SUSTAINABILITY REPORT

Fighting friction

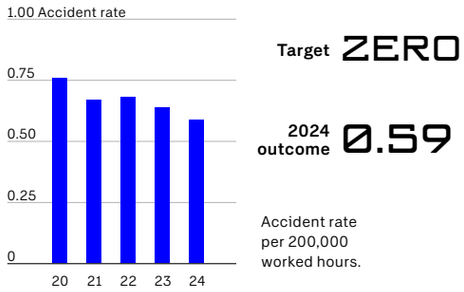
Did you know SKF's agriculture solutions can help reduce friction while improving application durability? Many SKF agriculture solutions are tailored to specific applications, driving development of high-performance designs while avoiding excess features or friction.

Sustainability targets

These graphs show four of the selected sustainability targets. Further information on these as well as additional targets related to sustainability are presented in the coming sections.

Social target

Safety



Target ZERO

2024 outcome 0.59

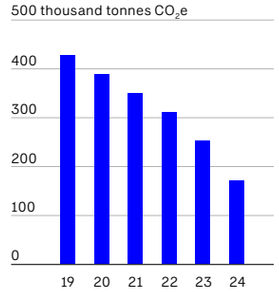
Accident rate per 200,000 worked hours.

How to reach the target
Global management system and focus on risk elimination and right safety behaviors.

2024 outcome
The rate reached an all-time low of 0.59 (compared to 0.64 in the previous year), demonstrating that our ongoing efforts in health and safety, including focus on proactive reporting and management, are driving continuous performance improvements.

Climate target

Decarbonized operations by 2030[1)]



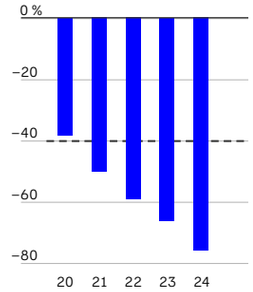
2024 outcome −59%

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

2024 outcome
59% reduction vs 2019 base year – well ahead of the 2030 goal trajectory.

Climate target

Bearing manufacturing



Target 2025 −40%

2024 outcome −76%

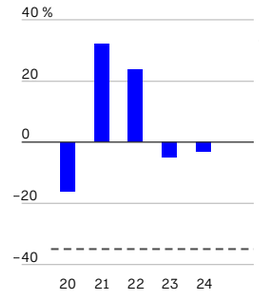
% CO_2e (scope 1 and 2) reduction per tonne of sold bearings compared to 2015.

How to reach the target
Increased energy efficiency, increased share of renewable energy, reduced use of fossil fuels.

2024 outcome
A 76% improvement reflects increased share of renewable energy use, as well as improved energy and overall efficiency.

Climate target

Goods transportation



Target 2030 −35%

2024 outcome −3%

−35% absolute CO_2 reduction vs 2019.

How to reach the target
Regionalization, airfreight avoidance, fuel switching and electric vehicle solutions, optimization.

2024 outcome
We experienced a 20% increase in transportation work (ton/km) for ocean freight due to geopolitical disturbances, as we had to find new routes and ship longer distances by ocean.

1) 95% reduction in scope 1 and 2 emissions by 2030 vs. 2019.

General information

Basis for preparation

General basis for preparation of the sustainability statement

Level of reporting

SKF welcomes the new EU regulation for sustainability reporting, the Corporate Sustainability Reporting Directive (CSRD). In preparation for reporting in compliance with CSRD for the sustainability report for the fiscal year 2025, SKF has taken significant steps already in this report for 2024 to adjust the reporting to CSRD and the related European Sustainability Reporting Standards (ESRS). All data and information reported in the sections for Environmental, Social and Governance topics have been assessed as material in SKF's double materiality assessment (DMA). Furthermore, some supplementary data and information is disclosed in the section Additional Information. In addition to the information provided in this report, related topics can be found at skf.com.

SKF's Sustainability Report is produced annually, and the reporting period corresponds to the fiscal year 1 January to 31 December 2024. The previous report was published on 4 March 2024.

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

This report is prepared in accordance with GRI Standards 2021 and according to the Swedish Annual Account Act chapter 6, § 11 on sustainability reporting and includes the topics Business model pages 12–17, Anti-corruption page 139, Climate and environment pages 102–123, Employees pages 124–133, Human rights and other relevant social topics pages 133–139. Risks associated with the topics above are found in connection with the outcome from SKF's DMA on pages 90–94.

This report is prepared for AB SKF, and all its legal entities are included in the scope of the report, see note 8 in the financial statements. The scope of the sustainability report remains consistent with last year's, making them comparable. SKF has also included the upstream and downstream value chain in the reporting wherever relevant according to the Group's double materiality assessment. SKF's value chain is visualized on page 86.

While preparing this report, SKF has considered the expectations of all main stakeholder groups, to ensure that the themes most significant to them are covered. No relevant information has been excluded due to reasons related to classified or sensitive data and intellectual property matters.

Assurance on sustainability information

To ensure that SKF's stakeholders and readers of the Group's Sustainability Report are confident in the transparency, credibility and materiality of the information published, this report has been subject to limited assurance by SKF's auditors in accordance with the standard ISAE 3000. Please refer to the Auditor's Limited Assurance Report on the Sustainability Report and the statement regarding the Statutory Sustainability Report on page 149.

Contact points

Contact points for questions regarding the report are:
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Disclosures in relation to specific circumstances

Changes in reporting

In 2024, reporting of the gender pay gap is based on tota remuneration paid out during the fiscal year for all employees employed during the year. This is a change compared to the reporting for fiscal year 2023, which was based on base salaries for white collar employees effective as of 31 December 2023.

Governance

SKF recognizes and welcomes the increasing stakeholder expectations related to sustainability and the Environmental, Social and Governance (ESG) topics. The Group has during 2024 reviewed its Code of Conduct, which is the foundation for SKF's business and sustainability activities, and updated it with regards to the increased expectations and new regulatory requirements, that SKF is subject to, including ESG. The updated SKF Code of Conduct clarifies SKFs responsibilities within:

- Governance, Ethics & Compliance
- People, Social and Human Rights
- Environment, Climate and Resources.

The updated SKF Code of Conduct is available on skf.com.

SKF defines sustainability through the SKF Care framework, which comprises four perspectives for value creation and sustainability integration in everything the Group does: Business Care, Environmental Care, Employee Care and Community Care.

The role of the administrative, management and supervisory bodies

The SKF Board of Directors has the ultimate responsibility for the Group's organisation and for the oversight of the management of the Group's affairs and is, together with the President and Group Management defining and continuously monitoring SKF's purpose, strategy, values and drivers. The President, who also is the Chief Executive Officer (CEO) handles the day-to-day management of the company's business and is supported by the Group Management (see pages 158–159). It is the President and CEO's responsibility to implement and ensure that the SKF strategy, purpose, long term financial targets and operational objectives determined by the Board of Directors are carried out and that effective governance and control is maintained. The President and CEO is also responsible for

Governance, cont.

preparing materials to the Board of Directors before the Board meetings and keeping the Board informed on SKF's financial position, development, risks and opportunities. This includes information to the Board of Director's about new developments, requirements and regulations within the sustainability and ethics area as well as about how SKF is working for a sustainable development based on SKF Care and the SKF Code of Conduct.

The SKF Board of Directors has established a Sustainability & Ethics Committee, to ensure an increased focus on sustainability topics. The Sustainability and Ethics Committee oversees SKF's strategy related to ethics and sustainability. The work also includes to review, monitor and keep informed on the strategic objectives, initiatives, and the implementation thereof for a sustainable development, mitigation and action on impacts, risks and opportunities of SKF and monitoring of progress against externally communicated sustainability targets see page 82. Based on SKF Care the committee also handles items relating to SKF's values, employee organization including talent acquisition, development, retention and planning, business- and work ethics, compliance, community care, environment, health and safety. The Sustainability and Ethics Committee held three meetings in 2024. Further details about the composition and diversity of the members in the Board of Directors and the Sustainability and Ethics Committee, as well as their roles and responsibilities, expertise and skills are found in the Corporate Governance Report on pages 150–160.

SKFs sustainability work is operationally led by the Chief Sustainability Officer (CSO) who reports directly to the CEO and is part of SKF's Group Management team. SKF has a Sustainability Steering Group consisting of the CEO, CFO, CSO, CTO and the Head of Sustainability who meets bi-monthly to discuss emerging sustainability actions, events, and expectations to promote a proactive and leading approach in sustainability. The Head of Sustainability has the task to assure that all relevant aspects of sustainability are addressed and integrated into operations and activities throughout the SKF Group as established by adopted policies, strategies and targets related to SKF's overall sustainability performance. These in turn drive and support the integration of sustainability into business practices, processes, operations, and staff functions.

SKF has established a number of decision bodies governing their respective sustainability-related areas, including oversight and monitoring of Group targets and strategies related to material impacts, risks and opportunities.

- Environment, Health and Safety (EHS), Energy, Climate Transformation, Circularity, and Responsible Business topics are governed by Group EHS and Group Sustainability, led by the CSO and the Sustainability, Quality & EHS Director. High level reviews are conducted every six months with the CSO and each Business Area President and their relevant staff. The purpose of these reviews is to follow up on the various strategic targets and related performance and address any gaps.
- People and Social topics focusing on SKF's own workforce are governed by the People Experience Management Team, led by the Senior Vice President People Experience. Bi-yearly, people business review meetings are held with all Business Areas, covering topics such as diversity & inclusion, talent development, and succession planning. Different People Experience Committees and subject matter experts support the realization of strategies.
- Governance, Ethics and Compliance topics are governed by Group Compliance and the Compliance Committee, led by the Chief Ethics & Compliance Officer and the General Counsel. The Chief Ethics & Compliance Officer maintains monthly meetings with all Business Areas, and keeps Group Management, the General Counsel and the CEO updated regarding strategies, KPI's as well as key activities, risks and incidents related to for example corporate culture, sanctions, corruption and bribery.

These decision bodies have the competence, experience and mandate to take decisions for their respective areas, including climate, energy, EHS, responsible sourcing, corporate governance, compliance and ethical business conduct, diversity, equity and inclusion, sustainable operations and the integration of sustainability in business strategy and processes. When needed, relevant experts from the organization are invited to participate in the meetings and discuss directly with the respective decision bodies. SKF has a long history of addressing sustainability topics and has a group of experts driving the development as SKF is pioneering the field of sustainability.

Sustainability topics are managed by corporate functions such as Group Sustainability, Group EHS, Group People Experience, and Group Compliance, with strong alignment and collaboration with the Business Areas and other relevant Group functions.

Sustainability performance is the responsibility of the line organization and shall be delivered in accordance with the strategic direction, business plan and under the accountability framework set within the SKF Group. The implementation of the sustainability initiatives in the line organization is driven by the respective SKF Business Areas, their business units or by country organizations, with direction and coordination from formal, cross-functional, decision-making bodies and working-groups, such as the Sustainability Board, the Group Health & Safety Committee, the Global Energy Sourcing Committee, the Responsible Sourcing Committee, the Group Ethics and Compliance Committee, the Community Care Committee and topic-specific People Experience committees.

Further information about controls and procedures applied to the management of impacts, risks and opportunities are provided on page 89.

Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Material impacts, risks and opportunities were defined through the DMA which is further described on page 95.

The validation of the DMA follows SKF's sustainability governance model. The summarized results can be found under on page 89.

Based on the results from the DMA, including material impacts, risks and opportunities, as well as other strategic input, the Group has during 2024 run three sustainability-related strategic programs: Climate Transformation, Circularity and Responsible Business. The Group has also continued its strong focus on the zero accidents program and other initiatives related to its employees and the social impact, such as diversity, equity and inclusion, and equal and fair compensation including living wages. Furthermore, the Group has continued to run the compliance program, with dedicated work related to human rights, export controls, information security and privacy, fair competition and anti-corruption as well as whistleblowing.

Members of Group Management and the relevant function heads are actively involved in the program steering. Status updates are shared with the program steering as well as the Board of Director's Sustainability and Ethics Committee and the Audit Committee. The following topics were addressed with the Sustainability and Ethics Committee during 2024, to keep the committee members informed and to review progress and implementation of policies, strategies and targets:

- The Group's plan for industrial leadership in sustainability, including strategic programs such as Climate Transformation and the actions and investments to reach decarbonized operations by 2030.
- Corporate culture, corruption and bribery, sanctions compliance, whistleblowing, awareness and trust of the whistleblowing process, updated SKF Code of Conduct.
- Diversity, equality and inclusion, equal and fair compensation including living wages, skills-driven people practices, and Community Care.

Integration of sustainability-related performance in incentive schemes

As a part of SKF's commitment to sustainability, sustainability-related performance has been integrated into the incentive schemes for the Group's long-term and short-term variable salary programs. The incentive schemes align the long-term interests of the participants and shareholders, thereby strengthening SKF's ability to attract and retain top talent and contribute to the business strategy, long-term interests, and sustainability, including climate.

Governance, cont.

The variable salary programme, also called the SKF performance share programme, which covers senior managers and key employees in the Group, including Group Management, offers the opportunity to be allotted SKF B shares free of charge but subject to local tax regulations. The allotment of shares is related to the achievement of the Total Value Added (TVA) target, as defined by the Board of Directors, and the SKF Group's CDP Climate Change score. The TVA performance measure is weighted 80% and the CDP Climate Change score performance measure is weighted 20%. More on the programme can be found in the Remuneration Report pages 168–174 and note 23 in the financial statements.

The CDP Climate Change score is a well-recognized and easily comparable metric of success in climate work, providing a transparent and objective measure of SKF's progress against other companies. The CDP Climate Change score covers all aspects of SKF's climate change strategy and enables every function within SKF to contribute to sustainability goals, reinforcing the Group's commitment to climate change mitigation. The CDP Climate Change score, determined by an external party, is dynamic, with the bar being raised annually to mirror increasing stakeholder expectations which requires continuous improvements for successful performance achievement.

The short-term variable salary program, offers a bonus based on salary. Local conditions determine which employees are eligible for the program. The bonus above economic and other targets weighted 90%, is directly linked to the performance against the trajectory of SKF's decarbonization target 2030, with the climate-related component currently constituting 10% of the total amount. This scheme provides a clear link and monetary reward between the participants' work in areas such as energy efficiency, material efficiency, and renewable energy, and the reduction in absolute GHG emissions needed to reach the decarbonization target 2030. Full pay out of this 10% is given if the 2024 target is met or exceeded. Zero payout is given if the target is not met.

Finally, the performance of every SKF employee is evaluated on a yearly basis. Individual goals are defined, and, in some cases, these may be related to climate. The level of achievement and other goals then forms part of the overall performance rating of the employee, and this impacts on salary level and other conditions.

Risk management and internal controls over sustainability reporting

In response to the increasing regulatory demands for transparency and accountability in sustainability reporting, SKF is working proactively to prepare for future reasonable assurance in its reporting practice. Recognizing the importance of this objective, SKF has commenced this journey, laying the groundwork for its internal control framework which is based on the established system developed by the Committee of Sponsoring Organizations (COSO) for Internal Control over Sustainability Reporting (ICSR). ICSR is based on the same principles as the SKF Internal Control Standard (SICS).

Control environment

SKF's control environment sets the tone of the organization and is established and communicated through organizational structure, ethical values and integrity, policies and procedures, as well as instructions and routines. Roles and responsibilities for topics have been defined to ensure accountability and effective oversight of sustainability topics, ensuring that the work within these areas is carried out efficiently. Governing documents, including internal policies, guidelines, and manuals, are under development to guide consistent and ethical reporting practices and provide employees with clear guidance on SKF's operations. Additionally, tools are evaluated, templates are created, and internal controls are designed and will be implemented across all material topics, encompassing both quantitative and qualitative disclosure requirements.

Risk assessment

SKF utilizes the double materiality assessment (DMA) to identify material topics for which process maps and robust internal controls should be developed and improved, ensuring that SKF can meet the increasing regulatory and stakeholder requirements. For more information on how the DMA is conducted, see Description of the process to identify and assess material impacts, risks, and opportunities on page 95.

A risk analysis is then performed for each process within the material topics, including the evaluation of risks such as fraud, irregularities, and data accuracy and completeness. Internal controls are developed on site-level, tailored to address the specific operational risks and data integrity issues, ensuring accurate and reliable information at the source. Internal controls at Group-level are designed to oversee the aggregation and consolidation of the data from all sites, providing a comprehensive and cohesive view of sustainability performance across the entire organization.

Control activities

SKF's control activities include policies, guidelines, procedures, organizational structures, and process-level control activities. The control activities are embedded within SKF's business processes to prevent errors and ensure the reliability of reported information. SKF has implemented both preventive and detective measures, such as the four-eyes principle during data collection and review activities, to validate the accuracy and completeness of data prior to public disclosure.

In 2024, SKF initiated the development and improvement of process maps and internal controls for sustainability reporting and undertook a pilot for a number of quantitative disclosure requirements in two topics to identify key take-aways and learnings, which subsequently allowed refinement and enhancement of the approach. Following the pilot, additional quantitative disclosure requirements for which data is obtainable have been mapped and internal controls have been designed.

Information and communication

SKF has initiated a comprehensive CSRD program to emphasize the organization's commitment to sustainability reporting and compliance. Regular updates are provided to the Board of Director's Audit Committee to keep them informed about the progress and activities within the sustainability reporting program and other sustainability reporting matters.

Monitoring

SKF aims to be a sustainability leader in the industry and has set ambitious sustainability goals along with associated strategies. To support these strategies, SKF has established key performance indicators (KPIs) to monitor progress. Responsibility for the quality of information has been distributed to the individuals responsible for sustainability topics. Going forward, SKF will utilize the new implemented digital tool and process for ICSR to continuously monitor and enhance the internal control system related to sustainability reporting.

Membership associations

SKF endorses or subscribes to a number of internationally recognized principles, charters and guidelines which promote sustainable and ethical business practices. The main ones are: The United Nations Global Compact, The International Labour Organization (ILO), The International Chamber of Commerce (ICC) and The Organization for Economic Co-operation and Development (OECD).

SKF endorses and works to apply the OECD Guidelines for Multinational Companies. By doing this, SKF commits to conducting business in a global context in a responsible manner, consistent with applicable laws and internationally recognized standards. SKF's involvement in initiatives related to SKF's climate strategy and ambitions are described under Climate change adaptation and mitigation.

Strategy

Strategy, business model and value chain

SKF is a leading global industrial brand with almost 39,000 employees in 130 countries, across four key geographical regions: the Americas; Europe, Middle East and Africa; India and Southeast Asia; and China and Northeast Asia.

In over 40 industries, SKF provides a comprehensive portfolio and knowledge built on the company's core technology platforms: bearings and units, seals, lubrication systems, intelligent solutions such as condition monitoring and services. By combining these platforms, SKF delivers customized solutions, blending products, technologies, and services with flexible new business models to meet each customer's unique needs.

The operations are structured in two business units. The Industrial business supplies customers globally with products and services, both directly and indirectly through a network of more than 7,000 distributors. The offering includes a broad product range of bearings, seals, lubrication systems and power transmission products, as well as rotating shaft services and solutions for machine health assessment, reliability engineering and circular solutions. The Industrial business generates 70% of SKF's net sales and 89% of the adjusted operating profit.

The Automotive business supplies the vehicle aftermarket with spare parts, both directly and indirectly through a network of more than 10,000 distributors. The offering comprises customized bearings, seals and related products for e-powertrain, driveline, engine, wheel-end, suspension, and steering applications to manufacturers of electrical vehicles and commercial vehicles. The Automotive business generates 30% of SKF's net sales and 11% of the adjusted operating profit.

For more information on turnover and financial results, see pages 32–78. For more information on employees, see pages 124–133.

SKF's strategy is centered around two key concepts: intelligent and clean. Intelligent reflects the commitment to providing connected and customized solutions for customers while utilizing technology to improve operational efficiency. Clean emphasizes SKF's role in driving a more sustainable industry and conducting its business transparently and responsibly. For more information on strategy and goals, see pages 12–20.

Impacts, risks, and opportunities in the value chain

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

Upstream

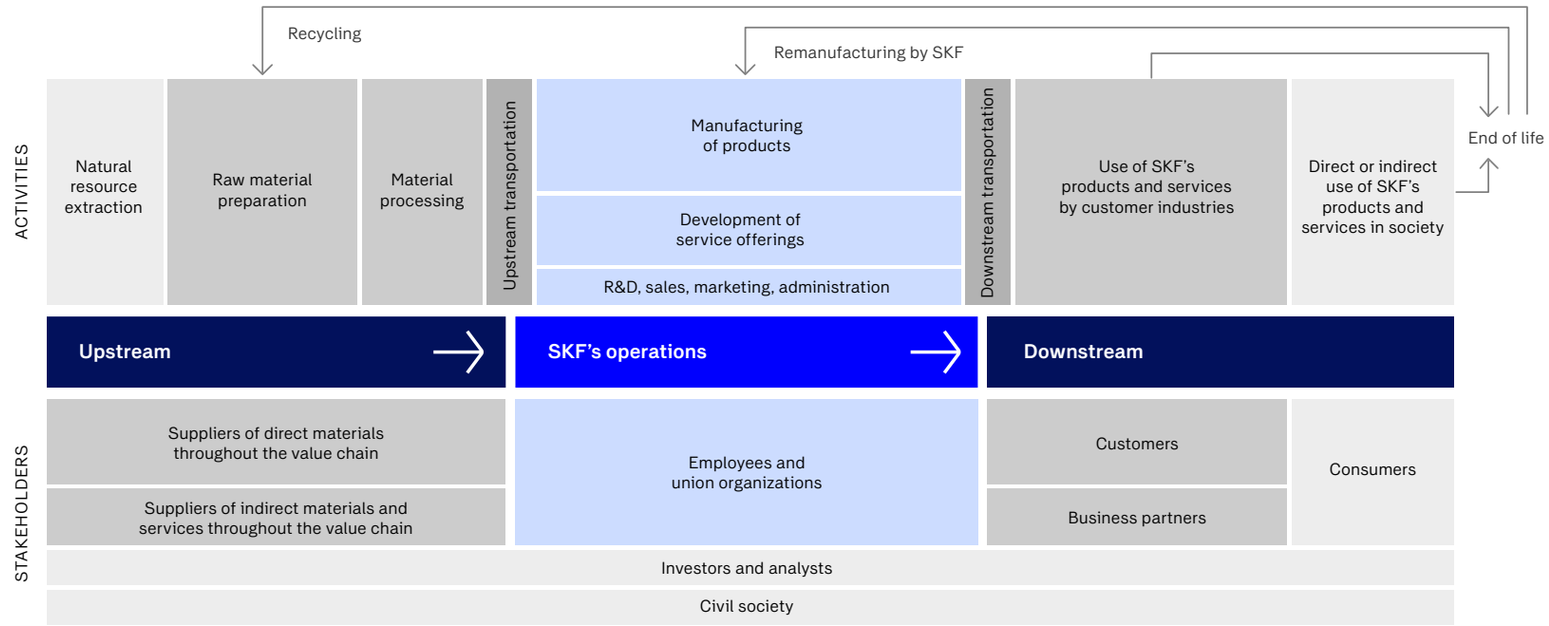
The main upstream environmental impact comes from the sourcing of metal components and is associated with scarcity of resources, energy and emissions. SKF can influence this by focusing on material efficiency in the manufacturing processes, extending the useful life of both SKF's products and the products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

Based on conducted life cycle assessments SKF has concluded that raw materials have significant environmental impacts. To decrease this impact SKF has initiated a Circularity programme showing a strategic commitment to transitioning into a circular company. It lays out well-defined objectives aiming at improving the circularity of the supply chain and refining operational practices, including optimizing material utilization, reducing waste, and fostering sustainable resource cycles.

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

Own operations

SKF has direct operational control of its own operations and therefore has the means and responsibility to directly drive improvements in environmental and social performance. Safety always comes first and SKF is convinced that all work-related accidents can be prevented.



Strategy, cont.

The Group has a global management system with focus on risk elimination and correct safety behaviours. The Group's Zero Accidents programme, supported by proactive near miss reporting, aims to avoid all workplace accidents.

By increasing energy efficiency within its operations and the share of renewable energy utilized, SKF can reduce its environmental impact. A roadmap has been developed, defining the transition towards 100% renewable electricity, systematic improvement in energy efficiency and the near elimination of fossil fuel use at all SKF units using > 2GWh of energy per year. By avoiding wasted material at SKF, the waste associated with the embedded energy and emissions upstream are also avoided. SKF also strives to increase the use of renewable, low-carbon or recycled materials.

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

Downstream

SKF works to continuously reduce any negative downstream impact relating to its business. This starts with ensuring compliance with laws and regulations and avoiding materials and substances hazardous to people and the environment. The purpose of SKF's products and solutions is to make things work better and run faster, longer, cleaner and more safely.

SKF believes that business can drive prosperity and growth to overcome social issues over time. The work related to human rights focuses on adhering to export control regulation and ensuring that SKF's distributors adhere to the SKF Code of Conduct.

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

SKF enables improvements in customers' sustainability performance through products, services, business models and value propositions. The improvements include for example increased energy efficiency, reduced greenhouse gas emissions and improved safety. The Group also develops new cleantech solutions through partnerships, business development, and acquisitions. The focus is on technologies that help enable cleantech areas such as renewable energy, electric vehicles, and railway applications, which will help to improve performance of current cleantech solutions as well as enable new innovations.

The Group aims to support the growth of these technologies and industries, which in turn will help to reduce environmental impact on a large scale. SKF is also growing its circular solutions such as bearing remanufacturing, a system for re-using oil (RecondOil) and Laser Metal Deposition (LMD). Bearing remanufacturing avoids the need of replacement with a new bearing and therefore the large majority of the greenhouse gas emissions from bearing production. In addition to emissions associated with raw materials and energy use being avoided, it also provides the customers with lower costs and in many cases, better availability compared to replacing with new products. SKF RecondOil is a service that provides a solution for the complete recovery and reuse of industrial oil. It uses Double Separation Technology (DST) to remove contaminants from the oil, allowing it to be used again and again. This reduces the environmental impact of industrial oil use and can save on maintenance costs.

Upstream and downstream logistics

SKF's global upstream and downstream logistics requirements and networks are large and complex. SKF strives to reduce emissions and at the same time improve cost efficiency. This is done by reducing transport demand, optimizing transport efficiency and making use of transport decarbonization opportunities.

Interests and views of stakeholders

SKF aims to align its business practices with the needs and expectations of its stakeholders. Stakeholder groups are defined as entities or individuals that may influence and/or be influenced by SKF's activities. These different stakeholders have specific concerns for sustainability-related topics. Through ongoing dialogues, SKF aims to understand the stakeholder groups' positions, concerns, and expectations. This continuous interaction informs the Group's sustainability efforts, projects, and processes, allowing alignment with the interests and views expressed by stakeholders.

Guided by the principle of being a responsible company, SKF's stakeholder engagement adheres to international norms and codes, including the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. The input to SKF's sustainability activities is collected from customers, investors and analysts, employees, union organizations, and representatives from civil society, and is collected via interviews, surveys, conferences, meetings, and data analysis. The work to engage with the stakeholder groups is conducted by the respective functions within the Group. The insights are used to inform both the due diligence processes and the double materiality assessment. SKF further ensures that the views of stakeholders are communicated to the Board of Director's Sustainability & Ethics Committee.

Strategy, cont.

Stakeholders' interests and views on SKF's sustainability-related activities and initiatives

Stakeholder	How engagement is organized and purpose of engagements	Summary of insights from engagement	Examples of how outcomes of the engagement are taken into account by SKF
Customers	Customers' input is sought and received via sales, marketing operations and activities carried out by the Group. These range from global discussions with key account managers to daily conversations between customer representatives and SKF's local account managers. SKF also collects key issues and concerns from customer surveys and assessments.	Customers are expecting SKF to be a business partner with strong ethics and engineering expertise that provides innovative and reliable products that contribute to the customers' climate targets and energy efficiency.	Development of new innovative products and services and improvements in existing portfolio.
Investors and analysts	SKF takes an active approach in communicating the Group's strategy and performance to existing and potential investors, analysts and media. Information is provided through various channels, such as the quarterly financial reports, meetings with investors, ESG ratings, the company's website and press releases. Capital Markets Days are held to present the strategy, targets and the different businesses in more detail. SKF receives feedback from investors via discussions during investor meetings.	For SKF to be a long-term profitable investment, investors expect the Group to deliver on its sustainability targets, contribute to the climate transition and future-proof its operations and product portfolio.	Improvement plans for ESG ratings and incorporating sustainability activities and progress in quarterly financial reporting.
Employees and union organizations	SKF holds an annual World Union Council meeting during which employee representatives meet with Group Management. This is a form of social dialogue to make sure that the framework based on the SKF Code of Conduct is deployed across the Group. Employee representatives are also members of SKF's Board, see SKF's Corporate Governance Report, on pages 150–160. In addition, SKF carries out periodic employee feedback surveys to drive continuous improvements of the working climate.	Employees and union organizations expect SKF to be a responsible company and employer with clear focus on employee health and safety, training and development, and diversity and inclusion as well as being an industry leader in sustainability.	Global and local initiatives for training and development and general improvements and action plans.
Civil society	The communities in which SKF operates are important stakeholders for the company and their input helps shape local SKF activities. Local SKF organizations interact with their surrounding communities through various activities and initiatives ranging from business related matters to volunteer work, charity work, sponsoring and local networks collaboration. Local media is also considered to represent civil society. Formal and informal networks are used to share experiences and ideas with other companies, topic experts and non-governmental organizations (NGOs).	Civil society expects SKF to be a responsible corporate citizen and that the Group contributes positively to the communities in which it operates.	Aligning business model and strategy with legal requirements and engagement in local and global initiatives.
Suppliers	Suppliers' input on material topics is managed via SKF's Responsible Sourcing programme. Local sourcing offices enable close communication on daily operations. On-site audits and training provide feedback to SKF on suppliers' performance related to quality and sustainability as part of a total cost assessment of supplier development. The SKF Code of Conduct for suppliers and sub-contractors is the standard used during audits and screening.	Suppliers expect SKF to be a transparent business partner that collaborates on sustainability topics such as decarbonizing the supply chain and upholding strong due diligence practices.	Collaborations for developing low-carbon products and materials and updated supplier sustainability standards.

Strategy, cont.

Material impacts, risks and opportunities and their interaction with strategy and business model

SKF has for several years performed materiality assessments annually to identify impacts on the environment and society as well as sustainability-related risks and opportunities. In 2024, SKF performed a double materiality assessment covering impact materiality as well as financial materiality. The outcome is aggregated and presented per ESRS topic, showing that Climate change, Circular economy, Own workforce, Workers in the value chain and Business conduct are the Group's material sustainability topics.

For environmental topics, the Group's material negative impacts are related to the use of energy and materials in the development and manufacturing of products. Both transitional and physical climate risks are material to SKF. However, SKF's efforts related to circularity and decarbonization are aiming at mitigating negative impacts while also contributing to positive impacts beyond the mitigating activities. Here, SKF has material opportunities when increasing energy efficiency for its customers and providing products with improved circular performance such as remanufactured bearings and re-using oil.

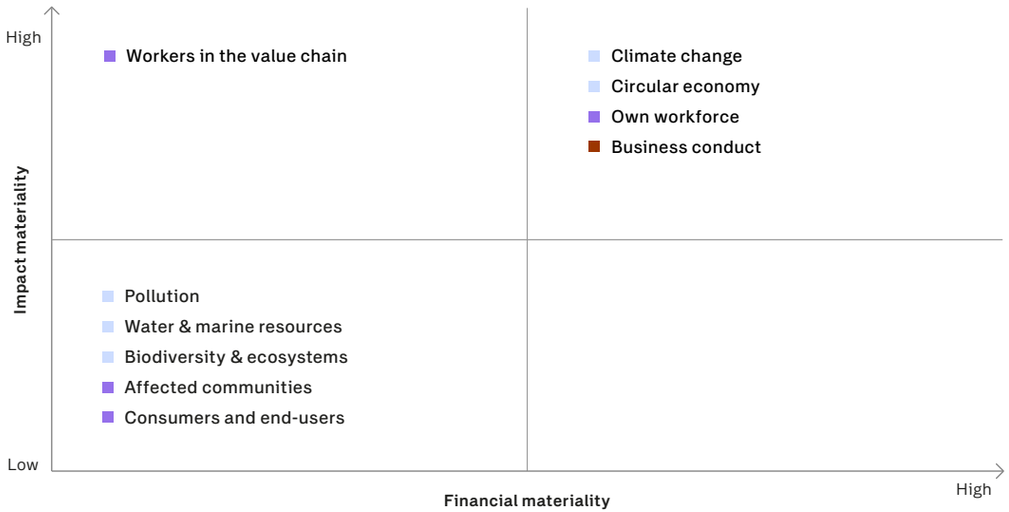
For SKF's own workforce, material impacts are primarily related to health and safety and diversity and inclusion.

Being a global company with complex supply chains and providing solutions and operating in all industries, SKF is automatically subject to potential risks related to business conduct and potential negative impacts on workers in the value chain. To reduce any potential negative impacts and risks, SKF is continuously implementing mitigating activities such as being a responsible business partner to both suppliers and customers where SKF can contribute with positive impacts and capture opportunities. Furthermore, the material impacts, risks and opportunities have a clear link to the Group's strategic sustainability efforts, targets, and ambitions of caring for people and ensure health and safety for own workforce (S1) and workers in the value chain (S2), achieving net-zero by 2050 for climate change (E1) and doing business responsibly for business conduct (G1) as well as the pursuit of circularity for circular economy (E5).

For more information on the impacts, risks, and opportunities (IRO's) on sub-topic level as well as SKF's response to these IROs, please see the next pages and the topical sections.

The result of the double materiality clearly follows SKF's purpose "Together, we re-imagine rotation for a better tomorrow" and the Group's long-lasting sustainability framework SKF Care;

- **Business Care** A clear focus on customers, financial performance and shareholder returns – combined with the highest standards for sustainability and ethical behaviour.
- **Employee Care** Sustaining a safe work environment, personal development, health and well-being of employees at SKF, as well as people in the supply chain.
- **Environment Care** Continuously reducing the environmental impact from SKF's operations, and those of suppliers and customers.
- **Community Care** Making positive contributions to the communities in which SKF operates.



In this report only topics reaching the thresholds of the materiality analysis described on page 95 are presented in full.

Limited information on some of the topics that did not reach the thesholds is available on pages 140–141.

Strategy, cont.

