SKF uses in its operations, such as the extraction, processing and transportation for fuel-based power generation. We calculate this using secondary emission intensity data and have started to use primary data where available.



Scope 3, category 4 (upstream transportation and distribution)

In 2025, we implemented a new reporting methodology for Scope 3, Category 4 emissions, supported by an externally developed calculation tool. The objective of this transition was to improve the accuracy, completeness and granularity of our logistics-related emissions reporting.

Scope 3, Category 4 include emissions from transportation and distribution services purchased across our upstream and downstream logistics network. This includes inbound transport from tier-1 suppliers, outbound transport of sold products, and transportation between our facilities using vehicles and infrastructure not owned or controlled by us.

Activity data for transportation is collected at different frequencies depending on transport mode. Air freight and ocean transport activity data is collected monthly, while data for road transports is collected on a quarterly basis. The scope of data covers all major transport modes used within our logistics network. Emissions are calculated based on transported weight, distance travelled and transport mode, and are reported on a well-to-wheel basis, encompassing both fuel production and fuel use.

The emission factors applied in the calculations are derived from scientifically validated datasets developed by independent research institutes, including INFRAS and Fraunhofer IML. These datasets draw on detailed life-cycle assessments of transport modes and energy sources, incorporating real-world data on fuel consumption, vehicle technologies and infrastructure. The emission factors are aligned with ISO 14083, the GLEC Framework and the GHG Protocol, ensuring methodological consistency and robustness.

As part of introducing the new methodology, Scope 3, Category 4 emissions were restated for the 2019 base year and for the years between 2019 and 2025, using recalculation factors. This process involved determining average GHG emissions per tonne shipped for each transport mode, based on data from the first half of 2025. These mode-specific factors were then applied to the corresponding 2019-2024 shipment weights to restate the base-year emissions.

A key step in this process was to ensure that the reporting scope, including routes and regions, remained consistent with the previous calculation method. During this step, we relied on the standardized energy and greenhouse gas emission calculation assumptions embedded within the new calculation tool. This approach ensured continuity of scope while improving the underlying calculation methodology.

The changes introduced in 2025 primarily reflect methodological improvements, rather than changes in underlying logistics performance. We continue to refine our Scope 3, Category 4 reporting by improving data coverage and further integrating emissions reporting with logistics management and decision-making.

Scope 3, category 6 (business travel)

We account for the greenhouse gas emissions associated with business travel, which includes visits to customers, suppliers, SKF facilities, and other stakeholders. Emissions are calculated using activity data for air travel from our travel agencies combined published emission factors.

We are actively working to reduce emissions from business travel through a range of measures, including prioritising virtual collaboration tools where travel is not essential and promoting lower-carbon travel options such as rail over air for short and medium distances. These measures are supported by internal travel policies and employee guidance aimed at reducing the carbon intensity of business travel while maintaining operational effectiveness.

Scope 3, category 7 (employee commuting)

This covers emissions caused by SKF's employees travelling to and from work. We calculate these using estimations based on numbers of employees per country and typical journey distances and modes of transport. SKF is already working on reducing this in different ways, such as increasing the use of digital workplaces, encouraging lower carbon transportation and providing bus services for employees in certain countries. This work will be intensified, primarily through national management teams, as each country has different challenges and opportunities.

Scope 3, category 11 (direct emissions from customer use phase)

Although most of our products generate indirect use-phase emissions, a small portion of our portfolio includes products with direct use-phase emissions. Examples include magnetic bearings and their corresponding electric motors, lubrication systems, oil re-use systems, and certain solutions for the marine sector. Some of these are classified as intermediate products—such as magnetic bearings and electric motors—while others, like the oil re-use system, function as stand-alone product systems. While less than 10% of our business involves the supply of such products, the impact and potential to enhance customer performance is significant. For this reason, we include this aspect within the scope of our targets.

We calculate this based on number of units sold in different regions, typical life, and published emission factors for the energy used.

Indirect use-phase emissions relate to products that indirectly consume energy during operation—such as energy losses due to bearing friction. According to the GHG Protocol, reporting on these emissions is optional, and for the reasons outlined below, we do not include them in our reporting.

Quantifying and aggregating these emissions or the associated energy savings across more than 40 globalized industries in a meaningful way presents a significant challenge. This is due to the nature of our product offering and our position in the value chain. The same SKF product can be used in a wide range of applications, each with potentially very different energy use profiles and greenhouse gas impacts—determined by variables such as load, speed, operating cycle, and the energy source used in the machine or system. Additionally, a large share of our products are sold through our global distributor network, which often makes it difficult for us to determine the end application, customer, or industry.

For these reasons, we are not able to measure or define a straightforward downstream Scope 3 Category 11 emissions reduction target for the majority of our business. We have discussed this with the Science Based Targets initiative (SBTi), and they have confirmed that our approach aligns with the Greenhouse Gas Protocol.



4 Detailed strategy, plans and performance

In this section we describe SKF's strategy towards achieving its various goals and the status as of the last reporting period (2025).



4.1 SKF's own operations (scope 1 and 2)

SKF has been measuring, reporting, and reducing greenhouse gas emissions associated with our own operations for more than two decades. As illustrated in **figure 2**, by driving energy efficiency, waste elimination and increasing the use of renewable energy, we have been able to decouple business growth from emissions caused by our production activities.

We aim to achieve decarbonization of our operations by 2030. To reach this target, we must reduce our absolute Scope 1 and 2 emissions by at least 95% from our 2019 baseline. This objective builds on our previously stated goal of reducing carbon intensity in bearing production by 40% between 2015 and 2025 (by 2025 we reached 87% reduction).

Figure 3 illustrates our progress toward meeting the 2030 goal, showing both actual and projected performance.

The main strategic levers we are using to achieve our decarbonization objective include the sourcing and generation of renewable energy, the phasing out of direct fossil fuel use through electrification or the adoption of biofuels, and a strong focus on energy efficiency.

Each of our factories has developed a decarbonization roadmap that outlines the site's emissions reduction trajectory, and the investments required to meet our 2030 decarbonization objectives. These roadmaps address all three of our strategic levers.

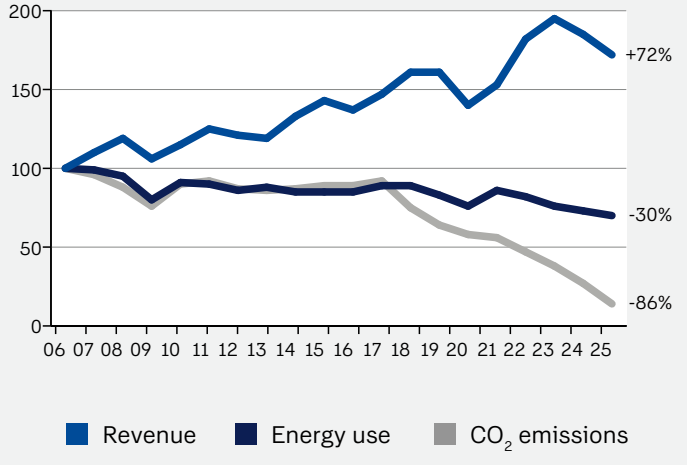
For energy efficiency and fossil fuel phase-out, the plans are further detailed in a Group-wide database, where we document specific actions, investments, and expected improvements.

By end of 2025, all sites with an energy consumption exceeding 2 GWh, are required to have a concrete, feasible and timely plan defined in this database to meet site specific emissions reduction targets. With the introduction of the Investment Ready Concept for Decarbonization, effective from start of 2026, failure to define such a plan means all other new investments for the site are halted until such a plan has been presented.

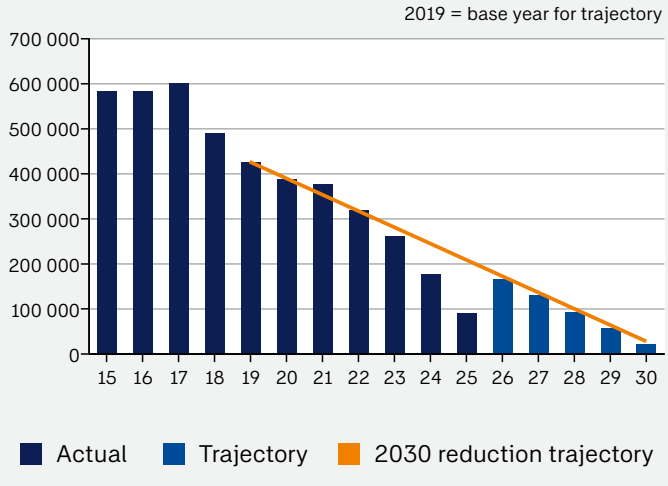
To qualify as a Decarbonized Site and communicate this status, a location must meet several defined criteria. This applies to any SKF operational site with an annual energy consumption exceeding 2 GWh.

