

# Sustainability statements

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# Sustainability governance

Group Management and the Board of Directors have the ultimate responsibility to state SKF's mission and to ensure that the values and drivers are implemented.

Group Management and the Board of Directors are continuously informed about new developments, requirements and regulations within the sustainability area and about how SKF is working for a sustainable development. For example, monthly meetings are held in the Sustainability steering group between the CEO, CFO, CTO, SVP Group Operations and the Head of Sustainability, to discuss ongoing and emerging sustainability and climate actions, events and expectations.

The President & CEO is appointed by the Board and handles the day-to-day management of the company's business in accordance with the guidelines and instructions from the Board. More information about the SKF Corporate Governance, including sustainability, is available in the Corporate Governance Report 2022 on pages 131–135.

The Head of Sustainability reports to the Sustainability, EHS & Quality Director, who in turn reports to the Senior Vice President, Group Operations and has the task to assure that all relevant aspects of sustainability are addressed and integrated into operations and activities throughout the Group. The Head of Sustainability also establishes 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.

Sustainability performance is the responsibility of the operations and shall be delivered in accordance with the strategic direction and fundamental requirements as set by Group Management.

The implementation of the sustainability program in the line organization is driven by the respective SKF 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 Responsible Sourcing Committee, established to assure that SKF's Code of Conduct for suppliers and sub-contractors is effectively deployed, and that appropriate measures are taken when deviations from the Code of Conduct are identified at our suppliers.
- The EHS and NetZero board oversees issues related to the EHS Management System, as well as the certification to ISO 14001, ISO 45001 and ISO 50001, and coordinates the deployment of the Group's related priorities.
- The Group Ethics and Compliance Committee, which oversees the risks and opportunities related to the ethics and compliance areas.
- The Global Energy Committee, which drives and coordinates the procurement of energy, owns and drives the plan to transition to 100% renewable energy for the entire Group.
- The Green Finance team which oversees the green finance funds allocation process, reporting, approval and follow up of eligible projects.
- The Group Health and Safety Committee, which brings together senior managers from EHS and People Experience with employee representatives from the World Union Council to ensure consultation and participation with the employee representatives at Group level.

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

## Policy commitments

The SKF Code of Conduct is the main policy on ethical standards. There are several related policies, at Group level and in local adaptions of the SKF management systems, but the SKF Code of Conduct is the superior policy. All other policies are subordinate to it. It is available in 19 languages and publicly available on [skf.com/code](http://skf.com/code).

The Group EHS Policy and other relevant documentation can be found on [skf.com/ar2022](http://skf.com/ar2022).

SKF Policy for Hazardous Substances in Products confirms the commitment of the company to eliminate chemicals that are dangerous to the environment or human beings from its portfolio. The main tool used for this purpose is the SKF Restricted Substances List, which outlines the details of regulation that SKF wishes to enforce.

SKF's commitment to respect human rights is described under the material topic Human rights and non-discrimination on page 117.

The management of SKF's operations is based on a decentralized operating model and the principle of autonomy for the business areas, however within a set of frameworks ensuring compliance, risk management and synergies across the SKF Group. Group staff functions govern these defined frameworks of the SKF Group. Policies and instructions are in place to manage risk and ensure compliance. SKF policies are applicable for the entire SKF Group and are communicated and implemented by the relevant group staff function. The SKF Code of Conduct is the main policy. For third party risk management, SKF has a Code of Conduct for Suppliers and Subcontractors, and a Code of Conduct for Distributors, Agents and Intermediaries, enforced to third parties via relevant Group staff and operational units. Through its policies, instructions and organizational structure, SKF has documented the division of responsibility throughout the SKF organization. This includes the responsibility to ensure compliance and a proper, systematic internal control environment to detect, correct and prevent deviations from legislation, policies, instructions and good business practice.

As required by the International Chamber of Commerce Charter and referring to the Rio Declaration on Environment and Development, SKF applies a precautionary approach in its development work. Conservative assumptions are also used for any claims made by SKF regarding product or operational performance.

## External initiatives and membership of associations

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

- The United Nations Global Compact, which is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. SKF has participated in the Global Compact since 2006.
- The International Labour Organization (ILO), which draws up and oversees international labour standards, bringing together representatives of governments, employers and workers to jointly shape policies and programmes promoting decent work for all.
- The International Chamber of Commerce (ICC) is the voice of world business, championing the global economy as a force for economic growth, job creation and prosperity.
- The Organization for Economic Co-operation and Development (OECD) has the mission to promote policies that will improve the economic and social wellbeing of people around the world. SKF endorses and works to apply the OECD Guidelines for Multinational Companies. By doing this, SKF commits to conducting business in a global context in a responsible manner, consistent with applicable laws and internationally recognized standards.
- Pursuant to SKF's net zero scope 1 and 2 emissions by 2030 target, SKF joined the RE100 initiative in 2020. This global initiative brings together some of the world's most influential businesses committed to using 100% renewable electricity.

- Pursuant to SKF's overall climate strategy and ambitions, SKF committed to the Science Based Targets initiative during 2021.
- Pursuant to SKF's net zero scope 3 (upstream) by 2050 target, SKF joined the SteelZero initiative in 2021. This global initiative brings together industrial users of steel committed to decarbonization of the global steel industry by 2050.
- As part of SKF's overall Responsible Sourcing strategy, SKF joined the Responsible Steel Initiative (RSI) in 2021. The RSI is the steel industry's first global multi-stakeholder standard and certification initiative.
- SKF is an active partner in several industry collaborations and initiatives. The Group holds dialogues with industrial peers on issues relating to technology and management across relevant short- and long-term aspects relating to economic, governance, environmental and social dimensions. SKF takes part in the World Bearing Association, Transparency International, Teknikföretagen, the Royal Swedish Academy of Engineering Sciences, the Swedish Life Cycle Centre and the International Standardization Organization among others. In addition, SKF collaborates with several internationally recognized universities on topics such as tribology, materials technology, remote diagnostics, environmental and social sustainability and metallurgy.
- SKF maintains a central list of the organizations SKF is a member of. This list is reviewed annually to make sure that the organizations are in line with SKF's values and commitments.

## Compliance

SKF addresses socioeconomic compliance as part of the Group's ethics and compliance programmes across the full value chain. Within this report, the focus is on SKF's operations and parties with whom SKF has a direct business relationship. Compliance with international declarations, conventions, treaties and local regulation is one of the most important tasks a multinational enterprise can manage to support sustainable development. SKF works proactively to prepare for and live up to such requirements.

There is a Group-wide programme of online training courses, which are mandatory for all employees having an SKF email address. The training courses cover key topics related to ethics and compliance, such as Antitrust in relation to competitors (81%), Corruption at SKF (82%), Fraud awareness (69%), How to avoid antitrust risks in the sales channel (71%), Workplace harassment (84%), Ethical leadership (86%) and Reporting ethical concerns (86%). The numbers in brackets represents the % of the total number of the employees who have completed the training as per January 2023.

One important compliance area for SKF is data privacy. The General Data Protection Regulation (GDPR) came into force within the EU in 2018 and puts clearer responsibility and higher accountability on companies handling personal data. As SKF shares information globally, these rules also affect SKF also outside the EU. SKF meets this increased responsibility and has, for example, established a data privacy policy, appointed data protection officers, assessed and registered IT applications and reviewed supplier contracts. The mandatory training on Data privacy is largely based on the GDPR requirements.

SKF monitors and follows closely the development and recommendations from the OECD and the European Union with regards to tax transparency. In line with the OECD recommendations, Sweden has introduced rules on country-by-country reporting. A report including, e.g. income, profit, taxes paid, employees and economic activity in each country, needs to be filed with the Swedish Tax Authority.

SKF has filed such information but does not report publicly due to sensitive competitive information. Tax is an important sustainability topic and SKF makes its tax policy public on [skf.com](http://skf.com). The global bearing market, which is the main business of the SKF Group is made up of a small number of large enterprises. This is explained more on pages 8–9. This means that publicly disclosing earnings and tax per country, or even by region, would provide competitors with information on exactly where SKF does business and the size of it. This information would be highly valuable for any competitor. For this reason, SKF will not disclose tax or earnings by country publicly.

In addition to the above topics and other socio-economic areas reported within these statements, SKF works closely to ensure compliance to topics such as corruption, money laundering, export control and human rights.

No cases of non-compliance with laws and regulations in the social and economic area have been identified and SKF received no significant fines or directives from the environmental authorities in 2022.

# Mechanisms for seeking advice and raising concerns

SKF employees are requested to report behaviour that is not in line with SKF's Code of Conduct to their manager, local People Experience function or to other senior managers. Employees can also raise concerns or seek advice via the SKF Ethics and Compliance Reporting Line. The reporting line is hosted by a third party and reports can be made anonymously, unless this is prohibited by local legislation. The SKF Ethics and Compliance Reporting Line is also available to external parties through [skf.com](http://skf.com).

SKF employees and others can report concerns in their own language via a designated web portal or by calling a local telephone number (telephone service is available only in Brazil and Mexico). SKF has a strict non-retaliation policy towards anyone raising concerns in good faith. During 2022, 312 concerns were reported to the central functions via the SKF Ethics and Compliance Reporting Line or via other channels.

During 2022, SKF has focused on improving the quality of received and reported concerns (e.g. removing doublets and removing concerns that are not suspected Code of Conduct violations). Thus, the reduction of concerns reported between 2021 and 2022, can mainly be explained by this improved reporting quality. The major types of concerns reported were discrimination or harassment (29%), conflict of interest (11%), internal fraud (4%), corruption (4%) and bribery (3%). In addition to the concerns reported to the central functions, grievances related to ethics and compliance are reported to – and managed by – local management. There is also a procedure for local grievances related to discrimination and harassment to be reported centrally.

All reported concerns are reviewed and assessed by Group Ethics & Compliance, for assignment to appropriate investigator. Concerns deemed as critical are communicated on case-by-case basis to the General Counsel and on a quarterly basis to the Audit Committee.

# Employees

## Employees and other workers by employment type

2022	Permanent		Temporary		Agency <sup>1)</sup>	Total <sup>2)</sup>
	White collar	Blue collar	White collar	Blue collar		
Europe, Middle East & Africa	8,874	12,402	336	1,359	1,644	24,615
The Americas	3,006	5,020	136	619	570	9,351
China and Northeast Asia	2,204	4,717	15	—	1,037	7,973
India and Southeast Asia	1,645	1,997	31	247	1,865	5,785
<b>Total</b>	<b>15,729</b>	<b>24,136</b>	<b>518</b>	<b>2,225</b>	<b>5,116</b>	<b>47,724</b>

1) Employed by an agency to which SKF pays a fee; working within the business under SKF Management responsibility.

2) Reported as total Headcount as of 31 December 2022.

## Employees by contract and region

2022	Full time	Part time
Europe, Middle East & Africa	22,006	965
The Americas	8,744	37
China and Northeast Asia	6,936	—
India and Southeast Asia	3,912	8
<b>Total</b>	<b>41,598</b>	<b>1,010</b>

For this year a new method was used for following-up headcount numbers, enabled by a globally rolled-out employee master data system. One effect was a re-classification from worker to staff throughout 2022.

## Collective bargaining agreements

SKF holds collective bargaining agreements in most countries where it is present. The 20 countries that are part of the SKF World Union Council, i.e. Argentina, Austria, Brazil, Bulgaria, China, Czech Republic, France, Germany, India, Indonesia, Italy, Malaysia, Mexico, Poland, Spain, Republic of Korea, Sweden, the U.K., Ukraine and USA – all have

## Employees by gender and contract

2022	Full time	Share, %	Part time	Share, %
Men	32,934	77.3	426	1.0
Women	8,664	20.3	584	1.4
<b>Total</b>	<b>41,598</b>	<b>97.6</b>	<b>1,010</b>	<b>2.4</b>

collective bargaining agreements. These countries make up over 95% of all blue-collar workers (around 25,000 of SKF's total workforce of about 42,000). If the workers at a site choose not to be unionized, or if there are restrictions to the independence of a trade union, the employees in the country are still covered by the SKF Framework Agreement and are part of a collective bargaining group. In addition to the 20 countries above, SKF employed around 600 people in blue-collar roles mainly in services & solutions delivery, manufacturing and logistics, of which the biggest countries are Colombia, Finland, Canada, Australia, Thailand and Zambia.

# Stakeholder engagement

SKF aims to align its business practices with the needs and expectations from its stakeholders. Stakeholder groups are defined as entities or individuals that may both influence and be influenced by SKF's activities. SKF works in different ways to identify individuals with whom to engage and establish ongoing dialogue. Connected to sustainable development, the general rationale is that all these different stakeholders have specific concerns. Feedback and input are therefore sought from a wide range of stakeholders and in many different ways.

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

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

Approach to stakeholder engagement		Material topics of highest concern to stakeholder group
<b>Customers</b>	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.	<ul style="list-style-type: none"> <li>• Energy use and efficiency</li> <li>• Climate change and greenhouse gas emissions</li> <li>• Enabling cleantech growth</li> <li>• Environmental compliance</li> <li>• Materials</li> </ul>
<b>Investors and analysts</b>	SKF takes an active approach in communicating the Group's strategy and performance to existing and potential investors, analysts and media. Information is provided through various channels, such as the quarterly reports, meetings with investors, telephone conferences, the company's website and press releases. Capital market days are held to present the strategy, targets and the different businesses in more detail. SKF receives feedback from investors via discussions during investor meetings.	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Energy use and efficiency</li> <li>• Climate change and greenhouse gas emissions</li> <li>• Human rights</li> <li>• Enabling cleantech growth</li> </ul>
<b>Employees and union organizations</b>	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 131-135. In addition, SKF carries out periodic employee feedback surveys to drive continuous improvement on working climate.	<ul style="list-style-type: none"> <li>• Occupational health and safety</li> <li>• Diversity and equal opportunity</li> <li>• Training and education</li> <li>• Environmental compliance</li> <li>• Employment and labor management relations</li> </ul>
<b>Civil society</b>	The communities in which SKF operates are important stakeholders for the company and their input helps shape local SKF activities. Local SKF organizations interact with their surrounding communities through various activities and initiatives ranging from business related matters to volunteer work, charity work, sponsoring and local network collaboration. Local media is also considered to represent civil society. Formal and informal networks are used to share experiences and ideas with other companies, topic experts and NGOs.	<ul style="list-style-type: none"> <li>• Energy use and efficiency</li> <li>• Climate change and greenhouse gas emissions</li> <li>• Employment and labor management relations</li> <li>• Anti-corruption and competition law</li> <li>• Human rights</li> </ul>
<b>Suppliers</b>	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 quality and sustainability as part of a total cost assessment of supplier development. The SKF Code of Conduct is the standard used during audits and screening.	<ul style="list-style-type: none"> <li>• Energy use and efficiency</li> <li>• Climate change and greenhouse gas emissions</li> <li>• Employment and labor management relations</li> <li>• Anti-corruption and competition law</li> <li>• Human rights</li> </ul>

# Material topics

SKF seeks to provide stakeholders with relevant information regarding operational, financial, environmental and social performance, based on the input provided to the Group as presented in the previous section. To do this, SKF applies reporting principles of stakeholder inclusiveness, sustainability context, materiality and completeness. The topic boundaries have been evaluated from an organizational and business context, as well as from a stakeholder perspective. It is also evaluated in terms of impact and contribution to the UN Sustainable Development Goals.

When approaching stakeholders proactively, the respondents are usually provided a shortlist of potentially material topics. The stakeholders are asked to highlight the most significant topics for their assessments and decisions related to SKF. They are also asked to add additional issues or remove what they consider irrelevant.

SKF uses this input, together with risk assessments, and general impact assessments to define the significant environmental, economic and social impacts.

## SKF's material topics

When combining the feedback above with previously collected input from other stakeholder groups the result is translated and presented in terms of GRI Standard topics.

All these topics are considered material and relevant to report. The context, scope and boundaries of each topic are described further in the specific disclosures on pages 99–120, along with descriptions of the management of material topics.