Climate change

IRO number	Description of material IRO	Type of material IRO	Value chain	Time horizon	Description of the IRO's in relation to SKF
		Climate change mitigation			
1	Innovating and providing products for the climate transition	Positive impacts	Downstream	Short-term	SKF has a portfolio of products and services that mitigate customers' negative impacts such as greenhouse gas emissions or pollution. However, SKF's most significant positive impact lies in its ability to innovate and provide products that enables the transition to a low-carbon economy. Specifically, SKF is providing solutions that enable the growth of cleantech industry, electrification, and renewable energy as well as the demand for products with improved circular performance.
2	Greenhouse gas emissions from own operations and value chain (scope 1, 2, 3)	Negative impacts	Full value chain	Short-term	SKF's operations and value chain generates greenhouse gas emissions. SKF has a long track-record of responding to its negative impacts through mitigating activities aimed at both its own operations as well as upstream and downstream value chain.
3	Cost of decarbonization	Risks	Upstream and own operations	Mid-term	Climate change mitigation requires investments to reduce the emissions in both scope 1, 2, and 3. SKF is responding to this risk by for example investing 3 billion SEK for the phase-out of fossil fuels in own operations by 2030. For scope 3, transitional risks such as increased steel prices due to limited supply of green steel may be a financial risk. SKF is responding to this risk by close collaboration with suppliers and engagements in cross-industry collaborations such as ResponsibleSteel and SteelZero.
4	Winning business by providing products and services that enable the climate transition	Opportunities	Downstream	Long-term	With a strong focus on innovative, energy efficient and low-carbon product and services, SKF has the opportunity to be a preferred business partner to its customers. Climate change mitigation is a significant financial opportunity for SKF. By providing innovative products, SKF is likely to benefit from the growth of electrification and renewable energy as well as other emerging technologies like energy storage, hydrogen and carbon capture.
		Climate change adaptation			
5	Physical climate risks	Risks	Own operations and upstream	Long-term	As global warming escalates, physical climate-related risks are increasingly likely to disturb both SKF's operations and supply chain leading to increased costs of operations and materials. Climate-related disasters such as flooding, droughts and extreme weather events are already becoming more and more common. SKF is responding to any potential risks by improving scenario analysis and implementing necessary protection mechanisms.
		Energy			
6	Reducing friction and increasing energy efficiency	Positive impacts	Downstream	Short-term	SKF's products aim to reduce friction, which leads to increased energy efficiency for customers and thus significantly contributes to society and planet.
7	Use of fossil energy	Negative impacts	Full value chain	Short-term	SKF still has depencency on fossil energy in its own operations and its upstream and downstream value chain. SKF is aiming to mitigate this actual negative impact through energy efficiency as well as to phase out fossil fuels in its own operations.
8	Energy price fluctuations	Risks	Own operations and upstream	Short-term	Energy price fluctuations pose a material financial risk for SKF. For instance, geopolitics can cause energy crises which may affect the energy costs of SKF's own operations and upstream supply chain, especially for energy-intensive materials like steel. SKF is mitigating these risks for example by investing in energy efficiency within its own operations.
9	Winning business by providing energy efficient solutions	Opportunities	Downstream	Short-term	Energy efficiency is a significant financial opportunity for SKF. For instance, SKF can enable energy efficiency improvements for its customers in various sectors, such as compressors, chillers, heat pumps, automotive and industrial drives, by providing innovative products and solutions like magnetic bearings, hybrid bearings and low-carbon products.

Strategy, cont.

Resource use and circular economy

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of the IRO's in relation to SKF
		Resource inflows			
10	Increasing demand for products and business models with improved circular performance	Positive impacts	Full value chain	Mid-term	By providing more circular solutions like a system for re-using oil (RecondOil), SKF reduces the demand for virgin materials, same for remanufactured bearings and other services and therefore has an important positive impact on the planet. Even though these products with improved circular performance are still a smaller part of the business, SKF believes that the future potential positive impact of this is important. In addition, SKF is collaborating with suppliers and customers as well as engaging in cross-industry collaborations such as ResponsibleSteel and SteelZero to increase material utilization, reducing waste and fostering sustainable resource cycles.
11	Use and reliance on virgin raw materials such as steel	Negative impacts	Upstream	Short-term	SKF's sourcing of raw materials has a significant negative impact from a lifecycle perspective. The main upstream environmental impact comes from the sourcing of metal components and is associated to scarcity of resources, energy and emissions. In addition to steel, SKF sources materials for lubricants and seals that often originates from non-renewable sources. SKF has initiated a circularity program showing a strategic commitment to transitioning into a circular company. The program includes improving the circularity of the supply chain and refining operational practices, including optimizing material utilization, reducing waste and fostering sustainable resource cycles.
		Resource outflows			
12	Designing, developing and providing solutions for circularity	Positive impacts	Downstream	Mid-term	SKF is developing products and services that have an important positive impact on the circularity transition and the planet. Further, during the product development phase, SKF is increasing the focus on designing for circularity to enable reuse, remanufacturing and refurbishment. Products are designed for disassembly, modularity, repairability or recyclability. The design also aims to increase material efficiency to reduce material input and optimize manufacturing and supply chains to reduce waste generation.
13	Limited closed-loop product flows for all SKF's products	Negative impacts	Full value chain	Short-term	Even though SKF is pushing for more circularity of products, most of the products and materials leaving its operations are not in a closed recycling loop. While steel is usually recycled at end-of-life, it is often melted down to a lower quality than what SKF can re-use as a bearing steel. Furthermore, seals and lubricants are usually not re-cycled. Therefore, SKF considers its negative impact in this area as material. SKF is responding to the impact by engaging with customers, suppliers and cross-industry collaborations such as ResponsibleSteel and SteelZero to increase material utilization, reduce waste and foster sustainable resource cycles.
14	Winning business in a circular economy	Opportunities	Downstream	Short-term	SKF is increasing its readiness for a circular economy that is necessary to meet not only the Paris agreement but also mitigating risks of geopolitics and resource scarcity. SKF can provide products and services that meet customer circularity targets as well as climate targets. SKF therefore sees significant financial opportunities related to resource outflows.
		Waste			
15	Waste generated in own operations	Negative impacts	Own operations	Short-term	SKF generates waste in its own operations and has an important actual negative impact on the planet. SKF is responding to this negative impact by increasing recycling rates and other circular solutions such as increasing material utilization and fostering sustainable resource cycles.

Strategy, cont.

Own workforce

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of IRO's in relation to SKF
		Working conditions			
16	Work-related injuries and ill health of own workforce	Negative impacts	Own operations	Short-term	SKF recognizes that work-related injuries and ill health occur in the workplaces even if the health and safety of employees, contractors, agency workers and visitors is a top priority for SKF. Safety always comes first and SKF is convinced that all work-related injuries and ill-health can be prevented by proactively assessing health and safety risks to eliminate hazards, reduce risks and ultimately improve the work environment. SKF has a Group-wide EHS management system that supports this approach. Along with the Zero Accidents program and proactive reporting of near misses and unsafe conditions, it aims to prevent all workplace accidents. SKF's active measures reduce the likelihood of critical incidents, but the potential severity still makes SKF consider the impact significant.
17	Secure employment, collective bargaining and freedom of association	Positive and negative impacts	Own operations	Mid-term	SKF's approach to secure employment, collective bargaining agreements, and freedom of association prevents unfair treatment based on gender, culture, ethnicity and other factors. This can be seen as an initiative to mitigate important negative impacts. At the same time, by creating a more secure, attractive and engaging work environment, these measures also serve to create a potential important positive impact for the own workforce as well as their families, communities and society as a whole.
18	Inability to attract and retain critical competences and capabilities	Risks	Own operations	Short-term	There is fierce competition in the labour market, and the success of companies is dependent on their ability to attract, develop and retain critical competences and capabilities. If SKF does not succeed in providing good working-conditions, this can lead to high employee turnover rates, which can generate financial risks caused by weakened results. SKF is responding to this risk by taking a holistic approach in strengthening the Group as an employer of choice, putting the employee experience at the center, including providing safe and healthy working conditions. Purpose, culture, employee engagement, leadership, health and safety, competence and way of working are all key building blocks in this area.
		Equal treatment and opportunities for all			
19	Enabling a diverse and inclusive workplace	Positive impacts	Own operations	Short-term	SKF takes a holistic approach in strengthening diversity of thoughts. SKF commits to providing equal opportunities irrespective of ethnic background, race, religion, age, gender, disability, sexual orientation, outlook or social status. The Group wants everyone in the workforce to feel welcome to come as they are. Purpose, culture, employee engagement, leadership, competence and ways of working are all key building blocks in this area. By working with this purpose, SKF contributes with actual positive impacts beyond mitigating negative impacts.
20	Discrimination and non-equal treatment of own workforce	Negative impacts	Own operations	Mid-term	Employees who experience discrimination or unequal treatment may suffer from stress, anxiety and other mental health issues. This can negatively affect the employee's overall well-being and quality of life. The potential negative impact is deemed material based on its severity to the individual's health. SKF is mitigating any potential negative impact through, for example, the quarterly SKF Team Pulse survey, where SKF can estimate the employee experience from an equal opportunity perspective. Furthermore, employees are requested to report any behaviour that is not in line with the SKF Code of Conduct to their manager, the local People Experience channels or to other senior managers. Employees can also raise concerns or seek advice through the third-party hosted SKF Ethics and Compliance Reporting Line.
21	Diversity and inclusion increasing innovation and business performance	Opportunities	Own operations	Mid-term	Research shows that diverse and inclusive teams are more productive, increase market shares and are more likely to expand into new markets. Further, they are important for attracting and retaining talent. By fostering diverse teams and inclusive leadership SKF can enable an innovative environment that contributes with important financial opportunities for the Group. SKF takes a holistic approach in strengthening diversity of thoughts. Purpose, culture, employee engagement, leadership, competence and ways of working are all key building blocks in this area.
		Other work-related rights			
22	Human rights of own workforce	Negative impacts	Own operations	Short-term	Other work-related rights include human rights such as zero tolerance against child labour and forced labour. The important severity of such a negative impact makes it material for SKF, despite its low likelihood. SKF is responding to this potential negative impact by adhering to international standards and guidelines and implements the SKF Code of Conduct in all operations. Periodic code of conduct compliance audits are performed and a whistle-blowing process is available at local and global levels.

Strategy, cont.

Workers in value chain

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of IRO's in relation to SKF
		Working conditions			
23	Improving working conditions together with suppliers	Positive impacts	Upstream	Short-term	The SKF Code of Conduct for suppliers and sub-contractors mandates fair work conditions and health and safety standards. Through SKF's Responsible Sourcing Programme, the Group is actively collaborating with suppliers to improve working conditions in risk regions, resulting in positive impacts for workers in the value chain.
24	Unsafe working conditions for workers in the value chain	Negative impacts	Upstream	Mid-term	SKF's upstream value chain for both direct and indirect materials is widespread both geographically and across sectors, where some regions and sectors come with potential risks related to working conditions. SKF is responding to these potential negative impacts by conducting audits and actively improving working conditions in risk regions and sectors. Further, these risks are addressed by SKF's Responsible Sourcing Programme that covers all of SKF's suppliers but uses a risk-based approach. SKF also has a grievance mechanism in place for incidents at supplier sites.
		Equal treatment and opportunities for all			
25	Responsible Sourcing Programme improving equal treatment	Positive impacts	Upstream	Mid-term	The SKF Code of Conduct for suppliers and sub-contractors mandates a harassment-free workplace. Through SKF's Responsible Sourcing Programme, the Group is actively collaborating with suppliers to improve equal treatment and opportunities for all which has an actual positive impact for workers in the value chain.
26	Harassment and discrimination	Negative impacts	Upstream	Mid-term	Equal treatment in the workplace includes discrimination of persons with disabilities and measures against violence and harassment. SKF's upstream value chain for both direct and indirect materials is widespread both geographically and across sectors, where some regions and sectors comes with potential risks related to discrimination. SKF recognizes its responsibility to mitigate these potential important negative impacts. The SKF Code of Conduct for suppliers and sub-contractors highlights the importance of a harassment-free environment, and these issues are therefore considered critical checkpoints for the SKF Code of Conduct for suppliers and sub-contractors audits.
		Other work-related rights			
27	Violations of human rights	Negative impacts	Upstream	Mid-term	SKF's upstream value chain for both direct and indirect materials is widespread both geographically and across sectors, where some regions and sectors comes with potential risks related to human rights including forced labour and child labour. While the likelihood of certain rights violations, such as child labor, may be low, the severity of the potential negative impact makes the impact material for SKF. SKF is responding to these potential negative impacts by conducting audits and actively working to improve working conditions in risk regions and sectors. Further, these risks are addressed by SKF's Responsible Sourcing Programme that covers all of SKF's suppliers but uses a risk-based approach focusing auditing on tier one and sometimes tier two or three suppliers. SKF also has a grievance mechanism in place for incidents at supplier sites.

Strategy, cont.

Business conduct

IRO number	Description of IRO	Type of material IRO	Value chain	Time horizon	Description of IRO's in relation to SKF
		Corporate culture			
28	Fostering a strong corporate culture for a better tomorrow	Positive impacts	Own operations	Short-term	SKF's corporate culture entails the Groups purpose, values, and policies where the SKF Code of Conduct is fundamental. Successfully fostering a strong corporate culture leads to increased efficiency and a more positive influence on the world. SKF's corporate culture guides its business conduct, ensuring that all decisions made align with the Group's core values and principles. This adherence to a strong ethical framework, including anti-corruption and anti-bribery programs, results in better decision-making across the company contributing with a positive impact not only to the own operations and value chain, but also society at large.
29	Breaches against the SKF Code of Conduct	Negative impacts	Own operations	Short-term	Breaches against the SKF Code of Conduct, are considered to have an important negative impact. Despite it being assessed as unlikely due to SKF's efforts of fostering a strong corporate culture, its severity is still considered material. SKF responds to this by fully incorporating its values in the corporate culture in all regions via training and awareness, risk assessments, investigations, audits and internal controls.
		Protection of whistle-blowers			
30	Protection of whistle-blowers	Positive impacts	Full value chain	Short-term	SKF provides a globally available whistle-blowing service, the SKF Ethics and Compliance Reporting Line, which is also accessible externally for suppliers and customers. SKF's Group Whistle-blowing policy prohibits any retaliation towards anyone raising concerns in good faith. SKF goes beyond legal requirements as the Group is convinced that protecting whistleblowers is integral to fostering a culture of transparency and trust within the company. The positive impact is therefore considered material.
		Corruption and bribery			
31	Corruption and bribery leading to fines and/or reputational damage	Risks	Own operations	Short-term	SKF recognizes the significant financial risk associated with corruption and bribery. In response, SKF has over many years had a strong focus on business ethics in its corporate values and continues to incorporate these values in the corporate culture in all regions through training and awareness, risk assessments, investigations, audits and internal controls.

Material sustainability matters

Description of the process to identify and assess material impacts, risks and opportunities

Double materiality assessment
SKF's double materiality assessment (DMA) considers both impact materiality and financial materiality. The assessment therefore takes into account both how SKF affects society and the planet and how a sustainability topic impacts SKF through financial risks or opportunities. By evaluating the Group's materiality from both perspectives, SKF can identify and report on the most relevant sustainability matters as well as to allocate resources efficiently and shape strategies accordingly.

Methodologies and assumptions
SKF's DMA follows the European Sustainability Reporting Standards (ESRS) 1 requirements as regulated within the Corporate Sustainability Reporting Directive (CSRD). The following steps were conducted for the process of identifying sustainability related impacts, risks, and opportunities. For more information on stakeholder views and interests please see Interests and views of stakeholders on page 87.

Criteria for assessing impacts, risks, and opportunities
- **Scale of impact:** How severe the negative impact is or how beneficial the positive impact is to people or the environment. The scale ranges from none to significant.
- **Scope of impact:** How widespread the negative or positive impact is. When it comes to environmental impact, the extent can be understood as the extent of environmental damage or geographical spread. When it comes to the impact on people, the extent can be understood as the number of people who are negatively affected. The scope ranges from minimal to global.
- **Irremediability of impact:** Whether the negative impact can be remedied, meaning that the environment or the affected persons are restored to their previous state. The irremediability ranges from very easy to remediate to irreversible.
- **Likelihood:** Impacts, risks, and opportunities have been identified as actual or potential. Likelihood for potential impacts ranges from unlikely to high.
- **Financial risks or opportunities:** Considers how a sustainability topic affects, among other things, current and future price/cost, availability, supply and demand for resources, management of resources and policy/regulatory constraints, which can affect the company's economic value and market share. The assessment also considers the future ability for continued relationships and exchanges with, among other things, financial institutions, suppliers, contractors, customers, and society at large.

A. Understanding SKF's business context
The understanding of SKF's context builds on the Group's long history of identifying and managing sustainability related impacts, risks and opportunities, as well as research, benchmarking and internal projects and programmes. In this step, SKF analyzed previous materiality assessments, business plans, strategy, financial statements and other information. Furthermore, the step included mapping of SKF's value chain in line with the Group's due diligence process, including for example geographic locations of its own activities as well as affected stakeholders. SKF has also examined the legal and regulatory landscape, media reports, sector-specific benchmarks, global sustainability risks such as the triple planetary crisis and scientific articles.

B. Identify SKF's actual and potential impacts, risks, and opportunities
For this step, SKF used the list of topics presented in ESRS 1 paragraph AR16 as a foundation for identifying its actual and potential impacts, risks and opportunities across the Group's own operations and in its upstream and downstream value chain. Through the understanding of the context, SKF has identified both actual and potential positive and negative impacts as well as financial risks and opportunities relating to environmental, social and governance matters.

C. Assessment of impacts, risks and opportunities and defining thresholds
The process, criteria and thresholds for impact materiality assessment differ from financial materiality assessment.

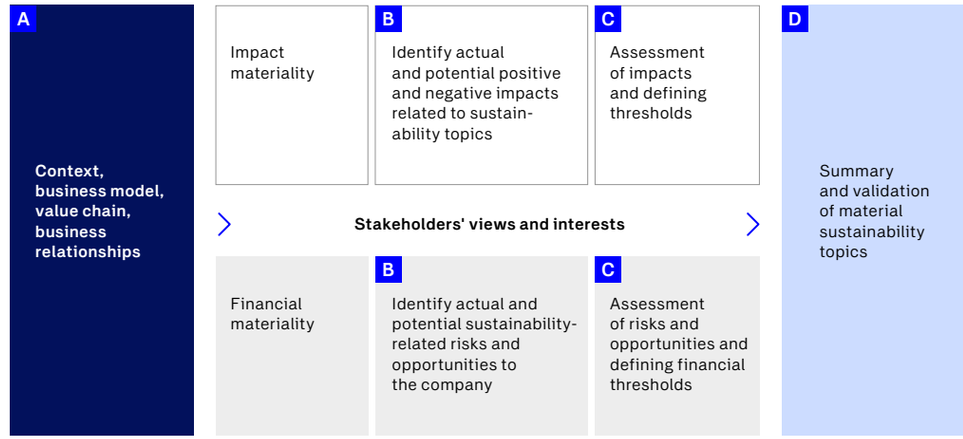
Impact materiality assessment and thresholds
Each identified actual or potential impact was assessed based on severity and likelihood. The criteria considered for severity of an actual negative impact are scale, scope and irremediable character. For actual positive impacts, the criteria are scale and scope. All assessment criteria can make an impact material. Potential positive and negative impacts also include an assessment on likelihood of occurrence in a short-term, medium-term, and/or long-term time horizon. SKF defines short-term as within a year, medium-term as between one and five years and long-term as beyond five years. In the case of a potential negative impact on human rights, the severity of the impact takes precedence over the probability.

Based on the criteria, a positive or negative impact can be assessed as minimal, informative, important, significant, or crucial. SKF's threshold for impact materiality is from important and up, meaning that the impact is considered material if it is important, significant or crucial.

Financial materiality assessment and thresholds
Each identified actual or potential sustainability-related risk and opportunity was assessed based on its likelihood and impact on SKF's financial results and performance.

The threshold for financial materiality follows SKF's ERM process and thresholds for risk to the Group's financial results. Thus, a risk or opportunity can be assessed as minimal, informative, important, significant or crucial. As for impact materiality, SKF's threshold for financial materiality is from important and up, hence the risk or opportunity is considered material if the impact is important, significant or crucial.

D. Summary and validation of material ESRS subtopics
The results of the impact and financial materiality of the ESRS subtopics were consolidated on Group level and reviewed together with sustainability representatives from SKF's Business Areas, Group functions related to sustainability and relevant subject matter experts. Furthermore, the results were validated against stakeholder views and expectations. The validation of the DMA follows SKF's sustainability governance model. The summarized results for SKF's DMA can be found under Material impacts, risks and opportunities and their interaction with strategy and business model on page 89.



Environmental

EU Taxonomy disclosures

Contextual Information
The EU Taxonomy is part of EU's Green Deal and is a key enabler for delivering on the EU's environmental goals by 2050. It is a classification system that defines and quantifies how environmentally sustainable economic activities support the transition towards an economy consistent with the EU's six environmental objectives: Climate change mitigation, Climate change adaptation, Sustainable use of water and marine resources, Transition to a circular economy, Pollution prevention and Protection of biodiversity and ecosystems.

SKF is eligible for six economic activities under the EU Taxonomy covering manufacturing of components for the Automotive Industry, Railway Industry, Magnetic Bearings, Condition Monitoring hardware and services and Ownership and leasing of company cars and buildings.

During 2024 SKF has assessed EU Taxonomy alignment for the economic activities in scope. Economic activities are reported as Taxonomy-aligned if they:

1. have a significant contribution to one or more of the six environmental objectives,
2. do no significant harm (DNSH) to any of the other environmental objectives, and
3. meet the minimum safeguards criteria related to human rights and business ethics.

Summary
SKF launched a cross-functional project in 2024 to reassess eligibility and evaluate the technical screening criteria for alignment with SKF's in-scope activities. The findings from this project serve as the foundation for this year's reporting and the improvement initiatives that are planned to increase alignment.

SKF EU Taxonomy Eligible activities and KPIs

EU Taxonomy activities eligible for SKF	SKF Activity	Turnover	Capex	Opex
CCM 3.6 Manufacture of other low carbon technologies	Manufacturing of Magnetic Bearings	Eligible	Eligible	Eligible
CCM 3.18 Manufacture of automotive and mobility components	Manufacturing of components for selected vehicle categories within the Automotive industry segment	Eligible	Eligible	Eligible
CCM 3.19 Manufacture of rail rolling stock constituents	Manufacturing of rail rolling stock constituents within the Railway industry segment	Eligible	Eligible	Eligible
CE 4.1 Provision of IT/OT data-driven solutions	Condition monitoring solutions, including both the hardware and services	Eligible	Eligible	Eligible
CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Leased and acquired company cars		Eligible	
CCM 7.7 Acquisition and ownership of buildings	Leased and acquired buildings		Eligible	

The assessment for the first requirement shows that SKF's products and services for fully electric vehicles and electric railways make significant contributions to Climate Change Mitigation.Additionally, SKF's Condition Monitoring services significantly contribute to Circular Economy by assisting customers in monitoring the performance of the rotating shaft, thereby enabling measures to extend the lifespan of components.

The assessment for the second requirement shows that it is not possible for SKF to claim full alignment for all eligible SKF products, primarily due the pollution requirements concerning use of substances of concern in relevant products. These requirements extend beyond current legislation and will require efforts throughout the supply chain to achieve alignment.

The assessment for the third requirement shows that SKF fulfills the requirements and, consequently, SKF can claim alignment for condition monitoring services, and has identified actions to further align the Group's products with the EU Taxonomy read about the minimum safeguards on page 97.

Substantial contribution to climate change mitigation
SKF's products manufactured for the automotive industry are eligible under *CCM 3.18 Manufacture of automotive and mobility components*. By manufacturing components specifically designed for zero-emission vehicles in categories M, N, and L, SKF makes a substantial contribution to Climate change mitigation.

SKF's products manufactured for the railway industry are eligible under *CCM 3.19 Manufacture of rail rolling stock constituents*. The components supplied for electric trains that meet the technical screening criteria make a substantial contribution to Climate change mitigation.

SKF's magnetic bearing portfolio is eligible under *CCM 3.6 Manufacture of low carbon technologies*. Magnetic bearings are designed to minimize friction, resulting in reduced emissions and thus substantially contributing to Climate change mitigation. However, this contribution has not yet been validated through a third-party verified Life Cycle Assessment (LCA), even though peer reviewed academic studies reflect these results of lower emission relative to conventional bearings.

In addition to manufacturing activities, SKF's purchased and leased company cars are eligible under *CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles*. SKF fulfils the substantial contribution criteria for all fully electric vehicles. However, there are challenges collecting data to verify DNSH criteria, particularly regarding tires, resulting in non-alignment.

SKF's acquisition and ownership of buildings, such as office space, are eligible under *CCM 7.7 Acquisition and ownership of buildings*. SKF has a Sustainable Buildings Policy which requires all new large constructions (including significant refurbishments), which are to be owned or leased by SKF, to be certified according to LEED (Leadership in Energy and Environmental Design) Gold at a minimum. The policy also states that EU Taxonomy alignment should be evaluated. EU Taxonomy alignment is however not mandatory but could complement the LEED certification.

Substantial contribution to circular economy
SKF's condition monitoring solutions, including both services and hardware, are captured under activity *CE 4.1 Provision of IT/OT data-driven solutions*. By offering remote monitoring and predictive maintenance, the condition monitoring solutions aim to detect and diagnose potential issues or abnormalities before they lead to equipment failure, downtime, or safety hazards which in turn significantly contributes to the Circular economy.

EU Taxonomy disclosures cont.

The condition monitoring solutions include various methods for monitoring machinery during operation. Techniques such as vibration analysis, acoustic emission, thermography and lubrication analysis are employed to predict maintenance needs and identify abnormalities. These techniques ensure optimal performance and expand the lifespan of equipment.

Condition monitoring solutions typically consist of two components: a hardware component, such as a sensor, and a service component, like data analysis. The hardware is engineered for high durability to meet customer requirements regarding the lifetime of the hardware. There is also an instruction on how to handle waste at the hardware's end of life, in addition to the WEEE label. However, additional actions to verify design aspects and waste management have been identified and is planned to be conducted for SKF to fully meet the substantial contribution criteria.

Minimum Safeguards

The Minimum Safeguards ensure that companies meet certain standards when it comes to human rights including workers' rights, taxation, fair competition and prevention of bribery.

SKF has during the year assessed Minimum Safeguard criteria and concluded alignment against applicable criteria. SKF is committed to conducting its business in accordance with applicable laws and regulations and adheres to international standards and guidelines including OECD guidelines for Multinational Companies, UN guiding principles on business and human rights, the International Bill of Human Rights, Global Compact's Ten principles, ILOs Declaration on Fundamental Principles and Rights at Work and the International Chamber of Commerce (ICC) Charter. These applicable laws and regulations on human rights are reflected in the SKF Code of Conduct, publicly available on skf.com.

As part of the due diligence process, SKF has identified human rights impacts through a Human Rights Impact Assessment, carried out during 2023. The assessment included evaluation and determination of these impacts. Read more about identified impacts on page 89.

The human rights impact assessment is planned to be updated in 2025 to ensure continuous improvement and further strengthening due diligence efforts.

In terms of anti-corruption, SKF has robust measures and processes to combat bribery and corruption, which are detailed further on page 137. SKF business activities are carried out in accordance with applicable competition laws, and training on this topic is mandatory for all employees. Regarding taxation, SKF applies all relevant tax regulations and follows a publicly available tax policy, operating in line with internationally recognized standards including OECD guidelines. By maintaining these safeguards, SKF ensures transparency, accountability and ethical practices across all operations, reinforcing our commitment to sustainable and responsible business conduct.

DNSH Climate change adaptation

Based on this year's assessment, SKF has determined that manufacturing sites and real estate facilities partially fulfil the Do No Significant Harm (DNSH) Climate change adaptation criteria. Currently, there is a loss prevention process in place to address existing physical climate risks. Additionally, SKF has invested in a system designed to account for future physical climate risks across various scenarios projected up to the year 2100. SKF has an ongoing project for further embedding physical climate risks into existing procedures and developing site level adaptation plans where significant risks are identified.

SKF's current efforts related to Climate Change Adaptation are outlined in more detail on pages 102–119.

DNSH Water and marine resources

Based on this year's assessment, SKF manufacturing sites fulfil the DNSH Water and marine resources criteria.

SKF operations are not considered to be water intensive, however, water is relevant at specific locations. Water is sourced primarily from municipal supplies and other sources like wells and surface water, adhering to regional regulations. Performance is monitored for sites located in areas of actual and potential water stress.

SKF leverages the Aqueduct Water Risk Atlas (World Resources Institute) framework for water stress and scarcity assessments, identifying 18 sites in water-stressed areas. These sites are required to implement plans to minimize water usage.

SKF's EHS management system includes a procedure on wastewater and storm water discharge to avoid discharging polluted water and to minimize water usage. After use, water is treated and discharged into surface water or sewage systems, meeting local quality standards to mitigate environmental impacts. These measures are expected to also secure that SKF manufacturing sites do not hamper marine waters.

SKF also works with upstream water users, such as steel and energy suppliers, to reduce water use, for example by requiring that suppliers adopt the ISO 14001 standard.

Given the low water intensity of SKF's operations and the adherence to wastewater treatment standards, the Group's impact on local community water availability and quality is low.

DNSH Biodiversity

Based on this year's assessment, SKF has concluded that further investigations are necessary to verify compliance with the DNSH biodiversity criteria.

SKF's operations are not considered to have significant risk of impacting biodiversity. The manufacturing facilities are situated in industrial areas, which are typically characterized by low levels of biodiversity. Moreover, all SKF manufacturing sites are certified according to ISO 14001 Environmental Management System. The EHS Management system includes processes for identifying environmental risks and opportunities, however, biodiversity is not specifically addressed. SKF plans to integrate biodiversity components in these processes.

In 2023, SKF improved its understanding of biodiversity impacts and has initiated the use of a biodiversity assessment tool to evaluate proximity of its manufacturing facilities to biodiversity-sensitive areas. SKF will evaluate the possibility to scale the use of the tool across the organization.

DNSH Circular economy

Based on this year's assessment, SKF has concluded that manufacturing sites fulfil the DNSH Circular economy criteria with the exception to certain identified improvement areas pertaining to magnetic bearings (CCM 3.6) which need to be addressed to further strengthen current efforts.

The requirements of the DNSH criteria related to Circular economy are specific to economic activities CCM 3.6, CCM 3.18, and CCM 3.19. To meet these requirements, SKF must evaluate, and where possible, implement techniques that promote the a) reuse of secondary raw materials and components, b) design of products for high durability, recyclability, easy disassembly and adaptability, c) prioritization of recycling over disposal in waste management and d) ensurance of information and traceability of substances of concern throughout the product lifecycle. SKF's current recycling guidelines and Sustainability Design Aspect documents address points a-c in the DNSH criteria for circular economy and are implemented within the automotive and railway business areas (CCM 3.18 and CCM 3.19). SKF has identified improvement areas against current efforts pertaining to design aspects and waste management processes for magnetic bearings (CCM 3.6) which are needed to fully align with the criteria.

Regarding the traceability of substances (point d), SKF ensures traceability of substances of concern until products are delivered to customers, providing information through for example REACH/RoHS certificates. Additionally, SKF has a hazardous substances policy covering traceability in the value chain, and sustainability standards for suppliers.

DNSH Pollution

Based on this year's assessment, it was concluded that while SKF follows all applicable legal requirements for restricted and declarable substances in products, this does not fully align with the EU Taxonomy requirements for Substances of very high concern (SVHC), as well as other substances with similar hazard classes as SVHCs. This is a challenge, requiring extensive efforts throughout the supply chain.

EU Taxonomy disclosures cont.

SKF regularly engages with suppliers on the presence of SVHCs and substances of concern. Data is systematically managed within a compliance database and operations are ISO 9001 and 14001 certified, ensuring validated supporting processes. SKF also has a Restricted Substances List (RSL), to help assess alternatives as new restricted substances are added through legal requirements. When technically feasible, SKF takes efforts to eliminate SVHCs and seek alternative non-hazardous substances.

To fully meet the DNSH Pollution criteria, SKF must exceed the legal requirements. SKF will continue exploring potential alternative substances to replace hazardous materials. In addition to this research, an engagement program will be implemented with suppliers to assess the feasibility of eliminating SVHCs from the supply chain.

Accounting Policies

Total turnover corresponds to net sales in the consolidated financial statement. Eligible turnover for CCM 3.6, CCM 3.18, CCM 3.19 and CE 4.1 corresponds to the net sales for specific products and services sold.

Total capital expenditures (Capex) covers investments in tangible assets, intangible assets and right-of-use assets considered before depreciation, amortization and any re-measurements and correspond to the additions in Note 10, 11 and 12 to the consolidated financial statement. Capital expenditures resulting from business mergers and acquisitions is also included and is part of the reported amount for businesses acquired/sold in Note 10 and Note 11.

Total operational expenditures (Opex) correspond to research and development costs, short-term leases, maintenance and repair costs, including building renovation and day-to-day servicing of assets and property. Eligible Capex and Opex are allocated based on net sales for turover generating activities, since a majority of SKF's factories produce both eligible and non-eligible products.

The reporting on aligned Turnover, Capex and Opex for condition monitoring services is impacted by the possibility to separate services and hardware in the sales data. Revenue streams that include both services and hardware have been excluded for the cases where a separation has not been possible.

Mandatory table related to nuclear and fossil gas activities

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

EU Taxonomy disclosures cont.

Financial year 2024		Year		Substantial contribution criteria						DNSH criteria (Do No Significant Harm)									
Economic activites	Code/codes (a)	Turnover	Proportion of Turnover, 2024	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) turnover, 2023	Category (enabling activity)	Category (transitional activity)
		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Provision of IT/OT data-driven solution	CE 4.1	212	0	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low carbon technologies	CCM 3.6	1,145	1	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of automotive and mobility components	CCM 3.18	28,625	29	EL	N/EL	N/EL	N/EL	N/EL	N/EL								29		
Manufacture of rail rolling stock constituents	CCM 3.19	5,393	5	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5		
Provision of IT/OT data-driven solution	CE 4.1	2,239	2	N/EL	N/EL	N/EL	N/EL	EL	N/EL								2		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		37,402	38	EL	N/EL	N/EL	N/EL	EL	N/EL								37		
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**37,614**	**38**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**37**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities (B)		61,108	62																
Total (A + B)		**98,722**	**100**																

EL = Eligible
N/EL = Non eligable

	Proportion of turnover/Total turnover	
%	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM		36
CCA		
WTR		
CE		2
PPC		
BIO		

EU Taxonomy disclosures cont.