- Emissions reduction: The site must demonstrate a reduction in Scope 1 and 2 emissions corresponding to at least 95% compared to a 2019 baseline.
- Energy performance: There must be a proven track record of continuous improvement in energy performance.
- Future planning: A clear and actionable plan must be in place to address and mitigate any remaining greenhouse gas emissions.

Climate Transformation. Systematically decoupling business growth from climate impact (scope 1 and 2 GHG emissions)[1] Figure 2



Progress towards Net-Zero Goal Figure 3
Total Scope 1 & 2 CO_2e Market based[1]



1) As a result of a methodology update implemented in 2026, data for process gas and fugitive emissions have been included in Scope 1 and Scope 2 emissions for the years 2019–2025. These additional GHG emissions were not calculated for years prior to 2019 and are therefore not included in **Figures 2 and 3** for the periods 2006–2018 and 2015–2018, respectively.

Energy efficiency – levers to reduce Scope 1 and 2 emissions

We operate a global energy management system certified to ISO 50001:2018. This certification covers our 44 most energy-intensive operations, which together account for more than 80% of our total energy use. We apply a Group-wide energy efficiency improvement target covering manufacturing energy use, for all units within the scope of the ISO 50001 standard, aiming for a 5% improvement compared to the energy baseline of each factory, Business Area, or the Group as a whole.

We establish the baseline using linear regression of the previous two years' monthly energy use compared to value added—a measure of production activity known to correlate with energy demand. This KPI helps reduce distortions (such as production volume fluctuations) found with simpler energy performance metrics and allows us to focus on the underlying energy performance. In 2025, our performance against this target was 3.7% compared to the 5.0% goal, representing an underlying energy efficiency saving of 34 GWh. This figure includes all types of energy, except that used for building heating and cooling, as well as test centers.

To support the development and planning of energy-saving activities, we use our Group-wide database of detailed actions to assess whether our factories, Business Areas, and the Group as a whole have defined and planned sufficient measures to meet future objectives. Looking ahead to 2030, our decarbonization roadmaps require each site to continuously improve energy efficiency.

We monitor performance toward our energy efficiency targets at the factory, Business Area, and Group levels monthly using our energy efficiency KPI and the Group-wide database. In addition, a high-level review of performance and plans is conducted twice a year by our Chief Sustainability Officer together with each Business Area President.

We recognize that step changes in energy efficiency within our manufacturing operations can be achieved through innovation. The broad implementation of technologies such as near net shape manufacturing—which produces raw components requiring minimal machining—will play a key role in improving our energy performance and reducing upstream impact. Our ongoing programme to consolidate manufacturing operations into fewer, larger facilities—strategically aligned with our customers' locations and capacity needs—will also significantly contribute to energy efficiency and carbon reduction.

Following are some typical examples of recently executed incremental energy efficiency improvements. Many of these savings also result from measures that reduce or eliminate other forms of waste. For instance, reducing scrap and rework not only cuts energy use and emissions within our own operations but also reduces upstream impacts in the supply chain. As we continue to improve process quality, we also enhance our energy and greenhouse gas performance.

85% reduction

Example 1:

Innovation in heat treatment reduces energy demand by 85%

Heat treatment is required to achieve the functional characteristics of bearing steel. In some cases, part of this process requires quenching the bearing components in molten salt. After this step, the residual salt must be washed off the components with water. In order to recycle the water and salt it must be reconditioned by distillation.

Conventionally, atmospheric vapourizers are used to do this, but SKF is using green bond investments to fund the replacement of these vaporizers with state-of-the-art vacuum vaporizers. As well as other process improvements, this technology reduces the energy need for the water distillation by around 85%.

At SKF, we can identify and implement many step changes of this kind.



28 tonnes

Example 2:

Smart control of machine air-extraction at Villar Perosa, Italy

At SKF's plant in Villar Perosa, Italy, engineers identified an opportunity to optimize energy use in the machine air-extraction system. Previously, the system operated whenever machines were switched on. However, analysis revealed that extraction was only necessary when coolant was actively being pumped.

By implementing a simple control setup to align extraction with actual need, the team achieved annual savings of 28 tonnes of CO_2e. This improvement also delivered a financial payback in under three years.

30% improvement

Example 3:

30% improvement in energy efficiency

The Nilai site has modernized its cooling infrastructure by replacing outdated chillers with advanced units featuring variable speed drives (VSD) and magnetic bearings. These new chillers deliver substantial energy savings, particularly during periods of low production, by eliminating mechanical friction and optimizing performance under part-load conditions. The magnetic bearing technology enhances system reliability and reduces maintenance requirements, while the use of low-GWP HFO refrigerants and oil-free, low-noise operation supports environmental goals. Since commissioning, the site has achieved an average energy reduction of over 30%, saving approximately 120 MWh per month.

75% reduction

Example 4:

Improved air quality and heat recovery inside the Gothenburg factory reduced building heating demand by 75%

By careful use of heat recovery, improved machine air extraction and optimization of the overall system a dramatic reduction in the energy (and consequently, GHG emission) needed to heat the factory has been achieved.

12% improvement

Example 5:

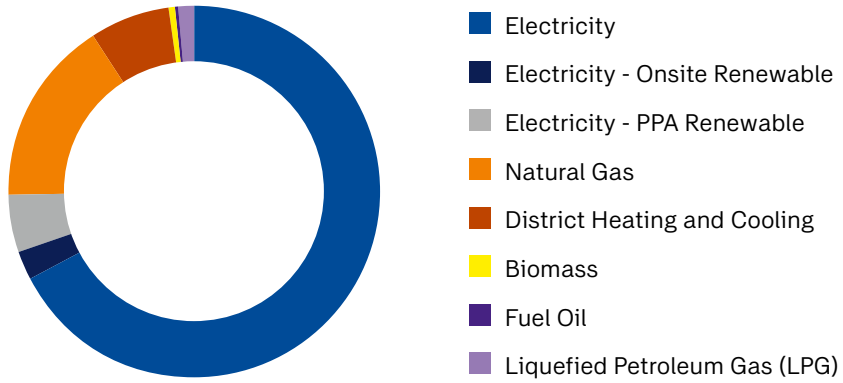
Optimization and efficiency supported by metering at SKF St. Cyr, France

The local team has worked with a focused effort on eliminating non-productive energy use — while also enhancing production flexibility. The implementation of a highly effective energy metering and follow-up system has enabled the detection of energy deviations, allowing swift corrective actions and continuous improvement.

In addition, targeted investments have been made and detailed energy data has been instrumental in assuring optimization in the commissioning phase.

As a result, the site has achieved an average annual improvement in energy performance of 12% between 2022 and 2024 — a remarkable accomplishment for a mature manufacturing operation.

Energy Source distribution Figure 4



Renewable energy – levers to reduce scope 2 emissions

Figure 4 shows the energy sources we used across SKF during 2025.

Electricity accounted for around 75% of our total energy use in 2025, and 91% of that electricity was sourced from renewable sources according to the RE100 technical criteria. This reflects our long-standing commitment to increasing the share of renewable energy in our operations, whether through sourcing or on-site generation.

We manage strategic energy sourcing decisions centrally at the Group level, including the procurement of renewable electricity. Through this centralized function, we have developed a roadmap to transition all SKF units to 100% renewable electricity by 2030. This roadmap is currently being implemented and closely monitored. As a member of the RE100 initiative, we follow their technical criteria when purchasing renewable electricity.

In developing and deploying our renewable electricity roadmap, we are supported by a third-party energy service provider. We apply a range of sourcing approaches, including power purchase agreements (PPAs), virtual power purchase agreements (VPPAs), bundled and unbundled environmental attribute certificates, and long-term Renewable Energy Certificate (REC) agreements.

While our Group-wide renewable electricity sourcing strategy will deliver the most significant impact, we are also expanding the use of on-site solar panel installations to support self-generation of renewable electricity. In addition, some of our locations use district heating for building heating. Given the highly localized nature of district heating systems, efforts to decarbonize this energy source are driven at the site level, with actions, investments, and expected outcomes included in each site's decarbonization roadmap.