## Updates to the materiality analysis

In line with GRI recommendations, SKF has reviewed and validated its material topics and impact assessment from previous reporting period to account for

any changes in impacts and stakeholder expectations. The validation builds on previous materiality analysis that has been complemented with input from stakeholders through semi-structured interviews with internal functions that has direct dialogues with the respective stakeholder group throughout the year.

The validation generated minor changes to previous analysis which were implemented in this year's analysis to increase the completeness, materiality and transparency of the reporting.

The changes are summarized here:

- No material aspects were removed or added.
- The naming of some topics was updated to increase clarity and focus: the former material topic called "Energy" was renamed to "Energy use and efficiency", "Emissions" was renamed to "Climate change and greenhouse gas emissions" and "Customer sustainability performance" was renamed to "Enabling cleantech growth".
- The impact assessment was updated with a separate column for SKF's impact on climate and nature to increase transparency of the impact and to distinguish between social and environmental impact.
- In general, the validation highlighted an increased interest in both energy-related and climate-related topics.

Biodiversity loss and ecosystem disturbances are increasing challenges for our planet and society. SKF is currently not including biodiversity loss as a separate material topic. However, SKF has during 2022 initiated a pre-study to improve the understanding of its risks and opportunities as well as impact and dependencies of biodiversity.

Material topics	Impact on				
	Suppliers	SKF	Customers	Society and people	Climate and nature
Economic performance	●	●	●	●	●
Anti-corruption and competition law	●	●	●	●	●
Enabling cleantech growth		●	●	●	●
Energy use and efficiency	●	●	●	●	●
Climate change and greenhouse gas emissions	●	●	●	●	●
Materials	●	●	●	●	●
Water		●	●	●	●
Effluents and waste	●	●	●	●	●
Environmental compliance	●	●	●	●	●
Supplier environmental performance	●	●	●	●	●
Employment and labour management relations	●	●		●	
Occupational health and safety	●	●	●	●	
Training and education	●	●		●	●
Diversity and equal opportunity	●	●		●	
Non-discrimination	●	●	●	●	
Human Rights	●	●	●	●	
Supplier social performance	●	●	●		
Socioeconomic compliance		●		●	

## About this report

SKF's Sustainability report is produced annually, and the reporting period corresponds to the fiscal year 1 January to 31 December 2022. The previous report was published on 2 March 2022. SKF's Sustainability report has been prepared in accordance with GRI Standards 2021. The GRI content index is found on pages 121–125.

Entities included in reporting see pages 85–87.

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

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

### Restatements of information

On pages 105 to 107, as defined by the GHG reporting protocol, energy and CO<sub>2</sub>e statements relating to scope 1 and 2 emissions have been restated due to acquisitions and divestments.

### Changes in reporting

During 2022 SKF has further explained the reported scope of scope 3 greenhouse gas emissions related to purchased materials – specifically steel and forgings, see page 106.

### External assurance

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

The sustainability report is subject for limited assurance by our auditors in accordance with the standard ISAE 3000. Please refer to the Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report on page 130.

### Topics related to the Annual Report

In addition to the information provided in this Annual Report, related topics can be found at [skf.com/ar2022](http://skf.com/ar2022).

- Greenhouse gas emissions data
- Environmental performance data
- Articles of Association
- SKF Code of Conduct
- SKF Environmental, Energy, Health and Safety (EHS) Policy
- Manufacturing units 2022
- TCFD Report
- Green Bond Investor Letter and Impact Report
- SDG analysis

### Statutory Sustainability Report

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

- Business model pages 14–16
- Anti-corruption page 100
- Climate and environment pages 102–109
- Employees pages 110–116
- Human rights and other relevant social topics pages 117–118
- EU Taxonomy pages 126–129

Risks associated with the topics above are found in connection to the topics in SKF's overall risk management on pages 36–39.

# SKF's material topics

## Economic Performance

### Management approach – GRI 3: Material topics 2021

#### Material topic – GRI 201: Economic Performance 2016

##### Management approach

Economic performance is considered to be material for the SKF Group and its subsidiaries. The consolidated financial statements include the Parent Company, AB SKF and those companies in which it directly or indirectly exercises control.

SKF is a profit-driven organization. The financial performance is the overall indicator of the economic impact SKF has on society, as an employer, a member of the stock market and a customer and supplier to other companies.

All SKF entities are accountable for their financial and economic performance. SKF reports its financial performance in accordance with IFRS. For more information about SKF's financial accounting policies and the effectiveness of them, see page 52.

Other impacts are further described in the Material Topics section.

### 201-1 Direct economic value generated and distributed

The data from the financial statements has been used to break down economic value generated and distributed as described in the following table.

Economic value generated and distributed (MSEK)	2022	2021
Net sales	96,933	81,732
Revenue from financial investments and other operating income	240	506
<b>Economic value generated</b>	<b>97,173</b>	<b>82,238</b>
Operating costs	-62,796	-47,618
Employee wages and benefits	-26,702	-24,270
Economic value distributed to providers of capital	-3,594	-3,496
Economic value distributed to government (income taxes)	-2,438	-2,484
<b>Economic value distributed</b>	<b>-95,530</b>	<b>-77,868</b>
<b>Economic value retained</b>	<b>1,643</b>	<b>4,370</b>

Economic value generated includes net sales, interest income, and profit on sale of assets and businesses, net.

Operating costs include total operating expenses, plus the net of other operating income and expenses, plus financial net, less employee wages and benefits, less revenues from financial investments and other operating income, less interest expenses.

Employee wages and benefits includes costs related to wages and salaries including social charges.

Economic value distributed to providers of capital includes suggested dividends to SKF's shareholders and interest expenses.

Economic value distributed to government includes Group income taxes. For the actual payment of taxes during the year, see consolidated statement of cash flow on page 48.

### 201-2 Financial implications and other risks and opportunities for the organization's activities due to climate change

SKF's business is diversified in terms of products, customers, geographic markets and industries.

The Group usually divides its customers into some 40 different industries. SKF owns and operates more than 77 manufacturing sites in 21 countries around the world. This diversification reduces SKF's overall exposure to risks related to climate change. Therefore, SKF does not anticipate climate-related risks to have substantive financial or strategic impact on Group level. SKF reports to CDP and has aligned its reporting approach with the Taskforce for climate-related disclosures (TCFD) framework.

SKF sees it as a key element in its strategy to provide products and offerings which are sustainable, low carbon and which can improve customers' operations in these regards. SKF is also focusing on markets and industries that will benefit and grow due to the actions needed to manage climate crisis. One example is SKF's early participation in the industrialization of wind and tidal energy. Another example is SKF's close partnerships with automotive customers in electrification and to improve energy efficiency of drivelines. Many industries, especially those producing vehicles or input material to vehicles are subject to similar transformational changes. SKF is following this on an industry, as well as on a customer level, to develop new technologies for new demands.

Further information and details about SKF's climate-related risks and opportunities can be found in the TCFD report which is included in the Topics Related at [skf.com/ar2022](http://skf.com/ar2022).

For an overview of SKF's business areas, see pages 8–9.

#### SKF operations and supply chain

SKF has a globally unified EHS management system, which requires that all sites conduct regular risk assessments including the identification of acute physical climate related risks such as flooding, water shortages or forest fires which could impact the facilities. Climate change effects are considered when deciding where to locate new manufacturing sites.

One of the most immediate and obvious financial risks related to climate change for SKF's operations is an increased cost of energy. It is with high uncertainty how and where, e.g. CO<sub>2</sub>e taxation would be implemented, and SKF chooses to address this as an integrated risk of energy cost. The best way to mitigate this risk is to reduce the energy demand. In terms of spend, electricity makes up most of the energy cost with a smaller share of natural gas, biomass, heat, fuel oil and LPG. To give an indication of the financial impact, a 20% increase in costs related to energy would impact the Group's result by around MSEK 260. For more information on SKF's climate objectives, please refer to Energy use and efficiency, climate change and greenhouse gas emissions on page 102.

A general cost increase in energy and carbon taxes would also impact the cost of raw materials and components purchased by SKF. Most direct materials undergo several refinement steps before being procured by SKF. Energy cost remains one major cost driver in the supply chain.

SKF has established an objective for energy intensive major suppliers to implement the ISO 50001 energy management standard to mitigate cost risks and to reduce environmental impact. SKF is also working with its suppliers to reduce the carbon intensity of the materials and components it purchases, and to understand and address the impact of emerging legislation such as the EU Carbon Border Adjustment Mechanism (CBAM).

SKF has also incorporated risk management in the purchasing strategies. One risk area is supply issues linked to natural disasters. The risk mitigation actions will support suppliers to reduce the potential impact of climate change, such as extreme weather events.

In general, the costs associated with actions to commercialize opportunities and to mitigate risks related to climate change are embedded in other costs, such as research and development, maintenance and investment budgets, and cannot be reported separately.

## Anti-corruption and competition law

Direct impact on  
UN Sustainable  
Development Goals



**Management approach – GRI 3: Material topics 2021**  
**Material topics – GRI 205: Anti-corruption 2016**  
**and GRI 206: Anti-competitive Behavior**

### Management approach

SKF addresses anti-corruption and anti-trust (competition law) as part of the Group's compliance program. The compliance program includes the areas and supporting processes included in the illustration below.

SKF has, over many years, had a strong focus on business ethics in its corporate values. Openness and

transparency are key to a successful compliance program. SKF continues to work on fully incorporating these values in the corporate culture in all regions via training and awareness, risk assessment, investigations, audits and internal controls.

SKF considers that an effective anticorruption and compliance program has a positive impact not only on the economic performance, but also to reduce risks or breaches that may impact the environment, people including but not limited to human rights and local communities.

SKF has Group policies and instructions, such as the Group Anti-corruption policy and the Group Antitrust policy, setting out the expectations on its employees and business partners, on how to act according to SKF standards. During 2022, SKF's Code of Conduct for Suppliers & Subcontractors was updated, including clarifications on SKF expectations on ethical conduct of its business partners.

Processes, controls, guidelines, training and tools are integrated parts of the program and are available for employees on the Group's internal websites. SKF's compliance program actions to prevent or mitigate the risks, are focused on the main risks identified in the Group's yearly compliance risk assessment. During 2022, an assessment of 20 compliance risks was responded to by 55 units in all Business areas. The number of units participating is a KPI for the quality of the risk assessment. During 2023, the goal is to increase the number of units participating in the compliance risk assessment.

SKF has dedicated compliance officers for all its business areas. Together with Group Ethics & Compliance, the business areas develop a compliance plan based on risks and identified issues, that is approved by the Audit Committee of AB SKF on an annual basis.

Positive examples of the compliance activities such as employee and business partner engagement, are shared in between the Group's Compliance core team.

During 2022, SKF developed and launched mandatory elearnings regarding Conflict of Interest (89%), Export Control (86%) and the SKF Code of Conduct commitment (86%), numbers in brackets represent completion rates. The completion rates are followed up on a regular basis, and indicate the engagement level and effectiveness of the compliance program. Furthermore, SKF also launched an e-learning in Export control for its Distributors.

The number of concerns reported and investigated is an important KPI of the effectiveness of SKF's compliance program. The goal is to increase awareness about and compliance with the Code of Conduct, e.g. via additional elearnings, to gradually decrease the number of serious concerns reported and investigated.

Internal control issues, training completion rates and number of reported and substantiated ethical concerns gives SKF indications of the needs for improving the compliance program.

During 2022, SKF has reviewed the controls and procedures related to corruption and other compli-

ance risks of third parties, and concluded the need to establish a Third party risk management framework during 2023.

The number of ethical concerns reported via SKF ethics & compliance reporting line 2022 was 312, including 6 reports related to COVID-19. SKF does not see any significant trend or change in types of concerns reported compared to 2021.

### 205-1 Operations assessed for risks related to corruption

All units are required to perform yearly compliance risk assessments. One of the main challenges, and thus one of the focus areas, is to create a commitment by local management to take ownership of compliance risk management, including development and implementation of mitigating activities. The main corruption risk is when distributors and agents are used to represent SKF when interacting with governments or state-owned entities in regions with a high corruption risk. Together with Group Ethics & Compliance, each business area consolidate the results and set 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 2022, 14 such reviews have been reported.

### 205-3 Confirmed incidents of corruption and actions taken

During 2022, SKF substantiated 25 incidents of corruption (incl bribery, fraud, conflict of interest). As a consequence, 18 employees have left SKF.

### 206-1 Legal actions for anti-competitive behavior, anti-trust and monopoly practices

For any ongoing investigations, see note 19 on page 70.



## Enabling cleantech growth

Direct impact on  
UN Sustainable  
Development Goals



**Management approach – GRI 3: Material topics 2021**  
**Material topic, SKF indicator:** Enabling cleantech growth

### Management approach

SKF's products are used all over the world and in a large variety of rotating applications, ranging from renewable energy, such as wind and ocean power, to heavy industries like mining, metal, and pulp & paper. SKF's products are also used in cars and commercial vehicles, as well as in bicycles, skateboards and household appliances.

Over many years, SKF has conducted numerous life cycle assessments and in the large majority of cases, the use phase is dominant in terms of energy use and related greenhouse gas emissions. This is linked to the fact that most of SKF's products are applied in dynamic applications which require energy to perform their intended functions. If the energy source powering these applications is based on fossil fuel, then this will also mean a negative impact in terms of related greenhouse gas emissions. The same logic applies to the friction losses that occur within the SKF products themselves.

However, thanks to the inherent feature to reduce friction in the products and in the applications where they are used, SKF has the opportunity to help avoid energy use and related greenhouse gas emissions in all customer applications and systems.

SKF can enable improvements in customers' sustainability performance through products, services, business models and value propositions. The improvements include for example increased energy efficiency, reduced CO<sub>2</sub>e emissions, improved safety, reduced water use, increased lifetime of applications, increased material efficiency, reduced noise levels and more. The Group also brings value to customers through the way we run our operations as a responsible business partner.

Recent years' development, with an increased understanding of the connection between economic, social and environmental issues and the implementation of the Sustainable Development Goals (SDGs) from the United Nations has provided the Group with the opportunity to collaborate more closely with customers to create and deliver even more sustainable solutions. In doing so, the Group has carefully assessed the targets and activities proposed by the Agenda 2030 and mapped risks and opportunities related to both internal activities and how SKF can further support customers with engineered solutions.

SKF has made cleantech one of its strategic focus areas and will continue to add technologies and offerings to the value propositions. The Group enables and drives technology development in industries such as renewable energy generation and sustainable transport systems, including electric vehicles. Moreover, the Group develops new circular business models and

works in collaboration with its customers to improve sustainability performance of their applications and systems. To support that work, SKF has established guidelines for product development, environmental pre-evaluation tools and guidelines for quantifying and communicating customer sustainability performance.

As part of the Group's climate and strategic objectives, SKF provides yearly aggregated revenue data from SKF customer solutions enabling cleantech growth in areas where SKF's customer solutions clearly contribute to climate change mitigation and circular economy, including: renewable energy, electric vehicles, electric railway, recycling industry, bearing remanufacturing, RecondOil and magnetic bearing solutions. The total revenue from customer solutions enabling cleantech amounted to SEK 10.1 billion in 2022.

SEK billion	2022	2021	2020
Total revenues from customer solutions enabling cleantech	10.1	9.2 <sup>1)</sup>	9.1 <sup>1)</sup>

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.

## Energy use and efficiency, climate change and greenhouse gas emissions

Direct impact on  
UN Sustainable  
Development Goals



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

### Management approach

SKF is a relatively energy intensive business – directly using energy, mainly in the form of electricity and gas, in its operations around the world. In addition SKF utilizes materials and services which can be energy and carbon intensive – such as transports and raw material in production and processing. The combined impact of these direct and indirect energy uses (scope 1, 2 and 3 upstream) generates in excess of two million metric tons of CO<sub>2</sub>e per year. This figure would however be significantly higher were it not for the actions SKF has taken to reduce both energy and carbon intensity. For example, more than 50% of the electricity which SKF uses is generated from renewable sources and this reduces the Groups scope 2 emissions dramatically. SKF's ability to run its operations and supply chain in a highly energy and carbon efficient manner also increases the company's competitive advantage.