Financial year 2024		Year		Substantial contribution criteria						DNSH criteria (Do No Significant Harm)									
Economic activites	Code/codes (a)	CapEx	Proportion of CapEx, 2024	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate change adaption	Water	Pollution	Circular Economy	Biodiversity	Minimum safeguards	Proportion of taxonomy aligned (A1) or eligible (A2) CapEx, 2023	Category (enabling activity)	Category (transitional activity)
		MSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
CapEx of environmental sustainable activities Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Provision of IT/OT data-driven solution	CE 4.1	14	0	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low carbon technologies	CCM 3.6	30	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of automotive and mobility components	CCM 3.18	1,743	27	EL	N/EL	N/EL	N/EL	N/EL	N/EL								34		
Manufacture of rail rolling stock constituents	CCM 3.19	389	6	EL	N/EL	N/EL	N/EL	N/EL	N/EL								4		
Provision of IT/OT data-driven solution	CE 4.1	99	2	N/EL	N/EL	N/EL	N/EL	EL	N/EL								2		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	24	0	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Acquisition and ownership of buildings	CCM 7.7	304	5	EL	N/EL	N/EL	N/EL	N/EL	N/EL								2		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activties) (A.2)		2,588	40	EL	N/EL	N/EL	N/EL	EL	N/EL								41		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		**2,602**	**40**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**41**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		3,933	60																
Total (A + B)		**6,535**	**100**																

EL = Eligible
N/EL = Non eligable

	Proportion of CapEx/Total CapEx	
%	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM		38
CCA		
WTR		
CE		2
PPC		
BIO		

EU Taxonomy disclosures cont.

Financial year 2024		Year		Substantial contribution criteria						DNSH criteria (Do No Significant Harm)									
Economic activites	Code/codes (a)	OpEx MSEK	Proportion of OpEx, 2024 %	Climate change mitigation Y; N; N/EL	Climate change adaption Y; N; N/EL	Water Y; N; N/EL	Pollution Y; N; N/EL	Circular Economy Y; N; N/EL	Biodiversity Y; N; N/EL	Climate change mitigation Y/N	Climate change adaption Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity Y/N	Minimum safeguards Y/N	Proportion of taxonomy aligned (A1) or eligible (A2) OpEx, 2023 %	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmental sustainable activities (Taxonomy-aligned)																			
OpEx of environmental sustainable activities Taxonomy-aligned (A.1)																			
Of which Enabling																		E	
Provision of IT/OT data-driven solution	CE 4.1	9	0	N/EL	N/EL	N/EL	N/EL	Y	N/EL	Y	Y	Y	Y	Y	Y	Y	0	E	
Of which Transitional																			T
A.2 Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities)				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of other low carbon technologies	CCM 3.6	139	3	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0		
Manufacture of automotive and mobility components	CCM 3.18	1,315	25	EL	N/EL	N/EL	N/EL	N/EL	N/EL								23		
Manufacture of rail rolling stock constituents	CCM 3.19	299	6	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5		
Provision of IT/OT data-driven solution	CE 4.1	235	4	N/EL	N/EL	N/EL	N/EL	EL	N/EL								5		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1,988	38	EL	N/EL	N/EL	N/EL	EL	N/EL								33		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**1,997**	**38**	**EL**	**N/EL**	**N/EL**	**N/EL**	**EL**	**N/EL**								**33**		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities (B)		3,288	62																
Total (A + B)		**5,285**	**100**																

EL = Eligible
N/EL = Non eligable

	Proportion of OpEx/Total OpEx	
%	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM		33
CCA		
WTR		
CE		5
PPC		
BIO		

Climate change adaptation and mitigation

Material impacts, risks and opportunities

IRO and value chain	Description
Climate change mitigation	
Positive impacts Downstream	Innovating and providing products and services for the climate transition
Negative impacts Full value chain	Greenhouse gas emissions from own operations and value chain (scope 1, 2, 3)
Risks Upstream and own operations	Cost of decarbonization
Opportunities Downstream	Winning business by providing products and services that enable the climate transition
Climate change adaptation	
Risks Own operations and upstream	Physical climate risks
Energy	
Positive impacts Downstream	Reducing friction and increasing energy efficiency
Negative impacts Full value chain	Use of fossil energy
Risks Own operations and upstream	Energy price fluctuations
Opportunity Downstream	Winning business by providing energy efficient solutions

SKF's climate approach

SKF bases its climate position and strategy on science, and is committed to the Paris Agreement's goal of limiting global warming to 1.5 °C. The Group's full value chain climate goals were approved 2023 by the Science Based Targets initiative (SBTi).

SKF's largest contribution to the transformation to a net-zero future lies in what can be achieved with, and for, it's customers. With a strategic focus on clean technology industries at all stages of industrialization, SKF is developing products, solutions and services that enable these technologies to develop, making them competitive and supporting the need for rapid growth in the coming years. SKF can contribute to significant energy and carbon savings for customers in all industries by optimizing the design of it's products. This is done by making them e.g. lighter, more efficient, longer-lasting and repairable, as well as improving the performance of the customers' products by optimizing system designs through advanced modelling and simulation. For example. SKF's service offering, including condition monitoring, reliability services and asset optimization, is fundamentally focused on the removal of waste from customer processes and value chains. Such contracts aim to eliminate energy, material, and transportation waste, and consequently reduce emissions. With a combination of these approaches, SKF has the potential to make a profound contribution to the transition to a net-zero world and, at the same time drive innovation and growth for SKF and its customers.

However, SKF's moral and business obligations are not limited to its ability to enable transformation with customers. SKF must of course address carbon emissions of its own operations and activities, as well as those in its extended supply chain. While the scale of these impacts may be relatively small compared to those of its customers' products, processes, and systems, they are still significant. By addressing them, SKF sets a positive example for customers, suppliers and other stakeholders, and creates long-term competitive advantages by reducing costs and risks.

SKF has been measuring and acting on carbon emissions from its own production activities for more than 20 years, and has in that time achieved continued economic growth while reducing its greenhouse gas emissions impact in real terms. The Group has also been working for several years to understand and reduce the carbon impact of its suppliers, as well as other activities such as logistics and business travel.

Material impacts, risks and opportunities and their interaction with strategy and business model(s)

SKF performs resilience analysis on its own operations, strategy, business model and value chain in various ways. This includes resilience analysis relating to risks and opportunities coming from climate mitigation conducted on the full value chain, including upstream supply chain, SKF's direct operations and customers. Resilience analysis of adaptation and physical climate risks is primarily focused on SKF operations and, to an increasing extent, on the upstream supply chain.

Downstream physical risks are not yet in the scope of the resilience analysis, mainly due to the highly diversified (both regionally and industry-wise) and global nature of SKF's customer base – which effectively decreases many of the relevant physical risks. Resilience is evaluated based on scenario input in short (0-1 years), medium (1–5 years) and long term (5–30 years).

In general, SKF performs resilience analysis for climate topics by using externally published scenarios. Depending on the topic, one or more scenarios are applied, including the IEA SDS, IEA Net Zero, RCP 2.6, 6.0 and 8.5 and other industry specific scenarios.

Cross-functional teams make use of the scenarios to identify and quantify specific SKF risks and opportunities, which are then addressed within the relevant strategies, organisations and processes. The set-up of the cross-functional teams depends on the topic, but may for example include Sales and Marketing, Business Development, Manufacturing Operations, Loss Prevention & Risk, Purchasing, Group Legal, Group Real Estate and Facility Management and Group Sustainability.

Short-term climate risks and opportunities are integrated into the yearly operational business planning and follow-up. Medium-term and long-term climate risks and opportunities are integrated into the strategic business planning. The Group's climate targets typically cover a longer time horizon, for example, the target to decarbonize SKF's operations by 2030 and achieve net-zero greenhouse gas emissions in the value chain by 2050. This is to make sure that long-term climate-related risks and opportunities are proactively identified.

In some cases, individual strategic initiatives are conducted to investigate specific risks, opportunities and impacts, and find ways to address these in existing strategies and business models.

Naturally, the future orientation of resilience analysis means that it is subject to uncertainties. For example, the speed and scale of the implementation of many aspects of industrial decarbonization in the industries and regions which SKF serves is heavily dependent on government interventions, such as incentives and taxes. If these policies do not materialise, or if they develop more slowly or quickly than predicted, this can impact the prospects for SKF's growth.

There are also uncertainties around which technology paths that will be followed. For example, it is uncertain how quickly and to what extent carbon capture and storage (CCS) will scale up as a major technology to allow the continued use of fossil fuels. SKF tries to address these types of uncertainties by using a range of climate scenarios in the formulation of the Group's strategy.

As a result of the processes described above the main climate-related risks and opportunities have been identified and are highlighted below.

- Opportunities for business growth resulting from the climate transformation (renewable energy, energy storage, energy efficiency, electrification, circular business models etc.)
- Current and emerging regulatory risks relating to increased energy and raw materials costs in SKF operations and upstream supply chain, increased reporting requirements etc.
- Physical risks to continuity of production and supply posed by increased occurrence of extreme weather events, flooding, water scarcity etc.

Risks which exist but do not meet the materiality threshold include;

- Risks of contraction of certain industries (unabated coal, oil and gas for example) resulting in loss of business for SKF.
- Reputational risks and opportunities.

Climate change adaptation and mitigation cont.

Examples of how the risks and opportunities have been identified are presented below;

Opportunities for business growth resulting from the climate transformation
SKF uses several scenarios, including IEA SDS, IEA Net Zero and other industry specific scenarios, to inform and check the robustness of key aspects of the Group strategy.

For example, several years ago, such input helped the Automotive Business Area to identify electrification as a key climate-related trend within the passenger car industry. This led to a focus on innovation and development of competitive solutions needed to enable electric vehicle drivetrains. Several partnerships between SKF and key OEMs and tier one suppliers were established and as a result, SKF can now provide a complete package offering of bearings and seals featuring high speed, thin sections and electric current insulation options. Power density and friction reduction are some of the main drivers of current and new vehicles, and SKF has become a leader by developing low friction bearings for electric vehicles.

Similar work is ongoing within SKF's industrial business. For example, during 2024 a comprehensive study was completed, looking at industrial climate-related technologies, including the synergies between SKF's offering and projections of growth potential based on IEA Net Zero and other scenarios. The output of this study has validated some existing aspects of SKF's growth strategy, such as the focus on developing solutions for the emerging green hydrogen industry. The study also identified new opportunities for growth within other fast evolving technologies related to decarbonization.

As part of the Group's climate and strategic objectives, SKF provides yearly aggregated revenue data from SKF customer solutions enabling cleantech growth in areas where SKF's customer solutions clearly contribute to climate change mitigation and circular economy, including: renewable energy, electric vehicles, electric railway, recycling industry, bearing remanufacturing, RecondOil and magnetic bearing solutions. The total revenue from customer solutions enabling cleantech amounted to SEK 10.2 billion in 2024.

SEK billion	2024	2023[1)]	2022[1)]
Total revenues from customer solutions enabling cleantech	10.2	10.6	10.1

1) Previously published figures have been restated based on adaptation of the scope to better reflect and align with the sectors of the EU Taxonomy.

Current and emerging regulatory risks relating to increased energy and raw material costs in SKF operations and upstream supply chain, increased reporting requirements etc – risk identification
Carbon taxes and increasing cost of steel
The production of steel is energy and greenhouse gas emission intensive. For many years, SKF has been working actively in collaboration with suppliers to reduce greenhouse gas emissions in the supply chain. As the EU Carbon Border Adjustment Mechanism (CBAM) moves into deployment, this will increase costs for some raw materials, mainly steel, imported to the EU by SKF. Discussions to introduce similar mechanisms are ongoing in the United States, although taxation might not be the preferred method there. The effect will be higher on steel with high embodied greenhouse gas emissions.

During the last few years, SKF has simulated potential outcomes of the CBAM to understand the potential impact. SKF has also accelerated the collection of energy and greenhouse gas emission data from its major steel and forging suppliers, representing most of the value, weight and environmental impact in the upstream supply chain. Through scenario analysis and financial simulation on cost increase at different levels of greenhouse gas emission taxation, SKF has increased the understanding of this risk, the potential financial impact to SKF and actions the Group can deploy to mitigate this risk. SKF has prepared the process and systems needed to comply with the CBAM and is addressing the implications of this and other potential legislations in its global sourcing strategy.

Increasing cost of energy
A structural transformation is expected in the energy sector and massive investments are planned globally to develop a more efficient and clean energy production.

One of the most immediate and obvious financial risks, related to climate change for SKF and its value chain, is an increased cost of energy. This is linked to, for example, carbon taxation but also to an increasing demand due to an increase in products that run on electricity. Based on the IEA SDS and Net Zero scenarios, SKF has analysed the impact from an increased cost of energy and defined actions to minimize that impact.

The best way to mitigate this risk is to reduce the energy demand. In 2024, SKF continued to focus on energy efficiency within its operations, delivering a 3.5% improvement in efficiency. In terms of spend, electricity makes up most of the energy cost, together with a smaller share of natural gas, heat, fuel oil, LPG and biomass. To give an indication of the potential financial impact, based on 2024 data, a 20% increase in costs related to energy used in SKF operations would impact the Group's result by around MSEK 320 million. SKF also works to improve energy and carbon efficiency in its supply chain, as described later in this section.

Physical risks to continuity of production and supply posed by increased occurrence of extreme weather events, flooding, water scarcity etc – risk identification
SKF has developed a bottom-up and top-down approach towards physical risk scenario analysis. The bottom-up approach is long standing and based on the Group's EHS management system and loss prevention processes. Operating units are required to identify physical risks including those related to climate change and develop mitigation measures based on this.

The top-down approach is based on the the high-emissions RCP8.5 global warming scenario published by the IPCC. A cross-functional team has performed a quantitative and qualitative assessment of the potential risks and the effectiveness of existing mitigation measures.

Further development of both the bottom-up and top-down processes is underway. Going forward, the RCP 8.5 scenario will be used in order to apply the precautionary approach in defining mitigation measures. The tool considers all the main climate-related hazards as defined in the EU delegated regulation (EU 2021/2139) and provides location-based indications of the hazards in the short, medium and long term.

Risks of contraction of certain industries, resulting in loss of business for SKF – risk identification
This is below the materiality threshold, the sale of products and solutions to coal, oil and gas extraction and processing, and use in power generation represents less than 2% of SKF's total revenues. Under scenarios such as IEA Net Zero and IEA SDS, a sharp reduction in demand for unabated coal, oil and gas use can be anticipated, which could translate to a reduction in SKF's business in these sectors. These impacts have been considered in the formulation of related strategies.

Reputational risks and opportunities
SKF identifies and manages climate-related reputational risks through continuous monitoring of environmental trends and stakeholder expectations. By incorporating climate considerations into strategic planning, SKF ensures its operations meet global sustainability standards. Transparent communication with stakeholders is maintained to demonstrate SKF's commitment to environmental responsibility and proactive risk management. This approach helps protect the company's reputation and supports its goal of a sustainable future.

Management of climate risks in strategy and operations
Measures are in place to mitigate the identified risks to assets and business activities. These are integrated into relevant strategies, processes and plans.

Current and emerging regulatory risks relating to increased energy and raw material costs in SKF operations and upstream supply chain, increased reporting requirements etc. – risk management
Operations
SKF has a globally certified energy management system for its major manufacturing locations according to ISO50001 and a centralized function to manage strategic energy sourcing decisions. To increase focus and drive improvements in both energy and greenhouse gas emission performance, SKF has defined yearly energy efficiency targets for all major manufacturing units.

Climate change adaptation and mitigation cont.

Progress towards these targets is followed up monthly for each unit. In addition to this, SKF has defined policies and allocated investment frames to decarbonize its operations by 2030 as explained in the section on SKF's own operations – scope 1 and 2 on page 104. SKF includes climate performance in both short- and long-term variable salary bonus schemes, see page 84.

Supply chain

The GHG emissions resulting from extraction and processing of the raw materials and components that SKF buys are significantly larger than those resulting from the Group's direct manufacturing operations. For several years, SKF has worked to influence energy intensive suppliers to implement energy management systems certified according to ISO 50001.

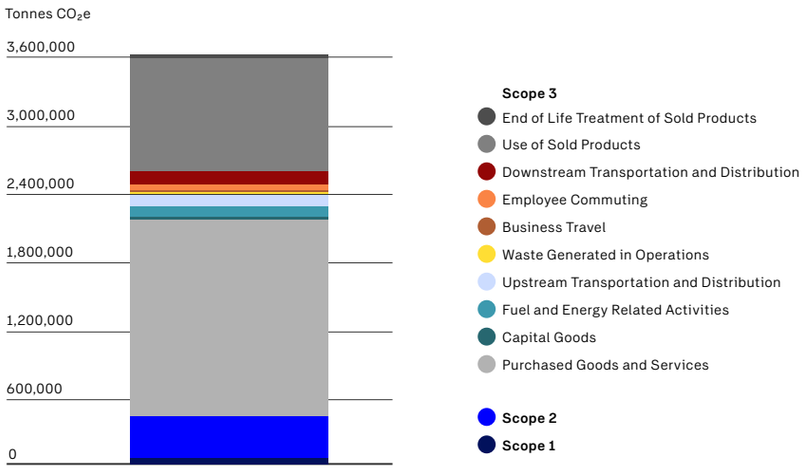
SKF has accelerated the collection of energy and greenhouse gas emission data from its major steel and forging suppliers representing most of the value, weight and environmental impact in the upstream supply chain.

Organizational carbon footprints of SKF show that, of all the raw material inputs, steel production generates the most significant greenhouse gas impact, from raw material to finished product. SKF is acting to measure and reduce this impact in accordance with its net-zero strategy. This involves working directly with steel suppliers as well as advocating for the needed changes through active membership of multi-stakeholder initiatives such as SteelZero and the ResponsibleSteel initiative. SKF is also applying internal shadow carbon pricing as described on page 119.

The Group also works to reduce emissions from transportation.

To reduce environmental impact, as well as costs, SKF works to develop new business models. One example is the efforts to predict maintenance needs and enable cost efficient repairs and services within the customers' processes. This reduces unplanned shutdowns, which are often linked to significant waste of energy, materials and related greenhouse gas emissions. In addition, SKF works to collect bearings and units for refurbishment or remanufacturing, which can cut energy and emissions by up to 90%, compared to the production of a new bearing.

Estimated GHG emissions (tonnes), base year 2019



Physical risks to continuity of production and supply posed by increased occurrence of extreme weather events, flooding, water scarcity etc. – risk management

As described above, SKF works to mitigate the physical climate risks in two main ways, bottom-up and top-down.

Bottom-up, SKF units are required to understand relevant climate risks by making use of a third-party tool which defines the level of risk from different chronic or acute physical climate aspects, based on the unit's location. This shall then be integrated in the sites overall planning for risk mitigation, which may for example include improved flood resilience measures.

Top-down, the same tool is utilized in SKF's manufacturing footprint program, where a specific location's vulnerability to climate related chronic and acute risks is part of the overall evaluation of long-term viability and investment planning.

Risks of contraction of certain industries resulting in loss of business for SKF – risk management

Like many global industrial companies with a diversified customer base, SKF operates in sectors associated with fossil fuel extraction and energy generation, specifically, the coal, oil and gas sectors. The Group's business in these sectors represents a small proportion of the overall business. It is anticipated that these sectors will gradually transform or become less relevant in the coming years depending on how widely carbon capture and storage technologies (CCS) are adopted.

SKF anticipates significant growth in revenues from cleantech areas such as renewable energy, electrification and hydrogen. This growth is expected to more than offset the loss from the fossil fuel business.

The Group's 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 SKF's R&D work is focused on improving the energy and carbon efficiency of these sectors.

Description of the processes to identify and assess material climate-related impacts, risks and opportunities

SKF has worked with life cycle assessments (LCA) since the early 2000s and, over the years, has conducted numerous studies on a broadly representative sample of products and solutions. The knowledge acquired by doing this, together with a recently executed organizational carbon footprint study, allows SKF to estimate the size of greenhouse gas impacts for all significant activities occurring along the full value chain. These are visualized in the graph on this page.

To make the greatest impact on reducing global emissions, prioritization is necessary. Therefore, the focus is on activities that make the greatest material impact. Near term (2030) targets are applied, and primary data is used to follow the performance wherever possible. Relatively small impacts, or those which are not possible to influence directly, are reported mainly using secondary data.

Based on this the following sub-targets and approaches have been established.

SKF operations scope 1 and scope 2

This covers scope 1 and 2 emissions from electricity, gas, district heat and other energy sources used at SKF facilities as well as other greenhouse gas emissions related to the process, for example emissions from process gases. All SKF factories, testing and research centres, larger warehouses and offices around the world are included. SKF's detailed approach to addressing these emissions is described in section Transition plan for climate change mitigation including actions and resources in relation to climate change policies starting on page 108. See the table on page 118 for an explanation of emission scopes. Calculations are based on CO_2 and other GHG gases, when available. For Scope 1&2 emissions SKF uses the operational control approach,

Scope 3, category 1 (direct and indirect materials)

Direct material is the most significant contributor to SKF's upstream scope 3 emissions and covers bought materials

Climate change adaptation and mitigation cont.

and components that are directly applied in SKF's products. This includes mainly steel, but also other materials that are purchased in large volumes, such as rubber, where the embodied emissions are high. It covers impacts that occur at all stages of the supply chain, from raw material extraction and scrap sourcing to steel production and subsequent processing. SKF's detailed approach to addressing these emissions is described starting on page 112 of this report.

SKF also purchases indirect materials, such as work clothes, consumables such as hydraulic oil and other process media and grinding wheels. Performed LCA and carbon footprint studies have shown that the emissions associated with the production of these items are small in comparison to the other aspects listed above. Therefore, indirect material is not included in the scope of emission reporting. However, SKF communicates its ambitions and requirements to these suppliers and includes these requirements in the supplier selection criteria.

SKF uses IT services, such as servers and cloud storage, through various arrangements. The emissions associated with providing these services are estimated to be around 22,000 tonnes a year which is insignificant compared to emissions in other scope 3 categories.

Together with suppliers, SKF will continue the work to find low and, eventually, zero carbon solutions.

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 of fuels used in power stations.

Scope 3, category 4 (upstream transportation and distribution)
This covers the emissions from about 80% of the outbound flows contracted by SKF, and around 70% from inbound contracted flows.

The Group intends to further improve the process for collecting data on the upstream emissions for these categories in the coming years. SKF's detailed approach to addressing these emissions is described on page 113.

Scope 3, category 6 (business travel)
This covers the emissions associated with business travel, which includes visits to customers, suppliers, SKF facilities and other stakeholders. SKF works to reduce this impact in several ways, including using virtual meeting tools, promoting lower carbon transportation such as rail instead of air travel, and providing low carbon company vehicles.

Scope 3, category 7 (employee commuting)
This covers emissions caused by SKFs employees travelling to and from work, and currently results in around 48,000 tonnes per year. 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 the majority of SKF's products have indirect use phase emissions, a few products have direct ones. Examples of such products are magnetic bearings, including the corresponding electric motors when provided along with magnetic bearings, lubrication systems, systems for re-using oil and some solutions for the marine business. Some of these products are classified as intermediate products, like magnetic bearings and electric motors. Others can be a stand-alone product system like the system for re-using oil.

Summary of physical climate risks in the SKF value chain

	Climate related hazards	Upstream supply chain	SKF operations	Logistics	Customer operations
Chronic	Heat Stress Sea level rise Water Stress Coastal erosion	**Risk** Could impact long term viability of critical supplier locations. **Mitigation** Working to map critical supplier risks in this regard.	**Risk** Could impact long term viability of SKF sites in at risk locations. **Mitigation** Identification of at risk locations, driving local mitigation measures	**Risk** Limited due to highly diversified customer base (geography, industry).	
Acute	Cold wave Wildfire Cyclones Hurricanes Typhoons Storms Tornado Heavy precipitation Flood Avalanche	**Risk** Supply chain disruption due to extreme weather events. **Mitigation** Multi-sourcing for strategic materials / components. Overall supply chain risk management.	**Risk** SKF production disruption due to extreme weather events. **Mitigation** Diversified production locations, local emergency response planning and mitigation planning.		

Climate change adaptation and mitigation cont.

Scenario analysis

SKF uses scenario analysis to help identify and quantify climate related risks in the full value chain. Depending on the topic, one or more scenarios are applied, examples include the IEA SDS, IEA Net Zero, RCP 2.6, 6.0 and 8.5 and other industry specific scenarios. Cross functional teams then make use of the scenarios to identify and quantify specific SKF implications (risks or opportunities) and these are then addressed within the relevant strategies, organisations, and processes. The make-up of the cross-functional teams depends on the topic but, for example may include Sales and Marketing; Business Development; Manufacturing Operations; Loss Prevention & Risk; Purchasing; Group Legal; Group Real Estate and Facility Management; and Group Sustainability.

Short-term (less than one year) climate risks and opportunities are integrated into yearly operational business planning and follow-up.

Medium-term (one to five years) and long-term (>five years) climate risks and opportunities are integrated into strategic business planning. The Group's climate targets typically cover a longer time horizon, for example, the target to decarbonize SKF's operations by 2030 and achieve net-zero greenhouse gas emissions in the value chain by 2050, This is to make sure that long term climate-related risks and opportunities are proactively identified.

In some cases, individual strategic initiatives have been initiated to investigate specific risks, opportunities and impacts and find ways to address these in existing strategies, business models etc.

Depending on the topic, SKF makes use of multiple scenarios, or a combination of them ranging from optimistic (IEA Net Zero) to pessimistic (RCP 8.5).

Typically, each scenario will have underlying assumptions about the speed and scale of different mitigation technologies and approaches, and these form the basis of SKF's evaluation of future opportunities and risk. For example, when seeking to understand the speed and scale of increases in climate mitigation technologies, a future business growth range is established – based on the optimistic (Net Zero) and less optimistic (Published Policy Scenario). This range may be further adapted based on other specialist input. Factors which influence the speed and scale of specific mitigation technologies industrialisation include government policy, incentives, thresholds, technology readiness, market readiness and regional variations.

When seeking to understand and quantify climate physical risks SKF applies the precautionary principle and assumes the worst scenario RCP 8.5. SKF has acquired a tool from a third party which takes the specific coordinates of SKF locations and those of critical suppliers and provides input on the relevant physical risks in terms of expected severity, frequency etc. During 2024, all SKF's critical production and warehousing facilities have been evaluated using this tool. This evaluation confirmed that a number of locations are in high-risk areas and these will be addressed in the top-down approach to climate physical risk management described previously,

Where applicable the output of these scenarios is utilized to understand implications on aspects such as potential future revenue growth, risk of supply chain disruptions etc.

Risks and opportunities based on climate related transition events are addressed in various aspects of the Group and Business Area strategy. They are identified as part of the strategic planning process using tools such as scenario analysis and resilience analysis described on page 89. A variety of scenarios are applied including IEA Net Zero scenario which is aligned with the Paris agreement.

As explained on page 89, overall, the opportunities presented by transition related events significantly out-weigh the risks.

The type, impact magnitude and timing of climate-related transition events is typically dependent on the scenario being considered. For example, under the IEA Net Zero scenario, specific government policies aimed at incentivizing low carbon energy generation, energy efficiency and penalizing high carbon activities can be anticipated and SKF's response to these forms part of the strategy. Other anticipated climate-related transition events such as technology changes and market changes are also extrapolated from scenario inputs and utilized in strategy development. For example, SKF's strategy towards the global steel industry addresses the deployment of iron ore carbon reduction technologies, SKF's strategy towards the energy sector anticipates a rapid increase in the share of renewable electricity generation in most regions.

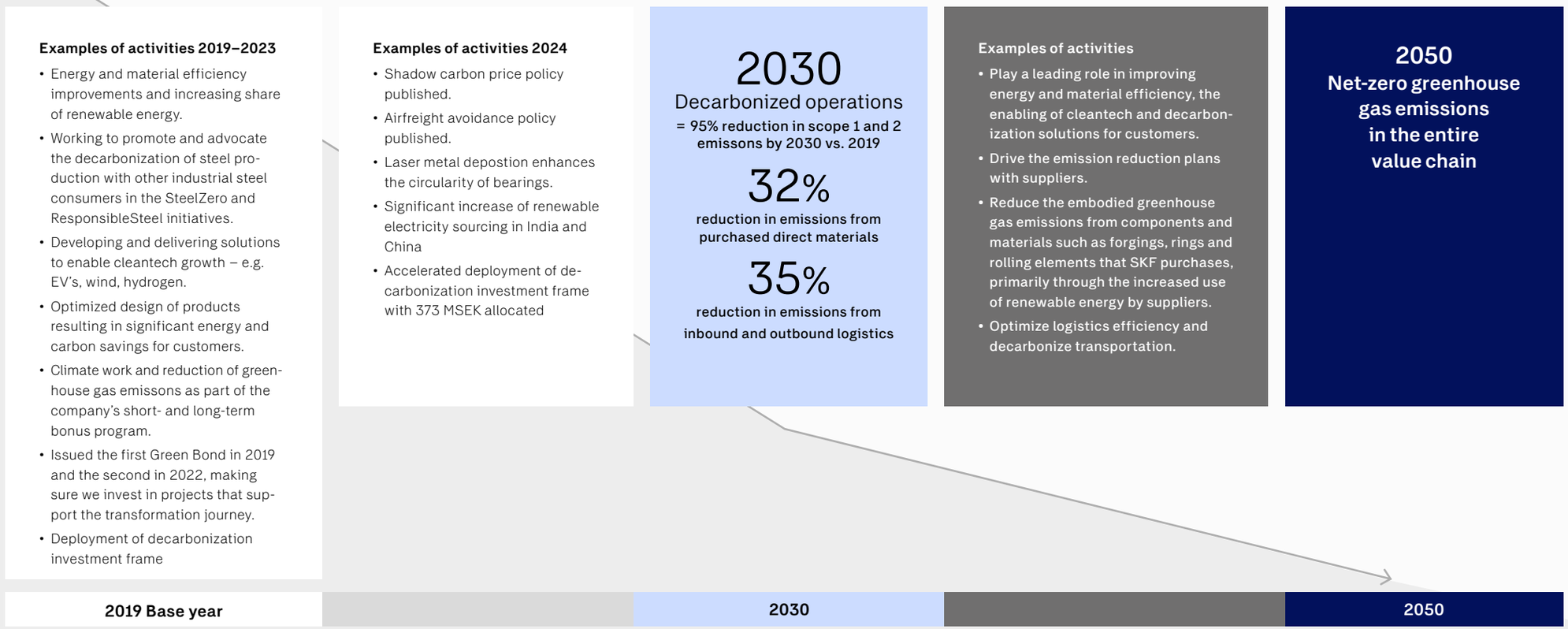
Summary of climate transition risks and opportunities

Category	Description	Potential risk	Mitigation measures	Opportunities	Capitalization measures
Legal and policy	Changes in laws and regulations related to climate change.	Increased energy and raw material costs	Focus on energy and carbon efficiency in SKF operations and supply chain.	Increased demand for solutions improving energy efficiency, circularity.	Focus on development of energy efficient, circular offers.
Market	Shifts in market demand towards low-carbon products and services.	Loss of market share, reduced revenue in unabated fossil fuel sectors.	The at risk sectors are a small part of overall business. Ongoing work to grow cleantech business.	Growth in cleantech, low carbon industries – renewable energy, hydrogen etc.	Focus on cleantech industries.
Technology	Technological advancements that may replace current technologies e.g. internal combustion engines.	SKF misses opportunities to grow by enabling emerging green technologies. SKF is bound to locked-in carbon technologies.	Focus on cleantech industries in full range of TRL. Proactive approach, for example development of solutions for e-drive in automotive.	Growth in cleantech, low carbon industries – electrification, renewable energy, hydrogen etc.	Strategic focus on cleantech industries.
Reputation	Negative public perception due to inadequate climate action.	Loss of brand value, customer trust.	Enhancing transparency, proactive communication strategies.	Enhanced brand loyalty, attracting eco-conscious customers.	Clear focus on promoting SKF's climate solutions and approach with transparency and credible communications.

Climate change adaptation and mitigation cont.

Towards net-zero emissions

SKF has been reporting and reducing its greenhouse gas emissions since the early 2000s, and has for many years demonstrated a decoupling of its revenue growth from scope 1 and 2 emissions. The Group's current net-zero targets and strategy are validated and approved by the Science Based Targets initiative and are aligned with the Paris agreement's 1.5 °C scenario.



Climate change adaptation and mitigation cont.

Transition plan for climate change mitigation including actions and resources in relation to climate change policies

SKF is a relatively energy intensive business directly using energy, mainly in the form of electricity and gas, in its operations around the world (scope 1 and 2). In addition, SKF utilizes materials and services which can be energy and carbon intensive, such as transports and raw material in production and processing (scope 3 upstream). Certain SKF products also generate indirect emissions during the use-phase (scope 3 downstream). The combined impact of these direct and indirect emissions (scope 1, 2 and 3 upstream and downstream) is more than three million metric tons of greenhouse gas emissions per year.

SKF has been working to measure, report and reduce its greenhouse gas emissions since the early 2000s, with good results. Throughout SKF's more than 20-year focus on climate, it has always sought credible and independent third-party input on its climate strategy and goals.

As such, in 2021, SKF committed to having its climate targets validated and approved by the Science Based Target initiative (SBTi). This validation process involved detailed discussions and exchanges with the SBTi between July 2021 and March 2023. In March 2023, the SBTi validated SKF's long- and short-term targets. The approved targets are aligned with the 1.5 °C trajectory which was agreed at COP 21 in Paris 2015.

Levers and actions

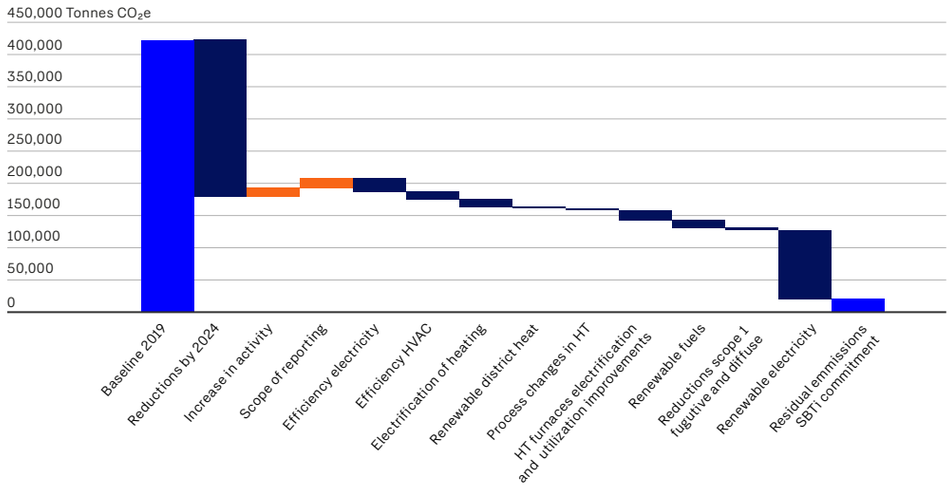
SKF has defined several strategic levers and related actions and objectives which, when applied in combination, aim to reach the Groups SBTi approved climate goals.