25 years

Example 6:

China

SKF China is exploring innovative ways to accelerate its decarbonization journey. In 2024, a 25-year agreement was signed for a 5.8 MW rooftop and carport solar installation at the newly built Dalian factory. This agreement follows an OPEX model, with ownership of the solar installations transferring to SKF upon completion of the agreement term.

At the Nankou facility, where renewable electricity accounted for 0% of the total 17.8 GWh consumption until 2024, the SKF China team has leveraged a new local consumption certification recently introduced by the Capital Electricity Trading Center (Beijing). This initiative will enable the Nankou site to achieve 100% renewable electricity consumption.

98 GWh

Example 7:

India

The year 2025 concluded with renewable electricity accounting for 99 GWh, which represented 99.6% of total consumption of all SKF sites in India. Of this, physical Power Purchase Agreements (PPAs) contributed 98 GWh.

In 2024, SKF signed a 15-year agreement (Fixed Price REC strip) with Fourth Partner Energy Private Limited for a portion of the International Renewable Energy Certificates (IRECs) generated from a newly built 70 MW solar farm located in the northern Indian state of Uttar Pradesh. What makes this agreement unique is the provision to switch to a PPA when it becomes more commercially viable, thereby offering SKF full flexibility.

This agreement began delivering IRECs in 2025 and will enable SKF to meet 100% of its annual electricity consumption at its Indian facilities with renewable electricity.

452 MW

Example 8:

12 Year REC strip agreement for Solar Electricity in the USA

In 2024, SKF signed a 12-year agreement with Clearway Energy Group (Clearway) for a portion of the Renewable Energy Certificates (RECs) generated from a 452 MW solar farm currently under construction in Kent County, Texas, USA.

This agreement starts to deliver RECs in 2026 and will enable SKF to supply 100% of its annual electricity consumption in its U.S. and Canada facilities with renewable electricity.

15 years

Example 9:

15 Year VPPA for Solar Electricity in Europe

In June 2023, SKF signed a Virtual Power Purchase Agreement (VPPA) with Enel, a global energy company, to support the development of renewable energy in Europe. This agreement provides guarantees of origin for electricity equivalent to one third of SKF's European operations, sourced from Enel's newly built solar project in Spain which started to produce in 2024.

16 GWh

Example 10:

On-Site renewable energy generation

In 2025, SKF generated around 16 GWh of electricity from on-site (mainly solar PV) renewable energy sources. This excludes on-site installations leased from third partys, which are reported as PPAs. Significant installations are present at our operations in e.g. India, China, Germany, Spain and France.



Advocating for global increases in renewable electricity generation

SKF is an active member of the RE100 initiative, a global coalition of influential companies committed to using 100% renewable electricity. Through this membership, we publicly reinforce our commitment to transitioning all SKF operations to renewable electricity by 2030.

As part of RE100, we not only align with its technical criteria—such as sourcing from assets less than 15 years old—but also advocate for broader systemic change by demonstrating the business case for renewables. We work alongside other RE100 members to promote policies and market mechanisms that accelerate the global shift toward renewable electricity.

Fossil fuel phase out – levers to reduce scope 1 emissions

We make direct use of fossil fuels at the majority of our locations around the world, primarily fossil-based natural gas, which is used for both building and process heating. To meet our Scope 1 and 2 decarbonization objective, we must reduce these emissions from approximately 53 000 tonnes per year in 2019 to well below 20 000 by 2030.

To achieve this, we are applying several key strategic levers. These include a ban on any future investments in plant or equipment that rely on fossil fuels, and the establishment of a dedicated investment frame to support the electrification of fossil-fuel-based assets or their conversion to sustainable bio-based alternatives, such as biomethane.

Our Group Fossil Fuel Phase-Out Policy prohibits any new investment in equipment that requires fossil fuels and mandates that all remaining fossil fuel use be phased out by 2030.

In support of this transition, we established an investment frame of 3 BSEK in 2023. This funding is to be fully allocated by 2028 and is dedicated exclusively to investments required to deliver on our overall decarbonization plan, with a particular focus on phasing out fossil fuel use.

DECARBONIZED

2025

Example 11:

SKF Nilai in Malaysia achieves decarbonized status

In October 2025, SKF's factory in Nilai, Malaysia, achieved decarbonized status, becoming the 8th decarbonized facility. Securing a reliable supply of renewable electricity was a critical factor, and through significant on-site solar power installations combined with renewable energy certificates, this goal has been met.

The site has also taken several important measures to achieve and maintain strong energy performance. This includes upgrading the chiller capacity by installation of a highly energy efficient chiller with a centrifugal compressor. Also, in combination with upgrades of compressed air supply efficiency, the team has taken action to reduce the system pressure to further reduce energy demand.

Remaining emissions, well below the site level target level, are process-related hard-to-abate emissions, relating to which the team are working to implement further reductions by pursuing process adjustments as well as sourcing from renewable sources.

2022

Example 12:

SKF Puebla Mexico achieves decarbonized status

SKF's factory in Puebla, Mexico, became the 6th decarbonized facility in September 2025. This was one of first SKF factories in the Americas, as well as within our Automotive footprint, to become a decarbonized site.

Since 2019, the Puebla team has driven a remarkable reduction of over 99% in Scope 1 and 2 emissions. All electricity is now sourced from renewables, backed by long-term contract for renewable electricity certificates. The site has a clear roadmap in place to address the few remaining emissions that are well below the site level target level.

The progress has been backed by strong development in energy performance including upgrades of e.g. compressed air systems and cooling capacity, the latter also contributing reduced water consumption.



35% reduction

Example 13:

Biomass heating at the St. Cyr facility in France

Since 2011, most of the energy needed for building and process heating at SKF's facility in St. Cyr has been provided by an on-site biomass boiler, which reduces annual CO_2e emissions by 35%. The biomass material comes from locally sourced biomass.

400 tonnes

Example 14:

Use of biogas derived district heat in Luechow, Germany

SKF Luechow has formed a partnership with a local CCGT operator that use biogas from agricultural waste to generate renewable electricity. SKF is supplied with excess heat from its gas turbine, for building and process heating. Annually, this reduces GHG emissions by around 400 tonnes.

300 boreholes

Example 15:

Geothermal heating at SKF Jinan in China

SKF's Jinan facility has a geothermal heating and cooling system. 300 boreholes were drilled, 100 meters deep, to drive a heat pump system. This drastically reduces greenhouse gas emissions related to building heating and cooling.

Strong governance and ownership driving execution

We have established a Sustainable Buildings Policy that sets clear requirements for new buildings in terms of decarbonization and alignment with the USGBC's LEED 4.1 standard. As with our energy efficiency efforts, we apply a structured and consistent approach to ensure progress.

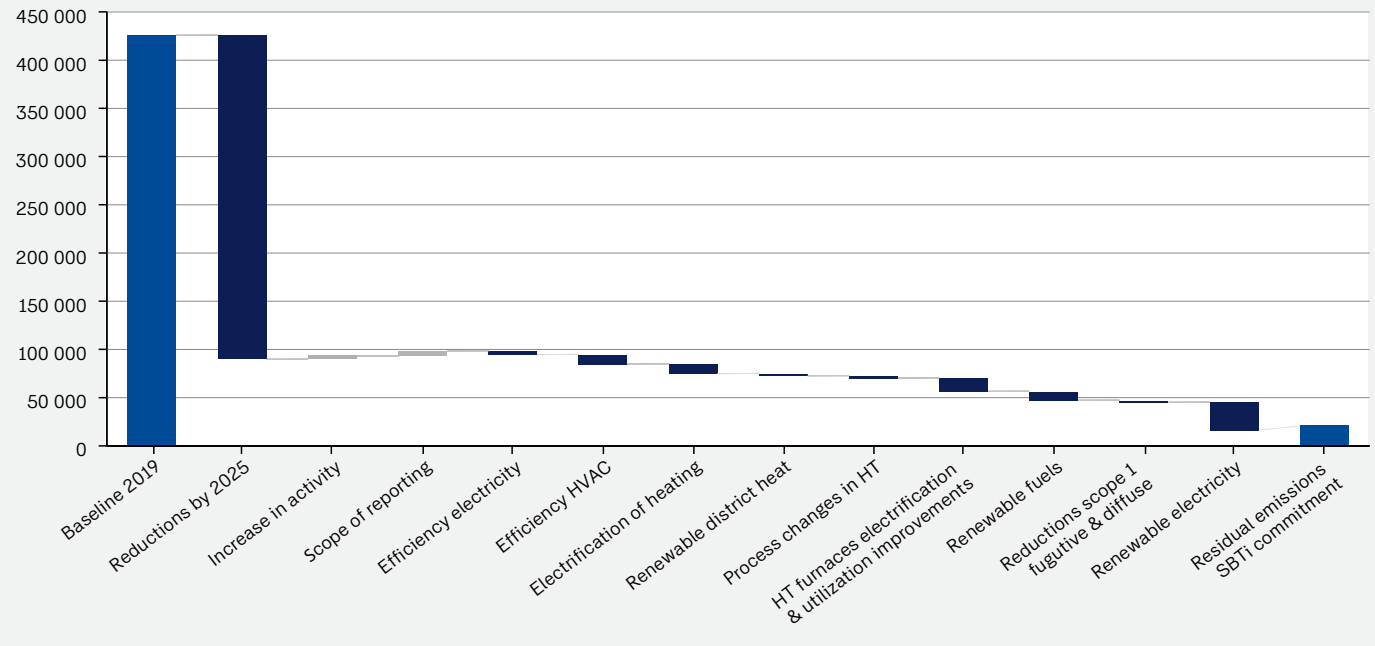
We monitor Group-wide progress toward our fossil fuel phase-out target monthly. In addition, a high-level review of performance and future plans is conducted twice a year by our Chief Sustainability Officer together with each Business Area President.