In 2021, SKF signed up to the Science Based Targets initiative (SBTi) and committed that all its climate targets shall be in line with the Paris Agreement to reach net zero global emissions by 2050 at the latest, to limit global warming to 1.5°C. During 2022, SKF has been following the SBTi approval process and at time of writing was waiting for final confirmation from the SBTi.

The Group's climate objectives are based on this commitment and a comprehensive understanding of SKF's life cycle greenhouse gas (GHG) emissions. The graph on the next page shows an estimation of all relevant GHG impacts from SKF in 2019 from raw material extraction to finished product at the customer.

In line with this, during 2021 SKF announced its goal to achieve net zero greenhouse gas emissions (from raw material to finished product delivered to the customer) by 2050 – adding all relevant upstream scope 3 impacts to the existing scope 1, 2 and 3 impacts which SKF already reports on and addresses. This goal includes and incorporates a number of sub-goals and interim targets such as the existing goals for 40% reduction in CO<sub>2</sub>e emissions/tonne of sold product by 2025, the 40% reduction in CO<sub>2</sub>e per tonne of goods shipped by 2025 and net zero SKF operations by 2030 (scope 1 and 2). It also introduces a number of new interim (2025, 2030, 2035 and 2040) goals which are summarized in the table on page 103.

As part of this updated approach and in order to engage with other stakeholders to drive change, SKF joined the SteelZero and ResponsibleSteel multi-stakeholder initiatives in 2021.

A deeper explanation of the overall approach can be found on [skf.com/decarbonizing](#) where you can find a Position Paper with more details.

SKF is working to establish robust reporting approaches for those aspects of the new goals which are not previously reported. The Group is increasing the scope of reporting to include all these aspects over the coming few years, with highest priority on the most significant impacts.

Scope 2 emissions are calculated using the market-based method (GHG Protocol, 2015). In this statement, the management approach along the value chain and total energy use and emissions are disclosed.

### SKF's own operations – Scope 1 and 2

In 2020, SKF announced the objective for manufacturing and other operations to achieve net zero GHG emissions by 2030. This relates to scope 1 and 2 emissions and will be achieved by a combination of efforts focused on energy and material efficiency, generating renewable energy, sourcing renewable energy, electrification of processes currently using fossil fuel such as heating and heat treatment, and, as a last resort to cover any remaining emissions, by purchasing Carbon Dioxide Removals to achieve climate neutralisation. As part of this approach, SKF joined the RE100 initiative – a signal that the Group intends to source 100% renewable electricity by 2030.

In 2022, SKF used 1,669 GWh of energy in its manufacturing operations, which has resulted in around 312,166 tonnes of CO<sub>2</sub>e emissions. In addition to ISO 14001:2015 for environmental management, SKF has an energy management system globally certified according to ISO 50001:2018. The certificate covers the 45 most energy intensive operations making up about 80% of the Group's total energy use. SKF has a centralized function to manage strategic energy sourcing decisions for the Group, including cost effective reduction of CO<sub>2</sub>e intensity. SKF's management approach is to some extent decentralized to SKF's sites and integrated in the environmental management system. During 2022 SKF has taken steps to increase the support provided to manufacturing units through the provision of good practice energy saving solutions and by closer follow up of energy savings plans, investments and implementation.

To increase focus and accelerate improvements, in both energy and greenhouse gas emissions performance, SKF applies a Group wide energy target to all units within the scope of the ISO 50001 standard. In 2022, SKF required an improvement in energy performance of 5% compared to unit, cluster, area or Group energy base line. The base line is established using linear regression of the previous two years' monthly energy use vs. value added (a measure of

production activity, which is known to correlate with energy demand). This KPI removes distortions, which impact more simplistic measurements of energy performance (such as production volume variations) and allows a focus on the real underlying energy performance. In 2022, the performance against this target was -3.8% vs. the -5.0% target. Energy performance improved in 2022, across the Group but in particular for the operations located in Europe, where a 4.6% improvement was achieved. This improvement came from a mix of investing in more energy efficient equipment, optimizing energy use, a more efficient use of the production facilities and waste detection and avoidance measures.

### Goods transportation – Scope 3, category 4

SKF is directly managing 80% of the goods transportation downstream and about 70% of the transportation upstream. The Group focus on reducing transportation CO<sub>2</sub>e emissions in four main areas: optimizing transport networks and routing; using energy-efficient modes of transport with low CO<sub>2</sub>e intensity (e.g. ocean and rail instead of air where and when feasible); procuring transport with high fuel efficiency and low-carbon fuels; and optimizing mileage between suppliers, factories and end customers (i.e. optimize SKF's foot print).

### Raw material and components – Scope 3, category 1

As seen in the organizational carbon footprint on the following page the emissions from raw material and components (direct materials) are typically the most significant of all 'cradle to customer gate' emissions.

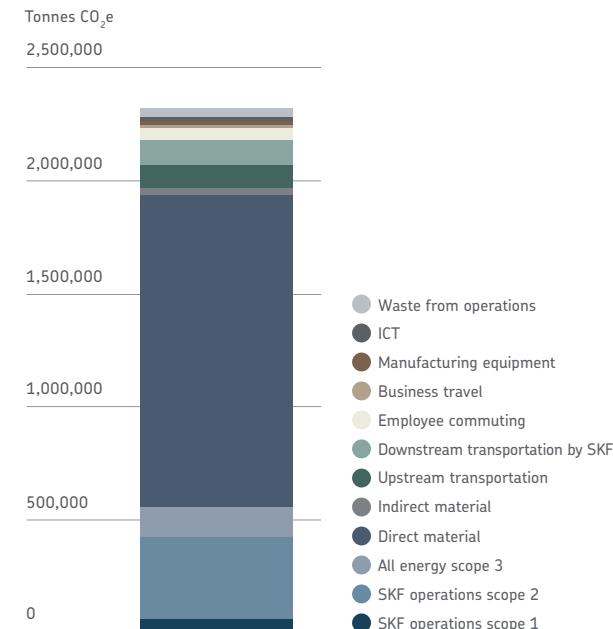
For several years, SKF has worked to influence energy intensive suppliers by requiring them to implement energy management systems certified according to ISO 50001. This standardized way of managing energy and emissions is considered a pragmatic approach to cut emissions in the upstream value chain.

## Energy use and efficiency, climate change and greenhouse gas emissions, cont.

### Summary of SKF's climate goals

	Purchased direct material	Logistics	Other up-stream impacts	SKF operations
GHG Reporting Scope	Scope 3, Category 1	Scope 3, Category 4	Scope 3 Category 6 and others	Scope 1 & 2
2025	<ul style="list-style-type: none"> <li>ISO 50001 for energy intensive suppliers.</li> <li>15% reduction in CO<sub>2</sub>e from forgings and rings suppliers, base year 2019.</li> </ul>	<ul style="list-style-type: none"> <li>40% reduction in CO<sub>2</sub>e emissions per tonne of goods shipped to end customer, base year 2015.</li> </ul>	<ul style="list-style-type: none"> <li>Ambition for maximum CO<sub>2</sub>e for business travel &lt; 50% of 2019 figure.</li> <li>Goals and follow up defined for all other relevant emissions.</li> </ul>	<ul style="list-style-type: none"> <li>40% reduction of CO<sub>2</sub>e emissions from manufacturing per tonne of bearings sold, base year 2015.</li> <li>5% year on year improvement in energy efficiency.</li> </ul>
2030	<ul style="list-style-type: none"> <li>32% reduction in CO<sub>2</sub>e from direct material, base year 2019.</li> <li>In accordance with the SteelZero initiative, we will ensure that at least 50% of all sourced steel is either;           <ol style="list-style-type: none"> <li>ResponsibleSteel certified,</li> <li>coming from steel companies with approved SBTi targets or</li> <li>low embodied carbon steel.</li> </ol> </li> </ul> <p>This can be achieved by each criteria or by a combination of them.</p>	35% reduction in transport related CO <sub>2</sub> e, base year 2019.	TBD	Zero CO <sub>2</sub> e for all SKF operations.
2035	43% reduction in CO <sub>2</sub> e from direct material, base year 2019.	55% reduction in transport related CO <sub>2</sub> e, base year 2019.	TBD	
2040	60% reduction in CO <sub>2</sub> e from direct material, base year 2019.	77% reduction in transport related CO <sub>2</sub> e, base year 2019.	TBD	
2050	<b>Net zero CO<sub>2</sub>e.</b>			

### Estimated GHG emissions (tonnes), base year 2019



## Energy use and efficiency, climate change and greenhouse gas emissions, cont.

In the last three years, SKF has been increasing its focus on driving reductions related to raw materials and components. The Group has investigated the emissions of most of the largest steel suppliers (representing 96% of total steel sourcing by weight), 26 suppliers of forgings and rings (representing 59% of total forging supply) and 15 rolling elements suppliers sites (representing 56% of total rolling elements supply).

SKF has started to focus on this because steel, forgings, rings and rolling elements are by far SKF's most energy and carbon intensive suppliers with steel representing more than 95% of weight of total direct material purchased by the company.

The focus is applied in several ways.

- Firstly, the companies in scope are required to report emissions related to the materials purchased by SKF from their own operations (scope 1 and 2) and if available their upstream emissions (scope 3). The aggregated report of this data is included in this report.
- Secondly, the suppliers are required to explain and present their plans to improve energy efficiency and CO<sub>2</sub>e per tonne of output. SKF has developed a tool which allows product designers and purchasing colleagues to estimate the upstream CO<sub>2</sub>e impact of different steel supplier options. This allows SKF to meet increasing customer focus on reducing the embedded CO<sub>2</sub>e emissions in the products which they buy. During 2022, SKF continued the process to inform and engage the direct material suppliers in the scope of the Groups new net zero 2050 objective and this work will continue through 2023.
- Thirdly, during 2022, SKF has initiated an R&D activity which is investigating the feasibility and technical implications of lower embodied carbon steel production processes which are currently being developed by various steel companies.

In line with the Group's Net Zero 2050 strategy, SKF will systematically increase the scope of reporting GHG emissions related to its significant direct material suppliers in the next few years, with the aim to have at least 95% coverage by 2025.

### **Business travel, scope 3, category 6**

SKF monitors CO<sub>2</sub>e emissions from the large majority of business travel undertaken by its employees. Included in the scope are Argentina, Brazil, Canada, Chile, China, Europe, India, Mexico, Uruguay and USA. In 2020, SKF announced the ambition to reduce CO<sub>2</sub>e emissions from business travel by limiting the amount of CO<sub>2</sub>e at 50% of the full year 2019. The ambition commits to stay below this ceiling for the coming years and will be achieved by significantly increasing the use of digital collaboration.

### **Other upstream impacts**

As described in the carbon footprint graph above and Position Paper referred to previously, there are several other upstream GHG impacts associated with SKF's activities. These include upstream energy related emissions, information and communications technology, employee commuting and indirect material purchasing. These impacts are much less significant compared to those from SKF operations, direct material purchasing and logistics. In total, they make up around 13% of the total footprint, nevertheless, as part of the Group's Net Zero 2050 commitment, SKF will work to find pragmatic ways to report and drive toward net zero also in these aspects.

### **Customer solutions**

Life cycle studies confirm that the greatest potential for SKF to reduce environmental impact, lies in the customer use phase of the Group's products and solutions. As reported on page 101 (Enabling cleantech growth), many of SKF's offerings can be strongly linked to sustainability needs alongside other business needs and in doing so, create value for customers, investors and society. Some are more specifically linked to mitigate climate change.

In addition to cutting climate impact in the transactional value chain, SKF also works to develop new business models to reduce environmental impact alongside cost. Firstly, the Group works to predict maintenance and enable cost effective repair and service within the customers' processes. Secondly,



## Automated lubrication system supports sustainability agenda at Smurfit Kappa

Smurfit Kappa's kraftliner mill in Piteå, Sweden, is the largest of its kind in Europe. Bearings in paper mills are subjected to heavy loads, varying temperatures and various types of contamination that can impact the performance of the bearing, which could result in failure and costly downtime.

Reducing the mill's environmental impact has been a focus area for many years and Smurfit Kappa wanted less waste, less leakages, and a way to remotely monitor the status of several hundreds of lubrication points on their machines. This with the aim of improving the

working environment for their maintenance engineers and, ultimately, improving uptime.

SKF and Smurfit Kappa's teams designed and installed an SKF's Flowline automated lubrication systems, scaled for the needs of over 500 lubrication points. By analyzing the flow of lubrication fluids throughout the system together with temperature and vibration data from critical bearing positions, the system ensures that the flow of fluids is optimized for each of the lubrication points, with potential contaminants removed before being recirculated.

## Energy use and efficiency, climate change and greenhouse gas emissions, cont.

SKF brings back bearings and units for refurbishment or remanufacturing – a process which can cut energy and emissions by up to 90%, compared to the production of a new bearing.

### Data reporting according to the Greenhouse Gas Protocol guidance

SKF works to report all relevant scopes and categories of greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Corporate Standard ([ghgprotocol.org](http://ghgprotocol.org)) and other related guidance documents (for scope 1, 2 and 3) also published by the Greenhouse Gas Protocol.

SKF has been reporting some aspects – such as scope 1 and 2 emissions for many years and has established robust and reliable processes to gather and report this data.

### Scope 3, category 1

Measuring, reporting and reducing the upstream scope 3 category 1 emissions (from direct material production) is a critical challenge. It is however a relatively new dimension for SKF (and industry as a whole) and the majority of the Groups suppliers (and their suppliers). SKF (along with our partners in the supply chain) is therefore learning and evolving its approach so that the scope coverage, accuracy and value of this data as a management tool is improving every year.

SKF's reporting of this category makes use of primary data (direct from suppliers) to the greatest extent possible and where it is not possible, credible secondary data sources are applied. Although more complex and challenging to collect, primary data is preferred since it is more accurate and captures specific supplier performance year on year and shows the impact of supplier choice (which is not possible when using secondary data). As a result of the increased use of primary data vs the approach taken in the 2021 report, the accuracy of the reporting has improved and this has necessitated a re-statement of the previous year's data which increases the reported value by approximately 20%. In a small number of

cases, steel suppliers were not able to provide their up-stream scope 3 emissions and these data are excluded from the reported numbers. It is also important to note that SKF has focused on the main raw material inputs to the Group which is the steel used in the rings and rollers of rolling bearings.

Other input such as the rubber used in seals, or other metallic components are not yet included and will be added in the coming years as reliable data is established. During 2023 and onwards the targets and the improvement plans in terms of CO<sub>2</sub>e emissions of the major direct materials suppliers will be discussed in detail. The results will be aggregated and compared with the Net Zero 2050 strategy of SKF, in order to push the suppliers for more aggressive targets and for further reductions.

### Scope 3, category 4

Considering scope 3 category 4 (emissions from upstream and downstream transportation), SKF covers some 80% of the emissions resulting from downstream flows (where SKF controls the transport), and around 60% upstream. SKF intends to further improve the process for collecting the upstream emissions for these categories during 2023 in order 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 with the exception of express shipments, were method 2 is used. In both cases the emissions reported are CO<sub>2</sub>e with a well to wheel scope.

### 302-1 Energy consumption within the organization

Source, GWh	2022	2021 <sup>2)</sup>	2020 <sup>2)</sup>
LPG	19	18	16
Natural gas	288	295	253
Fuel oil	6	8	5
Renewable energy generated onsite <sup>1)</sup>	46	32	20
District heating and cooling	114	141	118
Electricity	1,227	1,271	1,143
<b>Total energy use</b>	<b>1,699</b>	<b>1,764</b>	<b>1,555</b>

1) includes electricity procured with Power Purchase Agreement (PPA)

2) Historical data in this disclosure has been adjusted for acquisitions and divestments in line with the GHG Protocol (mainly Russia, divested).