These are focused on the most significant impacts, specifically scope 1 and 2, and scope 3 categories 1, 3, 4 and 11.

SKF own operations – scope 1 and 2

SKF's goal to decarbonize its operations requires, as verified by SBTi, a 95% reduction in the scope 1 and 2 emissions by 2030 compared to 2019. The main strategic levers to achieve this include a focus on energy efficiency, the sourcing and generation of renewable energy and phasing out direct fossil fuel use through electrification or the use of bio-fuels.

SKF Scope 1 and 2 – Mitigation activities



During 2024 there has been significant progress in the development, understanding and aggregation of the plans for decarbonization. Each factory has developed a decarbonization road map which sets the emissions reduction trajectory for the site, and the investments needed, to achieve the 2030 decarbonization objectives, addressing all three of the described strategic levers. For energy efficiency and fossil fuel phase out, these plans are further defined in a Group-wide database in which the detailed actions, investments and expected improvements are described.

Energy efficiency – levers to reduce scope 1 and 2 emissions

SKF has an energy management system globally certified according to ISO 50001:2018. The certificate covers the 47 most energy intensive operations making up more than 80% of the Group's total energy use. SKF applies a Group-wide energy efficiency improvement target to all units within the scope of the ISO 50001 standard, of 5% compared to the factory, Business Area or Group energy baseline.

The baseline is established using linear regression of the previous two years' monthly energy use compared to value added (a measure of production activity, which is known to correlate with energy demand). This KPI reduces distortions associated with more simplistic measurements of energy performance such as production volume variations, and allows a focus on the real underlying energy performance. In 2024, the performance against this target was 3,5% compared to the 5.0% target indicating an underlying energy efficiency saving of 33 GWh. This includes all types of energy except energy used for building heating and cooling.

To drive development and planning of energy savings activities, the Group-wide database with detailed actions is used to show if factories, Business Areas and the Group has defined and planned sufficient actions to meet the objectives for future periods. In addition, looking at the 2030 time horizon, the decarbonization road map requires the sites to plan for continually improving energy efficiency.

Factory, Business Area and Group performance towards the energy efficiency target is followed up on a monthly basis using the energy efficiency KPI, and the Group-wide database. A high-level review of the performance and plans is conducted by the Chief Sustainability Officer together with each Business Area President on a half-year basis.

Renewable energy – levers to reduce scope 2 emissions

SKF has a centralized function to manage strategic energy sourcing decisions for the Group, including the sourcing of renewable energy, primarily electricity. Through this function, a roadmap defining the transition towards 100% renewable electricity for all SKF units by 2030 has been defined and is being deployed and followed up. The Group is a member of the RE100 initiative and follows their technical criteria when purchasing renewable electricity. In its work to define and deploy the renewable electricity roadmap SKF is also supported by a third-party energy service provider.

Various approaches are applied in the sourcing of renewable electricity, including the use of power purchase agreements, virtual power purchase agreements, bundled and un-bundled environmental attribute certificates and long-term Renewable Energy Certificate agreements (RECs).

Although the most significant contribution will come from the Group's renewable electricity sourcing approach, SKF is also expanding the use of on-site solar panel installations for self-generation of renewable electricity.

Some SKF locations make use of district heating to provide building heating. Due to the very specific and local nature of the district heating systems, the work to decarbonize district heating supply is driven at site-level, with the anticipated results, actions and investments included in the site-level decarbonization roadmap,

Fossil fuel phase out – levers to reduce scope 1 emissions

SKF makes direct use of fossil fuels at the majority of its locations around the world, primarily fossil natural gas, which is burnt for both building and process heating. These emissions must be reduced from around 53,000 tonnes per year in 2019 to close to an estimated 10,000 tonnes by 2030 to achieve SKF's scope 1 and 2 decarbonization objective. The main strategic levers applied to

Climate change adaptation and mitigation cont.

achieve this are a ban on any future investments in plant or equipment running on fossil fuels and the establishment of a specific investment frame which is intended to fund electrification of assets using fossil fuel or switching to sustainable bio-based alternatives such as biomethane.

The Group Fossil fuel phase out policy bans any new investment in equipment to be used in SKF which requires fossil fuel and requires that any remaining fossil fuel use is phased out before 2030.

An investment frame of 3,000 MSEK was established in 2023 and is to be applied at the latest by 2028 exclusively for investments needed to deliver on the decarbonization plan in general and the fossil fuel phase out in particular. Further, SKF has a Sustainable buildings policy setting requirements for new buildings in terms of decarbonization and the use of the USGBC's LEED 4.1 standard.

As with energy efficiency, Group progress towards the fossil fuel phase out target is followed up on a monthly basis and a high-level review of the performance and plans is conducted by the Chief Sustainability Officer together with each Business Area president on a half-year basis.

To drive development and planning of fossil fuel phase-out activities, the Group-wide database with detailed actions is used to show if factories, Business Areas and the Group, has defined and planned sufficient actions to meet objectives for future periods.

The relative contribution of these strategic levers toward the achievement of the decarbonized operations 2030 goal is described in the graph on page 108.

Upstream emissions from SKF suppliers – scope 3, category 1

SKF's goal is to reduce the upstream, scope 3, category 1 emissions by 32% by 2030 compared to 2019 and to achieve net-zero by 2050 or before, requiring a 90% reduction in scope 3 emissions by 2050.

There are several strategic levers which SKF utilizes to achieve these goals, focusing on improving material efficiency, increasing circularity, increasing the use of secondary materials, increasing the use of renewable energy in the supply chain and the use of emerging and new technologies to produce very low carbon embodied materials.

In 2024, SKF's procurement strategy continued to focus heavily on steel and steel components, which constitute the most significant volume of materials sourced, both in terms of weight and value. During this period, SKF purchased approximately 586,000 tonnes of steel and steel components. In comparison, the Group sourced around 4,727 tonnes of rubber which, next to steel, is one of the most important materials for SKF, utilized in finished seals or as a raw material for producing seals.

Product carbon footprint studies for materials and components of bearings have shown that the embodied carbon in the steel materials and components purchased by SKF accounts for approximately 70% of the total emissions generated across the value chain, from raw material extraction to the delivery of finished products to customers.

SKF has prioritized the decarbonization of its upstream value chain for steel and so far the majority of the measures are focused on this area. As progress is made in the decarbonization of steel, SKF plans to extend its efforts to other critical purchased materials and components.

A more detailed exploration of each of the strategic levers is provided below.

Improving material efficiency

SKF has been working on all aspects of material efficiency in its operations and supply chain for many years. This is driven both by the environmental imperative and by the need for cost efficiency in a competitive market. The work covers aspects such as improved process control and quality, leading to the avoidance of scrap. It also focuses on optimizing component design and tolerancing, to minimize the amount of material needed to be removed before arriving at the finished product. Alternative process routes which allow near-net shape components to be produced are also utilized where feasible.

Increased circularity

SKF's focus on developing solutions toward the circular economy decreases upstream direct material emissions in a number of ways.

Examples of this include the increased use of re-manufacturing of used bearings. This allows bearings which would potentially have been scrapped and replaced with new ones to be put back into service, avoiding emissions that would have been generated in production of a new bearing, both in the upstream value chain and in SKF.

Increasing the use of secondary materials

The production of virgin steel, that is steel produced mainly from reduced iron ore, is far more carbon intensive than producing steel from re-melting of scrap. Therefore, increasing the use of scrap-based steel production is an important lever in the reduction of direct material (scope 3, category 1) emissions. SKF's Business Areas include this aspect in the development of their steel sourcing roadmaps. Currently around 54% of the total volume of steel sourced by SKF comes from scrap-based steel and it is expected that this will increase significantly in the coming years. While SKF recognizes that increasing the utilization of scrap is needed as part of the overall global transformation towards very low embodied carbon steel, it is important to recognize that the limited availability of scrap compared to the global demand, means that it is only one of several measures needed.

Increased use of renewable energy in the supply chain

SKF promotes the use of renewable energy by its suppliers as a means to reduce the carbon intensity of their production processes and the products which they supply. SKF's sustainability standard for suppliers summarizes the Group's expectations on suppliers to evaluate and make use of renewable electricity. SKF also supports suppliers in their development of renewable energy sourcing approaches through training and other means.

Use of emerging and new technologies

The dominance of iron and steel production in the total upstream greenhouse gas emissions impact of SKF results in a focus on emerging technologies that enable a drastic reduction of these emissions, often referred to as green steel technologies. SKF is actively involved in the development and evaluation of such solutions with selected partners such as Voestalpine (hydrogen reduced iron) and Ovako (Electric Arc Furnace with 97% recycled content, powered by renewable electricity).

Communication of SKF's requirements and expectations to suppliers

SKF's sustainability standard for suppliers was updated in 2024 and sets out in detail the Group's expectations and requirements in these aspects.

Suppliers are required to 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 as a means to reduce supplier scope 1, 2, or 3 impacts.

Additionally, suppliers of steel and steel products must achieve specific certifications or targets by 2030, such as Responsible Steel certification, SBTi approved targets, or delivery of low embodied carbon steel according to the SteelZero definition. 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.

The relative contribution of these strategic levers toward the achievement of the 2030 mid-term net-zero objective is summarized below.

Upstream fuel and energy related activities – scope 3, category 3

This refers to the greenhouse gas emissions resulting from activities that occur before energy generation, as well as from the distribution and transmission of the energy used in SKF's operations. These activities include the extraction, processing and transportation of fuels used in power stations, as well as emissions resulting from transmission and distribution. The impact of these emissions is significant, amounting to 60,372 tonnes in 2024.

SKF aims to reduce these emissions through three strategic levers.

Climate change adaptation and mitigation cont.

Firstly, as part of SKFs decarbonised operations program, the group will reduce energy demand by improving energy-efficiency of its operations. At the same time SKF increases the sourcing of renewable energy by transitioning away from fossil fuels to eliminate the upstream impacts associated with extraction, processing and transportation, which constitute the largest portion of these emissions.

Secondly, SKF is addressing emissions from power generation, distribution and transmission equipment by collaborating with customers in relevant sectors. For instance, SKF is assisting the cement and steel industries in their decarbonization journey by offering solutions that help avoid waste and emissions.

Thirdly, SKF is actively engaging in multi-stakeholder initiatives such as SteelZero and RE100. Through these initiatives, SKF promotes and advocates for the systemic changes necessary to achieve significant reductions in emissions across these industries.

Emissions from logistics – scope 3, category 4

Considering SKF contracted logistics flows, SKF covers about 80% of outbound and 70% of inbound transportation. The Group focuses on reducing transportation greenhouse gas emissions in four main areas:

Airfreight avoidance: SKF implemented a global airfreight avoidance policy in 2024 with the objective to reduce airfreight and promote less carbon intensive transport modes. The Group also works closely with customers and suppliers to shift from airfreight to sea and rail transportation.

Decrease transports: SKF aims to accelerate inter-regional activities, thereby lowering the need for global transports.

Decarbonizing transportation: SKF focuses on reduction of airfreight by shifting to other less carbon intensive modes, e.g. ocean, rail. SKF also works on introducing electric vehicle solutions in collaboration with suppliers. Another lever is to use less carbon intensive fuel types, e.g. HVO100 instead of diesel.

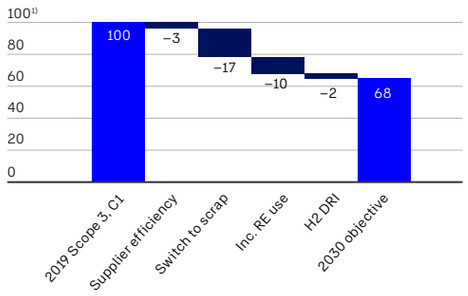
Optimizing transportation: SKF will further reduce emissions by improving fill rates and optimizing transport modes.

The relative contribution of these strategic levers toward the achievement of the 2030 mid-term net-zero objective is summarized below.

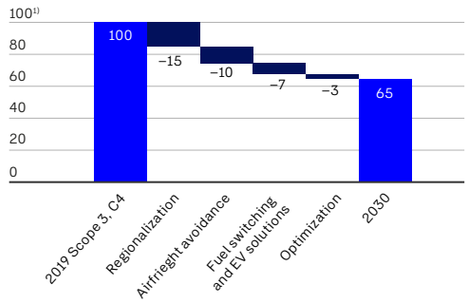
Emissions from business travel – scope 3, category 6

SKF works to reduce emissions from business travel in two main ways. Firstly, the use of virtual meetings is promoted as an alternative to physical meetings. SKF has invested heavily in the IT infrastructure needed to make this feasible. Secondly, through the Group's travel policy and on-line travel booking solutions, SKF encourages employees to use more carbon efficient transport modes where it is feasible to do so.

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



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



1) Base year 2019 = 100

Emissions from use of sold products – scope 3, category 11

As part of the Group's SBTi approved net-zero goal, SKF is reporting on the downstream greenhouse gas impacts resulting from the use of products and services (category 11). This relates only to the directly powered electrical systems which SKF delivers to some customers – mainly magnetic bearing and electric motor systems, and lubrication systems. Very often these systems enable improved energy efficiency for the customers.

As an example, in a plant in China SKF used a magnetic bearing solution for chillers. Compared to chillers with traditional screw compressors installed at the same factory the new solution will save around 40% energy or 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 CO_2e in the lifetime of the machines.

While there is not yet a widely adopted framework for the accounting of such avoided emissions, solutions of this kind play a significant role in reducing customer and, therefore, global emissions.

Following this, and since 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 SKF's products, the Group estimates that they result in direct use-phase emissions totaling around 1 million tonnes CO_2e annually.

While SKF continually works to further improve the energy efficiency of these systems, the main lever for reducing the related emissions is the utilization of low carbon and renewable electricity by the customers and end-users buying and operating the systems. This is beyond the control of SKF, although SKF actively promotes a transition to decarbonized power through the participation in the RE100 and WeMeanBusiness coalitions. As these decarbonization efforts continue, emissions can be anticipated to be reduced accordingly.

Investments to support the transition plan

Execution of the various strategic levers described above requires investments in various forms such as CapEx and additional organizational resources and competence. These investments are executed utilizing two main mechanisms:

SKF internal allocation of climate specific investment frames

- Decarbonization investment frame

Targeted financing of investments focused on sustainability

- Green Finance (bond issuance and utilization)
- EIB credit facility

The decarbonization investment frame

The near elimination of direct fossil fuel use in SKF (scope 1 emissions) is a particularly challenging aspect of the overall transition plan. For comparison, scope 2 emissions (which mainly relate to electricity use), can be avoided relatively simply and cost effectively through the purchase of renewable electricity, whereas scope 1 emission reduction often requires significant capital investment at the site. Examples of the needed investments include electrification of building heat using heat pumps or process heating and associated system improvements which are needed to increase feasibility.

In many cases the financial payback of these types of investments is longer than normal and therefore an intervention from SKF is required to make sure that the investments take place.

Based on a detailed understanding of the situation at SKF's factories around the globe, it was estimated that during 2023 to 2028 around EUR 300 million will be needed to achieve our 2030 scope 1 reduction objective. SKF then defined an investment frame and process for the allocation and follow up of its utilization. During 2023 and 2024 a total of EUR 33 millions of this frame has been utilized, with the remainder planned to be utilized during 2025 to 2028. Note that some of this is funded at a Group financing level via the green bonds (see table on the next page).

Climate change adaptation and mitigation cont.

Green Finance

	Categories	Total value euro million	Allocation 2019-2023	Allocation 2024	Planned allocation 2025-2028	Financial mechanism
Decarbonization investment frame	Electrification & related topics	300	5	33	200	SKF internal allocation
Green Bond	SKF World Class Manufacturing, Investments and acquisitions in production capacity, technology, testing and tooling for cleantech, Green buildings, Renewable energy, Improving process/facility energy or resource efficiency, Cleantech R&D, Product and process related R&D	700	633	67	TBD	Use of proceeds

Green Finance

SKF's Green Bonds are significant financial instruments that aligns with the company's sustainability commitment and climate targets. Two such bonds have been issued, the first for EUR 300 million in November 2019 and the second for EUR 400 million in September 2022. These are used to fund eligible projects in accordance with SKF's Green Finance Framework. These include capital investments in plant and equipment and product research and development related to cleantech.

As such, the green bonds play a crucial role in financing SKF's transition plan for climate change mitigation. By the end of 2024, SKF had financed 220 projects amounting to EUR 700 million. These projects span across various regions and sectors.

EIB credit facility

On the 22nd of November 2024, SKF secured a EUR 430 million credit facility from the European Investment Bank (EIB), to support its R&D efforts focused on sustainable technologies which was unutilized by the year end.

This financing will enable SKF to accelerate the design and development of technologies that contribute to the green transition and sustainability. The EIB is considered the climate bank of the European Union, and their financing supports the European Green Deal, the EU's plan to achieve net zero emissions by 2050.

Locked-in greenhouse gas emissions

The potential for locked-in greenhouse gas emissions along the SKF value chain has been evaluated and can be summarised as follows.

Upstream

The Group's main upstream greenhouse gas impacts relate to the production and processing of raw materials and components, mainly steel, used to produce finished products. While steel production is energy and carbon intensive, the SKF scope 3, category 1 strategy outlined above mitigates the risk of locking in greenhouse gas emissions. For example, SKF's sourcing roadmaps include plans to move to less carbon intensive steel production routes – using increased scrap content and EAF type furnaces rather than the far more energy and carbon intensive ore-based BOF process, switching to alternative iron reduction technologies such as hydrogen when it becomes available, and promoting renewable energy use in the full upstream value chain. In addition, SKF's use of shadow carbon pricing when making significant steel and steel component sourcing decisions gives information on the future cost of carbon and helps promote the selection of lower carbon intensity supply options.

SKF operations

SKF production facilities use electricity as the main energy source (~70%), however fossil fuels are still used in some cases in applications such as building and process heating. As outlined in the section above on fossil fuel phase out, future investments and assets designed to run on fossil fuels are prohibited by the fossil fuel phase-out policy. The policy also requires that existing fossil fuel using assets to be phased out before 2030 and the EUR 300 million investment frame is set aside to assure the investments needed to make this happen. Therefore, the risk of locked-in emissions in SKF operations is effectively mitigated.

Downstream – customers

SKF has a highly diversified customer base both geographically and in terms of the variety of industries served. The Group's business towards the coal, oil and fossil gas industries amounts to less than 2% of total turnover. Under several published climate scenarios, for example the IEA Net Zero, a significantly reduced demand for unabated use of fossil fuel can be anticipated, which would translate into lower demand for SKF products and solutions towards these sectors. However, SKF's strategy to focus growth of business that enables cleantech industries such as renewable energy generation, energy storage, biofuels and carbon capture and storage should more than offset the reduction in demand from unabated fossil fuel sectors.

Certain SKF products such as the system for re-using oil (RecondOil), magnetic bearings and lubrication systems make direct use of energy and as such generate scope 3, category 11 emissions. In most cases the power source for these machines is electricity, therefore, as power grids are decarbonized, these emissions will reduce.

Strategy behind transition plan

The strategy to identify, prioritize and address the various opportunities and risks related to the climate transition is integrated with the overall business strategy of the Group. Below are some examples of how this is being achieved.

Material and component purchasing

Modelling of the impact of carbon pricing and customer demands for lower embodied carbon materials is incorporated into the formulation of the overall strategic context. This, along with other important contextual information informs the overall direct materials sourcing strategy as well as marketing and promotion of lower embodied carbon products to customers. Based on this, each Business Area has developed a direct material sourcing decarbonization roadmap. The performance and planning of these are reviewed bi-annually.

SKF operations

Top-down, the investments needed to finance the decarbonization of SKF operations in accordance with the Group objectives have been defined, and specific investment frames have been allocated. Bottom-up, each factory has formulated a decarbonization roadmap in which the investments and resources needed to achieve the factories' decarbonization objectives are defined. These bottom-up roadmaps are consolidated at Business Area and Group level in order to validate them and confirm that the overall objectives can be achieved within the defined timeframe. The plans are then integrated in the factory and Business Area business plans and strategies. Progress is followed up using a mix of lagging KPI's such as energy efficiency improvement, scope 1 and 2 reduction and leading KPI's such as the utilization of the investment frame.

Logistics

Key to achieving the Group's targets for reduction of logistics-related emissions is the realization of SKF's global footprint strategy. This involves the consolidation and rationalization of SKF factories, warehouses, and other operations as well as the upstream supply chain. The overall aim is to be more closely aligned geographically with the Group's customer footprint. In addition to financial and operational improvements, the footprint strategy will significantly reduce the logistics demand in terms of transport distance inbound and outbound. Each Business Area has developed a footprint plan. The overall footprint program is coordinated at Group level, and the investments and resources needed to deliver on these plans are integrated into yearly business plans and strategy at Business Area and Group level.

Climate change adaptation and mitigation cont.

Business development, research and development

SKF has defined several global strategic customer industries and has established corresponding organizations and processes. The aim is to assure the identification of important trends as well as technical and commercial requirements for these industries, and to assure that SKF has a suitable range of products and solutions to meet the existing and anticipated needs of each customer industry. The climate transformation is an important trend in most of the customer industries, as well as the implications of this in terms of growth opportunities and the need of new offers are integrated into the related strategies and business plans and followed up as an integral part of the overall business planning and review process.

The transition plan has been developed and continues to evolve with a cross-functional approach. This work is coordinated by Group Sustainability with the objective to ensure effective ownership and integration of the relevant aspects in the Business Areas, regions and various Group functions.

The plan has been reviewed and approved by Group Management and the Board, and regular updates are provided via the various governance forums described in the section General information on page 83.

Implementation of the transition plan

2024 saw a continuation of the successful deployment of SKF's climate transition plan. Progress can be summarized and evaluated based on actual performance development and actions and decisions taken which will support future deployment and performance. It is important to recognize that some elements of the transition plan are quite mature – for example SKF has been working to reduce scope 1 and 2 emissions for more than 20 years, while others are relatively new. As an example, the ability to measure scope 3 category 1 emissions was only realized in the last three years. However, even if the level of maturity differs the overall trajectory of implementation is positive in almost all cases.

Considering a value chain approach, progress can be summarized as follows:

Scope 1 and 2 (SKF operations)

2024 strategic decisions and actions

Building on SKF's more than 20-year focus on reducing scope 1 and 2 emissions, a number of important strategic decisions and actions were taken during 2024.

Bottom-up and top-down decarbonization roadmaps at site and Business Area level were further refined. Projects and actions have been identified as input to these roadmaps. The execution of the roadmaps has again been followed up at Business Area and Group level through governance forums such as the half-year EHS and net-zero reviews. Read more in the Governance section on page 137.

A continued focus on energy efficiency has delivered an improvement in performance of 3.5%. The Energy Efficiency and Decarbonization Investment frame (3 BSEK announced in 2023) to be invested between 2023 and 2028 was further utilized to fund reduction and elimination activities targeting emissions within scope 1 and district heating in scope 2.

Progress was made on the switch to renewable electricity, with notable contracts being signed in Europe and Asia. For example, in June 2024, SKF signed a long-term renewable electricity strip agreement in India. These are so called long term renewable electricity certificate (REC) strip agreements, signed with project developers that invest and build solar plants.

2024 performance

The combined scope 1 and 2 emissions from 2024 were reduced by 82,382 tonnes compared to 2023. The figure below on the left shows that this result puts SKF ahead of the reduction trajectory to achieve a 95% reduction by 2030. The main contributors to this result are as follows;

- A 3.5% improvement in energy efficiency.
- The share of renewable electricity used increased to 72%. In addition to electricity consumption defined in table Energy consumption and mix on page 117, a total of 28 GWh electricity use came from self-generated non-renewable fuel-based sources.
- An increase from 64% (2023) to 72% (2024) in the amount of renewable energy sourced provides the most significant contribution.
- Production activity has decreased slightly but it has a low impact on reduced energy demand.
- A 7% reduction of emissions related to fossil fuels and district heating following decarbonization activities.

Scope 3, Category 1 (direct material supplies)

2024 strategic decisions and actions

During 2024, a number of important decisions related to scope 3, category 1 emissions reductions were made.

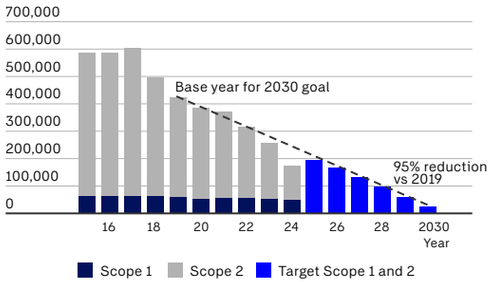
As described on page 119, in July 2024 SKF introduced mandatory shadow carbon pricing for certain categories of steel sourcing. This is intended to sensitize SKF colleagues, suppliers and customers to the potential impact of future carbon pricing and to steer supplier and process selection towards lower carbon options.

SKF Business Areas are developing roadmaps for the achievement of the 2030 scope 3, category 1 objective (a 32% reduction compared to 2019) using the various strategic levers outlined on page 112.

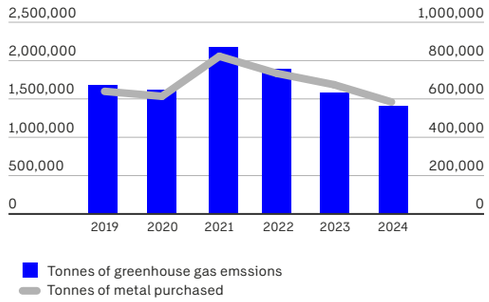
SKF's sustainability standard for suppliers was updated in July of 2024, introducing more detailed and precise requirements on supplier reporting and reduction of greenhouse gas emissions. These include:

- A clear instruction that the use of carbon offsetting or climate compensation is not accepted by SKF as a means to reducing supplier emissions.
- More clarity on the definition of green/low carbon electricity is provided.
- Clarification on the need for suppliers to identify and mitigate for relevant climate physical risks.

Scope 1 and 2 greenhouse gas emissions
Tonnes performance and outlook



Scope 3, Category 1 development



Climate change adaptation and mitigation cont.

2024 performance

The scope 3, category 1 emissions from SKF's direct material purchases in 2024 was 1,410,542 tonnes, with a reduction of 177,939 tonnes compared to 2023.

The main contributors to this result were:

- Due to market conditions and reduced demand the overall volume of steel (by weight) and steel components purchased by SKF was reduced by 13%.
- The use of scrap-based steel increased by 5% from 49% to 54%

The graph on the previous page shows the development of these emissions and the purchased weight of direct materials over time.

Scope 3, category 4 (logistics)

2024 strategic decisions and actions

During 2024, SKF continued the footprint and regionalization strategy, which aims to assure that SKF's production facilities are closer to regional customers and suppliers, thereby reducing the need for long-distance transports and the associated emissions.

2024 also saw the introduction of an air-freight avoidance policy which aims to minimize the use of airfreight due to its significant environmental and financial impacts. Based on SKF specific data, airfreight emissions are approximately 40 times greater than sea freight, 35 times greater than rail freight, and 8 times greater than road freight. The policy applies to the entire Group for both inbound and outbound transportation. Planned airfreight should be reduced by evaluating and utilizing alternative transport modes, and unplanned airfreight should only be used in urgent situations to avoid major disruptions. All unplanned airfreight cases must be reported and analyzed using problem-solving techniques to prevent future occurrences.

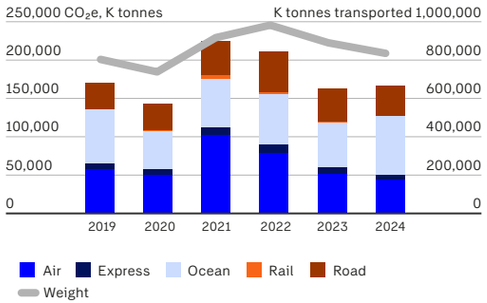
During 2024, SKF has also started working with external specialist consultants to map and prioritize the various types of green transport solutions which are developing in the market so as to inform any future use of these solutions.

2024 performance

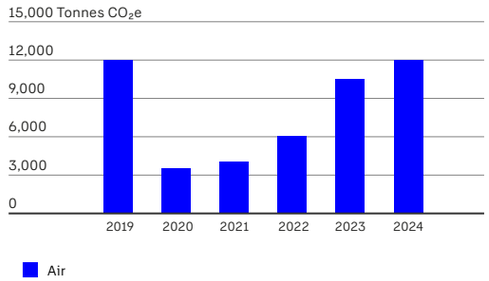
Transport emissions KPI increased 2024 by +3% compared to 2023.

In spite of good efforts in reducing transport emission footprint in all transport modes except ocean freight, these were wiped out by increased transport work in our global ocean freight lanes due to geopolitical circumstances. Transport work (tonnes/km) increased by 20%, due to increased freight lane distances on eastbound lanes. Ocean freight volumes only increased by 6–7%, so main reason for increased tonnes/km is increased distances. Due to this the emissions for ocean freight increased by approximately 30%.

Scope 3, Category 4 development



Scope 3, Category 6 development



Scope 3, category 6 (business travel)

2024 performance

The scope 3 category 6 emissions from 2024 increased by 1 207 tonnes compared to 2023 due to a corresponding increase in business travel.

The table below shows the development of these emissions over time.

During 2024, SKF continued to communicate the importance of questioning the need for business travel to all employees, only using it when virtual meetings options are not feasible. In addition the selection of lower carbon modes of transport was also highlighted.

In 2024, Group Management also approved a new KPI for measuring and following up business travel. The KPI is defined as tonnes of CO_2e from business travel (flights) / number of white collar employees.

The focus will be on white collars (staff) since this is the employee category doing the majority of travel. SKF will introduce a yearly target to improve this KPI which is –5% per annum.

Business travel (air travel)

Tonnes	2024	2023	2022
CO_2e emissions from air travel (scope 3, category 6)	11,593	10,386	6,395

Policies related to climate change mitigation and adaptation

SKF has defined and implemented a number of policies, management systems, procedures and instructions intended to address climate change mitigation, climate change adaptation and energy efficiency. These are summarized on pages 114–115.

First bearing produced from green steel

During 2024, SKF and Voestalpine Wire Technology announced the successful production of the first spherical roller bearing using green steel made from hydrogen direct reduced iron (H-DRI). The bearings are now under rig testing with the aim to demonstrate the technical viability of this new, potentially very low carbon steel production method.

Avoiding airfreight

In a significant move towards decarbonization and cost efficiency, Anastasiya Merkulova, Sustainability and Logistics Project Manager within EMEA, spearheaded a project to avoid airfreight for the sales unit in Kazakhstan following a warehouse closure. By shifting the supply chain to truck shipments from Schweinfurt via the Caspian Sea, the initiative resulted in substantial environmental and financial benefits. The project achieved monthly greenhouse gas emissions savings of approximately 350 tonnes, equivalent to removing 300 new European cars from the road for a year, and reduced shipping costs by EUR 2.6 million annually. Despite an increase in delivery time from 3–7 days to 24–35 days, the market successfully adapted to the new schedule, demonstrating the feasibility of sustainable logistics solutions.

Climate change adaptation and mitigation cont.

	Policy	Instruction	Management system	Mitigation	Adaptation	Energy efficiency	How policy adresses topic	Linkage to IRO	Time horizon	Publicly available
Fossil fuel phase out policy	•			•			To accelerate the decarbonization of SKF's operations and to reach the Group's 2030 decarbonization goal (95% reduction of Scope 1 and 2 greenhouse gas emissions by 2030 vs 2019), and thereby support the goal for 2050 in the full value chain, the following rules apply to all SKF manufacturing, warehouse, R&D and larger sales facilities: • No investments shall be made in new assets which use fossil fuel. Any deviations from this policy must be reviewed with SKF's Net-Zero team and approved by the Group Investment Committee. • It is mandatory to stop the use of fossil fuels and fossil-based district heat (in existing facilities and assets) within 2029. Direct fossil gas use may be replaced with electrification (using renewable electricity) or approved non-fossil fuel alternative. When processes are outsourced to subcontractors, an evaluation should be made to determine if this results in an increase in upstream use of fossil fuels. For decisions where this is the case, they should be approved by the Business Area's sustainability and supply chain managers. • A specific investment frame – the 'Decarbonization investment frame' shall, where applicable, be used to fund the necessary investments to achieve this.	Reduces reliance of fossil fuels, associated environmental impact and future carbon costs. Avoids carbon lock-in.	2030	N
Group EHS Policy	•			•	•	•	SKF should systematically work to understand and address sustainability impacts of our operations and supply chain, and of our customers, so that sustainability is truly embedded in the way business is made. Through the policy, SKF commits to proactively assess health and safety risks, environmental and energy impacts and systematically define, document and implement improvement plans which aim to eliminate hazards, reduce risks, and avoid or reduce impacts. Energy performance should be continually improved by applying or promoting technological and organisational measures along the full value chain.	Assures energy and environmental performance consistently improves and compliance obligations are met.	Ongoing	Y
Group Energy Sourcing Committee (GESC)		•		•		•	The GESC is a forum with ultimate authority to decide on commercial and environmental issues to energy sourcing across SKF. The aim is to reduce cost and carbon intensity in the energy supply for the SKF Group. This group and related instruction drives the deployment or renewable energy at SKF. The representatives from relevant SKF functions shall meet regularly (at least quarterly). The environmental aspects related to sourcing of renewable energy, for electricity, should be compliant with RE100 criteria.	Reduces reliance of fossil fuels, associated environmental impact and future carbon costs.	2030	N
Shadow Carbon Pricing Policy	•			•			This policy aims towards internalizing the environmental cost of steel and steel components within SKFs supply chain by implementing a Shadow Carbon Price (SCP). The SCP, while not a direct expense, should be calculated and used in conjunction with other parameters to influence supplier selection for all major direct material sourcing decisions related to steel bar, tube and wire. Steel tube, bar and wire are in the initial scope due to their high greenhouse gas emissions impact and relative ease of shadow carbon price calculation. Other components and materials will be added later.	Reduces reliance on carbon intensive material and/or suppliers and associated environmental impact and future carbon costs.	Ongoing	N
Airfreight Policy	•			•			Planned airfreight should be kept to the minimum. Supply chains should be based on road & ocean freight as standard. Deviation from this must be aligned and approved by BA president. Customer delivery leadtimes should not be based on airfreight delivery. Air freight should only be considered if it provides a vital solution for timely delivery. If such need occurs, quantity should be kept to the minimum (possible order split considered).	Reduces greenhouse gas emissions impact of logistics and related costs for transportation.	Ongoing	N

Climate change adaptation and mitigation cont.

