

Terms for Variable Board Fee (Synthetic Shares) 2025

Background and Purpose

To strengthen the connection between the Board of Directors and shareholders and the possibility for Board members to influence the size of the Board fee through AB SKF's (the company's) value development, the Nomination Committee has proposed to the Annual General Meeting 2025 to link a value equivalent to 30 percent of the Board fee to the company's share price development, through so-called synthetic shares. In this document a synthetic share refers to a non-transferable right to, four years after the Board election, receive payment of an amount based on the stock price at the time of payment of a Series B share in the company.

Participation in the Synthetic Share Program for Board Members

Each Board member is proposed to receive 70 percent of their Board fee (as decided by the Annual General Meeting 2025, excluding special meeting fees and Committee fees) as a fixed amount in cash and to be allocated synthetic shares corresponding to the remaining 30 percent of the Board fee. The number of synthetic shares allocated to a Board member is based on the average price of the Series B share in AB SKF during the five trading days immediately following the day the company's quarterly report for the first quarter of 2025 is published (the starting price).

Qualification Period

The right to benefit from the outcome of the synthetic shares is contingent on whether the Board member remains a Board member during the entire or only part of the mandate period decided by the Annual General Meeting. Qualification is made on a pro-rata basis from the day after the Annual General Meeting 2025 to the day of the Annual General Meeting 2026.

Payment

The Board member's right to receive payment occurs after the publication of the quarterly report for the first quarter of 2029. The payable amount shall be determined based on the average price of the Series B share during the five trading days immediately following the publication of said quarterly report (the final price).

*Example: If 30 percent of a Board member's fee is SEK 100,000, the starting price was SEK 100, the Board member is fully qualified, and the final price is SEK 150, the payable amount is $100,000 / 100 * 150 = SEK 150,000$.*

Dividend paid on AB SKF's Series B shares during the period the Board member holds synthetic shares shall give right to an adjustment and allocation of additional synthetic shares based on the average price of the Series B share during the five trading days following the later of i) the day the share is listed without the right to dividend, and ii) the publication of the quarterly report for the first quarter. Payment related to such additional synthetic shares will be made on the payment date.

The payment date shall be five banking days after the payment amount, including adjustment in accordance with the above, has been determined.

To receive payment, the Board member needs to request it.

The company may make deductions for withholding tax or equivalent from the amount to be paid and to forward to the tax authorities.

Adjustment

In case the share capital in the company is increased or decreased, convertibles or warrants are issued, extraordinary dividends are paid (e.g. a Lex Asea-distribution), or the company is liquidated or merged, or similar changes occur, the number of synthetic shares and/or the value per synthetic share shall be recalculated according to Swedish market practice to give the Board member an unchanged economic outcome. Swedish market practice for the adjustment of similar instruments shall be applied as far as possible. The company may decide to instead make an early payment, based on the then-current price of the Series B share, if the circumstance that causes the recalculation requires it.

Recalculation shall be made with binding effect for the company and the Board members by an auditor independent from the company appointed by the company. The company may appoint one of the following accredited audit firms; Deloitte, EY, KMPG or PwC.

Early Payment

In case a Board member resigns as a Board member prior to the payment date as stated above or is not re-elected at the Annual General Meeting, the Board member may, within three months after the Board member has resigned/not been re-elected, request that the time of payment is brought forward, and shall instead occur after the publication of the next year-end report. The amount to be paid shall be calculated based on the same principles as stated above.

Prohibition against pledging or transfer

The right to variable compensation (synthetic share) may not be mortgaged, pledged, transferred, or otherwise disposed of. However, upon the death of a Board member, the right shall pass to the estate.

Disputes

Any dispute, controversy or claim arising out of or in connection with the above shall be finally settled by arbitration in accordance with the Rules for Expedited Arbitrations of the SCC Arbitration Institute. The seat of arbitration shall be Gothenburg, Sweden.

The language to be used in the arbitral proceedings shall be English. These terms shall be governed by the substantive law of Sweden.