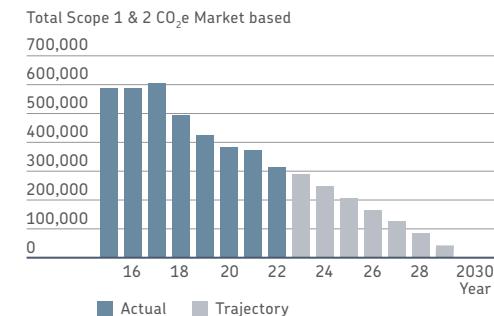
### 305-1 Direct (scope 1) GHG emissions

### 305-2 Energy indirect (scope 2) GHG emissions

Historical data in this disclosure has been adjusted for acquisitions and divestments in line with the GHG Protocol (mainly Russia, divested).

Market-based emissions, tonnes	2022	2021	2020
<b>Direct (scope 1) GHG emissions</b>			
CO <sub>2</sub> e emissions	52,816	55,941	49,828
<b>Energy indirect (scope 2) GHG emissions</b>			
CO <sub>2</sub> e emissions market-based	259,350	312,180	330,267
<b>Total CO<sub>2</sub>e emissions, market-based</b>	<b>312,166</b>	<b>368,121</b>	<b>380,095</b>

### Progress towards Net Zero Goal



In general, SKF considers climate compensation to be a last resort in achieving its targets – only to be deployed when all other measures to avoid emissions (energy and material efficiency, fuel switching, renewable energy sourcing or generation) have been exhausted.

## Energy use and efficiency, climate change and greenhouse gas emissions, cont.

Location-based, tonnes	2022	2021	2020
<b>Direct (scope 1) GHG emissions</b>			
CO <sub>2</sub> e emissions	56,580	55,941	49,828
<b>Energy indirect (scope 2) GHG emissions</b>			
CO <sub>2</sub> e emissions, location-based	470,895	524,626	465,006
<b>Total CO<sub>2</sub>e emissions, location-based</b>	<b>527,475</b>	<b>580,567</b>	<b>514,834</b>
<b>Sources of emissions</b>			
Tonnes, conversion factors in tonne per unit in brackets	2022	2021	2020
<b>Direct (scope 1)</b>			
LPG (3.0 per tonne)	3,696	3,890	3,468
Fuel oil (3.2 per tonne)	1,543	1,937	1,302
Natural gas (0.002 per cubic meter)	47,576	50,114	45,058
<b>Supplied (scope 2), market-based</b>			
Electricity	241,700	287,366	309,040
District heating and cooling	17,650	24,813	21,226
<b>Total CO<sub>2</sub>e emissions, market-based</b>	<b>312,166</b>	<b>368,121</b>	<b>380,095</b>

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

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

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

### 305-3 Other indirect (scope 3) GHG emissions

Under scope 3 emissions, SKF reports CO<sub>2</sub>e emissions from the most significant direct material suppliers (steel, forgings and rings, rolling elements), goods transportation and business travel.

#### Direct material supplier emissions

These data are based on aggregation of figures provided by the 38 major suppliers of steel, the 26 major suppliers of forgings and the 15 major suppliers sites of rolling elements (in terms of weight of material and CO<sub>2</sub>e emission factor). The CO<sub>2</sub>e emission factors for the remaining suppliers (when direct declarations are not yet available) have been estimated based on primary data collected for similar suppliers. This scope covers at least 50% by volume of total direct material spend and 96% by weight of steel purchased. This is only the third year in which SKF reports this information and the data should be considered as indicative rather than a precise quantification of these upstream impacts. SKF is working to increase both the scope and accuracy of the data collected and reported.

CO <sub>2</sub> e Tonnes	2022	2021 <sup>2)</sup>
Scope 3 category 1 direct material supplier emissions in scope <sup>1)</sup>	1,294,825	1,276,571

- 1) Total estimated emissions related to steel, forgings and rings, rolling elements.
- 2) Scope of reporting was increased and figure for 2021 recalculated (restated) accordingly.

### Goods transportation data and related CO<sub>2</sub>e emissions

	2022	2021	2020 <sup>1)</sup>	2015 <sup>1)</sup>
CO <sub>2</sub> e emissions from transports scope 3, (tonnes)	213,061	227,228	144,466	153,031
Transport works (tonnes shipped)	487,779	422,720	340,934	352,641

1) Scope of reporting was increased and figure for 2020 recalculated, previous figures re-stated accordingly.

### Shipped volumes and emissions per transport mode 2022

	Road	Sea	Air	Rail
Transport works, tonnes shipped, % of total	71.8	25.1	2.0	1.0
CO <sub>2</sub> e emissions, % of total	25.1	31.2	42.4	1.3
Tonne * kilometer, % of total	12.7	82.3	2.3	2.7

#### Business travel (air travel)

	2022	2021	2020	2019
CO <sub>2</sub> e emissions (tonnes) from air travel (scope 3, category 6)	6,395	3,990	3,584	12,954

### 305-4 GHG emissions intensity

All greenhouse gases are included and converted to CO<sub>2</sub>e emissions according to the GHG Protocol for scope 1–3.

#### SKF's bearing manufacturing (scope 1 and 2)

Intensity in tonnes unless otherwise stated	2022	2021 <sup>1)</sup>	2020 <sup>1)</sup>	2015 <sup>1)</sup>
CO <sub>2</sub> e emissions – bearings & units factories	258,443	306,853	322,051	481,083
Weight bearings and units sold <sup>2)</sup>	466,549	446,936	385,640	336,803
GHG emissions intensity CO <sub>2</sub> e emissions/tonnes sold products	0,55	0,69	0,84	1,43
Change vs 2015, %	-61	-52	-42	—

1) All data has been restated to reflect acquisitions and divestments. Missing historical data for acquisitions are estimated.

2) "Weight bearings and units sold" for 2015 restated in 2020.

#### Goods transportation (scope 3)

	2022	2021	2020 <sup>1)</sup>	2015 <sup>1)</sup>
GHG emissions intensity kg CO <sub>2</sub> e emissions per tonnes shipped goods to end customer <sup>2)</sup>	437	538	424	434
Change vs 2015, %	1	24	-2	—

1) Scope of reporting was increased in 2020 and previous years restated accordingly. Restated 2015–2020.

2) "Weight bearings and units sold" for 2015 restated in 2020.

## Energy use and efficiency, climate change and greenhouse gas emissions, cont.

Following the good trend of recent years, absolute CO<sub>2</sub>e emissions were again reducing in 2022. This despite increased production output. This was due to a combination of factors. Notably further increased in energy efficiency and an increased share of renewable electricity in China and a number of other regions.

### Goods transportation (scope 3)

COVID-19 lockdowns, the war in Ukraine, climate change and geopolitics have made it difficult for the transport market in 2022. The market has suffered from ports congestions, capacity constraints and longer lead times, which has led to high air freight utilization, however lower than 2021 due to market recovery during 2022 second half.

The KPI (CO<sub>2</sub>e/Tonnage delivered to end customer) decreased by 20%, which is mainly due to transport efficiencies and less use of air freight. SKF continues the regionalization of our sourcing and manufacturing footprint, which also contributes to fewer long-distance transports, and less usage of air freight.

### Other scope 3 impacts

During 2022, the number of direct material suppliers in scope has drastically increased compared to 2021, from 28 to 79. SKF has focused on energy intensive suppliers, with the higher GHG emissions (steel, forgings and rings, rolling elements suppliers). All investigated suppliers have been requested to share their CO<sub>2</sub>e emissions and weight of products for SKF. Most of the suppliers have also disclosed their CO<sub>2</sub>e reduction targets for the next years.

During 2023 and onwards the targets and the improvement plans in terms of CO<sub>2</sub>e emissions of the major direct materials suppliers will be discussed in detail. The results will be aggregated and compared with the NetZero 2050 strategy of SKF, in order to push the suppliers for more aggressive targets and for further reductions.

More direct materials categories will be included gradually from 2023 onwards.

As the scope of reporting is still evolving significantly, it is not yet possible to comment on the performance trend for most of other impacts such as ICT, employee commuting and indirect material purchasing.

## Material, water, effluents and waste, environmental compliance

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### Management approach – GRI 3: Material topics 2021

**Material topics – GRI 301: Material 2016, GRI 303: Water and Effluents 2018, GRI 306: Waste 2020  
GRI 307: Environmental compliance 2016**

### Management approach

SKF is in a strong position to improve the sustainability of customers, own operations, and suppliers as the products and solutions provided aim at reducing friction. SKF's environmental impact comes mainly from the manufacturing sites. SKF is working actively to protect the environment by preventing pollution and applying measures which reduce or avoid material waste and promote sustainable resource utilisation. There is also an indirect environmental impact arising from the materials used to manufacture products and the related logistics required.

The output from SKF's overall materiality analysis (see page 97), consisting of stakeholder dialogue input, is used for the continual improvement of Environmental, Energy, Health and Safety (EHS) Management and related environmental activities and initiatives applied in the organization and its processes.

Details can differ between the environmental topics but, overall, SKF has a similar management approach to Material, Water, Effluents and waste,

and Environmental compliance. These topics are primarily material first of all within SKF and its subsidiaries.

During 2022, the Group sourced about 622,000 tonnes of metal components. The main impact from this lies within the value chain and is associated to energy and emissions. The main way in which SKF can influence this is by focusing on material efficiency in the manufacturing processes. By avoiding wasted material at SKF, the waste associated with the embedded energy and emissions upstream are also avoided.

Although SKF operations are not considered to be water intensive, water is relevant in different ways depending on where in the value chain it is used.

Direct water use is material at SKF sites located in areas of actual and potential water scarcity (see table below). In other locations the nature of SKF's processes (most systems utilising water are closed loop) means that SKF typically does not represent a major water user in the local industrial context. Water is withdrawn from municipal supplies or other sources (ground and surface water) and 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. Sites in water scarce areas establish specific targets for reducing water consumption (see which sites are affected in table on the next page). Indirect water use is relevant due to its close correlation to energy generation. Downstream, SKF can provide solutions to reduce the water footprint for customers or help to make large scale water treatment viable and cost efficient.

Effluents and waste are relevant from SKF's manufacturing operations.

Compliance is followed up in relation to SKF's manufacturing operations and those of its suppliers.

## Material, water, effluents and waste, environmental compliance, cont.

**Water efficiency performance for sites in water stressed areas**

Site	KPI 2022 vs. 2021, %
Nankou	-39
Dalian, Large size bearings	-16
Dalian, Medium size bearings	-43
Jakarta	-5
Ahmedabad	-14
Bangalore, Deep groove ball bearings	3
Haridwar	8
Mysore	0
Puebla, Hub units	-26
Tudela	-5
Shanghai, Automotive Technologies Co	-7

KPI = water intensity (i.e. water use / production volume).

SKF has deployed an environmental management system certified according to ISO 14001:2015. This is integrated with the health, safety and energy management system and is based on the Group EHS Policy. The management system is further defined at Group, country and site level. It includes all significant manufacturing sites, technical and engineering centres and logistics centres. New or recently acquired subsidiaries are provided a time frame for inclusion (time frame is depending on size and complexity). The overall coordination of the work is managed by a central staff function and the responsibility to drive inclusion is with SKF's functional areas in the line organization.

SKF assures that environmental matters are prioritized through the line organization by integrating environmental performance delivery into the responsibilities of the factory manager and up through to business area/region and to Group. Local support, competence (particularly for legal compliance) and coordination for the sites is provided by the EHS country coordinators. Water quality, following local regulation, refers to the physical, chemical and biological characteristics.

Potential spills, incidents and fines are publicly reported in the Environmental Data spreadsheet in Topics related to the Annual Report, please refer to [skf.com/ar2022](http://skf.com/ar2022).

Evaluation of the effectiveness of the management approach is done through internal and external audits and periodical reporting reviews.

SKF also has a grievance mechanism in place for incidents at suppliers. This is coordinated by SKF's Responsible Sourcing committee and reported in an aggregated overview of deviations from supplier audits. Environmental performance at suppliers is further reported on page 119.

One important feature of SKF's Group environmental management system is to ensure that all SKF sites are compliant with local rules and legislation, to ensure efficient water use and responsible water management, including wastewater handling.

### Defined Group level objectives

- Eliminate solvents (emitting volatile organic compounds) from washing of bearings and bearing components by 2025.
- Grinding swarf recycling at a rate above 80% year by year.
- Water use targets are established at SKF sites with significant water risks. In 2022, SKF had 11 such sites.

For waste recycling, Group level objectives have been deemed not suitable due to the wide variation in the types and quantities of waste produced, as well as the local related infrastructure. SKF sites are required to define local objectives for:

- Waste recycling excluding direct material waste.
- Waste recycling including direct material waste.

### Data collection

All environmental data is compiled either bi-annually or annually, using the Group's main reporting and consolidation tool. It includes all significant manufacturing sites, technical and engineering centres and logistics centres. Sales units are included when they

are at the same site as manufacturing or logistics. Separate sales offices are excluded due to their minor environmental impact. Joint ventures are included where SKF has management control. Data from sites can be included in the compilation even if the site is not yet fully integrated in the management systems. Information is reported at site level and aggregated to country/area and Group level.

### Performance

SKF has set realistic and ambitious objectives to reduce environmental impact from its operations. Overall, the data presented indicates that SKF is reducing its environmental impact from its operations.

### 301-1 Materials used by weight or volume

SKF uses various materials such as metals, rubber, solvents, hydraulic oil and grease. Steel is the main material used by SKF and much of the steel purchased by the Group is produced by re-melting steel scrap, as this provides favorable material properties and is widely available.

SKF does not report any renewable materials or recycled input material. The most significant part of the material used comes from components which have been machined and refined along the value chain. This means that SKF does not have direct influence over the source of the material but only the specified quality. In general, bearing steel is made from a significant proportion of scrap steel, however an exact percentage cannot be provided.

### Non-renewable material

Tonnes	2022	2021 <sup>1)</sup>	2020 <sup>1)</sup>
Metal as raw material from external suppliers	621,794	581,428	458,081
Rubber as raw material from external suppliers	5,092	5,322	3,795
Oils	8,797	8,524	7,229
Greases	2,422	2,522	2,125

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

### Group objective: Eliminate solvents (volatile organic compounds) from washing of bearings and bearing components by 2025

SKF halved its use of solvents between 2007 and 2016. Thereafter, newly acquired businesses resulted in an increase. In 2018, SKF set a target to eliminate the use of solvents in washing processes for bearings and bearing components, which is the main way volatile organic compounds are emitted from the Group operations.

### Group objective: Eliminate solvents (volatile organic compounds) from washing of bearings and bearing components by 2025

Tonnes	2022	2021 <sup>1)</sup>	2020 <sup>1)</sup>
VOC (volatile organic compounds) total use	821	1,139	967
VOC (volatile organic compounds) emitted to the atmosphere (washing of bearings and components in bearings manufacturing)	145	149	242

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

### 303-1, Interactions with water as a shared resource and 303-2, Management of water discharge-related impacts

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

Water use is metered at site level for "water from municipal supply" (the most common source) and "water from other sources". The first is the aqueducts supply and the second includes supply by wells or other surface sources (e.g. rivers, creeks) practiced according to regional regulations. There are no cases of sourcing from the sea, or local water production.

## Material, water, effluents and waste, environmental compliance, cont.

Numerous lifecycle assessments (according to ISO 14044:2006) have been conducted both on product and process levels, and water impacts have been identified. The main findings from these studies are that SKF's direct water use is relatively insignificant compared to upstream use in energy generation, steel production, etc. However, SKF recognizes the increased importance of water efficiency and other measures at its sites located in areas of water scarcity. SKF uses the World Resources Institute's tools to identify those sites in areas of water stress or projected water stress. These sites are then required to define improvement plans and KPI's to drive reduced water use through various means.

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

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

### 303-3 Water withdrawal by source

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

Water	1,000 cubic metres	2022	2021 <sup>2)</sup>	2020 <sup>2,3)</sup>
Water from municipal supply	1,856	1,900	2,057	
Water use from other source <sup>1)</sup>	1,307	1,117	1,075	
Water withdrawal total	3,163	3,018	3,132	

- 1) The "other source" is mostly wells from which water is extracted.
- 2) Past data are restated for divested units and data amendment.
- 3) In 2020, additional 461 000 cubic metres due to an undetected leakage at Falconer US site.