	Policy	Instruction	Management system	Mitigation	Adaptation	Energy efficiency	How policy adresses topic	Linkage to IRO	Time horizon	Publicly available
Sustainable Buildings Policy	•			•		•	The policy sets out the sustainability requirements which shall be applied in the design and construction of major new facilities which are to be owned or leased by SKF. All new constructions (including significant refurbishments) with a total gross area (TGA) > 2500 M2 which are to be owned or leased by SKF, shall be decarbonized and shall be certified according to LEED v4.1 Gold level or better. Deviations from this requirement must always be approved by the Group's investment committee.	Avoids carbon-lock in, increased robustness in the face of future energy and carbon costs.	Ongoing	Y
SKF Group Business Travel Policy	•			•			This policy sets out the requirements which all SKF employees shall follow for business travel. Environmental impact should be limited. Virtual meetings should be the first choice for both external and internal meetings. All travellers should strive to choose the most environmentally friendly travel option when feasible.	Reduces greenhouse gas emissions impact of business travel and related costs for transportation.	Ongoing	N
SKF Group Instruction on the provision of sustainability information to customers		•		•		•	Increasingly, customers are motivated to understand their suppliers' sustainability approach and performance and are therefore requesting that their suppliers provide them with related information. Information should be provided in a consistent and transparent way. This Group Instruction therefore defines the way in which SKF shall respond to such customer requests.	Protects against reputational damage.	Ongoing	N
Energy Management System			•	•		•	SKF has an energy management system globally certified according to ISO 50001:2018. The certificate covers the 47 most energy intensive operations making up about 80% of the Group's total energy use and helps drive continual improvement in energy performance by utilizing the plan-do-check-act cycle.	Increased resilience vs. future energy and carbon cost increases,	Ongoing	N
Environmental Management system			•	•	•	•	SKF has an environmental management system globally certified according to ISO 14001:2015. The certificate covers all significant SKF manufacturing, warehouse and research and development operations and helps drive continual improvement in environmental performance by utilizing the plan-do-check-act cycle.	Assures compliance with applicable legislation.		N
SKF Sustainability standard for suppliers			•	•	•	•	The SKF Sustainability Standard for Suppliers covers SKF's requirements and expectations in respect of social responsibility and human rights, health and safety and environmental protection – including climate change mitigation and adaptation and ethical and compliant business conduct.	Reduces reliance on carbon intensive material and/or suppliers and associated environmental impact and future carbon costs.		Y

Climate change adaptation and mitigation cont.

Targets related to climate change mitigation and adaptation

SKF has defined GHG emission reduction targets for all material impacts and these have been approved both in the short term (2030) and long term (2050) as aligned with the 1.5 degree scenario by the SBTi.

The GHG reduction targets are presented in the table.

Please read in more detail on how SKF tracks the overall progress towards the adopted targets over time starting on page 108.

The targets are set through dialogues with selected external stakeholders such as the SBTi, combined with input from internal experts who represent stakeholders' views using existing channels of interaction. Read more about how the targets were established in the 'Reporting Principles' section on the next page.

In addition to these objectives, SKF has also established a number of sub-targets which are helpful in the drive and follow up of strategic levers such as energy efficiency and renewable electricity use and these are summarized below.

Please refer to the policy matrix on pages 114–115 to understand how the targets are interconnected with the respective policies.

Reporting principles

SKF follows the GHG protocol corporate reporting standard. In common for all scopes and categories is that primary data is preferred over secondary data, and that mass allocation is preferred over economic allocation. SKF's reported scope 2 emissions are calculated based on the market-based method. The base year is 2019 for all the SBTi-approved targets. This was a fairly typical year in terms of demand, production output etc. prior to the disruption caused by the pandemic. Building heating is relatively small (~20%) of the total energy use related to scope 1 and 2, and comes mainly from the operations in Europe and North America. 2019 was not a particular outlier in terms of average degree days for these regions.

The table Energy consumption and mix, data for renewable energy has been accounted for only where supplier specific statements are available. Non-renewable grid mixes accounted for as fossil energy unless data for nuclear grid mix (only 2024) has been possible to acquire.

Summary of SKF's climate goals, including those approved by the SBTi

	Purchased direct material	Logistics	Other upstream impacts	SKF's own operations	Downstream
GHG Reporting scope	**Scope 3, category 1**	**Scope 3, category 4**	**Scope 3, other**	**Scope 1 & 2**	**Scope 3, category 11**
2025	15% absolute reduction in emissions from forgings and rings suppliers vs 2019.	40% reduction in CO_2e emissions per tonne of goods shipped to end customers, base year 2015.	TBD	40% absolute reduction of CO_2e emissions from manufacturing per tonne of bearings sold, base year 2015.	TBD
2030	32% absolute reduction in emissions from direct material vs 2019.	35% absolute reduction vs 2019.	TBD	95% absolute reduction vs 2019.	
2035	43% absolute reduction in emissions from direct material vs 2019.	55% absolute reduction vs 2019.	TBD		
2040	60% absolute reduction in emissions from direct material vs 2019.	77% absolute reduction vs 2019.	TBD		
2050	**Net-zero emissions through 95% reduction of scope 1 and 2, and 90% reduction of scope 3 vs 2019. Remaining emissions addressed via Carbon Dioxide Removals.**				

Description %	Target	Timeframe	Purpose	2024	2023	2022	2021	2020
Manufacturing energy efficiency improvement	5% Improvement	Year-on-Year	Drive focus on energy efficiency at unit and BA level	3.5	4.7	3.8	1.7	2.3
100% renewable electricity use	100%	2030	Drive the increase in renewable electricity use in accordance with RE 100 requirements	72	64	54	49	39
Scope 1 &2 reduction	95% Reduction	2030 (2019 base year)	Drive focus on fossil fuel phase out related to energy used in SKF operations	59	39	26	12	9
Scope 1 & 2 reduction per tonnes of sold bearings	40% Reduction	2025 (2015 base year)	Previous goal (set before SBTi targets)	76	66	60	51	36
Logistics Scope 3, C4 emissions per tonnes of goods shipped	40% Reduction	2025 (2015 base year)	Previous goal (set before SBTi targets)	7	10	+6	+27	+2

Climate change adaptation and mitigation cont.

SKF uses a cross-sector emission pathway in line with limiting global warming to 1.5°C. Targets are determined using 1.5°C-aligned pathways from the SBTi. The most important scenario is the IEA Net Zero Emissions (NZE) scenario.

The targets have been established in the context of a solid understanding of potential future changes in sales, production volume and the impact of technological, operational and market-related changes. For example, in determining the achievability of the 2030 goals for scope 3, category 1 (direct materials) the impact of moving to lower carbon intensity steel production techniques (scrap-based steel combined with the use of renewable energy) has been anticipated. Similarly, the feasibility of the 2030 goal for scope 3, category 4 was evaluated in the light of anticipated impacts of SKF's regionalization and manufacturing footprint plans, bringing SKF's production locations closer to customers and suppliers.

The targets are consistent with the GHG reporting boundaries with the following exceptions:

- Scope 3 categories 2, 5, 8, 10, 12, 13, 14 and 15 are not considered material and therefore only 2050 targets are defined for the time being.
- Scope 3 categories 3 and 7 have a material impact, however targets medium-term have not yet been defined. In the case of scope 3, category 3 this is due to the very low possibility for SKF to measure the direct results of its efforts to support the reduction of this impact. In the case scope 3, category 7 SKF has not yet defined a target or direct way to measure this impact.

Notes on scope 3, category 1 (purchased goods and services)

Measuring, reporting and reducing the upstream scope 3 category 1 emissions from direct material production is a critical challenge. It is, however, a relatively new dimension for both SKF and the industry as a whole and the majority of the Group's suppliers, and their suppliers. Along with partners in the supply chain, SKF is therefore learning and evolving its approach so that the completeness, accuracy and value of this data as a management tool is improving every year. SKF's reporting makes use of primary data (information collected from suppliers on their full value chain carbon intensity multiplied by weight supplied to SKF), directly from suppliers, whenever possible and where this is not possible, credible secondary data sources are applied.

The main data SKF requests from suppliers is their greenhouse gas intensity (kg of CO_2e by kg of product). This is then multiplied by the total weight of products delivered to SKF to give the total emissions. Although more complex and challenging to collect, primary data is preferred since it captures specific supplier performance year on year and shows the impact of supplier choice, which is not possible when using secondary data.

As a result of the increased use of primary data compared to the approach taken in the 2023 report, the accuracy of the reporting has improved and the annual emissions from 2019 to 2023 have been re-calculated. This has changed the previous years reported values, with a baseline (2019) increase of approximately 8%. In a small number of cases, steel suppliers were not able to provide their upstream scope 3 emissions. In these cases, SKF applies an assumption of the upstream scope 3 impact. This is made using the experience gathered by SKF in collecting primary data from other, similar suppliers. On average, this assumption increases the total scope 1 and 2 impact for the suppliers by +65%. In the meantime SKF works to assure that the suppliers provide direct declarations for their scope 3 impact.

It is also important to note that SKF has focused on the main raw material inputs to the Group which is the steel used in the rings and rolling elements of rolling bearings. As previously stated, during 2024 more categories have been investigated such as rubber and plastics, and these are also being introduced into the reporting scope.

Notes on scope 3, category 4 (logistics)

Considering scope 3 category 4, emissions from upstream and downstream transportation, SKF covers approximately 80% of the emissions resulting from outbound flows (where SKF controls the transport), and around 70% inbound. SKF uses emission factors coming from NTM, the Swedish Network for transport measures. SKF intends to further improve the process for collecting emissions for these categories during 2024 to achieve a more complete coverage of this aspect.

Depending on the data availability, SKF applies one of two methods to calculate and aggregate these emissions.

Method 1: Transport statistics are collected from transport suppliers and the emissions are calculated using a tool developed by SKF. The tool calculates emissions based on modelling of the SKF transport network and uses emission factors per mode of transport combined with the distance and weight shipped.

Method 2: Transport emission reports are collected directly from transport suppliers and aggregated.

Method 1 is used for all SKF-operated transports except for express shipments, where method 2 is used. In both cases, the emissions reported are greenhouse gases with a well-to-wheel scope.

Energy consumption and mix

GWh	2024	2023	2022	2021
Fuel consumption from coal and coal products	0	0	0	0
Fuel consumption from crude oil and petroleum products	5.1	5.5	6.1	7.6
Fuel consumption from natural gas	222.7	241.0	268.6	274.8
Fuel consumption from other fossil sources	16.6	19.1	18.6	17.7
of which Fuel consumption from LPG	16.6	19.1	18.6	17.7
Consumption of purchased or acquired electricity, heat steam and cooling from fossil sources	278.2	491.0	703.2	814.0
of which Purchased electricity (fossil sources)	223.3	409.6	589.0	672.6
of which Purchased heat and cooling (fossil sources)	54.9	81.4	114.2	141.4
Total fossil energy consumption	**523**	**757**	**996**	**1,114**
Share of fossil sources in total energy consumption, %	35	49	59	63
Consumption from nuclear source	70	1)	1)	1)
of which Purchased electricity (nuclear)	70	1)	1)	1)
Total consumption from nuclear sources	**70**	1)	1)	1)
Share of consumption of nuclear sources in total energy consumption, %	5	1)	1)	1)
Fuel consumption from renewable sources, including biomass	28.2	17.9	19.4	20.1
of which Fuel consumption from biomethane and biogas (renewable)	17.3	17.9	19.4	20.1
of which Fuel consumption from biomass (renewable)	10.9	1)	1)	1)
Consumption of purchased or acquired electricity, heat steam and cooling from renewable sources	838.3	759.0	661.5	623.1
of which Purchased electricity (renewable)	790.8	734.5	661.5	623.1
of which Purchased heat and cooling (renewable)	47.4	24.5	1)	1)
Consumption of self-generated non-fuel renewable energy	35.3	23.5	16.5	6.9
of which Self-generated electricity (non-fuel renewable)	35.3	23.5	16.5	6.9
Total renewable energy consumption	**902**	**800**	**697**	**650**
Share of renewable sources in total energy consumption, %	60	51	41	37
Total energy consumption	**1,494**	**1,557**	**1,694**	**1,764**

1) Data is not available or not possible to verify historically.

Climate change adaptation and mitigation cont.

Energy & GHG intensity based on net revenue

All SKF activities are considered to be in high climate impact sectors.

	2024	2023	2022
Net revenue	98,722	103,881	96,933
GWh	1.494	1,557	1,694
Total CO_2e, tonnes (Scope 1 and 2)	171,358	253,740	310,331
GHG intensity tonnes/MSEK	1.74	2.44	3.20
Energy intensity MWh/MSEK	15.14	14.99	17.47

Carbon intensity continues to reduce reflecting further increases in renewable energy sourcing and improvements in efficiency. Energy intensity increased slightly due to reduced volume, however energy efficiency improved.

Sources of emissions

Tonnes, conversion factors in tonne per unit in brackets	2024	2023	2022
Direct (scope 1)			
LPG (3.0 per tonne)	3,638	4,197	3,696
Fuel oil (3.0 per tonne)	1,477	1,639	1,543
Natural gas (0.002 per cubic meter)	40,621	43,880	47,576
Biomass (0.04 per tonne)	117	–	–
Supplied (scope 2), market-based			
Electricity	117,817	195,978	239,866
District heating and cooling	7,688	8,046	17,650
Total CO_2e emissions, market-based	**171,358**	**253,740**	**310,331**

Scope 1 emission factors have been derived from DEFRA, except Gothenburg where the local RED-Cert standard has been applied.

Scope 2 contractual emission factors have been provided by relevant electricity suppliers. Scope 2 location based emission factors have been taken from IEA, DEFRA and other recognized data sources.

Emission factors from DEFRA are used for district heat except certain sites in Germany, Sweden and Poland where specific emission factors from suppliers are provided by the local district heat provider.

Gross Scopes 1, 2, 3 and total GHG emissions

				Targets			
	Base year 2019	2024	% change 2024 vs 2023	2030	(2050)	Annual % target/ base year	Comment on development
Scope 1							
Gross scope 1	58,135	45,853	–7.8	●		8.6	1
% from ETS		9.17					2
Scope 2							
Gross location-based	518,500	392,255	–12				1
Gross market-based	360,873	125,505	–38	●		8.6	3
Significant scope 3 GHG emissions							
1. Purchased goods and services	1,675,800	1,410,542	–11	●		2.9	1
2. Capital goods	16,500	25,385	–12				4
3. Fuel- and energy-related activities (not included in scope 1 or 2)	97,527	60,372	–3.1				5
4. Upstream transportation and distribution	171,802	167,448	2.1	●		3.2	1
5. Waste generated in operations	37,019	34,433	–21				6
6. Business travel	12,954	11,593	12				1
7. Employee commuting	56,132	48,429	–4.8				7
8. Upstream leased assets	0	0	0				NA
9. Downstream transportation and distribution	NA	NA	NA				NA
10. Processing of sold products	8,398	8,885	–11				9
11. Use of sold products	1,012,016	1,217,202	12	●		2.5	10
12. End-of-life treatment of sold products	21,713	22,119	–9.2				11
13. Downstream leased assets	NA	NA	NA				NA
14. Franchises	NA	NA	NA				NA
15. Investments	NA	NA	NA				NA
Total GHG emissions							
Total location-based	**3,686,496**	**3,444,517**					
Total market-based	**3,528,869**	**3,177,767**					

Comments on the development (reference in right hand column in the table).

- 1 and 3 See comments included under '2024 performance' in relevant section of 'Implementation of transition plan'
- 2 Only one boiler system at SKF's factory in Airasca, Italy is included in the EU ETS, with annual emissions of 4,206 tonnes of CO_2e.
- 5 and 7 Scope 3 categories 3 and 7 have a material impact, however targets medium-term have not yet been defined. In the case scope 3, category 7, SKF has not yet defined a target or direct way to measure this impact.
- 10 The change vs. 2023 reflects mainly change in number of sold products which generate scope 3, category 11 emissions.
- 4, 6, 9 and 11 No significant impacts, the estimated greenhouse gas emissions is based on secondary data.

Additional notes on the calculation of Scope 3 emissions

This table shows GHG emissions aggregated per scope and category. They can be reported directly by suppliers or, calculated using data collected from suppliers or SKF operations or, a combination of both.

When emissions factors are used, they are evaluated and selected from commercial datasets or SKF LCA studies. Mass allocation is used except for data categories for which mass data is unavailable, for these economic allocation is used. Estimates can be used for data categories with a small contribution and influence on the overall carbon footprint.

More specifically;

Scope 3, category 2 – an emission factor based on a selection of representative production machines is derived and leveraged for calculating emissions for all capex investments.

Scope 3, categories 3 and 5 – calculated using waste data and energy data published on skf.com, combined with emissions factors selected from commercial datasets.

Scope 3, category 6 – covers air travel in most regions based on data obtained from travel agencies.

Scope 3, category 7 – based on number of employees, region and typical commuting patterns.

Scope 3 category 10 and 12 – the weights of sold products are leveraged and assumptions are applied related to product mounting and end-of-life treatment method.

Scope 3, Category 11 – based on estimation of the total direct energy use by relevant SKF products multiplied by a global average electricity emission factor.

The reporting methodology for other scope 1, 2 and 3 categories is described on page 116.

Climate change adaptation and mitigation cont.

Additional underlying data – useful to better understand Scope 1, 2 and 3 trends

Scope 3, Category 1

Table showing total weight of materials components purchased

Year	GHG emissions from steel material and related components, Scope 3 cat. 1 (tonnes CO_2e)	Steel material and related components, Scope 3 cat. 1 (tonnes shipped)
2024	1.410.542	586,062
2023	1.588.482	676,747
2022	1,891,851	737,358

Scope 3, Category 4

Year	GHG emissions from transports Scope 3 (tonnes CO_2e)	Transport Works (tonnes shipped)
2024	167,448	298,102
2023	163,991	300,092
2022	213,061	330,904
2021	227,228	295,249
2015	155,611	257,023

Baseline recalculated from 2015 due to methodology change of counting inbound volumes in India and USA

Transport Mode	Transport Works (tonnes shipped, % of total)	GHG emissions (% of total)	Tonne* Kilometer (% of total)
Road	70	23	9
Sea	29	46	90
Air	1	26	1
Rail[1)]	0	0	0
Express	<1	4	n/a

1) No rail connection available between Europe-Asia due to war in Ukraine.

Biogenic scope 1 emissions

Tonnes COe_2, biogenic	2024
Solid biomass	3,853
Biomethane	3,456
Scope 1 Total	**7,310**
Scope 2 Total	Data has not yet been possible to acquire.
Scope 3 Total	Data has not yet been possible to acquire.

GHG removals and GHG mitigation projects financed through carbon credits

SKF does not make use of carbon credits and has no plans to do so.

Internal carbon pricing

Shadow Carbon Price for direct material purchasing

Scope 3, category 1 emissions from direct material purchasing account for approximately 1.5 million tonnes of CO2e annually, representing 80% of the total cradle-to-gate greenhouse gas emissions for the SKF Group. A significant portion (90%) of these emissions is attributed to the sourcing of steel and steel components.

SKF has set ambitious goals to reduce these emissions by 32% by 2030, compared to a 2019 baseline. The primary levers to achieve this reduction are described in the transition plan section above.

While efficiency gains and re-manufacturing are driven by cost and growth perspectives, transitioning to less carbon-intensive steel and renewable electricity is more complex. Currently, there are limited external economic drivers for these changes, except in specific industries, for example, the automotive industry and in certain regions, such as the EU. Therefore, SKF has determined that internal intervention is needed in the form of a shadow carbon pricing approach.

Lower carbon intensity steel often incurs higher costs due to increased production expenses and regional price differentials. Executing these lower carbon strategies prematurely could reduce SKF's competitiveness if customers are not ready to recognize the value or if legislation has not yet mandated it.

Certain sectors already require lower embodied grenhouse gas emissions in steel. EU policies like the Carbon Border Adjustment Mechanism (CBAM) and the phasing out of free emissions allocations in the EU Emissions Trading Scheme (ETS) are expected to create a carbon price of EUR 100-150 per tonne by the late 2020s. For other regions and industries, the timing of customer demands or legislation is less clear. Therefore, SKF is developing a shadow carbon price to raise awareness among purchasing, product line, sales and marketing functions without yet incorporating it into standard cost calculations and pricing.

Policy approach

The policy mandates that the shadow carbon price shall be included in customer discussions whenever possible, providing examples of how to apply the principles.

The purchasing team in SKF are responsible for calculating the embodied carbon of materials and the shadow carbon price.

The initial focus is on bar, tube, and wire, which represent 70–80% of the total upstream greenhouse gas emissions impact from steel. Manual calculations will be performed by nominated Business Area personnel for these categories. The calculation of a shadow carbon price is mandatory for sourcing decisions exceeding 10 MSEK annually.

Carbon price application

SKF is applying a CO_2e price of EUR 100 per tonne, based on anticipated EU ETS carbon prices for the next year or two. This price may be adjusted going forward. Compliance has been required from 1 July 2024.

Shadow carbon pricing applied in energy saving investments

As well as the shadow carbon price applied for direct material purchases, SKF also applies a form of shadow carbon pricing in the investment process, when there is an impact on energy use. This approach requires that the baseline financial scenario for any investment uses an anticipated cost for Energy Attribute Certificates (EAC). Considering RE100's technical requirements for EACs for renewable electricity or additional cost of sourcing approved renewable fuel alternatives, such as e.g. sustainable bio methane, SKF anticipates significantly higher EAC costs, which will vary depending on the region. The inclusion of an anticipated future cost of EACs in the financial baseline (the calculation of what happens if the investment is not made) significantly improves the payback time for the energy or carbon-saving investment and therefore increases the probability that it will be approved.

All energy-saving or GHG-reducing investment projects are tracked in a central database known as the FTJ Energy and Carbon Savings Tracker. Specific instructions are provided to the units explaining how this shadow EAC price should be included in the financial payback calculation. All investments are scrutinized at the Business Area level, and a sample of them at the Group level.

Resource use and circular economy

Material impacts, risks and opportunities

IRO and value chain	Description
Resource inflows	
Positive impacts Full value chain	Increasing demand for products and business models with improved circular performance
Negative impacts Upstream	Use and reliance on virgin raw materials such as steel
Resource outflows	
Positive impacts Downstream	Designing, developing and providing solutions for circularity
Negative impacts Full value chain	Limited closed-loop product flows for all SKF's products
Opportunities Downstream	Winning business in a circular economy
Waste	
Negative impacts Own operations	Waste generated in own operations

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

Impacts

The transition from a linear to a circular business cuts across the whole of SKF, from managing resource inflows in the global supply chains, through the factories, to reducing outflows like waste created in the delivery of products and services to customers. Within SKF's own operations, it is necessary to eliminate waste, improve waste treatment and ensure efficient use of materials by focusing on circular economy strategies such as remanufacturing and recycling. SKF has screened its assets and activities and engaged with stakeholders, including customers, employees, suppliers and civil society, to identify actual and potential impacts in the Group's own operations and the upstream and downstream value chain. Customers emphasize decarbonization and energy efficiency, aligning with SKF's sustainability goals, while suppliers focus on transparent sustainability practices, and civil society expects SKF to reduce environmental impacts and support circular economy objectives. There is ongoing consultation with communities local to sites, with no significantly affected communities identified in relation to SKF's resource use. More on stakeholder dialogue on page 88.

Risks

Risks related to circularity extend to resource inflows, resource outflows and waste management amidst growing regulatory pressure and focus on resources and waste. SKF relies on materials like steel, primarily from recycled sources, but faces challenges in availability and consistency of global supplier data.

A significant environmental challenge comes from SKF's reliance on virgin raw materials, which poses pollution, processing, energy, transport and emissions-related risks. Remaining in a linear business model poses further risks such as rising material costs, supply chain disruptions and the risk of regulatory non-compliance as governments increasingly tighten circular economy regulations.

There are also reputational risks if SKF does not shift more rapidly towards circularity, given the increasing focus on sustainability from stakeholders and customers alike. Risks extend to other materials such as rubber, oils and greases compounded by growing regulatory pressure and attention on resource scarcity.

Opportunities

Transitioning to a circular economy presents opportunities to optimize material flows, reduce costs, and position SKF as a leader in sustainable manufacturing. The company is actively increasing recycling, remanufacturing and waste reduction efforts across its business units. Key units include manufacturing, supply chain and procurement, R&D and innovation, and service and maintenance, all of which are working to scale circular solutions that extend product life-cycles, improve resource efficiency and minimize waste.

By designing products for circularity, ensuring modularity, repairability and recyclability, SKF is creating solutions that will have a significant positive impact on the circular economy transition. In leveraging these strategies, SKF aims to increase the proportion of revenues from circular business models and help its customers transition towards circularity, thus reducing both the environmental footprint and dependency on virgin materials.

Circular solutions, such as remanufacturing and the RecondOil offer growth potential by extending product life-cycles, reducing waste and lowering costs for customers. As industries adopt circular economy practices, demand for reuse will increase, positioning SKF as a leader in this space.

Policies

SKF has established policies to manage key impacts, risks and opportunities related to resource use and the circular economy across its operations and value chain. These policies are designed to ensure the identification, assessment and remediation of material impacts and risks in alignment with circular economy principles.

The policies are continually reviewed and updated to address new risks and opportunities as identified through materiality assessments. These policies also drive the implementation of circular economy strategies such as recycling and waste treatment ensuring SKF and its value chain are aligned with sustainability objectives. More information about SKF's policies can be found on page 142.

Resource use and circular economy cont.

Circularity cuts across SKF's whole business
To help visualize and communicate the company wide transformation and the ongoing circularity related activities SKF developed the following framework:

Actions and resources related to resource use and circular economy
Circularity will eventually transform SKF's materials, production, supply chain, business models and culture. SKF has therefore defined a multitude of actions driven locally and globally based upon the known impacts, risks and opportunities presented by the circular economy. SKF's Circularity programme identified over 100 initiatives taking place throughout the business relating to circularity.
Key areas of action include:

- **Remanufacturing** at SKF promotes circularity by extending the lifespan of products across industries including the railway, metals and aerospace industries. A bearing typically replaced every three years can be remanufactured twice to last up to nine years, effectively performing the function of three new bearings. Additionally, remanufacturing ensures that high-quality steel remains in the recycling loop, either by reusing it in bearings or recycling it into high-quality steel for new products.
- **RecondOil** double separation technology (DST) enhances the circularity of industrial oil by regenerating it into a reusable asset, preventing it from aging and eliminating the need for new oil purchases. By removing even the smallest contaminants, DST allows the same oil to be used indefinitely across various industries, reducing waste and carbon footprint. This technology not only saves costs but also improves performance and extends machine life.
- **Laser metal deposition (LMD)** enhances the circularity of bearings by allowing for repeated use through the application of metallurgically bonded coatings that resist wear and corrosion. The process uses only 15% of the steel needed for new bearings and the subsequent remanufacturing also reduces CO_2 emissions by up to 80%. Tested in real-life manufacturing conditions, LMD-coated bearings demonstrate high durability and minimal wear.

These actions are aligned with SKF's objectives to mitigate material impacts and risks, particularly in relation to resource inflows and outflows. For example, remanufacturing directly addresses the risks of resource scarcity and

Resource use and circular economy cont.

rising costs by extending product lifecycles, while Recond-Oil and LMD tackle the potential impacts of waste.

By implementing these circular economy strategies, SKF not only mitigates risks but also capitalizes on business opportunities, such as meeting the increasing demand for circular products and services. These actions, amongst others, help ensure compliance with evolving regulatory requirements and achieve the objectives outlined in SKF's sustainability policies, particularly regarding reuse and sustainable resource utilization to help mitigate material risks.

Targets related to resource use and circular economy

SKF's circularity targets focuses on resource inflows and improving waste management. The volontary targets reflects SKF's proactive approach to sustainability and directly address the most material impacts, risks and opportunities. To ensure focus the Group has chosen to prioritize two targets relating to circularity this year — specifically addressing circular material use (inflows) and waste management. By focusing on reducing SKF's reliance on primary materials like steel, improving resource utilization, and fostering sustainable resource cycles, the aim is to mitigate the upstream environmental impacts associated with resource scarcity, energy use and emissions.

In the coming years, SKF will evaluate and introduce additional targets to further focus efforts and address material impacts, risks and opportunities across the value chain.

Target 1 – Buy and use 100% net zero steel by 2050, or earlier

SKF's largest material inflow, by far, is steel. The Group's target is to buy and use 100% net-zero steel by 2050, or earlier. This target is aligned with the SteelZero initiative, a global collaboration aimed at transitioning to a net-zero steel industry. Until new technologies are scaled, the best way to reduce emissions is to increase the use of recycled steel and reduce the production of virgin steel. This target addresses key material impacts related to steel production. By transitioning to net-zero steel, SKF aims to reduce its total environmental footprint by supporting sustainable steel production methods. This commitment extends globally across SKF's supply chain to ensure access to net-zero steel in all operational geographies.

The timeframe includes interim milestones to track progress towards this long-term goal, acknowledging the challenges in transforming the steel industry, but ensuring continuous improvements along the way. The approach necessitates cleaner production methods and higher recycling rates, supported by collaboration with other SteelZero participants to drive industry-wide change. Regular reviews will assess whether SKF is on track or if adjustments are needed to accelerate progress, ensuring the target's alignment with the Group's broader sustainability and circular economy objectives.

Target 2 – A recycling rate above 80% for grinding swarf

Grinding swarf is a mix of small metal particles and abrasives mixed with emulsion. The Group objective is to achieve recycling at a rate above 80% year by year. Grinding swarf is a focus area for SKF and other metalworking companies due to its classification as hazardous waste, which can pose environmental risks if not properly managed. However, it also presents an opportunity to recover valuable metal content for reuse in other applications.

The target to achieve and maintain an 80% recycling rate applies to all SKF sites that generate grinding swarf as a waste material. While SKF has historically achieved this target, maintaining it has proven difficult due to, for example, variations in regional legislation or volatile scrap prices. Progress towards this objective is closely monitored through governance forums, such as the half-year EHS reviews conducted with Business Areas. SKF is constantly working to find business partners who can use grinding swarf as input to their production, both as direct and indirect material. During 2024, the rate of recycled or reused grinding swarf decreased to 65% compared to 66% the previous year.

Resource inflows

SKF uses various materials in production, including metals (predominantly steel), rubber, solvents, hydraulic oil and grease. Much of the steel purchased by the Group is produced by re-melting steel scrap, as this provides favourable material properties. SKF does not report any renewable materials or recycled input material. The most significant part of the material used comes from components which have been machined and refined along the value chain. This means that SKF does not have direct influence over the source of the material but only the specified quality. In general, the steel used by SKF during 2024 is made from around 54% of scrap, and SKF is working to increase this percentage.

Resource outflows

Products

As the shift to circularity gathers pace, customers are increasingly seeking re-use solutions for their products. Some of this volume will be given a next service life in SKF's remanufacturing centres, but SKF is also actively involved with customers who are developing their own or third-party recovery and re-use capacity which in turn will increase the economic viability of re-use.

When SKF's products are dismounted at the end of their first service life, it needs to be feasible that preparation for re-use can take place. SKF has assessed a sample of the Group's product families for repairability using the DIN (German Institute for Standardization) Quality Classification for Circular Processes. DIN scores range from 0 to 1, where 0 signifies purely linear products and 1 perfectly circular products. In the estimate of repairability across 11 product families, over two thirds of the products reviewed scored 0.80. This analysis provides insight for SKF's product and engineering teams about where improvements in durability can be made by better enabling remanufacturing and refurbishment.

There is no industry benchmark available to analyze the expected durability of SKF's products in relation to industry average. However, SKF has, developed a lifecycle model of bearings, analyzing the expected durability.

2024 saw the introduction of circular design principles into the product development process. Building on existing environmental guidelines, these design principles include emphasizing the design of products for durability and easy repair to extend their lifespan.

Non-renewable material

	2024 Tonnes	2023[1] Tonnes	2022[1] Tonnes
Metal as raw material from external suppliers	410,644	475,686	621,794
Rubber as raw material from external suppliers	4,727	4,956	5,087
Oils	7,188	8,054	8,982
Greases	2,134	2,322	2,424

1) Past data are restaded for divested units and data amendment

Resource use and circular economy cont.

Biological materials and packaging

Much of SKF's packaging materials are marked with recycling symbols. Local markets have different legislation regarding symbols and certification on packaging material. SKF follows local legislation on the printing of packaging symbols. Additionally, SKF is actively encouraging customers to adopt reusable packaging solutions. These can be returned and reused, minimizing waste and promoting a more sustainable, circular approach.

By promoting both reuse and recycling, SKF maximizes the lifecycle of its packaging, aligning with the cascading use of materials to reduce waste and enhance sustainability. In a single-stage cascade, packaging that cannot be reused can still be recycled, extending its utility. In a multi-stage cascade, SKF's focus on return and reuse allows packaging to be repurposed multiple times before disposal or recycling. Even when it reaches the end of its material life, the high recyclability of SKF's packaging ensures it can still contribute to resource conservation.

Recyclable packaging material

Packaging material	Waste Hierarchy	Type
Carton boxes	Recyclable as paper	Product packaging
Industrial KLT	Returnable to SKF for reuse	Product packaging
Industrial packing cartons	Recyclable as paper	Product packaging
Plastic	Recyclable as plastic	Product packaging
Plastic tubes	Recyclable as plastic	Product packaging
Plywood boxes	Recyclable as wood	Product packaging
Pouches	Recyclable as plastic	Product packaging
ProofBox	Returnable to SKF for reuse or recycle as plastic	Product packaging
Corrugated transport box	Recyclable as paper	Transport packaging
Corrugated paper pallet	Recyclable as paper	Transport packaging
One-way plywood box	Recyclable as wood	Transport packaging
One-way pallet	Recyclable as wood	Transport packaging
Plastic strapping	Recyclable as plastic	Transport packaging
Standard SKF pallet and collar	Returnable to SKF for reuse or recycle as plastic	Transport packaging

Waste

SKF works to avoid waste generation in several ways. Upstream, this includes the use of near-net shape production technologies such as cold rolling, thereby minimizing the amount of material which needs to be removed in subsequent processes. Examples within SKF's operations include avoidance of scrap and excessive material use through optimized processes. Downstream, SKF works with its remanufacturing approach to extend the life of SKF products and the systems in which they operate, thereby avoiding waste. Almost all recycling, reuse and recovery of waste which is diverted from disposal is undertaken by external companies such as steel plants, waste management and recycling companies. SKF is performing recycling of lubrication oil at some sites using SKF's RecondOil solution, but this is not yet reported separately.