To support the development and planning of fossil fuel phase-out activities, we use our Group-wide database of detailed actions. This tool helps us assess whether our factories, Business Areas, and the Group have defined and planned sufficient actions to meet our future objectives.

The anticipated relative contribution of all the strategic levers described above toward achieving our 2030 decarbonized operations goal is illustrated in **figure 5**.

SKF Scope 1 and 2 – Mitigation activities

Figure 5



4.2 Upstream purchased materials (Scope 3, Category 1)

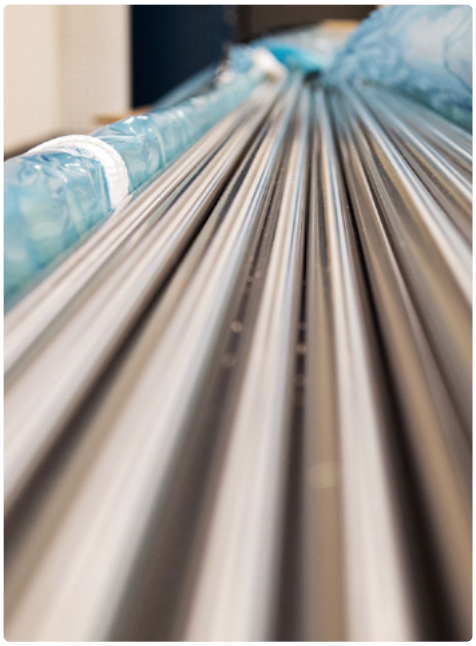
Our goal is to reduce upstream Scope 3, Category 1 emissions by 32% by 2030 compared to our 2019 baseline, and to achieve net-zero by 2050 or earlier. Reaching this long-term target requires a 90% reduction in Scope 3 emissions by 2050 with the remainder being addressed via carbon dioxide removals.

Figure 6 illustrates our progress toward achieving the 2030 goal.

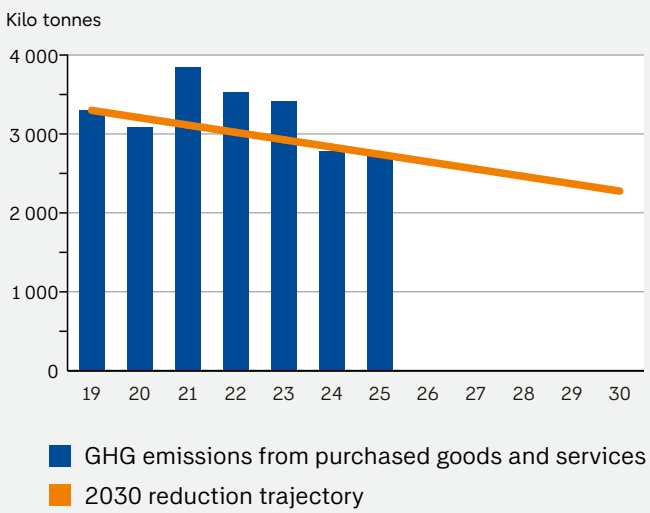
We apply several strategic levers to achieve our upstream emissions reduction goals. These include improving material efficiency, increasing circularity, expanding the use of secondary materials, increasing the use of renewable energy within our supply chain, and adopting emerging and new technologies to produce materials with very low embodied carbon.

Our procurement strategy places a strong emphasis on steel and steel components, which represent the largest share of materials we source—both by weight and value. In 2025, we used approximately 490 000 tonnes of bearing steel and steel components. By comparison, we sourced around 5 858 tonnes of rubber, which is also a critical material for us, used in finished seals or as a raw material in seal production.

Product carbon footprint studies for bearing materials and components have shown that the embodied carbon in the steel and steel components we purchase accounts for the most significant part of the total emissions generated across our value chain—from raw material extraction to the delivery of finished products to our customers. As a result, we have prioritized the decarbonization of our upstream steel value chain, and most of our current measures are focused in this area.



Scope 3, Category 1 development — Figure 6



As described in Section 3, in 2025 we expanded our Scope 3, Category 1 reporting and target scope to include spend-based emissions in order to achieve more complete coverage of purchased goods and services.

Using a spend-based approach, it is not possible to measure the impact of individual suppliers' emissions-reduction efforts, as the calculation relies on generic, published emission factors applied at spend-category level rather than supplier-specific data.

Our primary focus is therefore to use the spend-based analysis to identify the suppliers with the largest emissions impact and to prioritize engagement with these suppliers to obtain primary data. This enables us to measure the actual impact of supplier-specific actions, such as improvements in energy efficiency, increased use of renewable energy, or changes in production processes.

This transition will take time. Over the coming years, we intend to progressively increase the share of primary supplier data in our Scope 3, Category 1 reporting, while using spend-based methodology to ensure completeness.

An exploration of the strategic levers applied is provided below.

Increasing the use of secondary materials

Producing virgin steel—primarily from reduced iron ore—is significantly more carbon intensive than producing steel from re-melted scrap. That's why increasing the use of scrap-based steel production is a key lever in reducing our direct material (Scope 3, Category 1) emissions. Our Business Areas incorporate this priority into their steel sourcing roadmaps. Currently, approximately half of the total volume of steel we source comes from scrap-based steel, and we expect this share to increase significantly in the coming years. While we recognize the importance of increasing scrap utilization as part of the global transition to low-carbon steel, we also acknowledge that limited scrap availability relative to global demand means this is only one of several necessary measures.

Increased use of renewable energy in the supply chain

We actively promote the use of renewable energy among our suppliers to help reduce the carbon intensity of their production processes and the products they deliver to us. Our sustainability standard for suppliers outlines our expectations for evaluating and adopting renewable electricity. We also support our suppliers in developing renewable energy sourcing strategies through training and other forms of engagement.

Use of emerging and new technologies

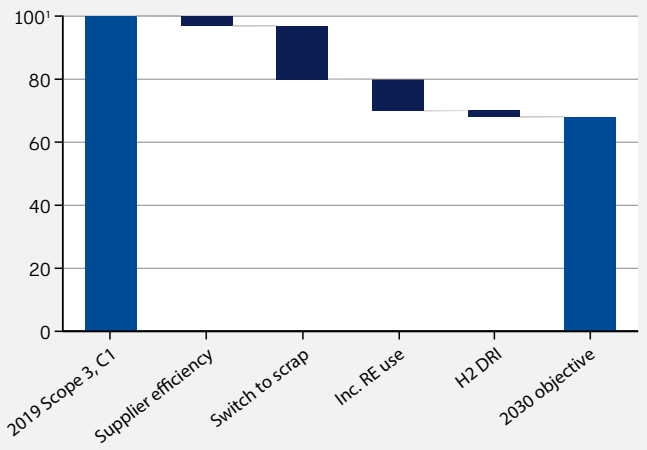
Given the dominant role of iron and steel production in our total upstream greenhouse gas emissions, we focus on emerging technologies that can drastically reduce these emissions—often referred to as green steel technologies. We are actively involved in the development and evaluation of such solutions with selected partners, including voestalpine (hydrogen-reduced iron) and Ovako (Electric Arc Furnace using 97% recycled content and powered by renewable electricity).

The relative contribution of these strategic levers toward achieving our 2030 mid-term net-zero objective is summarized in **figure 7**.