### 303-4 Water discharge

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.

### 306-2, 306-3, 306-4, 306-5 Waste by type and disposal method

SKF works to avoid waste generation in a number of ways. Upstream these include the use of near-net shape production technologies such as cold rolling (minimizing the amount of material which needs to be removed in subsequent processes). Examples within SKF operations include avoidance of scrap and excessive material use through optimized processes and downstream SKF works with its remanufacturing approach to extend the life of SKF products and the systems in which they operate – thereby avoiding waste.

Almost all recycling, reuse and recovery of waste which is diverted from disposal is undertaken by external companies (steel plants, waste management and recycling companies etc.). SKF is performing recycling (reconditioning) of lubrication oil at some

sites using SKF's RecondOil solution, but this is not yet reported separately.

As part of the Group's overall responsible sourcing approach, SKF requires that waste management companies and other companies making use of SKF's residual materials operate in full compliance with the SKF Code of Conduct and therefore all applicable local legislation.

The Group reports disposal methods by reuse, recycling, incineration with and without energy recovery and landfill. Local objectives have been required by the Group to be established and these shall drive sites upwards in the waste hierarchy with the goal to reach zero waste.

The amounts of residual material and recycling rate are disclosed below, and in more detail in the Environmental data spreadsheet available at [skf.com/ar2022](http://skf.com/ar2022). 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	2022	2021 <sup>1)</sup>	2020 <sup>1)</sup>
Total residuals generated	125,805	146,231	125,307
Recycled or reused	100,996	120,462	102,702
Recycling rate, %	80	82	82
Incinerated with energy recovery	9,200	8,935	8,401
Incinerated without energy recovery	1,357	1,364	1,930
Landfill, excl. grinding swarf	14,252	15,469	12,275

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

### Group objective: 80% recycling of grinding swarf

On hazardous waste, SKF reports only grinding swarf, which is a mix of small metal particles and abrasives mixed with emulsion. The Group objective is to achieve recycling at a rate above 80% year by year. SKF continues to depend greatly on variations in regional legislation, volatile scrap prices and other aspects which mean that this continues to be a very challenging objective.

SKF is constantly working to find business partners who can use grinding swarf as input to their production, both as direct and indirect material. During 2022, the rate of recycled or reused grinding swarf increased to 69%. The improvement came primarily from establishment of new recycling routes where it had not previously been possible.

### Hazardous waste, grinding swarf

Tonnes	2022	2021 <sup>1)</sup>	2020 <sup>1)</sup>
Grinding swarf generated	23,653	24,253	20,665
Recycled or reused	16,273	14,954	13,624
Recycling rate, %	69	62	66
Incinerated, heat recovery	430	1,581	1,491
Incinerated, no recovery	5,076	4,040	3,366
Landfill	1,875	3,678	2,185

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

### 307-1 Non-compliance with environmental laws and regulations

SKF received no significant fines or directives from the environmental authorities in 2022.

## Employment

### Management approach – GRI 3: Material topics 2021

#### Material topic – GRI 401: Employment 2016

##### Management approach

As an employer, SKF needs to attract and develop a diverse and effective workforce to stay competitive and to deliver on the objectives set out by the Group.

The focus is on the Group and its subsidiaries, where SKF works with central digitalization, recruitment processes, training, leadership, people development and an excellent overall employee experience to proactively safeguard the need of future capabilities.

SKF's People Experience function has a lean corporate structure, i.e. Group People Experience. The function is represented in SKF's Group Management by the Senior Vice President People Experience & Communication. During 2022 changes to the structure of the People Experience function have been made to align with the overall strategic framework of SKF. The changes follow the logic of end to end responsibility to be kept within the business areas and regions. In cases of Corporate Governance and defined synergies, the mandate is kept central, in the Group People Experience.

The vision of People Experience is "People Make it Happen". This firm belief calls for SKF to put the employees in the center of everything we do. Employee experience and customer centricity should always be top of the agenda.

SKF People Experience's contribution to SKF's strategy is clarified in the SKF 2025 People Agenda, which takes a holistic view on what is needed short-term and long-term. The top three strategic priorities are Culture & leadership, Workforce for the future and Employee experience. The strategic priorities are further broken down into strategic areas, i.e. Purpose & meaningful work, Develop self, others & business,

Diversity trust and inclusion, Organizational efficiency, Attract & build critical skills & capabilities, Talent development, Employee wellbeing & growth and Reward & recognition.

"People make it happen" is a double-edged sword. If SKF as an employer is not offering good conditions for its' employees, negative consequences will spiral, and the impact will not be limited to the company itself. The SKF business will have difficulties to attract and develop talent and the business result will be weakening. Such situation brings consequences to the society, e.g. unemployment and healthcare constraints through poorer wellbeing. To avoid the negative spiral, the employee must see the company as an employer of choice and the employment conditions need to be designed to drive a positive employee experience.

Throughout the year, activities and projects are defined for each strategic area to ensure that steps are taken in accordance with the SKF 2025 People Agenda. The People Agenda is the guiding star and is shared with business management and the full People Experience community.

People Experience has a regular dialogue with the SKF World Union Council (WUC) and the European Work Council (EWC) according to the global framework agreement, which is based on the SKF Code of Conduct. Issues relating to significant changes at SKF are always handled in close collaboration between company management, the WUC, the EWC and local unions. As SKF Group operates under Swedish legislation and the Swedish Corporate Governance Code, employee representatives are part of the Board. Among other things, this means that employee representatives from white and blue collar unions have direct insight on board level issues and the strategic outlook for the Group.

The top risk in the workforce area during 2022 has been the ability to source the right skills and expertise. The company is reliant upon a workforce that is engaged and flexible in all its dimensions and geographies, and has the competencies, energy and capabilities needed to deliver on the SKF strategy. There is a skill deficit in the labor market. Examples of challenges are within IT and cyber security, engineering, and deep technical expertise in the core technologies. Due to this skill deficit and the fierce competition in the labor market, the success of companies is dependent on the ability to attract, develop and retain critical competences and capabilities for the future. During 2022, the shortage of critical capabilities has continued to increase, as more companies are actively recruiting within the deficit competence areas. More companies are also actively promoting their employee value proposition to a broader audience, to ensure continuous high engagement with the future workforce.

To mitigate the risk of competence deficit, SKF is strengthening its' efforts to be an attractive employer. During 2022, a program has been initiated to clearly define the higher purpose of SKF. This will also be the start of reenforcing the SKF culture and building clarity around the employee value proposition. The program aims to involve the larger part of the employees, to impact the outcome. After implementation, during 2023, SKF anticipates a positive effect on engagement, speed in decision making and company attraction.

To monitor progress in creating a clear purpose and strong engagement, the quarterly employee satisfaction survey (SKF Team Pulse) is recognized as an essential tool with a global reach.

In SKF, not only the people managers are recognized as leaders. All employees are exercising leadership through being experts in their own work fields and are expected to act in line with the SKF leadership expectations. Strong leaders at SKF can balance leading yourself, leading others and leading the business. This is a model that has been focused on during 2022 and is now a foundation in leadership assessments and the performance development process.

During 2022, SKF have decommissioned its learning management system (LMS) Cornerstone, enabled by increased SuccessFactor functionality. A new LMS has been implemented and the foundation for the development of a learning experience platform is being formed (more details in Training and education)

People Experience has a strong local presence with delegated authority.

However, synergies through digitalization in operations and business are important to reach efficiency. This is enabled through a more centralized and regionalized approach to processes and systems. New common systems and functionality are being put in place to facilitate this work. During 2022, the new Performance Development Process, replacing the Performance Management Process, has been applied. This drives continuous alignment and feedback between managers and employees, and increases focus on what will come, rather than looking in the rearview mirror. Additional people digital tools have developed further. People Core is now collecting the global master data and the system carries the formal headcount data. People Service and the new learning management system are other systems taking leap steps during 2022.

## Employment, cont.

### 401-1 New employee hires and employee turnover

#### Employee turnover by region

	2022			2021 <sup>1)</sup>
	Women	Men	Total	
Europe, Middle East & Africa	14.8	10.4	11.3	6.4
The Americas	22.8	21.8	22.0	17.4
China and Northeast Asia	19.5	17.9	18.4	15.5
India and Southeast Asia	25.3	15.0	15.9	10.1
<b>The Group</b>	<b>17.7</b>	<b>14.2</b>	<b>14.9</b>	<b>10.3</b>

#### New hires by region

Total number	2022			Women as share of total, %
	Women	Men	Total	
Europe, Middle East & Africa	619	1,528	2,147	28.8
The Americas	497	1,601	2,098	23.7
China and Northeast Asia	504	1,237	1,741	28.9
India and Southeast Asia	119	519	638	18.7
<b>The Group</b>	<b>1,739</b>	<b>4,885</b>	<b>6,624</b>	<b>26.3</b>

1) Data for 2021 have been restated according to the new geographical regions implemented during 2022.

#### Age (groups) by region

Total number	<30	30–50	>50	Total
Europe, Middle East & Africa	1,106	865	176	2,147
The Americas	783	1,089	226	2,098
China and Northeast Asia	649	1,080	12	1,741
India and Southeast Asia	365	265	8	638
<b>Total</b>	<b>2,903</b>	<b>3,299</b>	<b>422</b>	<b>6,624</b>

#### Age (groups) by region

%	<30	30–50	>50	Total
Europe, Middle East & Africa	16.7	13.1	2.7	32.4
The Americas	11.8	16.4	3.4	31.7
China and Northeast Asia	9.8	16.3	0.2	26.3
India and Southeast Asia	5.5	4.0	0.1	9.6
<b>Total</b>	<b>43.4</b>	<b>49.8</b>	<b>6.4</b>	<b>100</b>

## Labour management relations

Direct impact on  
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Management approach – GRI 3: Material topics 2021  
Material topic – GRI 402: Labour management  
relations 2016

#### Management approach

SKF is a truly international company, with organizations present in many different cultures and contexts. In addition, 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 Relation area. This could impact the employee experience at SKF and the overall SKF brand. Labour Relations has a strong presence in SKF Code of Conduct and strong 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 the Labour Affairs Director is a part of the Global People Experience Management team.

The main priority of the relationship between labour and management is to ensure that the Global Framework Agreement between SKF and the unions works in practice. This is based on the SKF Code of Conduct and the work focuses on labour management relations between SKF Group and workers within SKF Group and its subsidiaries. SKF also collaborates with other companies in formal and informal networks.

Issues relating to significant changes at SKF, such as acquiring, divesting, or consolidating operations, are always discussed and resolved openly and constructively with union leaders locally and with the

leadership of the SKF World Union Council (WUC). The precise approach must be adapted to the specific conditions of each occasion. The European Work Council (EWC) directive is the base for European related issues. SKF makes it clear in its Code of Conduct that all employees have the right to join a union and to bargain collectively. Continual dialogue is ongoing to ensure that it works for both SKF and the union members.

The WUC, which today includes 20 countries (see page 95) meets every year to openly discuss labor issues and to share what is on the Groups' 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 2022, the annual EWC and WUC meeting was held in the first week of October. For the first time since the pandemic a physical meeting was possible, according to normal procedures. It was held in Gothenburg 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 Group Management and included a factory tour and internal meetings between the delegates. Main topics for the day with Group Management was the new SKF strategic framework and its' implications on organization, flexibility and digitalization.

Due to the change in senior management structure, one extra meeting for both EWC and WUC was held online in May 2022.

The focus areas were employment, environment, health & safety and digitalization. Overall, SKF's setup with the WUC is seen as a great competitive advantage for addressing and deploying global initiatives between Group management and unions. All WUC

## Labour management relations, cont.

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

### 402-1 Minimum notice periods regarding operational changes

SKF does not state a specific minimum notice period as the Group cannot overrule the centrally agreed

collective bargain agreements in the countries SKF operates in. SKF holds consultations and provides information to relevant parties, which are two separate procedures. Notice regarding operational changes is always defined on a case-by-case basis but always with the local unions involved, and/or reviewed at the World Union Council. SKF units located in EU member states also adhere to the EWC directive 2009/38/EG.

## Occupational health and safety

Direct impact on  
UN Sustainable  
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**Management approach – GRI 3: Material topics 2021**  
**Material topic – GRI 403: Occupational health and safety 2018**

### Management approach

SKF gives top priority to the health and safety of employees, contractors, agency workers and visitors. This is clearly stated in the Group EHS policy together with SKF's commitment to provide safe and healthy working conditions to prevent work-related injury and ill health as well as to assure well-being in the work environment. The Group EHS Policy is available both internally and externally.

Health and safety are material topics in different aspects of SKF's direct operations, as well as activities occurring along the value chain. In blue-collar work roles the focus is primarily on physical health

and safety. This is also relevant for suppliers and is addressed as part of SKF's responsible sourcing approach, see page 119. In addition, psychological health and wellbeing are increasingly material across all job roles within the company.

The overall health and safety ambition for SKF is to reach zero accidents (objective established since year 2000). In addition, accident rate and severity rate is monitored together with other categories of incidents described in the health and safety pyramid on page 114. In this pyramid, near misses and unsafe conditions and behaviours are presented which is monitored to ensure increasing proactivity in the health and safety management. SKF's accident rate has steadily improved over the last two decades and, while the improvement rate has slowed down in recent years, the accident rate for 2022 was 0.68 (0.67) showing a comparable performance as in 2021. SKF strives to achieve further reductions in the accident rate by increasing the effectiveness of its management approach towards health and safety in various ways.

The overall EHS governance in SKF emphasizes line ownership for health and safety. EHS managers

## Occupational health and safety, cont.

are appointed in the regions, business areas and their equivalent management teams across SKF. Working as part of the operational management teams, these individuals make sure that appropriate attention, resources and investments are given to health and safety in their respective units. They are supported in this work by the long established EHS country coordinators who provide local expertise, guidance and support to the sites.

The employees are key stakeholders for occupational health and safety, and as part of the governance structure, health and safety committees are available on all certified sites (ISO 14001/ISO 45001) with more than 50 employees to ensure effective communication (consultation and participation) with employee representatives. A similar committee is available also on Group level, and brings together senior managers from EHS and People Experience with employee representatives from the World Union Council.

Even if the effects of the COVID-19 pandemic have decreased during the year, SKF has continued to work in accordance with the following priorities;

- Protecting the health and safety of employees and their families.
- Following all applicable guidance and requirements from relevant authorities.
- Protecting SKF customers by keeping workplaces safe and maintaining production.

Due to the highly dynamic and regionalized nature of the pandemic, the definition and execution of risk assessments and control measures has been largely devolved to the locally established crisis response teams which have been set up at country and site level.

### 403-1 Occupational health and safety management system

SKF has established and deployed a Group-wide health and safety management system according to the ISO 45001:2018 standard. High-level requirements on health and safety are defined in the Group's

EHS policy and detailed instructions and procedures are integrated within the environment, energy, health and safety management system at Group, country and site level. The system drives compliance with legal requirements and those defined by the Group, its customers and other stakeholders. The system also provides a framework to drive continuous improvement in health and safety performance.

The scope of the management system includes physical and psychological health and safety. It covers employees at SKF sites, in commute or working for SKF off-site (such as maintenance engineers at a customer to SKF), contractors, and visitors at SKF sites. Please refer to disclosure 403-8 for more information on the management system and its coverage.

### 403-2 Hazard identification, risk assessment and incident investigation

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

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

Thorough investigations, which result in corrective and preventative actions must be deployed after each recordable accident. In cases where the issue is linked to risks which may be relevant for other units, the causes of the accident and the corrective and preventative measures to avoid a repeat are shared

## Occupational health and safety, cont.

within the organization. In certain cases, changes may be needed in the Group level management system as part of a preventative measure.

All employees are required to report accidents, incidents and unsafe conditions and behaviours, as they are vital sources of improvements and indicate opportunities to better control the associated risk. The SKF Code of Conduct and related processes make it clear that any management reprisals against individuals making such reports are strictly forbidden. In the unlikely event that a manager acts against the Code of Conduct, the SKF Ethics and Compliance Reporting Line can be used to escalate this.