As part of the Group's overall responsible sourcing approach, SKF requires that waste management companies and other companies making use of SKF's residual materials operate in full compliance with the SKF Code of Conduct and therefore all applicable local legislation. The Group reports disposal methods by reuse, recycling and incineration with and without energy recovery and landfill. Local objectives are required to be established by the Group and these shall drive sites upwards in the waste hierarchy. The amounts of residual material and recycling rate are disclosed below, and in more detail in the Environmental data spreadsheet available at skf.com. SKF reports all significant residuals and waste site-by-site.

In this report, SKF highlights the most significant residuals, recycling rates and the amount of waste sent to landfill. The data on weight of waste generated comes from both SKF measurements and those made by the waste management companies, depending on the fraction and the location.

Non-hazardous waste

Tonnes	2024	2023[1)]	2022[1)]
Total residuals generated	106,924	130,567	132,856
Recycled or reused	82,946	97,949	106,880
Recycling rate, %	78	75	80
Incinerated with energy recovery	7,600	8,159	8,629
Incinerated without energy recovery	1,861	2,255	1,970
Landfill	14,518	22,204	15,377

1) Past data are restated for divested units and data amendment.

Hazardous waste, grinding swarf

Tonnes	2024	2023[1)]	2022[1)]
Total	19,833	21,362	23,709
Recycled or reused	12,826	14,125	16,328
Recycling rate, %	65	66	69
Incinerated with energy recovery	619	653	430
Incinerated without energy recovery	3,198	4,310	5,076
Landfill	3,190	2,274	1,875

1) Past data are restated for divested units and data amendment.

Social

Own workforce

Material impacts, risks and opportunities

IRO and value chain	Description
Working conditions	
Negative impacts Own operations	Work-related injuries and ill health of own workforce
Positive and negative impacts Own operations	Secure employment, collective bargaining and freedom of association
Risks Own operations	Inability to attract and retain critical competences and capabilities
Equal treatment and opportunities for all	
Positive impacts Own operations	Enabling a diverse and inclusive workplace
Negative impacts Own operations	Discrimination and non-equal treatment of own workforce
Opportunities Own operations	Diversity and inclusion increasing innovation and business performance
Other work-related rights	
Negative impacts Own operations	Human rights of own workforce

Material impacts, risks and opportunities and interaction with strategy and business model

To stay competitive, and to deliver on the strategy and objectives set out by the Group, SKF needs to attract, develop and retain a diverse and effective workforce with critical competences and capabilities.

SKFs' people ambitions are an integral part of the overall strategy and are clarified in the SKF 2030 People Agenda, which is valid for all parts of the Group. The top three strategic priorities are Culture & Leadership, Workforce for the Future, and Employee Experience. The strategic priorities are further broken down into the following strategic areas:

- Purpose
- Values & Employee Value Proposition (EVP)
- Leadership development
- Diversity, trust and inclusion
- Organize for growth & innovation
- Future dimensioning of workforce
- High-performing organization
- Wellbeing in change
- People engagement
- Reward & recognition

The strategic priorities and the strategic areas serve as the framework when yearly ambitions, activities and targets are defined and followed up. The People Experience function is represented in SKF's Group Management by the Senior Vice President People Experience & Communication.

SKF commits to providing equal opportunities irrespective of ethnic background, race, religion, age, gender, disability, sexual orientation, outlook or social status. By working with this purpose, SKF contributes with actual positive impacts beyond mitigating negative impacts.

By fostering diverse teams and inclusive leadership SKF can enable an innovative environment that contributes with important financial opportunities for the Group. Purpose, culture, employee engagement, leadership, competence and ways of working are all key building blocks in this area.

Safety always comes first and SKF is convinced that all work-related accidents can be prevented. Being a manufacturing company with a large number of employees, SKF has a potential negative impact on the own workforce's health and safety. The Group has a global management system with focus on hazard elimination and risk mitigation. SKF's zero accidents program, supported by proactive reporting of unsafe conditions, aims to prevent all workplace accidents. Implementing measures to mitigate negative impacts reduces the likelihood of critical consequences. Due to the severity of health and safety incidents, SKF considers these impacts significant.

SKF's approach to secure employment, collective bargaining agreements and freedom of association, prevents unfair treatment based on gender, culture, ethnicity or other factors. This can be seen as an initiative to mitigate important negative impacts. At the same time, by creating a more secure, attractive and engaging work environment, these measures also serve to create a potential positive impact for the workforce as well as for their families, communities and society as a whole.

Other work-related rights include human rights such as zero tolerance against child labour and forced labour. The severity of such a negative impact makes it material for SKF, despite its low likelihood. SKF is responding to this potential negative impact by adhering to international standards and guidelines and enforcing the SKF Code of Conduct policy in all its operations. Periodic Code of Conduct compliance audits are performed and a whistleblowing process is available at local and global levels. SKF has conducted a human rights impact assessment, and while these impacts are predominantly linked to the supply chain, they are also relevant to SKF's own operations for the impacts identified for own workforce. For further information, please see "Workers in the value chain – material impacts, risks and opportunities and their interaction with strategy and business model" on page 134.

If SKF does not succeed in providing good working conditions, this can lead to high employee turnover rates that can generate financial risks through weakened results. Negative consequences could also include reduced investments, fewer innovations, decreased market share and poor wellbeing. SKF is responding to this by taking a holistic approach in strengthening the Group as an employer of choice, by putting the employee experience at the center, including providing safe and healthy working conditions, well-being, purpose and values as well as a fair and transparent reward and recognition system.

SKF Group Management and People Experience have a regular dialogue with the SKF World Union Council (WUC) and the European Work Council (EWC) according to the global framework agreement based on the SKF Code of Conduct. Issues relating to significant changes at SKF are always handled in close collaboration between Group Management, the WUC, the EWC and local unions.

As SKF Group operates under Swedish legislation and the Swedish Corporate Governance Code, employee representatives are part of the Board of Directors of AB SKF. Among other things, this means that employee representatives from white and blue collar unions have direct insight on Board level issues and the strategic outlook for the Group. As the trade unions in SKF play an integral part in shaping the methods and content of employee engagement, a people follow up is always on the agenda when the WUC meets the company representatives at the annual summit.

Employees who experience discrimination or unequal treatment may suffer from stress, anxiety and other mental health issues. This can negatively affect the employee's overall well-being and quality of life. The potential negative impact is deemed material based on its severity to the individual's health. SKF is mitigating any potential negative impact through, for example, the quarterly SKF Team Pulse survey, where SKF can measure the employee experience from wellbeing. Furthermore, employees are requested to report any behaviour that is not in line with SKF Code of Conduct to their manager, the local People Experience channels or to other senior managers.

Own workforce cont.

Employees can also raise concerns or seek advice through the third-party hosted SKF Ethics and Compliance Reporting Line.

Policies related to own workforce

SKF gives top priority to the health and safety of employees, contractors, agency workers and visitors. This is clearly stated in the Group EHS policy together with SKF's commitment to provide safe and healthy working conditions to prevent work-related injury and ill health, as well as to assure well-being in the work environment, as described in SKF's Employee Wellbeing policy. This commitment is supported by the Group's occupational health and safety management system. Related procedures and programs are designed to maintain and continually improve a safe and healthy work environment by proactively assessing health and safety risks and eliminate hazards, reduce risks and ultimately improve the work environment.

The Group EHS Policy is available both internally and externally. To ensure focus and awareness of the aim and ambition in the Group EHS Policy, a mandatory e-learning and policy commitment is part of employee induction and is renewed periodically.

The Group EHS Policy includes a commitment to assure well-being in the work environment, and is complemented by SKF's Employee Well-being policy, which includes psychological health, life balance and healthy life choices.

The overall EHS governance in SKF emphasizes line ownership for health and safety. EHS managers are appointed in the regions, Business Areas and local management teams across SKF. Working as part of the operational management teams, these individuals make sure that appropriate attention, resources and investments are given to health and safety in their respective units. They are supported in this work by the long established EHS country coordinators who provide local expertise, guidance and support to the sites.

At SKF Group, the Equal Pay Policy is established to ensure that all employees are treated fairly by receiving equal pay for equal work. The policy aims to ensure that all employees receive equal pay for equal work, regardless of their race, gender, age, national origin, disability, religion, sexual orientation, union membership or political affiliation, by conducting regular audits, monitoring starting salaries, providing training and addressing any instances of pay discrimination.

Processes for engaging with own workforce and workers' representatives about impacts

To strengthen the position as an employer of choice as well as the employee experience, SKF is intensifying employee involvement to develop an attractive workplace. Regular business area townhalls and team meetings with Q&A opportunities ensure ongoing workforce dialogue across the organization. The quarterly employee satisfaction survey SKF Team Pulse, is recognized as an essential tool and has a global reach. Since Q3 2023, diversity and inclusion, as well as health and well-being related questions have been incorporated into the SKF Team Pulse. This employee survey is anonymous and allows each employee to give a score on a scale of 0 to 10 (with 10 being most positive) to assess how SKF is doing on those drivers. In the most recent Team Pulse survey (Q4 2024), SKF's Diversity & Inclusion score was 8.1, aligning with the manufacturing benchmark, which is derived from the employee survey system comparing results across the industry. The Health & Well-being score of SKF was at 8.0, which is 0.2 points above the manufacturing benchmark. Each team gives input on a quarterly basis and receives a team result (teams with less than five employees get an elevated report, due to anonymity requirements). The teams are encouraged to work with improvement activities. The tool covers staff and workers, and participation is encouraged from the top of SKF.

The SKF Engagement score in Q4 2024 was 7.9 which is 0.4 points higher compared to the manufacturing benchmark.

Managers are organizing quarterly team meetings to collaboratively review their team's survey dashboard for each driver, assess trends and identify areas for improvements.

The SKF Team Pulse has demonstrated to be a powerful tool to analyze what is going well and what can be improved. Beyond the score, employees can also leave anonymous comments which give valuable insights on their overall employee experience. Going forward, a new "wellbeing-in change" roadmap is being developed to further incorporate well-being into the entire organization, fostering a sense of belonging in a healthy inclusive environment, with a healthy work-life balance for all.

Restricted only by rules of anonymity, SKF uses the data to better understand how the employees perceive their working conditions and to determine improvement areas and actions. The result is also used to understand perceptions using different demographic parameters, such as age and gender.

The overall aggregated response rate is 78%, but SKF is challenged to increase the share of respondents among the worker category. This was observed by the Group Management, and easier access to digital tools remains a priority for 2025. The Digi4All project aims at including all employees in the digital landscape.

The SKF Team Pulse survey results and participation rates are now part of the "Let's Talk" Quarterly calls with the SKF's Group CEO open to the entire SKF workforce, where not only financial results are presented, but also people related topics.

During 2024 the SKF Team Pulse has been further developed, to incorporate additional questions regarding diversity, equity, inclusion, health and well-being and specific SKF questions. The dashboard results are shown in the table on page 128.

SKF is a truly international company, with organizations present in many different cultures and contexts. Accountability and mandate are moved as close to the business as possible. Decentralization comes with the risk of differences in practice also in the labour relations area. This could impact the employee experience at SKF and the overall SKF brand. Labour relations have a strong presence in the SKF Code of Conduct and strong labour affair relations are a foundation that SKF needs to maintain and develop. Open information sharing and dialogue builds a strong culture, with high loyalty and trust. This is protected by the Global Framework Agreement and by having the Labour Affairs Director as part of the Global People Experience Management team.

SKF Team Pulse

SKF is using the Team Pulse survey to understand the perceptions of all employees and encourage them to actively contribute to making SKF a great place to work. The survey is a quick and simple way to capture opinions, create dialogue within teams and influence.

- Performed quarterly.
- Score from 1 to 10.
- 18 rotating questions out of 44, covering engagement, health and well-being, and diversity and inclusion.
- Multiple touchpoints such as QR code, emails and SMS messages to encourage participation.
- Strictly anonymous.
- Report only generated for teams of 5 and over.
- Workday Peakon is the external supplier of the SKF Team Pulse. The manufacturing benchmark is provided by Workday Peakon and is an average of industry standard.

Own workforce cont.

The main priority of the relationship between labour and management is to ensure that the Global Framework Agreement between SKF and the unions works in practice. This is based on the SKF Code of Conduct and the work focuses on labour management relations between SKF Group and workers within SKF Group and its subsidiaries. SKF also collaborates with other companies in formal and informal networks. Issues relating to significant changes at SKF, such as acquiring, divesting, or consolidating operations, are always discussed and resolved openly and constructively with union leaders locally and with the leadership of the SKF World Union Council (WUC).

The precise approach must be adapted to the specific conditions of each occasion. The European Work Council (EWC) directive is the base for European related issues.

SKF makes it clear in its Code of Conduct that all employees have the right to join a union and bargain collectively. Continuous dialogue is ongoing to ensure that it works for both SKF and the union members. The WUC, which today includes 20 countries, listed in section Collective bargaining coverage and social dialogue on page 130, meets every year to openly discuss labour issues and to share what is on the Group's agenda. An EWC meeting involving only European delegates is held in conjunction to the WUC meeting. All countries fulfilling the EWC/WUC agreement requirements and with major operations, have the right to send appointed union officials or observers to the SKF EWC/WUC meeting.

In 2024, the annual EWC and WUC meeting was held in the third week of October following normal procedures. It was held in Poznan with online translations. During this one-week event, the EWC meeting was conducted separately, according to the EU directive. This was followed by the WUC meeting with representatives from Group Management and included a factory tour as well as internal meetings between the delegates. The main topics for the day with Group Management were the initiated separation of the Automotive business, and the implications this could have on the organization, flexibility and digitalization. The focus areas were employment, environment, health and safety and digitalization. Overall, SKF's setup with the WUC is seen as a forum for addressing and deploying global initiatives between Group Management and the unions.

All WUC meetings are followed up with lessons learned discussions, to have new practices introduced at the next meeting. The chairperson of WUC is continuously interacting with representatives in the different countries and Group Management. When needed the chairperson brings issues to the Steering Committee, which includes internal and external union representatives.

Worker participation, consultation and communication on occupational health and safety

The employees are key stakeholders for occupational health and safety, and as part of the governance structure, health and safety committees are available on all sites certified according to ISO 14001/ISO 45001 with more than 50 employees, to ensure effective communication with employee representatives.

SKF health and safety committees operate on site or on unit management level with the objective to bring together employee and management representatives to discuss and agree on needed measures to improve the health and safety performance at the site or unit. The committees meet at least once per quarter and decisions taken shall be communicated to the workforce and acted and followed up on.

The committees are often involved in accident and incident investigations and may define additional corrective or preventative measures based on this. Employee representatives are appointed to the health and safety committees by the employees in line with SKF WUC processes.

A Group level health and safety committee is also established with representatives from the World Union Council, Group EHS and Group People Experience. This committee meets formally once per quarter, however more frequent update meetings are conducted as needed.

Processes to remediate negative impacts and channels for own workforce to raise concerns

SKF employees are requested to report behaviour that is not in line with the SKF Code of Conduct to their manager, local People Experience function or to other senior managers. Employees can also raise concerns or seek advice via the SKF Ethics and Compliance Reporting Line, read more on page 138. The SKF Ethics and Compliance Reporting Line is also available to external parties, such as suppliers and distributors, through skf.com.

SKF has a Group Whistle-blowing policy, which is based on the EU Whistle-blowing Directive and prohibits retaliation towards anyone raising concerns in good faith.

During 2024, 456 concerns were reported to the central functions via the SKF Ethics and Compliance Reporting Line or via other channels.

The major types of concerns reported were workforce management 25%, leadership issues 17% and discrimination or harassment 16%. In addition to the concerns reported to the central functions, grievances related to ethics and compliance are reported to, and managed by, local management. All reported concerns are reviewed and assessed by Group Compliance, for assignment to an appropriate investigator. Concerns deemed as critical are communicated on a case-by-case basis to the General Counsel, to the Board of Director's Sustainability & Ethics Committee and/or to the Audit Committee.

Additional reviews related to human rights and working ethics in own operations

SKF's manufacturing units are subject to an ethics review including relevant aspects on the SKF Code of Conduct with a risk-based periodicity. In 2024, 15 such reviews were carried out. In addition, sites undergo audits on specific topics and most audits related to human rights focus on health and safety. SKF also carries out site audits at suppliers.

Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Health and safety

Occupational health and safety management system

At SKF, creating a safe work environment is not just a legal and ethical obligation, it is also a strategic advantage that leads to significant improvements in performance. SKF has established and deployed a Group-wide health and safety management system according to the ISO 45001:2018 standard. High-level requirements on health and safety are defined in the Group's EHS Policy and detailed instructions and procedures are integrated within the environment, energy, health and safety management system at Group, country and site level.

The system drives compliance with legal requirements and those defined by the Group, its customers and other stakeholders. The system also provides a framework to drive continuous improvement in health and safety performance.

The scope of the management system includes physical and psychological health and safety. It covers employees at SKF sites, in commute or working for SKF off-site (such as maintenance engineers at a customer to SKF), contractors, and visitors at SKF sites.

The health and safety of SKF's employees is seen as a paramount asset, and the Group's EHS Management System is designed to uphold and maintain a safe and healthy work environment for all employees and others working on or visiting SKF premises. When SKF employees feel secure and valued, they are more likely to be engaged and motivated.

For more information on the management system and its coverage, se page 132. More information on the metrics related to health and safety can be found under "Health and safety metrics" on page 132.

Hazard identification, risk assessment and incident investigation

SKF and its subsidiaries apply tools and processes as prescribed in the management system and according to legal requirements to prevent accidents and ill-health. Risk assessments are carried out on a regular basis at all levels from shop floor to office. The quality of the risk assessments is assured by defined Group requirements and provision of training for EHS staff and other persons undertaking them. Risk assessments are a part of internal and external audits, where typically a sample of risk assessments and corrective and preventative actions are reviewed.

Measures to mitigate or eliminate the identified risks are defined and implemented and risk assessments are reviewed and updated periodically or after an accident or serious near miss has occurred. Recordable accidents are reported and followed up both at the unit level and further up in the organization all the way up to the Group level.

Own workforce cont.

Thorough investigations, which result in corrective and preventative actions, must be deployed after each recordable accident. In cases where the issue is linked to risks which may be relevant for other units, the causes of the accident and the corrective and preventative measures to avoid repeating it are shared within the organization. In certain cases, changes may be needed in the Group-level management system as part of a preventative measure.

All employees are required to report accidents, incidents and unsafe conditions and behaviours, as they are vital sources of improvements and indicate opportunities to better control the associated risk.

Health and safety incidents reported must be addressed at the local level but are not required to be reported in detail further up in the organization. Only the total number of such cases should be reported for the unit as this gives an indication of the level of safety-related activity. No distinction is made between SKF employees, agency workers or other persons on-site for the identification and control of risks.

SKF employs Health and safety coordinators with expertise to support team leaders and managers at all levels in the organization. Training is also organized on health and safety procedures, roles and responsibilities.

Based on the risk assessment carried out for a specific machine, process or role, employees receive training so that they understand the risks and how to manage them by following defined procedures or wearing personal protective equipment, for example. Any employee who intentionally ignores the defined safety rules will face disciplinary measures to protect themselves and their colleagues from unsafe behaviours.

When defining corrective or preventative actions in response to identified risks, SKF's management system requires that the hierarchy of control measures principles are applied. The first option is hazard elimination. If this is not possible, substitution, engineering controls, administrative controls and, finally, personal protective equipment. SKF's employees also work at customers' sites, at suppliers or other locations outside SKF premises. As part of the process of defining such off-site activities, SKF assesses health and safety risks. Occasionally, risks not previously identified by the customer or supplier are found, and in such cases, control measures must be agreed before work commences.

Worker training on occupational health and safety

All employees and agency workers are provided health and safety training, as well as other Code of Conduct training as part of the introduction process. More specific training is provided depending on the job description. Specific training for potentially hazardous jobs, such as working with electricity, at heights, hot work and so on is mandatory for employees working with these aspects. These jobs are identified at each site or unit based on risk assessments and legal requirements to ensure applicable coverage and provision of adequate training. All trainings are provided during work hours. The efficiency is assessed based on accident rates in combination with severity rates, which are expected to be reduced towards zero over time.

Promotion of worker health

SKF is committed to promoting employee health and well-being beyond occupational safety, by offering variety of health-promoting activities. Employees have access to locally defined health promotion programs, which include regular health screenings and initiatives around HIV/AIDS prevention, substance abuse, obesity, healthy living, and stress management. Where feasible, SKF facilities provide additional resources to support physical health, such as on-site or subsidized exercise facilities, healthy food options, and professional health guidance. These efforts align with SKF's Employee Wellbeing Policy, which takes a holistic approach to supporting both physical and mental health.

Managers play a key role in fostering a healthy work environment by recognizing the risks and opportunities related to employee well-being. Their actions directly influence the psychological health and resilience of SKF's workforce. Employee well-being is deeply embedded in SKF's culture, reflecting SKFs core values of care.

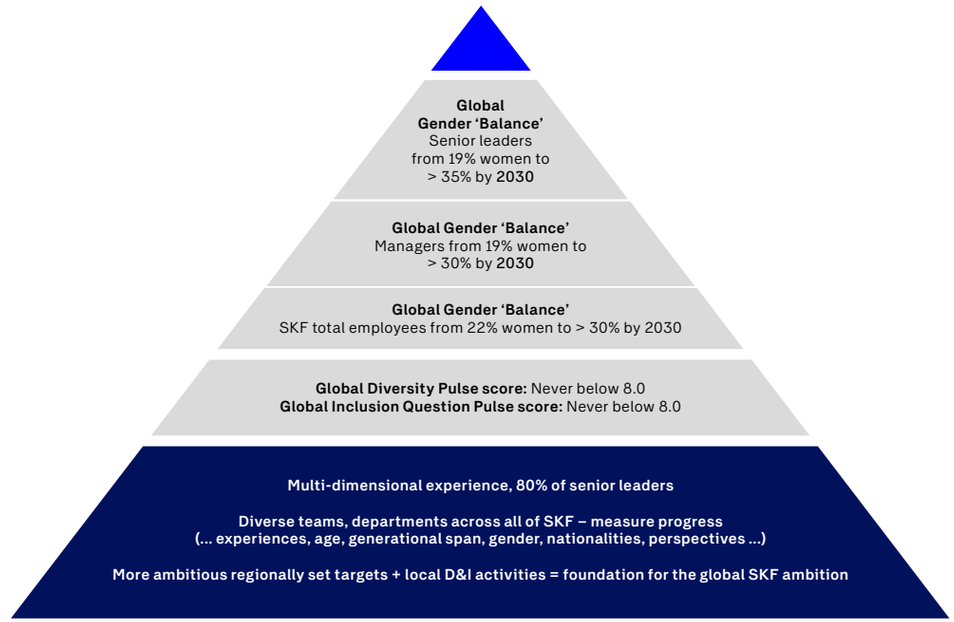
SKF's well-being initiatives focus on three primary areas: psychological health and safety, work-life balance, and healthy lifestyle choices. Confidentiality is strictly maintained in compliance with data privacy regulations. To continuously assess and improve well-being, SKF incorporates health-related questions into its quarterly employee survey, The SKF Team Pulse. The anonymous survey allows employees to rate SKF's performance in well-being areas on a scale of 0 to 10, with 10 being the most positive. Managers are encouraged to review survey results regularly with their teams, using the data to identify trends and implement targeted well-being improvements. For more information on the SKF Team Pulse see page 125.

Diversity, equity and inclusion

Diversity, equity, and inclusion (DEI), along with non-discrimination and equal opportunity, are key elements of SKF's People Agenda. The SKF Code of Conduct mandates that all employees shall be treated equally, fairly and with respect, regardless of race, colour, ethnicity, gender, sex, sexual orientation, age, civil or social status, national origin or nationality, disability or diverse abilities, medical conditions (including pregnancy), genetic information, caste, religion, union membership, political affiliation or any other unique or ordinary trait.

In 2024, several ongoing DEI initiatives have been expanded and new ones introduced. SKF has intensified its focus across multiple touchpoints to stay appealing and competitive for both current and potential employees. These efforts encompass learning and development, competency evaluations, and the use of more inclusive language in job postings, to attract top talents from various backgrounds.

A new Diversity & Inclusion Global Ambition plan has been rolled out in 2024, stretching until 2030, offering a comprehensive framework tailored to each business area and region's specific needs. This strategy integrates DEI initiatives and KPIs into SKF's processes, impacting all major interactions with the current and future workforce. A comprehensive scorecard of KPIs has been developed to measure and track progress on a quarterly basis.



Own workforce cont.

SKF's People KPIs are not limited to gender, but stretch across a wider spectrum of diversity and inclusion indicators, such as the SKF Diversity Pulse Score and Inclusion Pulse score from the SKF Team Pulse survey. These are now part of the comprehensive People Experience (PX) Scorecard, among a variety of People KPIs spanning across the globe and the business areas.

People Business Reviews are being held with the Business Areas and Group Management twice a year, conducted by PX. These review meetings are not limited to gender balance KPI follow-ups, but equally include senior leaders' mix of experience across different units and roles, existing succession plans and diversity and inclusion initiatives per region and Business Area. Workshops and training material are available via the learning academy and internal Sharepoint sites to build further awareness on unconscious bias, psychological safety and the positive impact of human-centric leadership.

The next phase of the SKF Global D&I Ambition is to build diversity, equal opportunity and inclusion further into the fabric of SKF's DNA across all Business Areas, regions and relevant processes. This plan incorporates many of the successful local initiatives already in place, which are tailored to regional needs, driven by SKF's Purpose and Values of Collaboration, Curiosity, Courage and Care, such as:

- Expanding an SKF D&I community network around the globe with regional ambassadors.
- Female networks.
- Partnership with Mitt Liv, The International Council of Swedish Industry and Swedish Chamber of Commerce D&I committee partnerships.
- DEI Council Americas.
- Employee Resource Groups, promoting inclusion of e.g. neurodiversity, veterans, LGBTQ+, employees with disabilities (or rather different abilities) and other underrepresented affinity groups.
- Wellness rooms and daycare facilities in India and Indonesia.
- Partnership with Universeum National Science Centre Sweden, to promote women in Science Technology Engineering Mathematics.
- Family days at SKF facilities around the world.
- Diversity Calendar celebrations such as World Mental Health Day, Pride month, Veterans' Day and International Women's Day among others.
- Inclusive promotion and recruitment processes.
- "Psychological Safety", "Better Together", Linkedin DEI learnings.

Equal treatment and opportunities for all

SKF integrates equality into the people processes, such as learning and development, succession planning and recruitment. The recruitment principles are based on the SKF Code of Conduct and facilitate skills-based recruitment by utilizing an ability test. The test used is a scientifically robust instrument, reviewed and certified by a third party verification organ.

As part of the new Global D&I Ambition plan 2024–2030, in 2024 SKF commissioned a thorough study through an independent consulting firm of all its internal processes and practices with the lens of "Equal Treatment and Opportunities for All" to identify further improvement areas for diversity, equity and inclusion. This assessment consisted of existing SKF policies reviews, as well as leadership, subject matter experts and employee focus groups interviews regarding all touchpoints in the employee process.

Through this in-depth analysis, which was finalized at the end of 2024, a detailed action plan has been developed that is being incorporated into the overall SKF Global D&I Ambition. See the figure on page 127.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Health and safety

SKF's overall health and safety ambition, established in 2000, is to reach zero accidents. In addition, accident rate and severity rate are monitored together with other categories of incidents described in the health and safety pyramid on page 132. In this pyramid, near misses and unsafe conditions and behaviours are presented and monitored to ensure increasing proactivity in health and safety management. Site, Business Area and Group performance towards the zero accidents target is followed up on a monthly basis using a monthly safety data report, and the above-mentioned metrics and rates, as well as through integration into quarterly performance reviews. A high-level review of the performance and plans is conducted with each Business Area at the half-year EHS reviews. SKF's accident rate has steadily decreased over the last two decades. The accident rate is calculated as the number of recordable accidents per 200,000 worked hours per year, which approximately corresponds to the number of accidents per 100 full-time employees per year. In 2024, the rate reached an all-time low of 0.59 (compared to 0.64 in the previous year), demonstrating that the ongoing efforts in health and safety are driving continuous performance improvements.

People Experience

Group People Experience has started to establish a PX Scorecard that includes goals and KPIs for the most relevant metrics, following the People Agenda and the Strategic priorities. These KPIs are followed up with all Business Areas and Regions on a at least quarterly basis. Every Business Area has set own targets which could differ from the global targets, depending on businesss-climate, region or other factors. However, the global average for each KPI should be met as a minimum. See figure on page 127.

SKF Global D&I Gender Targets 2030

While employment decisions are always based on the skills and qualifications of the candidates, SKF is taking further action to achieve a better gender balance across all levels in the company, with measurable KPI's and initiatives throughout;

- Gender balance targets have been established across SKF's global workforce. The target is to reach a minimum of 30% female workers by 2030 (compared to 22% in 2023).
- A gender balance target of a minimum of 30% female managers by 2030 has been established for managerial positions globally (compared to 19% in 2023).
- The gender target for senior leaders has been raised to a minimum of 35% female leaders by 2030 (compared to 19% in 2023).
- Specific gender target KPIs have also been set by Business Areas and regions.
- Elevate, a global virtual programme for SKF's women leadership and career development was run for the 5th consecutive year, with over 100 women participating each year.
- SKF's Global Leadership development programs and the Global Graduate Program each have gender balance targets for every graduating class
- SKF is participating in the UN Global Compact Target Gender Equality Programme, a nine-month programme (started in June 2024) to accelerate the journey in reaching ambitious targets for womens' representation, equal pay and leadership in business.

SKF Team Pulse result Q4 2024

Drivers	2024	Manufacturing benchmark
Diversity and Inclusion	8.1	8.1
Health and Well-being	8.0	7.8
Engagement	7.9	7.5

Own workforce cont.

Characteristics of the undertaking's employees
All SKF employees, as well as the majority of the non-employee workforce, are maintained in a central master data system at SKF. All data provided in this chapter will be based on this repository. The numbers for 2024 will be including also the employees from acquisitions being made throughout the year.

For the breakdown of employee figures into gender we are differentiating between male and female. This is due to the current system setup. This however does not mean in any way that SKF is discriminating any individual due to the gender. As stated in the SKF Code of Conduct, SKF has "... zero-tolerance for discrimination. All employees shall be treated equally, fairly, and with respect, regardless of race, colour, ethnicity, gender, sex, sexual orientation, age, civil or social status, national origin or nationality, disability or diverse abilities, medical conditions (including pregnancy), genetic information, caste, religion, union membership, political affiliation, or any other unique or ordinary trait."

When it comes to the contract-type we are differentiating between permanent and temporary contracts as well as part-time and full-time, however not breaking down into non-guaranteed hourly employees.

Please be aware that all numbers are based on Headcount figures and the numbers are disclosed based on the end of the reporting period.

Number of employees by contract type

2024	Female	Male
Number of employees	8,830	29,913
Number of permanent employees	8,244	28,880
Number of temporary employees	586	1,033
Number of full-time employees	8,328	29,533
Number of part-time employees	502	380

Number of employees per region – headcount

2024	
Europe, Middle East and Africa	20,530
The Americas	8,070
China and Northeast Asia	6,148
India and Southeast Asia	3,995
Total	**38,743**

Number of employees by contract type, by region

2024	Americas	CNEA	EMEA	ISEA
Number of employees	8,070	6,148	20,530	3,995
Number of permanent employees	7,826	6,132	19,578	3,588
Number of temporary employees	244	16	952	407
Number of full-time employees	8,063	6,145	19,668	3,985
Number of part-time employees	7	3	862	10

Number of employees by gender – headcount

2024	
Male	29,913
Female	8,830
Total	**38,743**

Employees age groups and terminations

2024	Female	Male	Grand Total	Under 30, %	30–50, %	Over 50, %	Terminated Female	Terminated Male	Terminated Total
Europe, Middle East and Africa	4,494	16,036	20,530	11.37	49.43	39.19	574	1,874	2,448
The Americas	1,870	6,200	8,070	15.54	58.29	26.17	588	1,663	2,251
China and Northeast Asia	1,782	4,366	6,148	14.85	76.61	8.54	179	544	723
India and Southeast Asia	684	3,311	3,995	21.99	57.74	20.27	165	407	572
Grand total	**8,827**	**29,910**	**38,737**	**13.89**	**56.45**	**29.66**	**1,506**	**4,488**	**5,994**

Employee hires and turnover

2024	New hires Female	New hires male	New hires Total	New hires under 30	New hires 30–50	New hires over 50	New hires under 30, %	New hires 30–50, %	New hires over 50, %	Turnover Female, %	Turnover Male, %	Turnover under 30, %	Turnover 30–50, %	Turnover over 50, %	Turnover Total, %
Europe, Middle East and Africa	374	801	1,175	668	417	90	16.6	10.3	2.2	12.24	10.96	26.6	7.4	11.9	11.2
The Americas	528	1,182	1,710	652	921	137	16.2	22.8	3.4	30.47	24.89	49.7	24.6	17.9	26.1
China and Northeast Asia	104	306	410	199	206	5	4.9	5.1	0.1	9.64	11.82	18.7	10.0	10.5	11.2
India and Southeast Asia	394	346	740	512	215	13	12.7	5.3	0.3	36.26	12.07	40.2	8.7	13.9	14.9
Grand total	**1,400**	**2,635**	**4,035**	**2 031**	**1 759**	**245**	**50.3**	**43.6**	**6.1**	**16.86**	**14.13**	**32.3**	**11.9**	**13.1**	**14.7**

Own workforce cont.

Characteristics of non-employees in the undertaking's own workforce

SKF is, as most other companies in the manufacturing industry, relying on external workforce in different domains spanning from IT to Manufacturing and Logistics as well as Finance and other parts of the organization. The type of external workforce is usually divided into four categories which are further described in the table below.

These are: Time and material, Service contracts, Fixed price as well as Non-commercial resources. The data is, just like the employee headcount, being collected in the central employee master data system. However, this system only covers non-employees with IT access, it does not reflect the total population, especially in the "Time and material" category. The estimate is that approximately 3,000 additional profiles should be included here.