Shadow Carbon Pricing

As an additional step to drive change in this area, we introduced an internal Shadow Carbon Price (SCP) directive in 2024. This directive is intended to help us internalize the environmental cost of steel and steel components within our supply chain. The SCP is calculated and applied to influence supplier selection in major direct material sourcing decisions, supporting our efforts to reduce embodied emissions and address regulations such as the Carbon Border Adjustment Mechanism (CBAM).

Expected contribution of strategic levers to the achievement of S3, C1 2030 goal — Figure 7



1) Base year 2019 = 100



90%

Example 16:

SKF and steel supplier Ovako reach milestone in journey towards net-zero bearing production

In October 2022, SKF and the swedish steel producer Ovako announced the production of Spherical Roller Bearing (SRB) with 90% less emissions than its standard SRB bearing.

The bearing is manufactured in SKF's decarbonized factory in Gothenburg and uses recycled steel from Ovako's Hofors mill which runs on 97% fossil free energy.

H_2

Example 17:

SKF in collaboration to speed up development of fossil-free bearing steel

In October 2021, SKF announced its collaboration in the development of fossil-free bearing steel with Luleå University of Technology's CH2ESS initiative. As part of the collaboration, SKF will participate in and fund research within hydrogen use in industrial processes and energy systems, speeding up the development of fossil-free bearing steel.

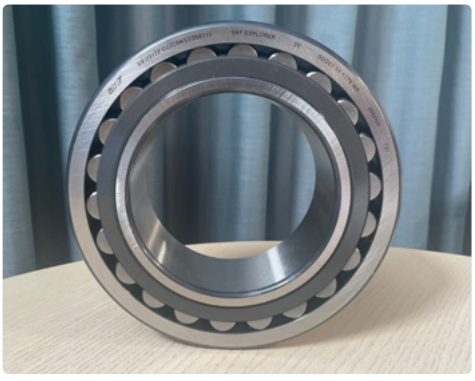
H-DRI

Example 18:

SKF and voestalpine reach milestone to decarbonize bearing production utilizing H-DRI produced steel

In collaboration with voestalpine Wire Technology, we have successfully produced the first prototype bearing made from steel containing hydrogen direct reduced iron (H-DRI). This marks a significant breakthrough in our efforts to decarbonize bearing production, as H-DRI is a low-emission alternative to conventional iron ore-based steelmaking. This innovative approach is crucial for making steel production more sustainable in the future. Since 2022, we have been working together to explore the possibilities of using H-DRI steel for bearing applications. By utilizing H-DRI steel, we aim to meet the growing demand for green steel and contribute to global efforts to combat climate change. The prototype Spherical roller bearing was handed over to voestalpine Wire Technology at our factory in Steyr, Austria in June 2024. These bearings can be used in various industries, including marine, pulp and paper production, mining, and construction.

This collaboration exemplifies our commitment to transforming ideas into actions towards a more circular industrial development and decarbonizing the steel industry with confidence.



Communication of SKF's requirements and expectations to suppliers

Our Sustainability Standard for Suppliers outlines clear expectations and requirements to support our environmental and climate goals.

All suppliers are required to act in support of SKF's Net-Zero 2050 objective and provide SKF with scope 1, 2, and 3 (upstream) emissions data in CO_2e for the materials and products supplied. This data must be reported in accordance with SKF's Greenhouse gas reporting supplier guideline, following the Greenhouse Gas (GHG) Protocol. Suppliers are encouraged to procure renewable electricity and must follow the GHG Protocol for their scope 2 reporting requirements. SKF does not accept the purchase of carbon offsets or climate compensation to reduce supplier scope 1, 2, or 3 impacts.

Additionally, selected suppliers of bearing steel shall meet at least one of the following requirements before 2030:

- Steel produced by a steelmaking site where the steelmaker has a science-based emissions target;
- "Lower emission steel" (aligned with ResponsibleSteel Decarbonization Progress Level 2).

All suppliers are expected to set reduction targets aligned with SKF's goals, prioritize energy and material efficiency and source renewable or low carbon energy. They must also share planned and completed actions towards these targets upon SKF's request. Energy management is another key requirement, with suppliers needing to monitor and manage their energy performance, set goals for improved energy efficiency, and provide relevant details to SKF when requested.

Improving material efficiency and increased circularity

We have been working on all aspects of material efficiency in our operations and supply chain for many years. This work is driven both by the environmental imperative and by the need for cost efficiency in a competitive market. It covers areas such as improved process control and quality, leading to the avoidance of scrap. We also focus on optimizing component design and tolerancing to minimize the amount of material that needs to be removed before arriving at the finished product. Where feasible, we utilize alternative process routes that allow near-net shape components to be produced.

Our focus on developing solutions that support the circular economy also helps reduce upstream direct material emissions in several ways. One example is the increased use of remanufacturing. This enables bearings that might otherwise be scrapped and replaced to be put back into service, avoiding emissions that would have been generated in the production of new bearings—both in our upstream value chain and within our own operations.

Advocating for a decarbonized steel industry

Decarbonizing the global steel industry is an immense challenge due to the sector's heavy reliance on carbon-intensive processes and the sheer scale of global steel production. The transition requires significant technological advancements, substantial financial investments, and coordinated efforts across the entire supply chain to achieve meaningful reductions in greenhouse gas emissions.

In facing this challenge, it is important to be realistic about how much influence SKF, as a single company, can have acting on our own. We are already working with our suppliers to improve energy and carbon efficiency and will, as part of our overall supplier selection and development approach, give preference to those suppliers who take a proactive approach. However, SKF represents only a small percentage of total demand for our steel suppliers. There are limitations to our influence on the supply chain by working unilaterally with our suppliers and sub-suppliers.

Addressing these issues, therefore, must include working with other industrial steel consumers to advocate for short, medium and long-term structural changes that will decarbonize the steel industry. In practical terms, we are doing this by being active members of SteelZero and the Responsible Steel Initiatives.

SteelZero is a global multi-stakeholder initiative formed by the Climate Group with a similar concept to RE100 for renewable electricity. It brings together leading organizations to speed up the transition to a net-zero steel industry. The overall aim of the initiative is to achieve this before 2050.

The SteelZero initiative was established in 2020. SKF was one of the first global industrial companies to join. We intend to use our influence to encourage both customers and suppliers to consider joining – thus taking the lead in advocating for a decarbonized steel industry. While the aim of SteelZero is to achieve net-zero global steel production by 2050, companies signing up to the initiative must also commit to interim 2030 goals.

The Responsible Steel initiative is a global multi-stakeholder initiative which works to address overall sustainability challenges within the steel industry (including climate change) through the development and deployment of certification standards for the various actors in the steel supply chain.

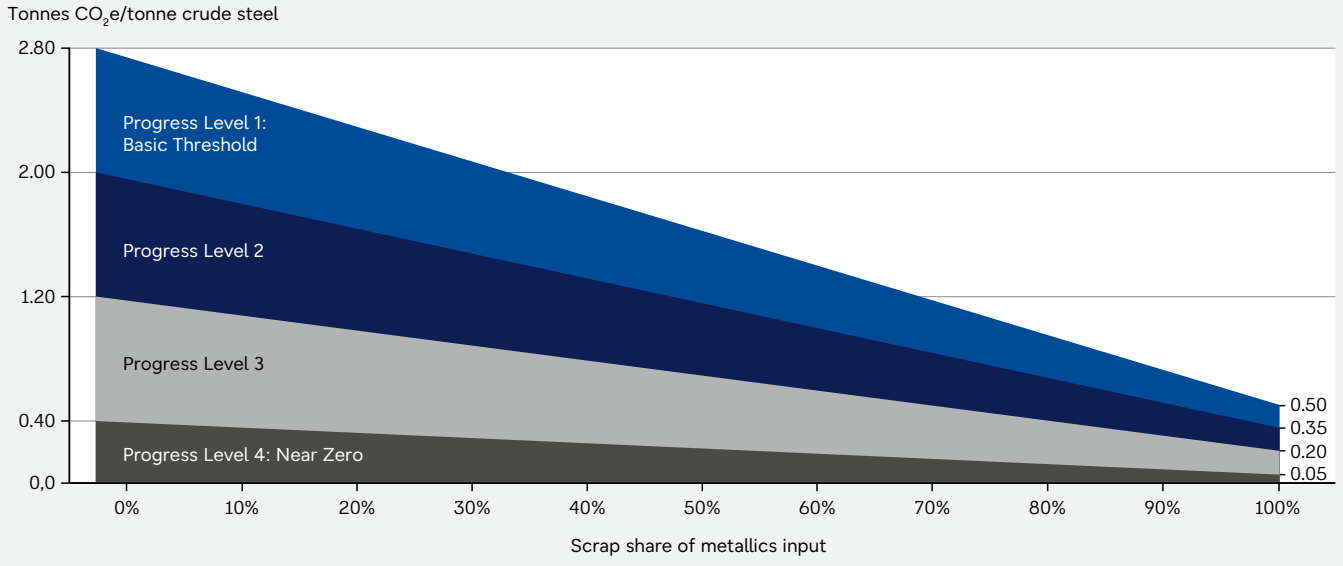
The initiative is playing a crucial role in the decarbonization of the steel industry by establishing comprehensive sustainability standards and certification processes. These standards encompass various aspects of environmental, social, and governance (ESG) criteria, ensuring that steel producers adhere to practices that significantly reduce their carbon footprint. By promoting transparency and accountability, the initiative encourages steel companies to adopt cleaner technologies and more sustainable production methods.