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

SKF employs health and safety coordinators with expertise to support team leaders and managers at all levels in the organization. Periodic training is also organized on health and safety procedures, roles and responsibilities as part of the SKF Improvement Academy.

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

When defining corrective or preventative actions in response to identified risk, SKF's management system requires that the hierarchy of control measures principles be applied. First option is hazard elimination.

If this is not possible, substitution, engineering controls, administrative controls and, finally, personal protective equipment.

SKF's Group EHS policy is distributed and is highly visible on the walls of every factory and office within the SKF Group.

### 403-3 Occupational health services

Occupational health services are provided to employees at most sites and vary from one country to another (depending on the need, the level of health service provided externally, etc.). SKF cannot report exactly how the quality of such health services are evaluated and ensured. Services are generally supplied by third parties who ensure data privacy in accordance with applicable regulations.

### 403-4 Worker participation, consultation and communication on occupational health and safety

Employee representatives are appointed to the health and safety committees by the employees using a voting system in line with SKF World Union Council (WUC) processes.

SKF health and safety committees operate on site or unit management level with the objective to bring together employee and management representatives to discuss and agree on needed measures to improve the health and safety performance at the site or unit. The committees meet at least once per quarter and decisions taken shall be communicated to the workforce and acted and followed up on. The committees are often involved in accident and incident investigations and may define additional corrective or preventative measures based on this. A Group level Health and Safety Committee is also established with representatives from the World Union Council, Group EHS and Group People Experience. This committee meets formally once per quarter, however more frequent update meetings are conducted as needed.

### 403-5 Worker training on occupational health and safety

All employees and agency workers are provided health and safety training, as well as other Code of Conduct trainings as part of induction training. More specific training is provided depending on the job description. Specific training for potentially hazardous jobs, such as working with electricity, at heights, hot work and so on is mandatory for employees working with these aspects. 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.

### 403-6 Promotion of worker health

The SKF Group has for a long time provided various health promoting activities beyond occupational safety. Employees are covered by locally defined health promoting programmes, including HIV/AIDS prevention, substance abuse, obesity, healthy lifestyle, and stress management. Increasingly these programmes or initiatives take a more holistic approach to health in line with the SKF Group Employee Wellbeing policy. This is focused on three areas: psychological health, life balance and healthy life choices. The confidentiality of individuals is protected in line with general data privacy laws.

### 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

As part of the SKF Code of Conduct for suppliers and sub-contractors, the Group performs on-site audits on a wide variety of sustainability topics. Health and safety are central elements of these follow-ups with suppliers. Read more about this on page 119, Supplier assessments.

SKF's employees also work at customers' sites, at suppliers or other locations outside SKF premises. As part of the process of defining such off-site

activities, SKF assesses health and safety risks. Occasionally, risks not previously identified by the customer or supplier are found, and in such cases, control measures must be agreed before work commences.

Occupational health and safety is also a central element in courses held by SKF for customers on mounting and dismounting bearings.

### 403-8 Workers covered by an occupational health and safety management system

Over 78%, or some 33,000 employees are covered by the certified health and safety management system. The system focuses on the manufacturing sites, workshops, logistics and technical centres. In addition, over 82% of the agency workers under SKF's management control (around 4,000 people) are also covered by health and safety management systems. No specific type of workers or staff are excluded. Newly acquired sites and companies are given a time period before being included in the scope of SKF certification of management systems. All certified sites are subject to internal audit every one to three years. The data has been collected from the SKF financial reporting system using headcount data for sites and units included in the Group's ISO 45001:2018 certification. SKF is globally certified according to ISO 45001:2018. SKF engages a third party certification body to audit for compliance to this standard at Group and site level. In addition to these external audits, a number of SKF employees are qualified as Group internal auditors and these individuals also audit sites to assure compliance with the standards, the environment, energy, health and safety policy and related Group instructions and requirements.

Read more on the certification on [skf.com/45001](http://skf.com/45001).

## Occupational health and safety, cont.

### 403-9 Work-related injuries

Health and safety data are collected using the Group's main reporting and consolidation tool.

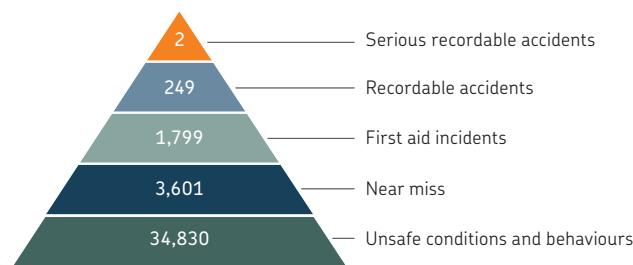
The accident rate is calculated with  $R \times 200,000/h$ , where R = number of recordable accidents and h = total hours worked.

#### Accident rates

	2022	2021	2020	2019	2018	2017	2016	2015
Recordable accidents	0.68	0.67	0.75	0.77	0.81	0.85	0.87	0.99
Serious recordable accidents	0.005	0.003	0.003	0.013	0.013	0.013	—	—

#### Health and safety incident statistics

	2022	2021	2020
Work related fatalities	0	0	0
Serious recordable accidents	2	1	1
Recordable accidents	249	245	252
First aid incidents	1,799	1,863	1,987
Near miss incidents	3,601	3,582	4,016
Unsafe conditions and behaviours	34,830	30,171	20,988
Worked hours (x 200,000)	371	367	338



SKF does not separately report accidents on workers who are not employees (e.g. agency workers) but includes them in the total figures reported.

## Training and education

Direct impact on  
UN Sustainable  
Development Goals



**Management approach – GRI 3: Material topics 2021**  
**Material topic – GRI 404: Training and Education 2016**

#### Management approach

In today's world we accept that the speed of change has never been higher and continues to accelerate. Failing to build a continuous learning culture will result in several undesired effects such as competence deficit, increased attrition, and employer brand erosion. To compensate for such losses would require a more intensive recruitment activity which is challenging in today's war of talent and will be further challenging if the employer brand has been damaged due to a failed continuous learning culture. There is also an ethical dilemma, if not offering the employees opportunities for continuous development and safe employment over time.

SKF's history of success has been dependent on the collective skills and experiences of the employees. During 2022, SKF has increased the focus on life-long learning and will during 2023 launch a new global strategy to outline the journey towards becoming a learning organization. Our competence model builds on the 70-20-10, in which it is acknowledged that most of the learning happens "on the job". SKF needs to facilitate this and not only focus on more traditional/formal methods. Today SKF measures the time spent on our main LMS and is planning to track the progress of competence versus its top strategic skills. The overall aim with learning is to enable individuals to futureproof themselves and to futureproof the company.

Continuous learning and development are vital for SKF to stay competitive in the market. The employees' own commitment for competence development is the key component to keep skills and competence up to date. Increasingly important is the informal learning taking place in the daily work through knowledge sharing and collaboration, using social platforms, open forums, communities etc. SKF Academies are responsible to make sure that competence development supports the strategic business challenges on an overall level. To ensure that crucial local adoption takes place, there is also local learning initiatives and teams in place.

The Group People Experience function coordinates the overall strategy, methods, and tools for enhanced learning in SKF. Via the new global learning platform, People Learn, employees can access e-learnings and formal programs. This platform shall bring together training for various user groups, both internal and external. From 2023, also blue-collar employees will have access to the platform. This is a key step in making learning available and easily accessible for everyone. The new learning platform is based on Adobe Learning Manager. The platform is also used to track and monitor key compliance related trainings to make sure that SKF fulfills its obligations towards customers, the code of conduct and regulations.

The system and content for the performance development process has also been changed during 2022. The new process is fully based on SKF leadership expectations and supports a more continuous dialogue between managers and their reports.

The leadership expectations are the base for employee growth in SKF. The three Leadership pillars are Develop Yourself, Develop Others, Develop the Business. Development activities can include, e.g., job rotation, shadowing, mentoring, and specific technical training. To support employee engagement and to continuously track the employee satisfaction regarding

## Training and education, cont.

development opportunities, SKF Team Pulse has now been rolled out in SKF and includes all employees worldwide. Utilizing the joint resources of Group People Experience, SKF Academies, learning experts, managers, and employees, SKF has a solid foundation for effective competence development activities.

### **404-2 Programmes for upgrading employee skills and transition assistance programmes**

SKF offers internal programs and funding for external education. The exact approach differs from country to country. In several entities, employees can seek scholarships from employee development foundations. These are usually open for all employees and, in some local organizations, also to children of employees. Training and skill upgrading are also done at varying depths or degrees in different parts of the organization, but always in dialogue with the manager.

In collaboration with the SKF World Union Council, the Group identified needs to re-skill people to meet the demands of new digital technologies and ways of doing business. During 2022, the Manufacturing Academy has focused on an ambitious scope, with the shop floor workers as target group. The aim is to upskill our employees within digitalization, maintenance, automation etc. through internal training, or to combine part-time work with studies within production development.

With the new strategic framework and increased focus on sustainability, SKF has put further focus on upskilling our customer facing functions on how customers can lower emissions when using SKF products. This work has continued during 2022 in close collaboration with Sales and Technology Academy. SKF is also offering the possibility of outplacement assistance through coaching and training programs, for employees finding new demands difficult to fulfill and would like to explore opportunities outside SKF.

### **404-3 Percentage of employees receiving regular performance and career development reviews**

Managers at SKF are accountable to work with their teams to define individual and team goals, to link their achievements to the overall result and strategy. This process is supported by a global platform (Success-Factors) where managers and employees can agree, review and update progress and priorities throughout the year. An overall performance rating is defined during the performance review meeting held annually. This is used as input to the salary review and talent management for white collar employees. The global platform for performance development covers about 13,000 white collar employee users in 2022. For this year a new method was used for calculating documented performance rating: total number of staff/staff with performance rating as documented in the globally rolled-out employee master data system.

Users with documented performance reviews in SKF's global system, %

2022		2021	
Women	Men	Women	Men
85	86	91	92

## Diversity and equal opportunity

Direct impact on  
UN Sustainable  
Development Goals



**Management approach – GRI 3: Material topics 2021**  
**Material topic – GRI 405: Diversity and Equal Opportunity 2016**

### **Management approach**

SKF operates in a competitive context, where the demand for complex problem solving and business acumen are central to the success. To really challenge and think outside the box, different perspectives need to be taken into consideration. Failing in diversity and equal opportunity will impact the ability to drive innovation and business development. It will also impact the SKF brand as a contemporary and fair company, which in turn makes it difficult to attract and retain talents and evokes negative perceptions from investors.

Equal opportunity and non-discrimination are central elements in the SKF Code of Conduct. It is crucial for SKF to offer equal prerequisites when applying for open positions. In the ever-increasing competition for talent, SKF needs to have an inclusive approach. The Code of Conduct was therefore the starting point stipulating the importance of encouraging inclusion and diversity, to gain competitive advantage.

According to the International Labour Organization (ILO), the global pay gap is estimated at over 20% and is one of the main challenges for freedom and equality in our society. SKF's overall approach is to start with equality and make sure that everyone in SKF has a fair chance to develop and fulfill career ambitions. Only professionalism should steer the selection.

To keep delivering in times of change, SKF is dependent on its' people. SKF needs a truly inclusive atmosphere where differences bring people together.

To stay competitive and attractive, SKF has, during 2022, put continued effort into gender diversity. Success in achieving a gender balance would strengthen the recruitment position and talent pipeline in SKF, mitigating the risk of competence deficit. SKF also strongly believes that diversity and inclusion have a positive impact on creativity and innovation.

SKF integrates equality into the people processes, e.g., learning, succession planning and recruitment. The recruitment principles are based on the SKF Code of Conduct and facilitate skills-based recruitment by utilizing Assesio's Matrigma ability test. The test is a scientifically robust instrument, reviewed and certified by Det Norske Veritas. Through the quarterly engagement survey (SKF Pulse) we follow the experience of equal opportunities. Furthermore, employees are requested to report behavior that is not in line with SKF's Code of Conduct to their manager, the local People Experience function or to other senior manager. Employees can also raise concerns or seek advice through the third party hosted SKF Ethics and Compliance Reporting Line.

During 2022, activities and programs have been running to maintain focus on improving equality. To drive this, SKF has defined and introduced a suite of KPIs setting the tone from the top. The aim is a more diverse leadership, with a good mix of experience. The target group is the top 150 senior leaders of the Company, but is planned to be expanded going forward. Progress is followed up through Annual People Business Reviews with top Management and by quarterly follow up on gender balance, conducted by Group People Experience. The virtual global program Elevate, targeting women with leadership ambition started in the beginning of 2020, continued during 2022. The ambition is to have a gender balance in all Global Leadership Programs. Further initiatives are launched to build awareness and knowledge around diversity, inclusion, and unconscious bias. One of many local initiatives is a new network for females in the Industrial Region India and Southeast Asia.

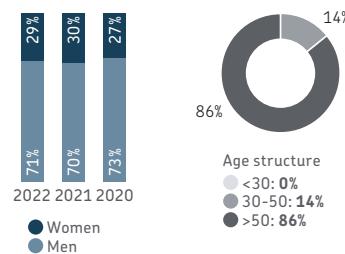
## Diversity and equal opportunity, cont.

### 405-1 Diversity of governance bodies and employees

The graphs show the percentage of women and the age structure at different categories within the organization. Information on minorities is not available.

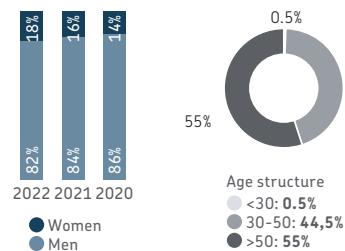
#### The Board

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 136.



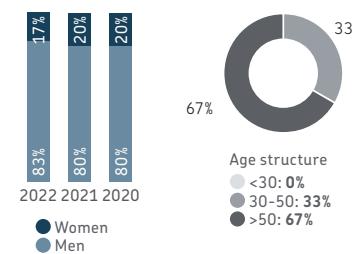
#### Higher management

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



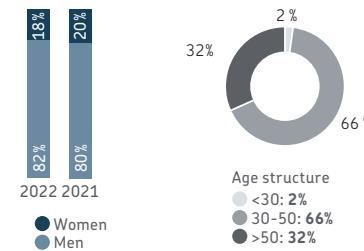
#### Group Management

Group Management is the operational management team of the SKF Group. For more information, see page 140.



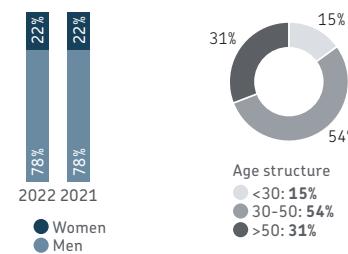
#### Managers

Managers refers to the employees who have direct reports.<sup>1)</sup>



#### Total employees

Total employees refers to the total number of employees in SKF as per end of 2022.<sup>1)</sup>



SKF Code of Conduct requires that all employees are treated equally, fairly and with respect regardless of race, gender, age, national origin or nationality, disability, caste, religion, sexual orientation, union membership or political affiliation. We provide non-discriminatory working conditions, promote diversity, and ensure that wages and other related benefits meet at least the legal or industry minimum standard in the country in question. Wages and benefits are rendered in full compliance with laws and collective agreements. SKF sets staff salaries based on performance and position evaluation using IPE (International Position Evaluation) to ensure internal equity and to pay people fairly. Salary setting also follows legislation and/or union agreements as locally applicable. Equal pay audits are carried out locally adhering to country regulations. Differences in salary as shown by the gender pay ratios have been identified being due to a higher proportion of men in higher level positions, as well as a higher proportion of women in part-time work. SKF is striving for increased gender diversity on all levels and closing the gender pay gap.

### 405-2 Ratio of basic salary and remuneration of women to men

Average annualized basic salary <sup>1)</sup> , %	2022
Women's average basic salary as percentage of men's – Senior Management	88%
Women's average basic salary as percentage of men's – Local Management	97%
Women's average basic salary as percentage of men's – Other Staff	83%

1) Applies to staff basic salaries from all countries of the Group. Salaries for Group Management and blue collars are excluded. Total remuneration could not be reported at Group level.