Non-employee category	Description	Type of payment
Fixed price resource	Fixed price for a well-defined assignment scope with deliverables attached to clearly mapped milestones and payments connected to the successful delivery	Pre-negotiated cost/price and resource part of a project deliverable
Non-commercial resource	None of the above categories, but still requiring IT access and therefore needs to have a profile in SKF master data application	According to contract
Service contract resource	Providing a specific level of services for an extended period. Clearly defined scope and service level agreement	Terms can vary depending on service (for example: outsourced IT services, equipment maintenance and out-sourced business functions such as cleaning services)
Time and material Resource	Paid based on the time and materials used to deliver an assignment/project, with a clearly defined start- and end-date	A pre-negotiated rate (Consultant or contingent workforce)

Based on this categorization, this is the headcount as of 31 December 2024:

Fixed price resource	778
Non-commercial resource	584
Service contract resource	3,855
Time and material resource	2,645
Undefined	811
Grand total	**8,673**

Collective bargaining coverage and social dialogue

SKF has established collective bargaining agreements and social dialogue structures in most countries where the company operates, ensuring that employees have access to formal representation and negotiation mechanisms. Social dialogue refers to discussions, consultations, and negotiations between employers and employees (or their representatives) to promote fair working conditions, wages, and rights in the workplace. The countries listed here (considering those where SKF has a direct workforce presence and more than 50 employees) have collective bargaining agreements signed by local Unions and/or WUC/EWC : Argentina, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Czech Republic, Finland, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Malaysia, Mexico, Netherlands, Poland, Singapore, Spain, Sweden, Taiwan, Thailand, Ukraine, The United Kingdom and The United States.

For country with +50 employees	%
Collective bargaining coverage	
Employees European Economic Area	96
Employees non-European Economic Area	94
Social dialogue	
Workplace representation (European Economic Area only)	99

In a few countries, SKF has not yet established local collective bargaining agreements due to complex labor market conditions and external challenges. This includes Australia, Colombia, Peru, and South Africa. However, ensuring fair working conditions for all employees remains a priority. Through SKF's global framework, employees in these countries are covered under corporate and regional agreements that uphold the same high labor standards worldwide. Furthermore, SKF is actively working to strengthen local engagement with union councils and social dialogue structures in these regions to enhance employee representation and participation.

SKF is actively engaged in global labor representation through the SKF World Union Council (WUC) and the European Work Council (EWC), which facilitate discussions on labor conditions, policies, and agreements across regions. While Colombia, Peru, and South Africa do not have direct representation in these councils, group-level agreements apply to all SKF employees worldwide.

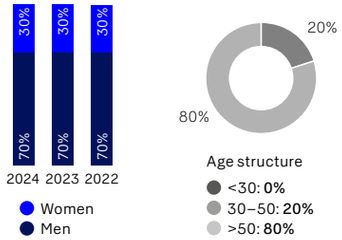
SKF is a member of the International Council of Swedish Industry (NIR), which supports Swedish companies in global markets by promoting responsible business conduct and sustainable labor practices. Through NIR, SKF participates in the Swedish Workforce Program, an initiative aimed at strengthening collaboration between management and employees, regardless of union presence, in selected international markets where Swedish companies operate.

Additionally, SKF works with Business Sweden, a joint initiative between the Swedish government and industry leaders, to promote responsible and sustainable labor practices globally. These efforts help Swedish companies, including SKF, navigate local labor conditions while ensuring alignment with international labor standards.

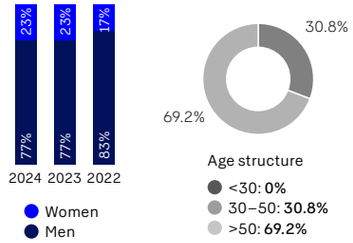
Own workforce cont.

Diversity metrics

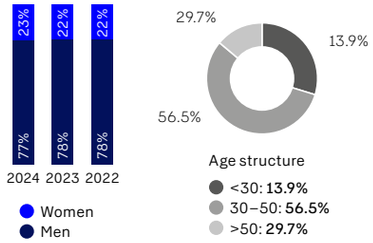
The Board
The Board refers to the SKF Board of Directors which makes up the highest governance body for the organization. The percentage refers to Board members elected by the annual general meeting. For more information, see page 155–156.



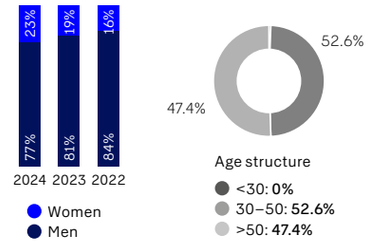
Group Management
Group Management is the operational management team of the SKF Group. For more information, see page 158–159.



Total employees
Total employees refers to the total number of employees in SKF as per end of 2024.

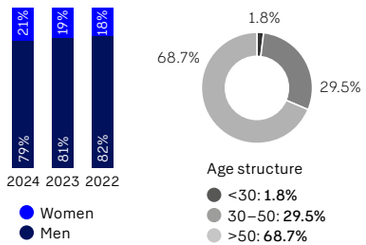


Top Management
Top Management refers to the around top 400 managers in the SKF Group. The actual number in this population changes over time.



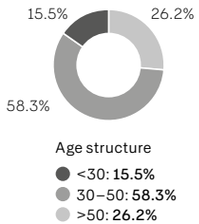
Including CEO. Excluding Employee representatives.

Managers
Managers refers to the employees who have direct reports.

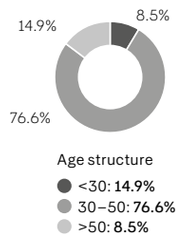


Total employees per region by age groups
Total employees refers to the total number of employees in SKF as per end of 2024.

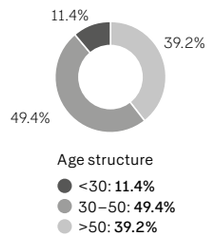
The Americas



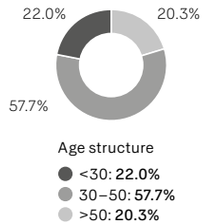
China and Northeast Asia



Europe, Middle East and Africa



India and Southeast Asia



Adequate wages
SKF pays adequate wages to all employees, and ensures that wages and other benefits meet at least the adequate wages benchmarks and are rendered in full compliance with laws and collective agreements. Staff salaries are set based on evaluation of performance and position, to ensure internal equity and to pay people fairly. Salary setting also follows legislation and/or union agreements as locally applicable.

Training and skills development metrics
In an era of constant change, SKF has embraced a culture of continuous learning to maintain a competitive edge. Recognizing the risks associated with skill gaps, talent attrition, and a weakened employer brand, SKF has prioritized initiatives that creates the right environment and foster self-driven learning and development. This commitment is critical in positioning SKF as a forward-thinking employer offers personal and professional growth.

To track progress, SKF leverages a global Learning Management System which monitors skills development

Own workforce cont.

aligned with strategic competencies. The goal is to empower individuals to future-proof their development and, concurrently, future-proof the organization's ability to deliver. SKF's legacy of success is built upon the collective competencies and capabilities of its employees. The personal dedication of its employees to their own competence development is a critical factor in maintaining up-to-date competencies.

In 2024, staff employees recorded an average of 14.2 formal learning hours in the SKF learning management system, while workers recorded an average of 3.5 hours. In addition to these metrics, SKF emphasizes the significance of informal learning – gained through daily interactions, knowledge sharing, and collaboration. The informal and social learning time is not included in the formal learning hours neither is any external formal learning.

Recorded hours of formal learning in SKFs global learning management system, average / employee

	2024		2023	
	Staff[1]	Workers[2]	Staff[1]	Workers[2]
Tot	14.2	3.5	9	2
Women	14.4	4.3	N/A	N/A
Men	14.1	3.4	N/A	N/A

1) Staff = white collar
2) Workers = blue collar

In early 2024, SKF launched an extensive content library from LinkedIn Learning, available to all staff and interested workers, enriching opportunities for skill development and enabling a flexible, on-demand learning experience. This initiative supports our strategy to build critical competencies in a resource efficient way. To further reinforce our core values of Collaboration, Curiosity, Courage, and Care, SKF introduced Learning Week for all employees with access to an SKF email address — a quarterly event offering brief daily learning sessions, each concluding with reflections or collaborative exercises in the end of the week.

SKF Team Pulse encompasses all employees globally. In the field of growth and learning SKF are above benchmark. According to SKF Team Pulse, the employees feel a sense of professional growth and support within the organization, recognizing pathways for career and skill development, fostered by the encouragement and guidance they receive from managers and mentors.

The Group People Experience function sets the strategic direction for learning at SKF. Our global platform provides tailored training for various user groups, including external partners, and serves as a compliance tracker, reinforcing our commitment to regulatory standards and the SKF Code of Conduct. During 2024 SKF has initiated a pre-study on skills-based Talent Management to identify and strengthen talent practices, aiming to boost competitiveness and adaptability in a dynamic market landscape.

SKF Academies ensure that competence development aligns with SKFs strategic business goals. Local initiatives and teams ensure that learning content is tailored to regional needs.

SKF Manufacturing Academy continued its focus on digitalization, maintenance, automation and SKF Production System. By combining digital learning with physical training in learning centers within the factories, employees engage with both hands-on equipment and digital courses in their local language. This approach allows scalable, standardized training, ensuring that all employees, regardless of location, have access to essential knowledge and skills in its pursuit of innovative solutions.

SKF Technology Academy supports the SKFs technology strategy by training and skill development in key future technology areas to ensure long term success. The aim is to empower employees to engage with emerging technologies, translating strategic goals into actionable expertise. An example is the rollout of an AI program for all employees which includes a "train the trainer" concept.

SKF is committed to fostering leadership at all levels. To do so, the SKF Leadership Academy highlights two initiatives during the year. The Self-Growth Leadership initiative supports employees on their leadership journey by focusing on self-awareness and personal development, through guided sessions with trained accelerators. For middle and senior leadership, the academy offers the Boost leadership program, which focuses on accelerating strategy, leadership development and building global networks.

Clear expectations are a cornerstone of management at SKF. Managers are collaborating with their teams to define individual and collective goals, with focus on developing yourself, others and the business linking them to the broader company strategy. Supported by a global platform, this process enables a dynamic and updated dialogue on progress and priorities throughout the year. An annual performance review meeting, integral to our talent management and salary review process, helps to define an overall performance rating.

In 2024, this platform supported the performance process for more then 13,500 employees. Following the global performance review process, which is a prerequisite for the salary review process, comparing the number of completed performance reviews against the total number of employees and those eligible for salary review. This transparent metric underlines SKFs commitment to the continuous professional development of its workforce.

Performance reviews

	Female	Male	Total
Performance reviews completed (total employees)	8,830 (43.5%)	29,913 (32.7%)	38,743 (35.2%)
Performance reviews completed (eligible employees)	3,444 (97.10%)	9,027 (96.6%)	12,471 (96.8%)

Health and safety metrics

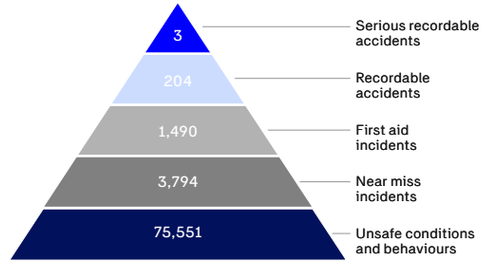
SKF gives top priority to health and safety. The obvious reason to work systematically with health and safety is to prevent accidents and avoid negative health effects and to create a more sustainable company. Proactive work is the main feature of EHS management and means that work is done today to prevent something from happening tomorrow or in the future.

All health and safety incidents are addressed and managed locally where the incident occurred, or was identified, with support from other parts of the organization if needed.

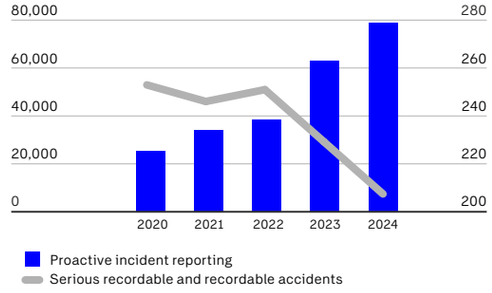
Health and safety data is consolidated in the Group's main reporting and consolidation tool.

During 2023 and 2024, there has been additional focus on pro-active health and safety management driving identification of near misses, unsafe conditions and behaviours. This proactive approach helps to ensure proper risk mitigation and prevention of future accidents.

In the last few years, with enlarged focus during 2024, an incident management software application has been developed. The application makes it possible to capture and investigate incidents in an effective way and to manage incidents in a proactive way to avoid causing harm in the future. After full deployment of the application, all incidents around SKF will be captured, verified, investigated, and closed in this system. Roll-out to a few sites started in September 2024 and by the end of the year 40% of SKF's operations had started using the application.



Proactive incident reporting vs accidents



Employees covered by an occupational health and safety management system

77%, or around 30,000 employees are covered by the certified health and safety management system. The system focuses on the manufacturing sites, workshops, logistics and technical centres. In addition, 85% of the agency workers under SKF's management control (around 3,800 people) are also covered by the health and safety management system. No specific type of workers or staff are excluded.

Own workforce cont.

Newly acquired sites and companies are given a time period before being included in the scope. All certified sites are subject to internal audit every one to three years. The data has been collected from the SKF financial reporting system using headcount data for sites and units included in the Group's ISO 45001:2018 certification. SKF engages a third-party certification body to audit for compliance to this standard at Group and site level. In addition to these external audits, a number of SKF employees are qualified as Group internal auditors and these individuals also audit sites to assure compliance with the standards, the EHS policy and related Group instructions and requirements. Read more on the certification on skf.com/45001.

Work-related health and safety incidents

Serious recordable accidents and recordable accidents are reported within three working days while other incident types can be reported monthly.

SKF reports accidents for employees and non-employees where SKF has management control together as these types of workers are treated equally when it comes to health and safety management, including hazard elimination, risk management and corrective and preventive actions when incidents have occurred. For non-employees, where SKF does not have management control, the number of incidents are recorded separately.

Remuneration metrics (pay gap and total remuneration)

The Gender Pay Gap

Eliminating the unadjusted gender pay gap is an important area of work for SKF. Differences in remuneration as shown by the gender pay have been identified being mainly due to a higher proportion of men in higher level positions and are a sign of lack of equal access to opportunities, such as career advancement and recruitment to senior positions, for women.

In 2024, People Experience colleagues globally were trained to perform equal pay analysis which the SKF Equal Pay Policy requires. Managers were given access to e-learning on salary setting which included training on pay equity, gender pay gaps and pay transparency. The People Experience function held action planning sessions to identify actions to decrease gender pay gaps. The people experience scorecard includes a new target for the reduction of gender pay gaps.

SKF has also signed up for the UN Target Gender Equality program, running nine months, starting June 2024.

The gender pay gap for 2024 is 19.1%. The gender pay gap is based on all employees' total remuneration per contracted hour paid out during 2024 and is not directly comparable to the gender pay gaps reported in base pay of staff employees in previous years. The data excludes employees from acquisitions made during Q4 2024. The gender pay gap in base pay for staff employees in the previous two reporting periods was 16% (2023) and 17% (2022).

The global unadjusted gender pay gap is an indicator of gender representation in SKF's global workforce, measuring the difference in average pay between men and women worldwide. This metric compares the average pay by gender across all roles collectively, regardless of level or job type. SKF's gender pay gap reflects the extent to which women are underrepresented in senior and higher-paid roles while being overrepresented in junior and lower-paid positions.

It is important to distinguish the gender pay gap from equal pay. SKF is committed to ensuring that employees are paid equally for the same work or work of equal value. As part of the annual salary review cycle, SKF conducts equal pay analyses and takes action to address any identified discrepancies.

The annual total remuneration ratio – CEO to median employee pay ratio

The annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees is 75:1.

The CEO to median employee remuneration ratio is sensitive to exchange rate fluctuations which can influence year-on-year comparisons.

Incidents, complaints and severe human rights impacts

Incidents of discrimination and corrective actions taken

During 2024, 75 reports related to discrimination and harassment have been received through the SKF Ethics and Compliance Reporting Line. These cases are normally assigned to local investigators (mainly People Experience country leads) and actions are taken on a local level.

SKF has had a process in place since 2021 so that concerns about harassment and discrimination reported locally (e.g. via email or in person to People Experience) are also reported and documented centrally.

Operations and suppliers in which the freedom of association and collective bargaining may be at risk

All employees are covered by collective agreement or the SKF Framework agreement. The overall approach from the state towards union membership and the level of independence of trade unions in certain countries where SKF has operations, creates challenges in this respect. SKF works pragmatically with the WUC and the appointed union representatives to try and address these challenges. Please refer to page 130 for a description of the SKF WUC's work related to collective bargaining agreements. Information on which countries SKF has operations in is available on skf.com/locations.

Operations and suppliers at significant risk for incidents of child labour

The risk for child labour in SKF's operations is very low but the issue is nonetheless included in SKF's internal audits.

The risk for child labour at SKF suppliers is higher and therefore the supplier audits have a high focus on this. However, due to the nature of suppliers and the long standing relationship with them, the cases are extremely rare. During 2024, SKF found no cases of child labour at its own operations and no cases at SKF's suppliers.

Operations and suppliers at significant risk for incidents of forced or compulsory labour

The issue of forced, bonded and compulsory labour is included in the SKF Code of Conduct and internal and supplier audits. During 2024, SKF found no cases of forced or compulsory labour at its own operations and no cases at SKF's supplier.

SKF applies regional risk characterization from tools such as Maplecroft to help identify countries with these potential risks.

Health and safety incident statistics

	2024	2023[1)]	2022
Work related fatalities	0	3	0
Serious recordable accidents	3	3	2
Recordable accidents	204	223	249
First aid incidents	1,490	1,631	1,799
Near miss incidents	3,794	4,268	3,601
Unsafe conditions and behaviours	75,551	58,761	34,830
Worked hours (x 200,000)	348	358	371
Accident rate	0.59	0.64	0.68

1) 2023 figures include three fatalities and five recordable accidents resulting from the Russian missile attack on the Lutsk factory in Ukraine.

Workers in the value chain

Material impacts, risks and opportunities

IRO and value chain	Description
Working conditions	
Positive impacts Upstream	Improving working conditions together with suppliers
Negative impacts Upstream	Unsafe working conditions for supply chain workers
Equal treatment and opportunities for all	
Positive impacts Upstream	Responsible Sourcing Programme improving equal treatment
Negative impacts Upstream	Harassment and discrimination
Other work-related rights	
Negative impact Upstream	Violations of human rights

Material impacts, risks and opportunities and their interaction with strategy and business model

SKF's supply chain consists of tens of thousands of suppliers globally. Producing and transporting products or services benefits local economies and provides economic opportunity for workers in the value chain. While most governments where our suppliers operate have established legal infrastructure on human rights, companies also have a responsibility to respect human rights. This means addressing the adverse impacts of our global operations and value chain, which could otherwise have negative impact on SKF in terms of supply interruption and reputation.

In 2023 SKF conducted an analysis to identify human rights impacts through a Human Rights Impact Assessment, which included workshops to evaluate and determine the salience of these impacts. The primary risks are mainly associated with the supply chain. The outcome of the assessment highlights salient risks related to working conditions, discrimination, freedom of association and collective bargaining. While these risks are predominantly linked to the supply chain, they are also relevant to SKF's own operations. Additionally, SKF is closely monitoring other human rights issues including child labor and young workers as well as forced or bonded labor. The Impact Assessment is planned to be updated in 2025 to ensure continuous improvement, further strengthening due diligence efforts.

SKF's entity in Germany has also established the necessary procedures and responsibilities for compliance to the German Supply Chain Due Diligence Act (LkSG), which includes human rights due diligence efforts in the upstream value chain. Since most risks are associated with the supply chain, SKF conducts due diligence through its Responsible Sourcing Program.

SKF commits to sustaining a safe work environment, personal development, health and well-being of all employees at SKF, as well as people in the supply chain.

Management and oversight

Workers in the value chain is a material topic for SKF and is included under the governance of the Sustainability & Ethics commitee on the SKF Board.

SKF's Responsible Sourcing program addresses risks for social and environmental negative impacts in the supply chain, and works to ensure effective deployment of the SKF Code of Conduct for suppliers and sub-contractors. Policies, processes, and procedures are built and implemented under the program, which is overseen by the Responsible Sourcing Committee and managed by Group Sustainability. SKF has auditors around the world dedicated to implementing the Responsible Sourcing program and executing audits on the SKF Code of Conduct for suppliers and sub-contractors adherence. Workers' perspectives are captured through worker interviews and a series of audit questions on for example human rights and health and safety. Supplier assessment and supplier audits are managed by SKF Regional Responsible Sourcing auditors in collaboration with the relevant purchasing organization. When necessary or if requested, some audits are outsourced to a third-party company. In 2024, this was done in China and North East Asia as a response to a request. Non-compliance case management activities have led to changes in purchasing practices, including updates to policies, strategies and business models.

Auditors in five countries provide ongoing support, guidance and training to regional purchasing teams. This helps them align purchasing practices with program expectations and understand the importance of these practices and their impact on workers and suppliers worldwide. Purchasing teams focus on communicating expectations to suppliers and engaging with them to take remediation action if necessary. The remediation process follows legitimate procedures. When adverse impacts are identified through supplier assessments and audits, suppliers must submit corrective action reports to SKF. Upon review and within the timeline provided by the suppliers, on-site validation is arranged to ensure corrections comply with all applicable laws and respect internationally recognized human rights, wherever they operate. Suppliers who fail to address critical deviations over time risk having their contracts with SKF terminated.

SKF's grievance mechanism, the SKF Ethics and Compliance Reporting Line, allows workers in the value chain to raise concerns directly to SKF. Significant deviations from audits as well as reported concerns through the whistle-blowing channel deemed critical are escalated to SKF Group's Responsible Sourcing Committee. At the same time, SKF Group Compliance is informed.

In SKF, regions and countries are assigned risk levels based on publicly available resources on risks, such as Verisk Maplecroft, regarding human rights, environment and corruption. The high-risk region list is approved by the Responsible Sourcing Committee, and is continuously updated. Currently, 40 countries in Asia, 18 countries in America, 44 countries in Africa, 1 country in Oceania and 5 countries in Europe are defined as high-risk by SKF. As part of this approach, current trends in the domestic and international labour markets are monitored to identify growing risk areas in the supply chain and update the SKF Code of Conduct for suppliers and sub-contractors as well as audit practices, based on any new trends.

Suppliers in all countries and regions are typically subject to quality audits where weight on Code of Conduct questions is lighter, while suppliers in countries and regions that fall into higher levels of risk are subject to regular code of conduct audits. Value chain workers categories covered by audit activities under the responsible sourcing program include:

- **Workers from upstream product suppliers.** Steel and steel components, such as forgings, rings and rolling elements represent by far the most significant direct material input to SKF. Direct material suppliers making up 90% of SKF's spend are automatically subject to audits if they are in high-risk regions. These can be suppliers in tier one, tier two and beyond. Suppliers for components, such as plastics and polymers, sheet metal parts and ceramics and finished products are also constantly monitored for adverse impacts on workers. Suppliers of indirect materials including grinding wheels, abrasives, grease and packaging are also in scope.
- **Supplier workforce at SKF locations.** Staff and service providers from suppliers working at SKF sites are included in the scope of the supplier audit. This includes personnel from service suppliers who handle cleaning, catering, security and other services at SKF locations. Additionally, staff involved in inspection and sorting activities, primarily at sites manufacturing products for the automotive sector, are also covered by the audit.
- **Young workers, migrant workers and women** are relatively more vulnerable to negative impacts. To respond to the changing external operating environment, SKF has significantly expanded the narratives in the SKF Code of Conduct for suppliers and sub-contractors to address issues of child labour, forced labour, abuse and harassment, and added requirements on recruitment practices and grievance system.
- **Workers from logistics, distributors and SKF associated companies.** Considering SKF contracted logistics flows, SKF covers about 80% of outbound and 70% of inbound transportation. The work related to human rights for people at SKF's distributors currently focuses on adhering to export control regulations and ensuring they adhere to the SKF Code of Conduct for Distributors. SKF recognizes that potential adverse human rights impact on workers in logistics, distributors and SKF associated companies and joint ventures, are currently not in the SKF Code of Conduct compliance monitoring scope. The Responsible Sourcing Committee is informed and will decide on how to move forward in 2025. For more information on SKF associated companies see page 61.

SKF has a net-zero objective for greenhouse gas emissions from its own operations by 2030 and for the full upstream value chain by 2050. Given that steel accounts for 95% of

Workers in the value chain cont.

the weight of SKF's products, SKF has pledged to source at 100% net zero steel by 2050. This commitment will influence green production practices in SKF's steel supply chain, where the risks and opportunities for workers in the steel industry are considered higher.

Over the 18 years of implementing the responsible sourcing program, supplier improvement has been one of the greatest values. SKF is not only enhancing its supply chain but also setting positive examples in society. The Group sees direct positive developments based on their demands. For example, during a supplier audit in India, document reviews revealed a failure to pay equal wages to women and men. The supplier was required to make remediation and subsequently began paying women equally.

Policies related to value chain workers

SKF is committed to respecting internationally recognized human rights. Respect of the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental principles and Rights at Work and OECD Guidelines for Multinational Enterprises is included both in SKF purchasing contracts and the SKF Code of Conduct for suppliers and sub-contractors. Suppliers are expected to respect human rights and safeguard the well-being of workers within their own business operations, and also to cascade the requirements to their own supply chains accordingly.

The SKF Responsible Sourcing program sets expectations on suppliers aligned with the SKF Code of Conduct for suppliers and sub-contractors, monitors supplier performance against those expectations and works to continuously improve the supply chains. SKF's expectations on suppliers are set out in the SKF Sustainability standard for suppliers and SKF Code of Conduct for suppliers and sub-contractors, which apply to all types of suppliers and sub-contractors. Expectations on distributors are established in the SKF Code of Conduct for Distributors and the SKF Code of Conduct for Agents and other intermediaries. These policies cover all value chain workers, and address fundamental issues such as child labour, working conditions, forced labour, harassment and discrimination in the workplace.

SKF's purchasing teams choose which suppliers to work with and are key to achieving SKF's responsible sourcing objectives. Their actions are guided by above mentioned policies. Purchasing practices are continuously reviewed to ensure alignment with the SKF Code of Conduct for suppliers and sub-contractors and to avoid potential conflicts with SKF policies.

SKF communicates policies to all business relationships in the value chain in various ways, including at supplier conferences, via the supplier web-portal, during risk-based supplier Code of Conduct audits, supplier training on the Code of Conduct and as a normal part of the supplier development process.

Processes for engaging with value chain workers about impacts

Supplier screening

All potential suppliers are initially screened using a set of minimum criteria related to the SKF Code of Conduct for suppliers and sub-contractors and quality demand. These must be met to be considered as an SKF supplier. Risk aspects on human rights and labour rights, environment and governance are included, as well as specific risks on supplier type and product or service. Suppliers may be required to submit documented evidence to support that they meet the minimum criteria. Assessment of the documents is done by SKF auditors. Screening is the initial step to identify potential sustainability risks in the supply chain and might be followed by supplier audits.

Risk management

This includes evaluation of suppliers with a risk assessment tool covering direct material suppliers in high-risk regions. In addition, when risks to people, the environment or business ethics are flagged during supplier audits, or SKF staff visiting suppliers, such as during a quality review, the suppliers are escalated to be audited. Auditing any type of supplier is done using SKF's own risk tool and audits, of which some are unannounced, and are always done on suppliers' locations by SKFs own internal responsible sourcing auditors or third-party auditors.

Supplier audits

Suppliers must maintain on-site documentation that demonstrates compliance with requirements of the SKF Code of Conduct for suppliers and sub-contractors. They must also allow SKF auditors full access to production facilities, worker records, including worker recruitment records, labour contracts, wage records and time sheets, production records and worker interviews. The Code of Conduct audit procedure is based on a checklist with 62 specific questions focusing on a wide range of aspects such as human rights, labour rights, environment, health and safety.

This checklist was revised during 2024 to be fully in line with the new the SKF Code of Conduct for suppliers and sub-contractos. For example, questions related to impacts on vulnerable groups of workers, including women workers, workers with disabilities and migrant workers was added. Questions about Diversity, Equity and Inclusion (DEI) were also included to raise supplier awareness. Audit scores are assigned to all audited suppliers based on their compliance and risk levels. The score values will be adjusted in accordance with the updated checklist, but currently consist of the following classifications:

- Fully approved (score range 0–80): Highest level of compliance.
- Business approved (score range 81–199): General compliance with minimal deviations to be addressed.
- Conditionally approved (score range 200–800): More critical deviations that shall be remediated.
- Not approved (score range over 800): significant deviations that may lead to supplier business exit with SKF.

The audit checklist is designed to assess compliance in the following areas:

- Child labour
- Forced labour
- Health and safety
- Labour union
- Discrimination/Disciplinary
- Compensation
- Working hours
- Environment management
- Code of Conduct

Deviation remediation

Suppliers are expected to take necessary corrective actions to promptly remediate any deviations found during audits, following a defined timeline, including timely preparation and submission of a Corrective Action Report (CAR). The auditor evaluates the CAR activities to ensure that corrective plans are actionable and within reasonable timelines. Follow-up audits for CAR verification and re-audits of suppliers are conducted with a frequency depending on their performance in prior audits. Suppliers that fail to address critical deviations over time risk having their contracts with SKF terminated.

Processes to remediate negative impacts and channels for value chain workers to raise concerns

Concerns and remediation

SKF recognizes the importance of having effective grievance mechanisms in place for all workers in the supply chain. The SKF Ethics and Compliance Reporting Line is open to all suppliers and supply chain workers to raise concerns directly to SKF. Group Ethics and Compliance manages all reports made through the reporting line and other channels. Read more on page 126.

SKF continues to explore opportunities to increase awareness and accessibility of reporting options. During 2024, information was distributed through supplier audits on accessing and engaging with SKF's Ethics and Compliance Reporting Line to major suppliers. Specific questions about reporting line awareness were also added in the Code of Conduct audit checklist, and the reporting line will be promoted on the SKF supplier web-portal in 2025.
At year-end of 2024, 0 concerns were received from value chain workers.

SKF has the Group Whistleblowing policy in place to safeguard the identity of reporters and other individuals mentioned in the report. The policy strictly prohibits any form of retaliation against those who report concerns in good faith. Once a concern is reported, it can only be accessed by Group Ethics and Compliance.

If a violation is identified for value chain workers, SKF will collaborate with business partners to address and remediate the negative impacts. When necessary, SKF may also partner with recognized external resources to support capacity building and remediation on human rights issues, ensuring that the solutions are effective.

Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

Managing non-compliance and risk

By policy, suppliers are required to remediate any identified deviations with the SKF Code of Conduct for suppliers

Workers in the value chain cont.

and sub-contractors, even if the audit result is Fully approved or Business approved. The follow-up and re-auditing requirements allows monitoring whether identified deviations remain or have been corrected.

Suppliers are expected to make continuous improvement. Approximately 64% of audits conducted in 2020 –2022 resulted in suppliers receiving the score Conditionally approved. In 2023 and 2024, the rate dropped to 37.7% and 31.1% respectively. This improvement is primarily attributed to increased engagement and leadership intervention from the purchasing team, which has actively collaborated with suppliers to ensure compliance with SKF's Code of Conduct. Notably, the audit population has remained relatively stable over the years – 104, 123, 117, and 138 in 2020, 2021, 2022 and 2023, respectively – indicating that the improvement is not due to change in the supplier base but rather a direct result of enhanced compliance measures and follow-up actions.

The improvements are realized through joint efforts. SKF auditors work with purchasing teams to engage the supplier to communicate the results and expectations for remediation and may escalate to regional purchasing management when needed.

Where serious issues are not remediated over time or unacceptable deviations are identified through audits, this will result in termination of a supplier's contract with SKF. In 2024, unacceptable deviations were found at one supplier in India. This case was escalated to the Responsible Sourcing committee, who decided to assign specific support to help the supplier improve. However, the contract with the supplier was terminated.

Child labour and forced labour

In 2022 SKF significantly expanded the narratives in the SKF Code of Conduct for suppliers and sub-contractors to address child labour and forced labour. Requirements related to child labour and forced labour were further clarified by prohibiting the use of child labour in any form, as well as all types of forced labour, including all forms of slavery, prison labour, human trafficking, restriction on freedom of movement, any other excessive means, or other forms of intimidation. For more details, see SKF Code of Conduct for suppliers and sub-contractors.

If child labour is discovered in the supply chain, SKF's child labour remediation process will be followed to protect child workers from further harm.

Training and communication

SKF conducts regular training programs with suppliers related to the SKF Code of Conduct for suppliers and sub-contractors. From 2020 to 2023, a total of 389 suppliers participated in classroom training sessions at SKF. In 2024, three training sessions for 200 suppliers were conducted in different countries – China, India, and Americas, focusing on the Code of Conduct and audit process to enhance suppliers' understanding of SKF's expectations on social and environmental performance and assessment. Occupational health and safety are also central element in courses held by SKF for customers on mounting and dismounting SKF's products. Training feedback was collected after each session where suppliers were asked to provide the three most important takeaways from the training. The data for 2024 shows that employment practices, machine safety and chemical handling ranked highest.

Internally, training of buyers regarding the Responsible Sourcing program is conducted on a regular basis. To strengthen compliance and expand the coverage of SKF's Code of Conduct audits for its suppliers, a new auditor has been trained in Brazil. In 2024, training of buyers took place in regional purchasing offices in China, where eleven buyers participated. SKF's purchasing teams choose which suppliers to work with and play an important role in the process of supplier improvement, and their decisions can impact workers worldwide. The outcome from the trainings shows a significant drop in the number of suppliers receiving the score Conditionally approved, and a steady increase in the number of new suppliers receiving Business approved or Fully approved audit results over the years.

Partnerships and stakeholder collaborations

SKF collaborates with a range of stakeholder groups, including workers in the value chain, to avoid or mitigate human rights risks. SKF Group Management meets annually with the SKF World Union Council according to the Global Framework Agreement. SKF also maintains dialogues with peers and Non Government Organizations via networks such as the UN Global Compact, Transparency International, Railsponsible, Roundtable on Sustainable Palm Oil and ResponsibleSteel Initiative (RSI). RSI is a multi-stakeholder initiative which has defined a standard to be applied in the steel value chain which seeks to assess how companies address salient human rights, as well as environmental risks in the full steel value chain, from scrap or raw material to finished steel. SKF promotes the use of this standard in the relevant parts of its supply chain.

Responsible sourcing of raw materials from conflict affected and high-risk areas

SKF supports the cessation of violence and human rights violations associated with the mining of specific minerals from regions classified as conflict regions, for example the eastern portion of the Democratic Republic of the Congo and surrounding countries. Suppliers are required to adopt a policy for responsible sourcing of the 3TG's (Tin, Tantalum, Tungsten and Gold) plus Cobalt and Mica. If SKF discovers the use of minerals produced in facilities that are considered to be non-conflict free in any materials, parts or components, appropriate actions and due diligence will be performed to transition to products that are conflict free.

SKF is a member of the Responsible Minerals Initiative.

Sustainability indexes

The participation in various globally recognized sustainability evaluation platforms helps SKF to benchmark and refine its process and approach for risk mitigation and remediation for workers in the value chain through effective solutions.