One of the key strategies of the Responsible Steel Initiative is to foster collaboration among stakeholders across the steel supply chain. This includes steel producers, consumers, and other industry participants who work together to drive innovation and implement best practices. The initiative also supports the development and deployment of low-carbon technologies, such as hydrogen-based steel production and electric arc furnaces powered by renewable energy. Through these efforts, the Responsible Steel Initiative aims to accelerate the transition to a net-zero steel industry, contributing to global climate goals and ensuring a sustainable future for the sector.

Additionally, the Responsible Steel Initiative has developed a standard to define steel producer Carbon performance levels. This standard provides clear guidelines and benchmarks for measuring and reporting the carbon intensity of steel production. It includes criteria for various production methods, such as the use of recycled materials, renewable energy sources, and innovative technologies that reduce greenhouse gas emissions. By setting these standards, the initiative helps steel producers to identify and implement the most effective strategies for reducing their carbon footprint, while also providing a framework for consumers to make informed choices about the sustainability of the steel products they purchase. The standard was developed in 2022/2023 and SKF was an active member of the stakeholder reference group.

A key element of this standard is the standardised definition of steel supplier progress towards decarbonization, taking into account the % of scrap used to produce the steel, as shown in **figure 8**.

ResponsibleSteel Decarbonization Progress Levels — Figure 8



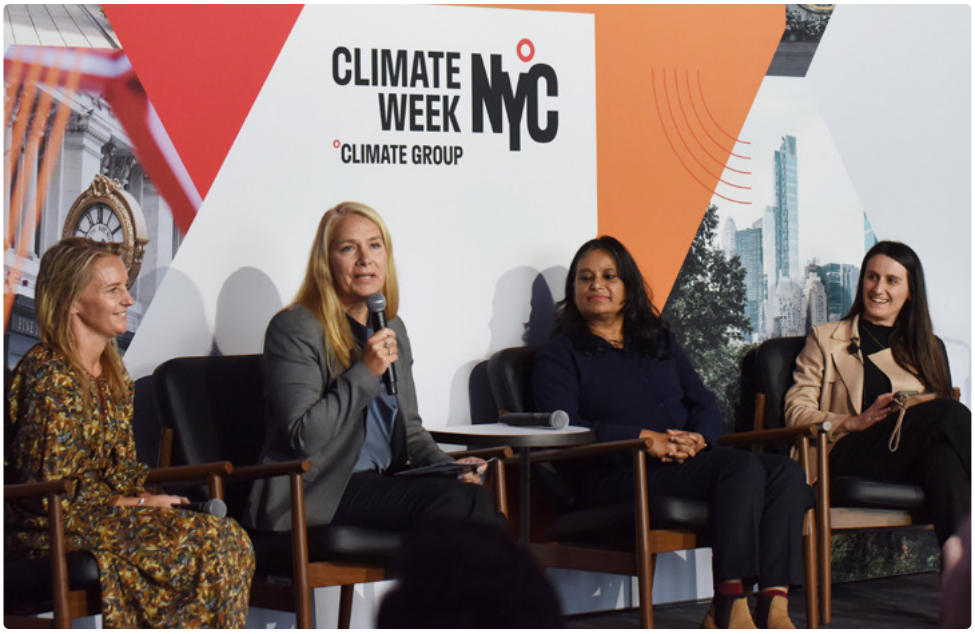
By evaluating performance in this way, the challenge of limited scrap availability vs. demand and therefore the need to address also virgin steel decarbonization is addressed in a pragmatic way.

We also collaborate closely with the ResponsibleSteel initiative and SteelZero, engaging in events and other advocacy efforts alongside stakeholders from across the steel value chain, governments, and civil society to promote the measures needed for a decarbonized steel industry.

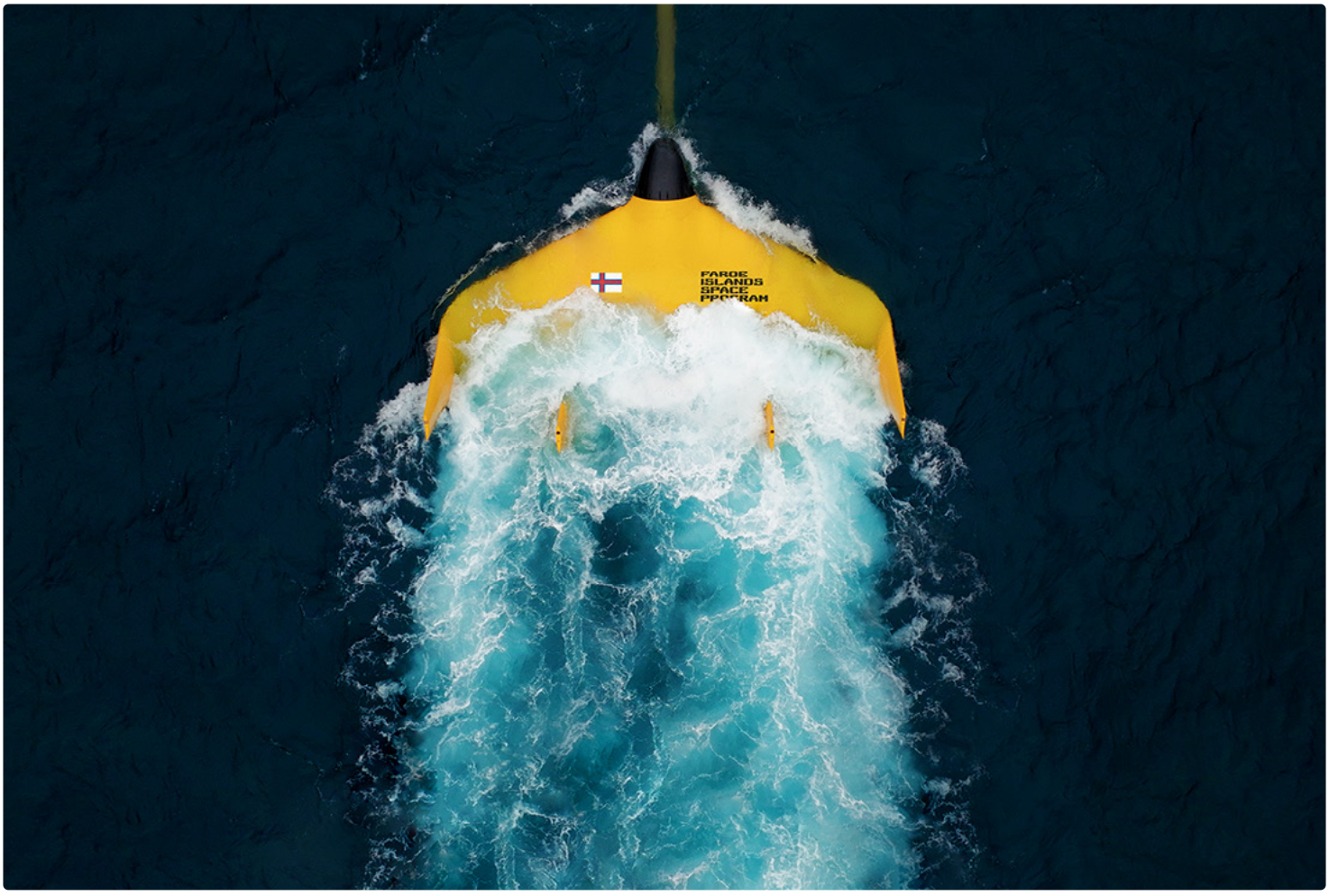
Recent examples of our direct advocacy includes participation at New York Climate Week in 2024 and 2025, as well as at COP30 in Brazil in 2025, where for example the importance of scaling sustainable solutions was highlighted.