1) New definition and data source from 2021 and therefore no data is presented for previous years.

## Human rights and non-discrimination

Direct impact on  
UN Sustainable  
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**Management approach – GRI 3: Material topics 2021**  
**Material topics:** Non-discrimination 2016, Freedom of association and collective bargaining 2016, Child labour 2016, Forced or compulsory labour 2016, Human rights assessments 2016

This part of the report is prepared according to UN Guiding Principles on Business and Human Rights Reporting Framework as well as GRI Standards.

### Management approach

SKF owns and operates 77 manufacturing sites across the world, with around 26,000 employees in different types of production. These facilities have local and global supply of components and raw material. Salient risks to human rights relate to SKF employees and people working in the supply chain. The work is continually evolving as risk assessment and due diligence processes are developing and as more knowledge is gained about how the Group's activities can have an impact on the people in proximity to SKF's operations, its distribution, sales and end-use of products and services.

### Modern Slavery Act 2015

AB SKF is committed to ensure that the companies within the SKF Group do not allow slavery or human trafficking. As with other human rights, this commitment extends to the supply chains used by the SKF Group. This statement is made pursuant to Section 54, Parts 1, 5 and 6 of the Modern Slavery Act 2015 and sets out the steps the SKF Group has taken to ensure that slavery and human trafficking are not taking place in company operations or supply chains.

The SKF Code of Conduct is based on a number of international external principles and charters, such as ILO conventions, UN Guiding Principles for Business and Human Rights, the International Chambers of Commerce Business Charter for Sustainable Development and the UN Global Compact. The SKF Code of Conduct has been used to develop many related policies on specific topics and to address business partners along the value chain. The Code is available on [skf.com/code](#) and is part of commercial agreements with suppliers, sub-contractors, distributors and agents. The SKF Code of Conduct is the main policy for human rights, backed up by adapted versions specifically addressing suppliers, sub-contractors and distributors, but they are all based on the same principles.

SKF works to integrate human rights aspects in all processes where SKF sees a risk that people could be adversely affected. This means that human rights are considered in screening and audit activities including but not limited to internal ethics and compliance

reviews and audits, quality audits and Code of Conduct audits at suppliers. Deviations or risks are resolved in the operations or escalated if needed. Alarming issues would be escalated to the audit committee at board level. SKF Group Management are continually updated on specific issues, such as health and safety for SKF's employees and serious incidents. The Group's EHS and responsible sourcing programmes are vital parts of managing salient human rights in SKF operations and supply chain.

### Salient human rights risks

SKF perceives the salient human rights being related to freedom of association and collective bargaining, compensation, work hours, health, safety, wellbeing and discrimination. The salient risks are mainly associated to the supply chain. Lack of transparency and traceability means that the further upstream in the value chain, the more difficult it is for SKF to identify concrete human rights risks.

Other human rights issues that SKF is following closely, although not deemed salient, are related to children's rights, child labour and young workers, and forced or bonded labour. SKF follows up closely, first of all, with potential new suppliers on their risks related to these human rights. In this work, SKF focuses on geographic regions where risks are higher, where rule of law and social equality are weaker. During 2022, SKF conducted an assessment with regards to human rights due diligence in relation to the EU Due Diligence directive expected during 2023. The assessment included policies, processes and resources related to due diligence of third parties such as suppliers, service providers and distributors. SKF uses published third party data to access human rights risks from a number of perspectives including regional and industry specific risks.

### Stakeholder collaboration

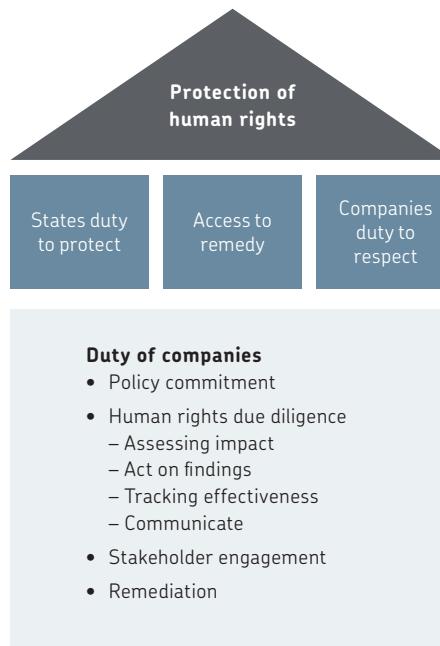
SKF collaborates with a range of stakeholder groups to avoid or mitigate human rights risks. Customers typically require SKF to manage such risks. The primary stakeholder group with whom SKF has a direct relationship is the employees, and so a social dialogue is held between local management and worker representatives. In addition to this ongoing dialogue on a local level, SKF Group Management meets annually with SKF World Union Council (WUC). SKF also maintains dialogues with peers and NGOs via networks such as the UN Global Compact, Transparency International and Roundtable on Sustainable Palm Oil as a supplier of bearings and solutions into that industry.

Steel and steel components represent by far the most significant material input to SKF in terms of value and weight. The steel supply chain is complex and highly globalized and may involve human rights risks particularly at the top end of the supply chain. Typically, SKF has no direct business relationship with actors beyond tier 1 or 2 and so driving change unilaterally is not feasible. Therefore, in 2021, SKF joined many other actors in the steel value chain as well as representatives from civil society in the Responsible Steel Initiative (RSI). The RSI is a multistakeholder initiative which works to identify and address salient human rights (along with environmental) risks in the full steel value chain – from scrap or raw material to finished steel.

### Trends and patterns 2022

At the annual conference, SKF WUC and the Group focused on health, safety, decent working conditions, and the deployment of training for local health and safety committees.

## Human rights and non-discrimination, cont.



### Integrating findings and taking action

The SKF Code of Conduct implies that the different stakeholder aspects shall be taken into consideration prior to any business decisions. Should any decision be taken that may have adverse impact on human rights, meaning against the SKF Code of Conduct, the individual who records such an event is expected to report this via the formal grievance mechanisms so

that the decision can be avoided. For cases where the normal escalation routine is not an option, SKF uses an externally hosted ethics and compliance reporting mechanism, read more on page 95.

The work to prevent adverse impact is a continuously ongoing task. The most obvious issues for SKF are related to freedom of association and collective bargaining as SKF has operations in countries where such do not exist. The Group works together with the WUC to seek pragmatic ways to bargain collectively and nominate worker representatives. This is to be in line with its global framework agreement with the union, while at the same time making sure to adhere to local laws, and not put employees at risk.

**Impact from SKF's business and products**  
SKF works to continuously reduce any negative downstream impact relating to its business. This starts with ensuring compliance with laws and regulations and the avoidance of materials and substances hazardous to people and the natural environment.

With regards to SKF's business, the purpose of SKF's products and solutions is to make things work better, run faster, longer, cleaner and more safely. SKF considers that business can drive prosperity and growth to overcome social issues over time.

The work related to human rights focuses on adhering to export control regulation and ensuring that SKF's distributors adhere to the SKF Code of Conduct. SKF has identified a few industry hotspots where the general human risks are higher, such as the extractive industries, forestry and energy, as these are associated with significant land use. No cases of systematic human rights violations linked to SKF business activities have been identified during 2022.

### 406-1 Incidents of discrimination and corrective actions taken

During 2022, 92 reports related to discrimination and harassment have been received through the SKF Ethics & Compliance Reporting Line.

These cases are normally assigned to local investigators (mainly People Experience country leads) and actions are taken on a local level.

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

In addition, SKF works to establish a corporate harmonization, adhering local labor laws, in regards of setting appropriate actions as result of the findings of local investigations.

### 407-1 Operations and suppliers in which the freedom of association and collective bargaining may be at risk

All employees are covered by collective agreement or the SKF Framework agreement. The overall approach from the state towards union membership and the level of independence of trade unions in certain countries where SKF has operations, creates challenges in this respect. SKF works pragmatically with the WUC and the appointed union representatives to try and address these challenges. Please refer to page 95 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](http://skf.com/locations).

### 408-1 Operations and suppliers at significant risk for incidents of child labour

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

The risk for child labour at SKF suppliers is higher and therefore the supplier audits have a high focus on this. However, due to the nature of suppliers and the long standing relationship with them, the cases are extremely rare. During 2022, SKF found no cases of child labour at its own operations and no cases at SKF's suppliers.

### 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour

The issue of forced, bonded and compulsory labour is included in SKF's Code of Conduct and internal and supplier audits. In 2022, no cases of forced or bonded labour have been identified. SKF applies regional risk characterization from tools such as Maplecroft to help identify countries with these potential risks (407-1, 408-1, 409-1).

### 412-1 Operations that have been subject to human rights reviews or impact assessments

SKF's manufacturing units are subject to an ethics review including relevant aspects on the Code of Conduct with a risk-based periodicity. In 2022, 14 such reviews were carried out. In addition, sites undergo audits on specific topics and most audits related to human rights focus on health and safety. SKF also carries out site audits at suppliers. Read more on the next page.

## Supplier assessments

Direct impact on  
UN Sustainable  
Development Goals



**Management approach – GRI 3: Material topics 2021**  
**Material topics – GRI 414: Supplier social assessment 2016 and GRI 308: Supplier environmental assessment 2016**

### Management approach

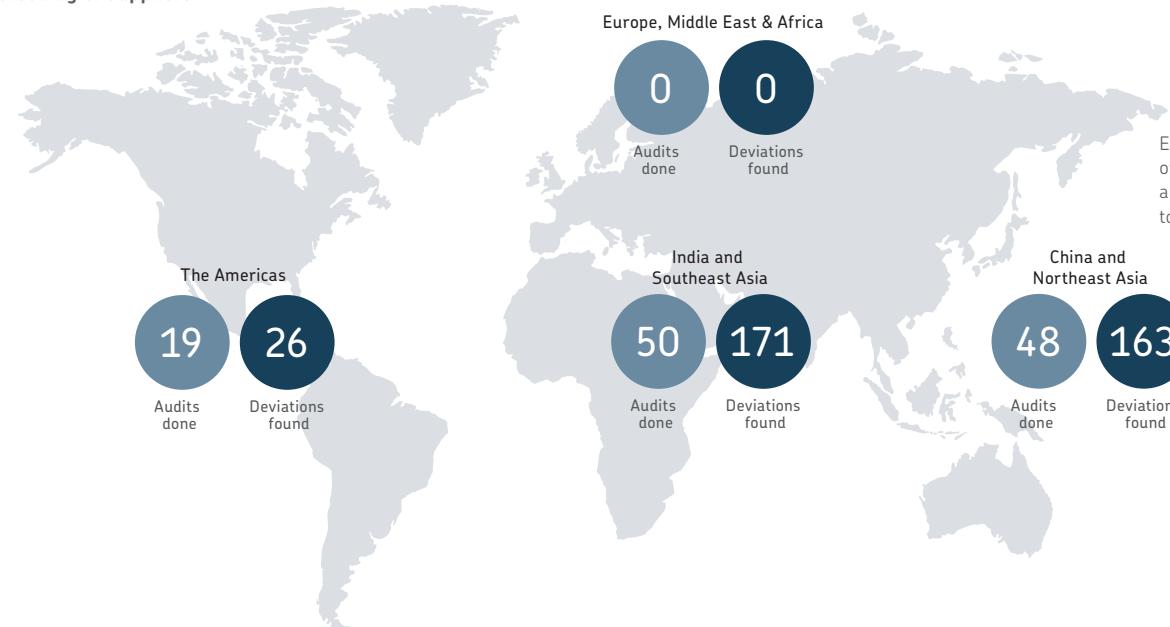
SKF addresses supplier impact on the environment, human rights, labor practices and society under the Responsible sourcing programme. The programme covers all of SKF's suppliers but uses a risk-based approach focusing auditing on tier one and sometimes tier two suppliers.

SKF's Responsible sourcing programme works to ensure the Group's effective deployment of the SKF Code of Conduct for suppliers and sub-contractors. The programme is part of supplier development, which covers areas of delivery, quality, product compliance and Code of Conduct. All potential suppliers are initially screened using a set of minimum criteria related to the Code of Conduct and quality demands. These must be met in order to be considered as an SKF supplier.

The SKF Code of Conduct for suppliers and sub-contractors has been revised during 2022. The new version, which will be officially published in the first part of 2023, covers more areas and more details with the addition of new chapters like Ethics and Compliance, GHG reduction, certification to international standards and other.

SKF's responsible sourcing strategy uses a risk based approach, where direct material suppliers making up 90% are automatically subject to audits if they are located in high risk regions. These can be both tier one and tier two suppliers. In addition

### Screening of suppliers



to these, when risks to people, the environment or business ethics are flagged, during site visits or screenings, the suppliers are escalated to be audited. This can be any type of supplier, e.g. professional services or other indirect material. Screening of suppliers is done using SKF's own risk tool and audits are always done on suppliers' locations by SKF specialists or third-party auditors. Warning signs may also be raised by other SKF staff visiting suppliers, such as during a quality review. The Code of Conduct audit procedure is based around a checklist with 62 specific questions focusing on a wide range of aspects, such as human rights and labor standards, environment, bribery, fraud, and other ethical guidance.

Most non-compliance cases are managed by SKF's regional purchasing offices. Significant deviations are escalated to SKF Group's Responsible Sourcing Committee. First and foremost, the work focuses on establishing a strong partnership and developing targeted suppliers. However, suppliers that fail to address critical issues over time risk having their contracts with SKF terminated.

During 2022, unacceptable deviations were found at seven suppliers in India and China; these cases were escalated to the Responsible Sourcing Committee, who decided to assign specific support to help these suppliers to improve. At the end of the year, most of the main problems have been solved and five of the seven suppliers were confirmed as business

External risk maps, combined with SKF's operations and spend have resulted in a region or country focus when it comes to risk assessment audits and follow-ups.

## Supplier assessments, cont.

### **414-1, 308-1 New suppliers that were screened using social and environmental criteria**

All new suppliers of direct material in high risk countries are visited on site. In other countries, all new direct material suppliers are subject to a modular quality audit, which could include or trigger a Code of Conduct audit. Major suppliers in high risk countries are subject to re-audit. Indirect material suppliers are audited when awarded strategic sourcing status.

For China, the beginning of 2022 was still heavily impacted by the COVID-19 pandemic, with major travel restrictions. When the restrictions were lifted during the last two months of 2022, a sudden increase of the COVID-19 infections in SKF and at SKF suppliers limited the possibilities of Code of Conduct Audits. These reasons led to a certain reduction in the planned number of Code of Conduct Audits for China at year-end.

In spite of this, 117 suppliers have been physically audited. 19 out of 117 have been audited without negative impact identified (no critical deviations). With the 98 other suppliers, all have confirmed improvements, although with two of them business exit decision has been taken by SKF. 30 new suppliers were audited on site using environmental and social criteria, and one of these was not approved to supply SKF.

### **414-2 Negative social impacts in the supply chain and actions taken**

In 2022, 301 deviations to the SKF Code of Conduct in this category have been identified and are being

resolved in the operations. The most common deviations are related to occupational health and safety, work hours, compensation and employment contract procedures. Seven suppliers with major deviations have been escalated to the Responsible Sourcing Committee. All cases are prioritized and addressed according to their urgency. In two cases SKF has decided to stop the business.

### **308-2 Negative environmental impacts in the supply chain and actions taken**

During 2022, 59 environmental deviations related to pollution control and waste handling have been identified and actions are ongoing at the suppliers to resolve them. SKF's management systems, skills and experience in environmental management provides support and competitive advantages in the local supplier development. Specific training programmes about Code of Conduct, as well as social and environmental matters, have been conducted in India and China with particular focus on suppliers having social and environmental issues, including direct and indirect material suppliers as well as sub-contractors and service providers. Around 79 suppliers attended the training in India and China. To strengthen these supplier follow-ups, local purchasing staff also have to be trained.

To increase focus and coverage of Code of Conduct Audits at suppliers, six new Auditors have been trained in India.

Other trainings are planned in the different Regions during 2023.