Addressing systemic risks to workers' well-being, and supplier engagement

Systemic risks such as forced labour, unsafe working conditions, and gender inequity require collective action by collaborating and engaging suppliers and other stakeholders to bring positive and lasting protection of workers' well-being. This work at SKF is in the early stages, and will be scaled up in the coming years.

Health and Safety related to Workers in the Value Chain

SKF is committed to promoting health and safety not only for its own employees but also for workers throughout the value chain. This commitment is demonstrated by requiring suppliers and subcontractors to adhere to the principles outlined in the SKF Group EHS Policy.

As part of the SKF Code of Conduct for suppliers and subcontractors, the Group conducts on-site audits covering a wide range of sustainability topics, including health and safety. For more details, please refer to page 135.

In 2024, two tragic events involving workers in the value chain were reported. In May 2024, a truck driver passed away at the Changshan site in China. Authorities concluded that the death was due to natural causes; it is mentioned here because it occurred at an SKF site. In July 2024, an accident at the Lutsk site in Ukraine resulted in the death of a contracted electrician. The incident has been thoroughly investigated and addressed by the authorities and all involved parties.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Supplier improvement target

SKF collects data and reports on the Group's impact, making sure constant improvement is made towards targets. Since early 2024, SKF Group Supply Chain has set a target for the reduction of Conditionally approved suppliers in the audited supplier pool from the baseline 2020 to 2023, when there were 167 active Conditionally approved suppliers in total. The target was to reduce the number of Conditionally Approved suppliers by 16% (27 suppliers) by transitioning them to Business Approved or Fully Approved status by the end of 2024. As a result, the number of suppliers who moved from Conditionally Approved to Business Approved or Fully Approved surpassed the initial target, achieving a 25% reduction instead of the projected 16%. The progress of supplier improvement is tracked and monitored by Group Supply Chain and Group Sustainability throughout the year.

Governance

Business conduct

Material impacts, risks and opportunities

IRO and value chain	Description
Corporate Culture	
Positive impacts Own operations	Fostering a strong corporate culture for a better tomorrow
Negative impacts Own operations	Breaches against the SKF Code of Conduct
Protection of whistle-blowers	
Positive impacts Full value chain	Protection of whistle-blowers
Corruption and bribery	
Risks Own operations	Corruption and bribery leading to fines and/or reputational damage

Business conduct policies and corporate culture

The SKF Code of Conduct represents the DNA of SKF and describes the principles of SKF's corporate culture, thus outlining SKF's fundamental responsibilities and business conduct expectations. The SKF Code of Conduct is embodying SKF's purpose and serves as a compass for ethical business conduct, promoting a culture of integrity and trust and helping SKF's employees to stay true to SKF's core values: Collaboration, Curiosity, Courage and Care. The SKF Code of Conduct sets not only SKF's expectations in relation to legal compliance, but also outlines the skills, attitude and mindset expected of SKF employees in terms of how to behave and interact with SKF's business partners and each other.

Senior Management sets the tone from the top and ensures operational ownership of compliance to the SKF Code of Conduct. There are several subordinate policies and instructions related to the SKF Code of Conduct which further defines the details of the commitments in the Code. The SKF Code of Conduct and its subordinate policies and instructions applies to all SKF's units and employees worldwide. It is accessible online both internally and externally. For managing third parties, the Group has a SKF Code of Conduct for suppliers and subcontractors, as well as one for distributors, agents and intermediaries, publicly available on skf.com.

A new and improved SKF Code of Conduct launched 2024

In 2024, SKF launched an updated SKF Code of Conduct to align with its new purpose, values and an evolving regulatory and technological landscapes. While SKF's core commitments remain unchanged, SKF recognized the need to refresh the SKF Code of Conduct to align with both external and internal developments, ensuring its continued relevance and effectiveness.

As part of the process to revise the SKF Code of Conduct, SKF engaged in an inclusive dialogue with employees representing different functions of the Group through surveys and interviews to identify their needs and expectations, conducted extensive research, and benchmarked against external standards. Representatives of the World Union Council were part of the steering committee for the SKF Code of Conduct update project and represented the employee stakeholder group.

The revised SKF Code of Conduct includes significant updates in content, structure, language, and tone. The content was expanded to address the emerging issues from legal requirements and key stakeholders in many areas of the organization, providing clearer guidance. The new Code is organized around Governance, Social, and Environmental (GSE) criteria, enhancing the ESG approach by recognizing that robust governance is essential to mitigate and prevent non-compliance in social and environmental areas. This underlines SKF's commitment to a comprehensive sustainability agenda across the entire value chain.

The updated version is approved by SKF's Board of Directors, Group Management and trade union representatives.

Key contents in the SKF Code of Conduct

In the SKF Code of Conduct, the company recognizes the strong responsibility towards people and business partners, the society and communities SKF operates in, the environment and the climate.

The SKF Code of Conduct outlines SKF's overarching commitments and responsibilities in the areas of Governance, Social and Environment.

The governance section of the SKF Code of Conduct covers governance, ethics and compliance related topics, namely fair business and competition, anti-corruption and ethical behavior, international trade compliance, secure use of company information, assets and resources and innovation and responsible use of technologies.

The social section of the SKF Code of Conduct covers people, social topics and human rights related topics, namely care for people and respect for human rights, diversity, equity and inclusion, health and safety and privacy, integrity and security.

The environmental section of the SKF Code of Conduct covers environment, climate and resource related topics, namely environmental sustainability and integrity, circularity and environment and use of resources.

Building on the SKF Code of Conduct, the Group maintains efficient governance to ensure adherence to applicable rules and legislations in all the above-mentioned areas. To further strengthen this governance, SKF plans to review the Group Policies and the overall policy governance structure starting in 2025.

Additional policies in relation to business conduct matters

The following policies are detailing the overarching commitments related to business conduct matters in the SKF Code of Conduct:

- Group Anti-Corruption policy, including zero tolerance for corrupt activity including inappropriate gifts or hospitality, bribery, facilitation payments and conflict of interest as well as SKF's policy to not give political donations.
- Group Anti-trust policy, including zero tolerance for engagement in activities detailed in the policy which may constitute violations of applicable antitrust laws and regulations.

Business conduct cont.

- Group Insider policy, including information on requirements and obligations related to the prohibition of insider trading.
- Group Export Control policy, requiring full compliance with applicable export control laws and regulations when exporting products, associated technical data and technical services or when involving parties or destinations covered by these regulations.
- Group Policy on Data Privacy, describing the minimum requirements on how SKF shall collect, process and protect personal data.
- Group Whistle-blowing policy, including information on SKF's procedures for raising concerns including the whistleblowing channel as well as SKF's policy of non-retaliation.

These policies are all part of SKF's compliance programme and supplemented by more detailed Group instructions where appropriate. Both group policies and instructions are accessible online internally.

Third party standards and initiatives

In the Group's business conduct policies, SKF commits to the following internationally recognized principles, guidelines and initiatives which promote sustainable and ethical business practices:

- The United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights.
- The International Labour Organization's core conventions.
- OECD's Guidelines for Multinational Companies on Responsible Business Conduct.

Implementation, training and awareness

SKF has implemented a Group-wide compliance program to prevent, detect and correct non-compliance with legislation and policies as well as ensure a corporate culture based on ethical business conduct and good business practices. This program adheres to international guidelines from the EU, the US and the UK authorities (Department of Justice, UK Bribery Act, and EU ICP) and includes the elements of management commitment, risk assessment, training and awareness, policies, procedures and whistleblowing, investigations and audits.

SKF adopts a decentralized operating model, where accountability and commitment to compliance including the SKF Code of Conduct and SKF's corporate culture, rest at the Business Areas. The Group-wide compliance program, together with common processes and tools governed by the respective corporate functions provides the respective Business Areas with the framework and ensures compliance, risk management and synergies across the Group. Adherence to local laws is the responsibility of the respective legal entities. SKF's major sites have inhouse lawyers that monitor and support the companies to comply with local requirements beyond the requirements in the Group's compliance program.

In light of the decentralised operating model, the Business Area Presidents are responsible for the effective implementation of the SKF Code of Conduct and the Ethics & Compliance programme in their respective business areas. The Chief Compliance Officer follows up on the Business Areas' implementation of the same with the Business Area presidents. In addition, the Chief Compliance Officer chairs the SKF Compliance Leadership Team consisting of management representatives from all Business Areas. The team shall ensure that priorities and activities are aligned across the Business Areas, as well as drive risk assessment, participate in investigations and ensure an operational ownership of compliance in the business operations.

To ensure employee awareness and effective communication of Group policies and measures, SKF conducts periodic global awareness campaigns, such as the Global Compliance week, and have all policies readily accessible online. In addition, there is a Group-wide program of online training courses for general awareness on compliance and business ethics that are mandatory for all employees having an SKF email address. The training courses cover a wide range of topics, providing general awareness of the policies on good business conduct, such as Antitrust in relation to competitors 94%, Corruption at SKF 96%, How to avoid antitrust risks in the sales channel 99%, Ethical leadership 85% and Reporting ethical concerns 96%. The numbers represents the percentage of the total number of the employees in scope who have completed the training as per January 2025. Every employee with an SKF email address is assigned an onboarding package of trainings when starting at SKF. To ensure continuous awareness and coverage of any changes in requirements or expectations, all trainings are refreshed with a frequency of one to three years depending on the subject of the training. In addition, all employees with an SKF email address are required to commit to the SKF Code of Conduct on an annual basis. The trainings are also available on-demand online for employees with access to the internal learning portal.

Identification, reporting and investigation of concerns

SKF has several mechanisms for identifying concerns about behaviour contradicting the SKF Code of Conduct and underlying policies, such as management reviews, internal controls, internal audits and Code of Conduct audits (Responsible Sourcing programme).

Where SKF employees experience or notice behaviours that are not in line with SKF's Code of Conduct they are requested to report it to their manager, local People Experience function or to other senior managers. Employees can also raise concerns or seek advice via the SKF Ethics and Compliance Reporting Line, a whistle-blowing line which is set up subject to the legal requirements in the EU Whistleblowing Directive. The reporting line consists of an external system hosted by a third party. Reports can be made anonymously, unless this is prohibited by local legislation.

The SKF Ethics and Compliance Reporting Line is also available to external parties, such as suppliers and distributors, through skf.com. SKF employees and others can report concerns in their own language via a designated web portal or by calling a local telephone number (telephone service is available only in Brazil and Mexico).

SKF is committed to investigating business conduct incidents, including incidents of corruption and bribery, promptly, independently and objectively. All concerns that are reported to the SKF Ethics & Compliance Reporting Line, via other channels, or otherwise identified by the central functions through other mechanisms are reviewed and assessed by Group Compliance, for assignment to an appropriate investigator. Concerns deemed as critical are communicated on a case-by-case basis to the General Counsel and SVP Legal & Compliance, to the Board of Director's Sustainability & Ethics Committee and/or to the Audit Committee. In addition, the Chief Compliance Officer directly reports material compliance issues, risks, findings and root causes, as well as remediation plans where appropriate, to the Board of Directors' Sustainability and Ethics Committee, and the Audit Committee on a continuous basis.

The number of concerns reported and investigated is an important KPI of the effectiveness of SKF's compliance program. The goal is to increase awareness about and compliance with the SKF Code of Conduct, for example via additional e-learnings, to gradually decrease the number of serious concerns reported and investigated. Internal control issues, training completion rates and the number of reported and substantiated ethical concerns give SKF indications on the need for improving the compliance program.

Business conduct cont.

SKF's compliance program actions to prevent or mitigate risks are focused on the main risks identified in the Group's yearly compliance risk assessment. During 2024 SKF engaged approximately 400 managers from all Business Areas, regions and corporate functions in a self-assessment of key compliance risks. The number of units participating is a KPI for the quality of the risk assessment. The conclusions of the risk assessment are the basis for mitigation plans per Business Area and for the Group.

SKF has dedicated Legal & Compliance officers in all Business Areas. Together with the Chief Ethics & Compliance Officer, the Business Areas develop a compliance plan based on risks and incidents. This is approved by the Sustainability & Ethics Committee on an annual basis. Positive examples of the compliance activities, such as employee and business partner engagement, are shared with the Group's Compliance Core Team.

Prevention and detection of corruption and bribery

SKF addresses anti-corruption and anti-bribery as part of the Group's compliance program as described on page 138. The SKF Code of Conduct outlines the overall prohibition of corrupt practices, including bribery, and is supplemented by the Group compliance program on anti-corruption which includes different elements to support the prevention and detection of corruption and bribery, such as policies, instructions and guidelines as well as trainings. Prohibition of corruption and bribery is also included in the SKF Code of Conduct for suppliers and sub-contractors, the SKF Code of Conduct for Distributors and the SKF Code of Conduct for Agents and other Intermediaries.

The Group Anti-Corruption Policy, described on page 137, is supplemented by instructions to provide more detailed requirements related to the overarching prohibition on corrupt practices. These are:

- Group Instruction on Anti-Corruption
- Group Instructions on the Use of Gifts and Other Favors
- Group Instructions on the use of Agents and other Intermediaries
- Group Instructions on Charitable Activities
- Group Instructions for Sponsorship

The Group also provides guidelines related to conflict of interest as well as a due diligence checklist to be used when appointing and using distributors and agents.

The policies, instructions and guidelines are all readily accessible online internally for all employees, and the SKF Code of Conducts are readily accessible online both internally and externally. The Code of Conducts for third parties are provided to the third party or otherwise referenced as part of the onboarding and thereafter when required. When a supplier is subject to SKF's Code of Conduct audit as described on page 134, compliance with the SKF Code of Conduct for suppliers and sub-contractors including sections related to prohibition of corruption and bribery is audited.

To support general awareness about anti-corruption and anti-bribery in the Group, SKF provides group-wide e-learnings, such as "Corruption at SKF" and "Reporting ethical concerns" as described on page 138. In addition, all staff employees are assigned a conflict of interest training for general awareness purposes every year, that also includes a step where the employee shall confirm that any conflicts of interests will be disclosed as per SKF's policy.

As described page 137, the Business Areas presidents are responsible for implementing the Anti-Corruption compliance program in their respective business area, thus also responsible for providing further trainings to address Business Area specific risks as well as to conduct due diligence when required.

Allegations and incidents of corruption and bribery are addressed as described page 137.

SKF is continuously working to strengthen its efforts to fight corruption. In 2025, the Group intends to review the anti-corruption compliance, including the potential need to update and/or expand the trainings provided by the Group, as well as to strengthen the third-party due diligence process by updating the minimum requirements and process for third party due diligence.

Operations assessed for risks related to corruption

SKF's compliance risk assessment for 2024 indicates that the risk of corruption is in general low, while slightly higher in regions of high risk of corruption. The identified main corruption risk is conflict of interest, especially in high-risk regions. In addition, SKF assesses that it is more at risk for corruption where distributors and agents are used to represent SKF when interacting with governments or state-owned entities in countries with a high corruption risk. Together with Group Compliance, each business area consolidates the results and sets an action plan in accordance with the results. At SKF's manufacturing units, risk based ethics and compliance reviews are carried out, in conjunction with environmental, health and safety audits. The purpose is to assist units in their work to identify and address specific ethics and compliance risks, including corruption. During 2024, 15 such reviews have been carried out.

Incidents of corruption or bribery

During 2024, SKF confirmed 15 incidents of corruption or bribery, whereof 5 of these led to employees being dismissed and 5 employees being disciplined. SKF had 3 confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption.

Local units have, based on root cause for the breaches in procedures and standards, taken appropriate measures, such as strengthened internal controls and updated procedures.

SKF was neither convicted nor liable to pay any fines for violation of anti-corruption or anti-bribery laws.

Additional information

Water

SKF operations are not considered to be water intensive, however, water is relevant at specific locations. Performance is monitored for sites located in areas of actual and potential water stress.

Interactions with water as a shared resource and management of water discharge-related impacts

Water is used at SKF's sites for processes and civil purposes (toilets, showers, cooking facilities, etc.). Focus on efficient water use is applied in various ways. For example, in new factory building projects the latest technologies have been put in place to achieve minimal impact on local resources. In addition, practices like closed loop systems for industrial water used and rainwater harvesting are common in many SKF facilities.

Water withdrawal is metered at site level for "water from municipal supply" (the most common source) and "water from other sources". The first is the aqueducts supply and the second includes supply by wells or other surface sources (such as rivers and creeks) practiced according to local regulations. There are no cases of sourcing from the sea, or local water production. Water is discharged in surface water or sewage systems after treatment, with quality levels according to local regulations and in this way, water related impacts are addressed.

Numerous lifecycle assessments (according to ISO 14044:2006) have been conducted both on product and process levels, and water impacts have been identified. The main findings from these studies are that SKF's direct water use is relatively insignificant compared to upstream use in energy generation, steel production, etc. However, SKF recognizes the increased importance of water efficiency and other measures at sites located in areas of water scarcity. SKF uses the World Resources Institute's tools to identify those sites in areas of water stress or projected water stress. These sites are then required to define improvement plans to drive reduced water intensity through various means (see table). Efforts to improve water efficiency have shown a positive trend at most of the sites within scope. At the same time, it is acknowledged that this is a learning process, and there are still areas with room for improvement. SKF remains committed to enhancing its water conservation strategies to achieve even better results. In other locations the nature of SKF's processes, where most systems using water are closed loop, means that SKF typically does not represent a major water user in the local industrial context.

Due to low water intensity of SKF's direct operations and the measures in place to follow applicable wastewater treatment requirements, the chances of SKF water usage impacting local community water availability or quality are very low.

As part of the Group's overall environmental approach, SKF works with upstream users of water, such as steel and energy suppliers, to reduce water use. For example, by switching to renewable electricity sources, a dramatic reduction in water needed per/kWh can be achieved compared to thermal power sources. The SKF requirements for suppliers to adopt the ISO 14001 standard will also help increase focus on water by the direct material suppliers.

Water efficiency performance for sites in water stressed areas

Site	KPI 2024 vs. 2023, %
Ahmedabad	–39
Bangalore: DGBB	–41
Bangalore: Lincoln	+38
Bari	+55
Cajamar and Jordanésia	–28
Chakan[1]	+71
Dalian	+13
Haridwar	–8
Jakarta	+1
Jinan	–22
La Silla	–17
Monterrey: Solution Factory[1]	+7
Mysore	–27
Nairobi[1,2]	—
Nankou	–12
Puebla	–5
Pune	–31
Shanghai ATC	–27

The KPI for manufacturing sites is water intensity calculated as water withdrawal / production volume. Non-manufacturing sites, marked;

1) KPI for water intensity calculated as water withdrawal/average number of full time employees.
2) Included in scope during 2023. Data to calculate the KPI is not available.

Water withdrawal by source

As the clear majority of SKF's factories are in industrial zones, water is supplied by municipalities. Other sources have not been considered significant. Therefore, SKF monitors total water withdrawal at sites and not per withdrawal by source. As the reporting is based on actual measurements from water suppliers or at SKF sites, no specific assumptions are referred to.

Water withdrawal

1,000 cubic metres	2024	2023[2]	2022[2]
Water from municipal supply	1,527	1,668	1,884
Water from other sources[1]	869	1,018	1,307
Water withdrawal total	2,396	2,686	3,191

1) Other sources is mostly wells from which water is extracted.
2) Past data are restated for divested units and data amendment.

Water discharge

Water discharge follows regional regulations. The flow goes to local sewage systems or to surface water flow in compliance with mentioned regulations for the quality of discharged water (suspension, temperature, etc.). Metered discharge flows are thus not reported.

Pollution of air

SKF has an objective to eliminate emissions from the use of volatile organic compounds (VOC) in washing processes for bearings and bearing components by 2025. These washing processes are the main source of VOC emissions from the Group's operations.

In 2024, the Group achieved a significant reduction in VOC emissions. As the deadline for meeting the objective approaches, each Business Area has intensified efforts to address the remaining VOC emissions, ensuring timely elimination. The Group will continue to support the development of action plans for sites with the highest emissions.

Group objective: Eliminate emissions of volatile organic compounds from washing of bearings and bearing components by 2025

Tonnes	2024	2023[1)]	2022[1)]
VOC (volatile organic compounds) total use	615	637	755
VOC (volatile organic compounds) emitted to the atmosphere (washing of bearings and components in bearings manufacturing)	98	122	135

1) Past data are restated for divested units and data amendment.

Biodiversity

SKF does not currently have any targets or KPIs related to biodiversity on a Group level. SKF is working to improve its understanding of the impact and dependencies of biodiversity as well as associated risks and opportunities through the full value chain. An assessment conducted in 2023 shows that SKF has potential impacts on the direct drivers of biodiversity loss specifically in terms of climate change, land use change, and pollution. To mitigate the impacts on these drivers of biodiversity loss, SKF sees strong synergies with meeting its decarbonization targets, increasing its circular use of products and resources, and reducing its risks of pollution through strong environmental management.

The assessment shows that SKF's dependency on steel and its related environmental impacts from both production and mining is critical for the Group to address also from a biodiversity perspective. Reducing use of virgin resources, re-using materials and products, and increasing the use of recycled materials are key for SKF to meet its net-zero goals, as well as to reduce its impact on biodiversity, pollution, and land use.

For SKF's targets, KPIs, and activities related to climate change, please see page 102.

For SKF's targets, KPIs, and activities related to resource use and circular economy, please see page 120.

Going forward, SKF will continue to improve its understanding of its impact on local flora and fauna in relation to the company's sites across the globe. SKF will also further address how it integrates biodiversity-related impact, risks and opportunities in its environmental management system for sites near or in proximity to protected areas and Key Biodiversity Areas.

Policies

A Group Policy is authorized by the CEO and owned by the relevant member of Group management. A Group Instruction is authorized by the relevant member of Group management, and (in many cases) provides details to a related Group Policy. Group Policies and Group Instructions are applicable to all employees and units in the SKF Group, with the exception of the SKF Code of Conduct for distributors, suppliers and sub-contractors.

Policies	Description	Link to material topics
SKF Code of Conduct	The policy that all other policies and instructions shall adhere to.	All
SKF Group Anti corruption policy	Zero tolerance for corrupt activity including inappropriate gifts or hospitality, bribery, facilitation payments and conflict of interest as well as SKF's policy to not give political donations.	Governance
Group Antitrust policy	Zero tolerance for engagement in activities detailed in the policy and which may constitute violations of applicable antitrust laws and regulations.	Governance
SKF Group Insider policy	Requirements and obligations related to the prohibition of insider trading.	Governance
SKF Group Policy on Export Control	Full compliance with applicable export control laws and regulations when exporting products, associated technical data and technical services or when involving parties or destinations covered by these regulations.	Governance
SKF Group Policy on Data Privacy	Minimum requirements on how SKF shall collect, process and protect personal data.	Governance
SKF Group Whistleblowing policy	Procedures for raising concerns including the whistleblowing channel as well as SKF's policy of non-retaliation.	Governance, Own workforce
Group Environmental, Energy, Health and Safety Policy	This policy enables a culture where EHS awareness, involvement, and accountability is integrated into SKF's business activities and decision-making processes. It provides guidance to proactively assess health and safety risks, as well as environmental and energy impacts, aiming to eliminate hazards, reduce risks, and minimize negative impacts.	Own workforce, Workers in the value chain, Climate change, Resource use and Circular Economy
SKF Employee Wellbeing policy	Requirements for promoting and protecting employee wellbeing.	Own workforce
SKF Code of Conduct for SKF Distributors	Expectations on SKF's full value chain to act in an economically, socially and ethically responsible manner	Workers in the value chain
SKF Code of Conduct for suppliers and sub-contractors	Expectation on suppliers to protect human rights and safeguard the well-being of workers within their own business operations, and also to cascade the requirements to their own supply chains acccordingly. Addresses Resource Use and Circular Economy in the Environmental impact part.	Workers in the value chain, Resource Use and Circular Economy
SKF Group Equal Pay Policy	Responsibility to treat all employees equally, fairly and with respect regardless of race, gender, age, national origin or nationality, disability, caste, religion, sexual orientation, union membership or political affiliation. Furthermore, SKF shall provide non-discriminatory working conditions and promote diversity.	Own workforce, Workers in the value chain
Fossil fuel phase out policy	Aims to accelerating the decarbonization of SKF's operations and reaching the Group's 2030 decarbonization goal.	Climate change
Shadow Carbon Pricing Policy	Aims at internalizing the environmental cost of steel and steel components within our supply chain by implementing a Shadow Carbon Price.	Climate change
Airfreight Avoidance Policy	Aims at reducing greenhouse gas emissions impact of logistics and related costs for transportation.	Climate change
SKF Group Business Travel Policy	Aims at limiting the environmental impact from business travels.	Climate change
SKF Sustainable Buildings Policy	Requirements for the design and construction of major new facilities which are to be owned or leased by SKF.	Climate change
SKF Policy for hazardous substances in products	Aims to protect the environment and the health of people from harmful substances.	Resource use
SKF Conflict mineral policy	This policy describes SKF's supports for efforts to end the violence and human rights violations involved in the mining of so called conflict minerals.	Workers in the value chain

TCFD

TCFD is the Task Force on Climate-related Financial Disclosures initiated by the Financial Stability Board. The aim with the initiative is to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures. SKF reports according to the TCFD recommendations since 2020.

SKF is also a respondent to the CDP Climate Change survey and achieved an A– score for its 2024 submission. The Group's submission is publicly available on the CDP website. CDP has aligned their survey with the TCFD and the SKF response provides a further, more detailed resource for stakeholders wishing to gain a deeper understanding of SKF's climate risks and opportunities and how the company is addressing these.

Governance	Strategy	Risk management	Metrics and targets
The board's oversight of climate-related risks and opportunities. **See pages 27–31, 83–85, 153**	Identified climate-related risks and opportunities over the short, medium, and long term. **See pages 89–94, 102–106**	Processes for identifying and assessing climate-related risks. **See pages 102–106**	Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process. **See pages 85–89**
Management's role in assessing and managing climate-related risks and opportunities. **See pages 83–85, 102–106 , 169**	Impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. **See pages 89–94, 102–106**	Processes for managing climate-related risks. **See pages 102–106**	Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks. **See pages 102–106**
	Resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. **See pages 102–106**	How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. **See page 102–106**	Targets used to manage climate-related risks and opportunities and performance against targets. **See pages 102–106**

GRI content index

Statement of use AB SKF has reported in accordance with the GRI Standards for the period 2024-01-01–2024-12-31
GRI 1 used GRI 1: Foundation 2021
Applicable GRI Sector Standard(s) No applicable GRI sector standards exists

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Omission: Reason	Omission: Explanation
GENERAL DISCLOSURES					
GRI 2: General Disclosures 2021	**2-1** Organizational details	4–5, 86–87			
	2-2 Entities included in the organization's sustainability reporting	83			
	2-3 Reporting period, frequency and contact point	83			
	2-4 Restatements of information	83			
	2-5 External assurance	83, 149			
	2-6 Activities, value chain and other business relationships	12–18, 23–24, 86–87			
	2-7 Employees	124–133			SKF reports data on employees by gender, age group, regions, and contract type. However, non-guaranteed hours are not currently reported. SKF is preparing for upcoming legal requirements in this area.
	2-8 Workers who are not employees	130			
	2-9 Governance structure and composition	83–85, 150–160			
	2-10 Nomination and selection of the highest governance body	150–160			
	2-11 Chair of the highest governance body	150–160			
	2-12 Role of the highest governance body in overseeing the management of impacts	83–85			
	2-13 Delegation of responsibility for managing impacts	83–85			
	2-14 Role of the highest governance body in sustainability reporting	83–85			
	2-15 Conflicts of interest	61			
	2-16 Communication of critical concerns	126, 138–139, 142			
	2-17 Collective knowledge of the highest governance body	83–85			
	2-18 Evaluation of the performance of the highest governance body	150–160			
	2-19 Remuneration policies	61–64			
	2-20 Process to determine remuneration	61–64			

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Omission: Reason	Omission: Explanation
GENERAL DISCLOSURES CONT.					
	2-21 Annual total compensation ratio			Information unavailable /incomplete	The median annual total compensation for all employees and the median percentage increase in total compensation for all employees have not been collected yet. Base salary for blue collar workers, local short-term variable pay, long-term variable pay and other remuneration and benefits cannot be obtained to calculate total compensation, as this data is not stored in the global HR system. This applies to all locations and legal entities. The remuneration and change of remuneration for the President compared to the remuneration and change of the average remuneration of employees in AB SKF is reported in the Remuneration Report.
	2-22 Statement on sustainable development strategy	12–18, 86–87			
	2-23 Policy commitments	83–84, 114–115, 142			
	2-24 Embedding policy commitments	83–84, 114–115, 142			
	2-25 Processes to remediate negative impacts	89–95, 103–106, 108–116, 122–123, 126–129, 137–139, 142			
	2-26 Mechanisms for seeking advice and raising concerns	126, 138–139, 142			
	2-27 Compliance with laws and regulations	137–139			
	2-28 Membership associations	85			
	2-29 Approach to stakeholder engagement	87–88			
	2-30 Collective bargaining agreements	130			
MATERIAL TOPICS					
GRI 3: Material Topics 2021	**3-1** Process to determine material topics	95			
	3-2 List of material topics	89–94			
Anti-corruption and competition law					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 142			
GRI 205: Anti-corruption 2016	**205-1** Operations assessed for risks related to corruption	139			
	205-3 Confirmed incidents of corruption and actions taken	139			
GRI 206: Anti-competitive Behavior 2016	**206-1** Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	139			

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Omission: Reason	Omission: Explanation
MATERIAL TOPICS CONT.					
Enabling cleantech growth					
GRI 3: Material Topics 2021	**3-3** Management approach				
SKF Specific topic	Revenue from sales to cleantech areas	103			
Energy use and efficiency, climate change and greenhouse gas emissions					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 102			
GRI 302: Energy 2016	**302-1** Energy consumption within the organization	117			
	302-3 Energy intensity	118			
	302-4 Reduction of energy consumption	108			
GRI 305: Emissions 2016	**305-1** Direct (Scope 1) GHG emissions	104, 118			
	305-2 Energy indirect (Scope 2) GHG emissions	104, 118			
	305-3 Other indirect (Scope 3) GHG emissions	118, 119			SKF has substantially increased the scope of scope 3 reporting in 2022 to include a significant amount to the emissions related to its direct material suppliers (steel and forging suppliers), however this does not cover the entire potentially applicable Scope 3 emissions. SKF intends to continue to increase the scope of reported Scope 3 emissions in the coming years.
	305-4 GHG emissions intensity	118			
Material waste and environmental compliance					
GRI 3: Material Topics 2021	**3-3** Management approach	120–123			
GRI 301: Materials 2016	**301-1** Materials used by weight or volume	123			
GRI 303: Water and Effluents 2018	**303-1** Interactions with water as a shared resource	140			
	303-2 Management of water discharge-related impacts	140			
	303-3 Water withdrawal	140			
	303-4 Water discharge	140			Water discharge follows regional regulations. The flow is going to local sewage systems or to surface water flow in compliance to mentioned regulations for the quality of discharged water (suspension, temperature, etc.). Metered discharge flows are thus not reported.
GRI 306: Waste 2020	**306-2** Management of significant waste-related impacts	123			
	306-3 Waste generated	123			
	306-4 Waste diverted from disposal	123			
	306-5 Waste directed to disposal	123			SKF reports only grinding swarf separately as its main hazardous waste.
Resource outflows		122–123			Resource outflow was a new material topic 2023. SKF aims to develop KPIs on this topic going forward.

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission		
			Requirement(s) omitted	Reason	Explanation
MATERIAL TOPICS CONT.					
Employment					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 401: Employment 2016	**401-1** New employee hires and employee turnover	129			
Labor/management relations					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 402: Labour/Management Relations 2016	**402-1** Minimum notice periods regarding operational changes	130			
Occupational health and safety					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 403: Occupational Health and Safety 2018	**403-1** Occupational health and safety management system	126			
	403-2 Hazard identification, risk assessment, and incident investigation	126–127			
	403-3 Occupational health services	127			
	403-4 Worker participation, consultation, and communication on occupational health and safety	127			
	403-5 Worker training on occupational health and safety	127			
	403-6 Promotion of worker health	127–128			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	137			
	403-8 Workers covered by an occupational health and safety management system	132			
	403-9 Work-related injuries	132			
Training and education					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 404: Training and Education 2016	**404-2** Programs for upgrading employee skills and transition assistance programs	131–132			
	404-3 Percentage of employees receiving regular performance and career development reviews	132			

GRI content index cont.

GRI standard/Other source	Disclosure	Location	Omission: Requirement(s) omitted	Omission: Reason	Omission: Explanation
MATERIAL TOPICS CONT.					
Diversity and equal opportunity					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126			
GRI 405: Diversity and Equal Opportunity 2016	**405-1** Diversity of governance bodies and employees	131			
	405-2 Ratio of basic salary and remuneration of women to men	133			
Human rights and non-discrimination					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 124–126, 134			
GRI 406: Non-discrimination 2016	**406-1** Incidents of discrimination and corrective actions taken	133			
GRI 407: Freedom of Association and Collective Bargaining 2016	**407-1** Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	133			
GRI 408: Child Labour 2016	**408-1** Operations and suppliers at significant risk for incidents of child labour	133			
GRI 409: Forced or Compulsory Labour 2016	**409-1** Operations and suppliers at significant risk for incidents of forced or compulsory labour	133			
	412-1 Operations that have been subject to human rights reviews or impact assessments	126, 133			
Supplier assessments					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85, 91, 94 120, 137			
GRI 308: Supplier Environmental Assessment 2016	**308-1** New suppliers that were screened using environmental criteria				Percentage cannot be disclosed. The total number of new suppliers is not known.
	308-2 Negative environmental impacts in the supply chain and actions taken	91, 108–110			
GRI 414: Supplier Social Assessment 2016	**414-1** New suppliers that were screened using social criteria				52 suppliers have been audited, total number of suppliers assessed in other ways cannot be disclosed.
	414-2 Negative social impacts in the supply chain and actions taken	135			
Socioeconomic compliance					
GRI 3: Material Topics 2021	**3-3** Management approach	83–85			
GRI 2-27: Compliance with laws and regulations	**2-27** Non-compliance with laws and regulations in the social and economic area	139			

Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report

To AB SKF (publ.),
corporate identity number 556007-3495

Introduction
We have been engaged by the Board of Directors of AB SKF to undertake a limited assurance engagement of the AB SKF Sustainability Report for the year 2024. The Company has defined the scope of the Sustainability Report on page 2 in connection to the table of content in Annual Report and the Statutory Sustainability Report on page 83.

Responsibilities of the Board of Directors and the Executive Management
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act, according to the previous version applied before 1 July 2024, respectively. The criteria are defined on page 83 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of AB SKF in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

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

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes win all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Gothenburg, March 7, 2025
Deloitte AB

Hans Warén
Authorized Public Accountant

Lennart Nordqvist
Expert Member of FAR