Another example of our advocacy was our support for an open letter organized by the Industrial Transition Accelerator ahead of COP29 in Azerbaijan. The letter, addressed to government leaders, called for urgent policy action to stimulate demand for green industrial materials, chemicals, and fuels. It emphasized the importance of targeted policies to drive investment and accelerate the construction of green facilities, noting that uncertain demand and a lack of incentives to purchase green products are slowing progress in industrial decarbonization.

The letter specifically advocated for policies that level the playing field between green and carbon-intensive products, ensuring market predictability and competitiveness for low-carbon materials. It also called for financial support mechanisms to bridge the price gap between green and conventional commodities, encouraging buyers to choose more sustainable options. The goal is to unlock significant investment in green industrial projects, enabling the decarbonization of high-emitting sectors such as steel, cement, and aviation, and aligning with global climate targets.



SKF's CTO – Annika Olme speaking on steel decarbonization at New York Climate week



4.3 Upstream fuel and energy related activities (scope 3, category 3)

These greenhouse gas emissions result from activities that occur prior to energy generation, as well as from the distribution and transmission of the energy used in our operations. These activities include the extraction, processing, and transportation of fuels used in power stations, along with emissions from transmission and distribution. The impact of these emissions is significant, amounting to approximately 38 000 tonnes in 2025.

We aim to reduce these emissions through increasing the sourcing of renewable energy by transitioning away from fossil fuels. This helps reduce the upstream impacts associated with extraction, processing, and transportation, which represent the largest share of these emissions. At the same time, as part of our decarbonized operations programme, we are reducing energy demand by improving the energy efficiency of our operations.

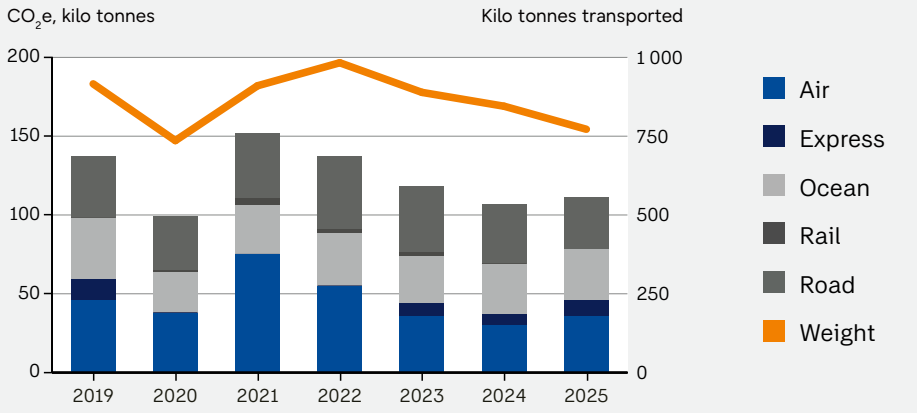
We also actively engage in multi-stakeholder initiatives such as RE100. Through these platforms, we promote and advocate for the systemic changes needed to achieve substantial emissions reductions.

4.4 Logistics (scope 3, category 4)

Our goal is to reduce this category of emissions by 35% by 2030 compared to 2019 levels, and by 90% by 2050.

We have been measuring, publicly reporting, and actively working to reduce these emissions since 2011. Achieving our reduction targets will require both direct actions from us and broader industry-wide changes, which we continue to advocate for. Our performance to date is summarized in **figure 9**.

Scope 3, Category 4 development — Figure 9



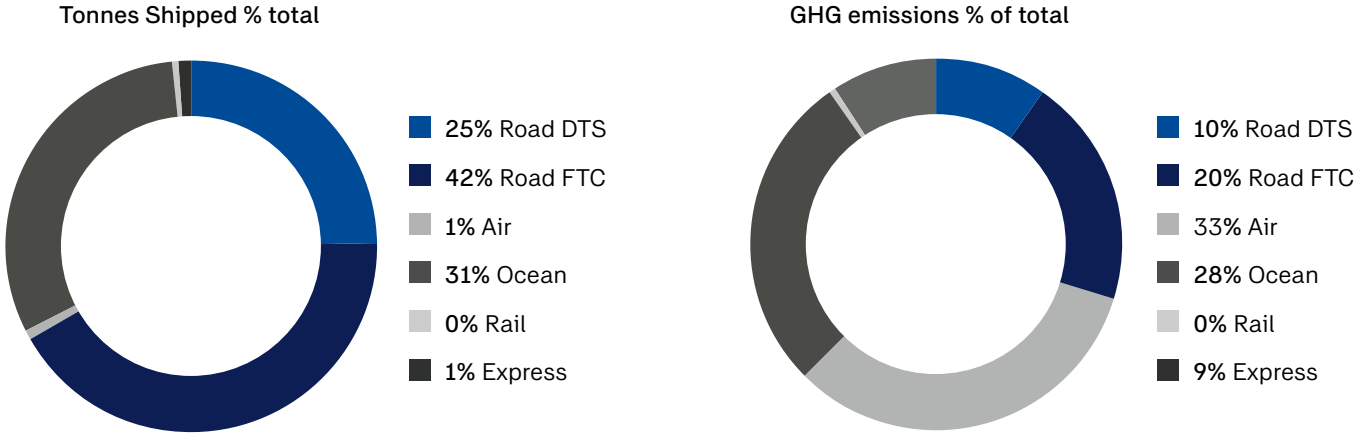
We focus on reducing transportation-related greenhouse gas emissions across four main areas:

Air freight avoidance

Air freight generates approximately 40 times more greenhouse gas emissions than ocean for transporting the same volume over the same distance. This is clearly illustrated in **figure 10**, which reflect actual 2025 data from our logistics operations. Although only 1% of the total tonnes shipped were transported by air, this accounted for almost one third of all logistics emissions.

It is for this reason that we published an air freight avoidance policy in 2024. The policy aims to minimize the use of air freight for both inbound and outbound transportation. We require that alternative transport modes—such as sea, rail, and road—are evaluated and used whenever feasible. Any planned air freight must be approved by the Business Area President or a delegated person. In the case of unplanned air freight, which may be necessary in urgent situations, it must be approved by the relevant Sales Unit Manager or Factory Manager, and we are expected to address the root causes behind its use.

Figure 10



Regionalization

We are also running a major strategic initiative to rebalance our manufacturing and supply chain footprint. The goal is to position our factories and warehouses closer to our customers, and our suppliers closer to our factories. This approach increases speed and flexibility, reduces cost and risk, and minimizes the carbon impact of transportation. We have made strong progress with this strategy over the past five years, but there is still more to be done.

Decarbonizing transports

Within each mode of transport, it is possible to select environmentally sound technologies—for example, trucks equipped with efficient engines that generate lower greenhouse gas emissions, or electrically driven trucks.

We will continue to work closely with our logistics providers to prioritize transportation modes that offer lower—and ultimately zero—carbon impact, wherever possible.

Optimizing transportation

Once the most effective mode of transportation has been selected, optimizing its use from both a cost and emissions perspective is a key part of our approach. For example, maximizing fill rates—the percentage of available capacity used—in trucks and shipping containers helps reduce transportation-related emissions.

Advocating for a decarbonized logistics industry

We will continue to take unilateral actions such as minimizing air freight, increasing rail freight, and reducing long-distance transportation by locating closer to our customers and suppliers. However, these measures alone will not be sufficient to achieve net-zero emissions. A broader transformation across the logistics industry is essential. Decarbonizing land, sea, and air transport presents a major challenge, requiring significant investment and a fundamental overhaul of existing infrastructure. Few experts believe that the aviation sector can be fully decarbonized by 2050 without relying heavily on carbon offsetting.

By setting clear goals for our logistics partners, we aim to signal our support for this transformation. As with the steel industry, our voice must be joined with those of other businesses and stakeholders to drive the necessary changes.

The anticipated contribution of each of these levers by 2030 is summarized in **figure 11**.