## Socioeconomic compliance

Direct impact on  
UN Sustainable  
Development Goals



### **Management approach – GRI 3: Material topics 2021 Material topic – GRI 419: Socioeconomic compliance 2016**

#### **Management approach**

SKF addresses socioeconomic compliance as part of the Group's ethics and compliance program, including the activities and controls to mitigate and prevent negative impacts and increase positive impacts. Processes, controls, guidelines, training and tools are integrated parts of the program and are available for employees on the Group's internal websites. SKF's compliance program activities to prevent or mitigate the risks, are focused on the main risks identified in the Group's yearly compliance risk assessment. Compliance with international declarations, conventions, treaties and local regulation is one of the most important tasks for a multinational enterprise to support sustainable development. SKF works proactively to prepare for and live up to such requirements.

SKF has a Group-wide program of online training courses related with the objective to create awareness of the importance and impact of compliance to rules and requirements. These trainings are mandatory for all employees with a company e-mail address.

Data privacy is an important area of compliance for SKF, and the policy and compliance program activities have a direct positive impact on employees, customer and supplier representatives with regards to protecting privacy and integrity.

In line with the OECD recommendations, Sweden has introduced rules on country by country reporting, and a report including, e.g. income, profit, taxes paid, employees and economic activity in each country, needs to be filed with the Swedish Tax Authority. SKF has filed such information but does not report publicly due to sensitive competitive information. Tax is an important sustainability topic and SKF makes its tax policy public on SKF.com. The global bearing market, which is the main business of the SKF Group is made up of a small number of large enterprises. This is explained more on pages 8–9. This means that publicly disclosing earnings and tax per country, or even by region, would provide competitors with information on exactly where SKF does business and the size of it. This information would be highly valuable for any competitor. For this reason, SKF will not disclose tax or earnings by country publicly. In addition to the above topics and other socioeconomic areas reported within these statements, SKF works closely to ensure compliance to topics such as corruption, money laundering, export control and human rights.

### **419-1 Non-compliance with laws and regulations in the social and economic area**

No cases of non-compliance related to these topics have been identified.

# GRI content index

**Statement of use**  
**GRI 1 used**  
**Applicable GRI Sector Standard(s)**

AB SKF has reported in accordance with the GRI Standards for the period 2022-01-01–2022-12-31  
 GRI 1: Foundation 2021  
 No applicable GRI sector standards exists

Omission

GRI standard/Other source	Disclosure	Location	Requirement(s) omitted	Reason	Explanation
<b>GENERAL DISCLOSURES</b>					
GRI 2: General Disclosures 2021	<b>2-1</b> Organizational details	7–9 and 93			
	<b>2-2</b> Entities included in the organization's sustainability reporting	85–87			
	<b>2-3</b> Reporting period, frequency and contact point	98			
	<b>2-4</b> Restatements of information	98			
	<b>2-5</b> External assurance	98 and 130			
	<b>2-6</b> Activities, value chain and other business relationships	14–24			
	<b>2-7</b> Employees	110–116			
	<b>2-8</b> Workers who are not employees	95			
	<b>2-9</b> Governance structure and composition	131–135			
	<b>2-10</b> Nomination and selection of the highest governance body	131–135			
	<b>2-11</b> Chair of the highest governance body	131–135			
	<b>2-12</b> Role of the highest governance body in overseeing the management of impacts	93			
	<b>2-13</b> Delegation of responsibility for managing impacts	93			
	<b>2-14</b> Role of the highest governance body in sustainability reporting	93			
	<b>2-15</b> Conflicts of interest	72			
	<b>2-16</b> Communication of critical concerns	95			
	<b>2-17</b> Collective knowledge of the highest governance body	93			
	<b>2-18</b> Evaluation of the performance of the highest governance body	131–135			
	<b>2-19</b> Remuneration policies	72–75			
	<b>2-20</b> Process to determine remuneration	72–75			
	<b>2-21</b> Annual total compensation ratio	—	Information unavailable /incomplete		The median annual total compensation for all employees and the median percentage increase in total compensation for all employees has not been collected yet. Base salary for blue collar workers, local short-term variable pay, long-term variable pay and other remuneration and benefits cannot be obtained to calculate total compensation, as this data is not stored in the global HR system. This applies to all locations and legal entities.  The remuneration and change of remuneration for the President compared to the remuneration and change of the average remuneration of employees in AB SKF is reported in the Remuneration Report.

GRI standard/Other source	Disclosure	Location	Omission	Reason	Explanation
			Requirement(s) omitted		
<b>GENERAL DISCLOSURES CONT.</b>					
	<b>2-22 Statement on sustainable development strategy</b>	14–24			
	<b>2-23 Policy commitments</b>	93			
	<b>2-24 Embedding policy commitments</b>	93			
	<b>2-25 Processes to remediate negative impacts</b>	94–120			
	<b>2-26 Mechanisms for seeking advice and raising concerns</b>	95			
	<b>2-27 Compliance with laws and regulations</b>	94			
	<b>2-28 Membership associations</b>	94			
	<b>2-29 Approach to stakeholder engagement</b>	96			
	<b>2-30 Collective bargaining agreements</b>	95			
<b>MATERIAL TOPICS</b>					
GRI 3: Material Topics 2021	<b>3-1 Process to determine material topics</b>	97			
	<b>3-2 List of material topics</b>	97			
<b>Economic performance</b>					
GRI 3: Material Topics 2021	<b>3-3 Management approach</b>	99			
GRI 201: Economic Performance 2016	<b>201-1 Direct economic value generated and distributed</b>	99			
	<b>201-2 Financial implications and other risks and opportunities due to climate change</b>	99			This is not yet included in the Sustainability Statements in detail, but is addressed in the TCFD report available at <a href="http://skf.com/ar2022">skf.com/ar2022</a>
<b>Anti-corruption and competition law</b>					
GRI 3: Material Topics 2021	<b>3-3 Management approach</b>	95 and 100			
GRI 205: Anti-corruption 2016	<b>205-1 Operations assessed for risks related to corruption</b>	100			Percentage of operations assessed for risks related to corruption cannot be provided, data is not available
	<b>205-3 Confirmed incidents of corruption and actions taken</b>	100			
GRI 206: Anti-competitive Behavior 2016	<b>206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices</b>	100			
<b>Enabling cleantech growth</b>					
GRI 3: Material Topics 2021	<b>3-3 Management approach</b>	101			
SKF Specific topic	Revenue from sales to cleantech areas	101			

GRI standard/Other source	Disclosure	Location	Omission	Reason	Explanation
			Requirement(s) omitted		
<b>MATERIAL TOPICS CONT.</b>					
GRI 3: Material Topics 2021	Energy use and efficiency, climate change and greenhouse gas emissions	3-3 Management approach	102		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	105			
	302-3 Energy intensity	105			
	302-4 Reduction of energy consumption	105			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	105			
	305-2 Energy indirect (Scope 2) GHG emissions	105			
	305-3 Other indirect (Scope 3) GHG emissions	106			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	106			
<b>Material, Water, Effluents and waste, Environmental compliance</b>					
GRI 3: Material Topics 2021	3-3 Management approach	107			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	108			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	108			
	303-2 Management of water discharge-related impacts	108			
	303-3 Water withdrawal	109			
	303-4 Water discharge	109			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	109			
	306-3 Waste generated	109			
	306-4 Waste diverted from disposal	109			
	306-5 Waste directed to disposal	109			SKF reports only grinding swarf separately as its main hazardous waste.
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	109			

GRI standard/Other source	Disclosure	Location	Omission	Reason	Explanation				
			Requirement(s) omitted						
<b>MATERIAL TOPICS CONT.</b>									
<b>Employment</b>									
GRI 3: Material Topics 2021	3-3 Management approach	110							
GRI 401: Employment 2016	<b>401-1</b> New employee hires and employee turnover	111							
<b>Labor/management relations</b>									
GRI 3: Material Topics 2021	3-3 Management approach	111							
GRI 402: Labor/Management Relations 2016	<b>402-1</b> Minimum notice periods regarding operational changes	112							
<b>Occupational health and safety</b>									
GRI 3: Material Topics 2021	3-3 Management approach	112							
GRI 403: Occupational Health and Safety 2018	<b>403-1</b> Occupational health and safety management system	112							
	<b>403-2</b> Hazard identification, risk assessment, and incident investigation	112							
	<b>403-3</b> Occupational health services	113							
	<b>403-4</b> Worker participation, consultation, and communication on occupational health and safety	113							
	<b>403-5</b> Worker training on occupational health and safety	113							
	<b>403-6</b> Promotion of worker health	113							
	<b>403-7</b> Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	113							
	<b>403-8</b> Workers covered by an occupational health and safety management system	113							
	<b>403-9</b> Work-related injuries	114							
<b>Training and education</b>									
GRI 3: Material Topics 2021	3-3 Management approach	114							
GRI 404: Training and Education 2016	<b>404-2</b> Programs for upgrading employee skills and transition assistance programs	115							
	<b>404-3</b> Percentage of employees receiving regular performance and career development reviews	115							
<b>Diversity and equal opportunity</b>									
GRI 3: Material Topics 2021	3-3 Management approach	115							
GRI 405: Diversity and Equal Opportunity 2016	<b>405-1</b> Diversity of governance bodies and employees	116							
	<b>405-2</b> Ratio of basic salary and remuneration of women to men	116							

GRI standard/Other source	Disclosure	Location	Omission	Reason	Explanation				
			Requirement(s) omitted						
<b>MATERIAL TOPICS CONT.</b>									
<b>Human rights and non-discrimination</b>									
GRI 3: Material Topics 2021	3-3 Management approach	117							
GRI 406: Non-discrimination 2016	<b>406-1</b> Incidents of discrimination and corrective actions taken	118							
GRI 407: Freedom of Association and Collective Bargaining 2016	<b>407-1</b> Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	118							
GRI 408: Child Labor 2016	<b>408-1</b> Operations and suppliers at significant risk for incidents of child labor	118							
GRI 409: Forced or Compulsory Labor 2016	<b>409-1</b> Operations and suppliers at significant risk for incidents of forced or compulsory labor	118							
	<b>412-1</b> Operations that have been subject to human rights reviews or impact assessments	118							
<b>Supplier assessments</b>									
GRI 3: Material Topics 2021	3-3 Management approach	119							
GRI 308: Supplier Environmental Assessment 2016	<b>308-1</b> New suppliers that were screened using environmental criteria	120		Percentage cannot be disclosed. The total number of new suppliers is not known.					
	<b>308-2</b> Negative environmental impacts in the supply chain and actions taken	120		117 suppliers have been audited, total number of suppliers assessed in other ways cannot be disclosed.					
GRI 414: Supplier Social Assessment 2016	<b>414-1</b> New suppliers that were screened using social criteria	120							
	<b>414-2</b> Negative social impacts in the supply chain and actions taken	120							
<b>Socioeconomic compliance</b>									
GRI 3: Material Topics 2021	3-3 Management approach	120							
GRI 419: Socioeconomic compliance 2016	<b>419-1</b> Non-compliance with laws and regulations in the social and economic area	120							

# The EU Taxonomy

## Contextual information

The EU Taxonomy is a classification system to help define environmentally sustainable economic activities to support the transition to an economy consistent with EU's environmental objectives. A cross-functional team with members from sustainability, finance and investor relations has investigated the EU Taxonomy requirements and its relevance to SKF based on the EU Taxonomy Regulation 2020/852 and the related delegated regulations and annexes.

The conclusion from the analysis is that since the manufacturing of components is currently not included in the economic activities covered by the EU Taxonomy, there is no eligible turnover, CAPEX or OPEX for SKF's own operation. SKF can only account for purchases of output from taxonomy-eligible activities.

## Assessment of compliance

In the assessment of purchases of output from taxonomy-eligible activities SKF has identified acquired and leased buildings, building renovations, energy efficient equipment and renewable energy installations.

This is an increased scope compared to 2021, which is based on an updated interpretation in January 2023 of point 1.1.2.2 c of Annex I to the Disclosure Requirements.

SKF can report the identified purchases as taxonomy aligned if the supplier activities in question are

taxonomy aligned, but this information is not yet fully available. Consequently, SKF can only report on eligibility in 2022.

## Accounting policies

Total turnover corresponds to Net sales in the consolidated financial statement.

Total capital expenditures cover investments in tangible assets, intangible assets and right-of-use assets considered before depreciation, amortization and any re-measurements, including those resulting from revaluations and impairments and excluding fair value changes. Capital expenditures also covers investments in tangible assets, intangible assets and right-of-use assets resulting from business combinations. Additions to property, plant and equipment, intangible assets and right-of-use assets is included in the segment information in Note 2 to the consolidated financial statement. Capital expenditures for businesses acquired is part of the reported amount for businesses acquired/sold in Note 10 and Note 11.

Total operational expenditures correspond to research and development costs, short-term leases, maintenance and repair costs, including building renovation and day to day servicing of assets and property.

All activities are reported as eligible for the climate mitigation target, and the allocation of CAPEX is based on business unit reporting and facility and real-estate information.

THE EU TAXONOMY, CONT.

Code(s)	Absolute turnover	Proportion of turnover	Substantial contribution criteria		DNSH criteria ( Does Not Significantly Harm)						Minimum safeguards	Taxonomy aligned proportion of turnover, year N	Taxonomy aligned proportion of turnover, year N-1	Category (enabling activity or)	Category (transitional activity)			
			Climate change mitigation	Biodiversity and ecosystems	Water and marine resources	Climate change adaption	Pollution	Circular economy	Y/N	Y/N								
Economic activites (1)	MSEK	≈≈	≈≈	≈≈	≈≈	≈≈	≈≈	≈≈	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T		
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																		
A.1 Environmental sustainable activities (Taxonomy-aligned)																		
Turnover of environmental sustainable activities (Taxonomy-aligned (A.1))																		
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)																		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2))																		
Total (A.1 + A.2)																		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																		
Turnover of Taxonomy-non-eligible activities (B)																		
Total (A + B)																		

THE EU TAXONOMY, CONT.

	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria		DNSH criteria ( Does Not Significantly Harm)						Biodiversity and ecosystems	Minimum safeguards	Taxonomy aligned proportion of CapEx, year N	Taxonomy aligned proportion of Capex, year N-1	Category (enabling activity or)	Category (transitional activity)
				Climate change mitigation	Climate change adaption	Biodiversity and ecosystems	Pollution	Circular economy	Pollution	Y/N	Y/N						
Economic activites (1)	MSEK	%	%														
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																	
<b>A.1 Environmental sustainable activities (Taxonomy-aligned)</b>																	
CapEx of environmental sustainable activities (Taxonomy-aligned (A.1))																	
Acquired and leased buildings	7.7	928	16														
Building renovations	7.2	4	0														
Purchase of energy efficient equipment	7.3	4	0														
Purchase of renewable energy installations	7.6	24	0														
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																	
Total (A.1 + A.2)		959	16														
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																	
CapEx of Taxonomy-non-eligible activities (B)																	
Total (A + B)		4,925	84														

THE EU TAXONOMY, CONT.

	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm)						Minimum safeguards	Taxonomy aligned proportion of OpEx, year N	Taxonomy aligned proportion of OpEx, year N-1	Category (enabling activity or)	Category (transitional activity)										
				Economic activites (1)	MSEK	≥e	≥e	≥e	≥e	≥e	≥e															
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																										
A.1 Environmental sustainable activities (Taxonomy-aligned)																										
OpEx of environmental sustainable activities (Taxonomy-aligned (A.1))																										
A.2 Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2)																										
Total (A.1 + A.2)																										
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																										
OpEx of Taxonomy-non-eligible activities (B)																										
Total (A + B)																										

# 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 2022. The Company has defined the scope of the Sustainability Report on page 3 in connection to the table of content in Annual Report and the Statutory Sustainability Report on page 98.

## Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 98 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an

opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

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

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

The limited assurance procedures performed and the examination according to RevR 12 do not enable

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

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

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

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Gothenburg, March 1, 2023  
Deloitte AB

Hans Warén  
*Authorised Public  
Accountant*

Lennart Nordqvist  
*Expert Member  
of FAR*