55% localization

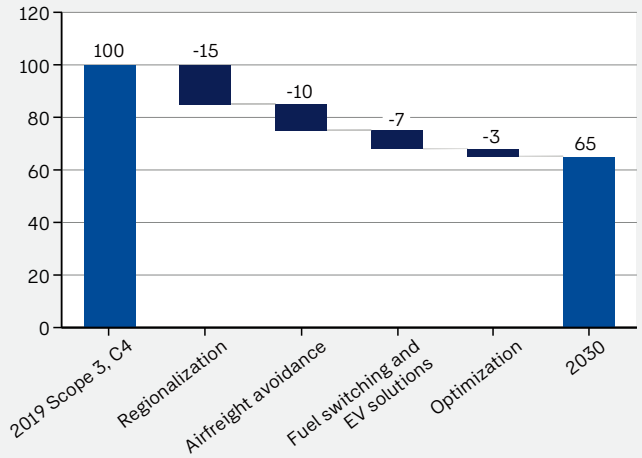
Example 19:

Increasing localization in India

Localization is an important element of our approach towards the decarbonizing of logistics. This involves using suppliers that are geographically closer to our factories, and optimizing our manufacturing footprint so that our factories are nearer to our customers.

Over the past years, our team in SKF India have increased localization from 25% to approximately 55%. This initiative has reduced transport lead times by 45-60 days, enhanced availability for our local customers, and resulted in significant transportation and CO_2e savings. For example, our work in localizing component supplies (moving from European to Indian suppliers) results in logistics related CO_2e savings of between 55 and 65%.

Relative contribution of strategic levers to the achievement of S3, C4 2030 goal — Figure 11





60% reduction

Example 20:

China

SKF China “1st Mile” decarbonized transportation for distribution went live in January 2025, in cooperation with DB Schenker. SKF branded hydrogen trucks were deployed for first leg pick up from SKF warehouse to DB Schenker cross-docking warehouse. These trucks replace traditional diesel engine trucks. Additionally, with improved pick-up planning, distribution network, enhanced utilization of loading docks, the truck fill rates improved, the number of trips decreased by more than 20%, thereby heavily reducing cost and achieving an overall CO_2 reduction of more than 60% compared to previous set-up.

298 tonnes

Example 21:

Sweden

SKF, Scania, and LOTS Group launch one of Europe’s longest routes for electric vehicles

The initiative creates recurring round trips with guaranteed volumes and high vehicle utilization across the entire value chain. By focusing on efficiency, the project shows that sustainable logistics is not only environmentally friendly but also cost-effective. This new route will significantly reduce emissions with a goal of achieving a 97% reduction in carbon dioxide emissions (WtW). At the same time, transport flow efficiency will be improved as 85% of the vehicle’s annual mileage will be with a full load. The entire route will be in total 221 000 km per year, resulting in a saving of approx 298 tonnes of CO_2e emissions, which is equivalent to the CO_2e emissions of 210 passenger cars over a year.





20 tonnes

Example 22:

France

SKF Logistics in EMEA has taken a significant step toward reducing its carbon footprint by electrifying its shuttle operations. In partnership with carrier XPO, electric shuttles now transport goods between the external service stock warehouse and the SKF Saint Cyr factory. With 5 to 6 rotations daily over a 20 km route, this initiative covers up to 120 km per day using zero-emission vehicles — saving around 20 tonnes of CO_2e annually.

4.5 Business travel (Scope 3, Category 6)

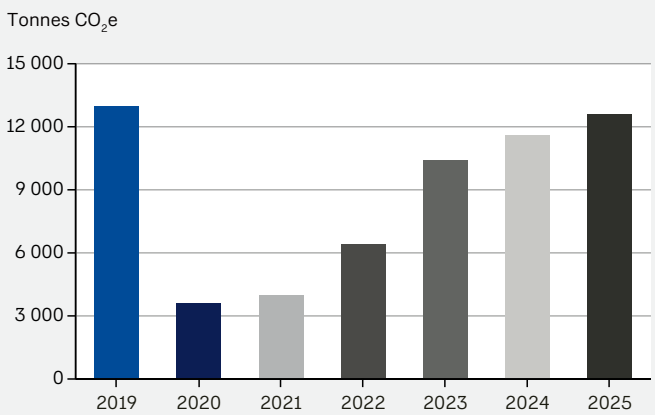


We work to reduce emissions from business travel in two main ways. First, by promoting virtual meetings as an alternative to physical ones and investing in the necessary IT infrastructure. Second, we encourage employees to use more carbon-efficient modes of transport through our Group travel policy and online travel booking tools, wherever feasible.

We emphasize the importance of questioning the necessity of business travel across the organization, advocating for its use only when virtual alternatives are not viable. When travel is necessary, we highlight the importance of selecting lower-carbon transport options.

In 2024, Group Management approved a new KPI to measure and track emissions from business travel. The KPI is defined as tonnes of CO_2e from business travel (flights) per number of white-collar employees. Since white-collar employees account for the majority of business travel, we will introduce an annual target to improve this KPI by 5% per year.

Scope 3, Category 6 development — Figure 12



4.6 Emissions from use of sold products (Scope 3, Category 11)

As part of our SBTi-approved net-zero goal, we report on downstream greenhouse gas emissions resulting from the use of our products and services (Category 11). This reporting focuses specifically on directly powered electrical systems that we deliver to certain customers—primarily magnetic bearing and electric motor systems, as well as lubrication systems.

These systems often enable improved energy efficiency for our customers, as illustrated in example 23.

There is not yet a widely adopted framework for the accounting of avoided emissions achieved by solutions of this kind, they are and will in future play a significant role in reducing emissions.

Noting this limitation in reporting, but considering that these systems directly consume electricity, the associated emissions are reported under Scope 3, Category 11. Assuming the global average electricity emission factor and allocation factor to account for the energy used by our products, we estimate that they result in direct use-phase emissions totaling around 1.8 million tonnes CO_2e annually.

While we continually work 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 our control, although we actively promote a transition to decarbonized power through participation in the RE100 initiative for example. As these power sector decarbonization efforts continue, emissions can be anticipated to be reduced accordingly.



35 000 tonnes

Example 23:

Energy and carbon savings enabled by SKF's magnetic bearing technology

For its capacity increase, our factory in XinChang 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 tonnes of avoided emissions in the lifetime of the machines.

5 Governance, follow-up and reporting

We take an integrated approach to the governance of sustainability topics, including climate and our net-zero ambition.

Our Board of Directors has established a Audit and Sustainability Committee to ensure increased focus on sustainability matters. This committee oversees our strategy related to sustainability, including climate change. Its responsibilities include reviewing, monitoring, and staying informed on our strategic objectives, initiatives, and their implementation for sustainable development. This includes mitigation and action on climate related impacts, risks, and opportunities, as well as monitoring progress against externally communicated sustainability targets—such as those outlined in this document.

Our sustainability work is operationally led by the Chief Sustainability Officer (CSO), who reports directly to the CEO and is part of our Group Management team. We also have a Sustainability Steering Group, consisting of the CEO, CFO, CSO, CTO, General Counsel, SVP People experience and Communication, and Director Group Sustainability, which meets bi-monthly to discuss emerging sustainability actions, events, and expectations. This promotes a proactive and leading approach to sustainability.

The Director Group Sustainability is responsible for ensuring that all relevant aspects of sustainability are addressed and integrated into operations and activities across the Group, in line with our adopted policies, strategies, and targets.

These structures support the integration of sustainability into our business practices, processes, operations, and staff functions.



We have established several decision-making bodies that govern specific sustainability-related areas, including oversight and monitoring of Group climate targets and strategies.

Responsibility for actual performance against the climate targets and strategy deployment lies with the line organization and is driven by the respective Business Areas, Business Units, or country organizations, with direction and coordination from Group Sustainability and various formal cross-functional decision-making bodies, and working groups.

High-level reviews are conducted every six months between the CSO and each Business Area President, along with their relevant teams. These reviews focus on tracking progress against strategic targets — including those described in this document — and addressing any performance or planning gaps.

You can find more details on the actual performance, strategy and other aspects of SKF's approach to Climate – such as adaptation and opportunities for business growth in the Sustainability section of SKF's Annual Report.

Note that the Annual Report includes the quantitative data and qualitative information summarized in this document, and that all this information has been reviewed and audited according to limited assurance by our 3rd party auditors.



6 Conclusion and next steps

We hope this document conveys our long-established, comprehensive, and pragmatic approach to climate change mitigation.

In it, we have outlined how our detailed strategic plans to achieve our goals have been developed and continue to evolve. We also provide updates on the status of these plans and are pleased to report that, as of 2025, we are on or ahead of target for the majority of our SBTi-approved goals.

This progress reflects the continued focus and drive across our business, significant investments in both capital and human resources, and the energy and commitment of our employees around the world.

We remain convinced that this is the right course of action—from both an ethical and business perspective—and we look forward to keeping our stakeholders informed as we continue our journey toward net-zero.

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