

The Board of Directors’ proposal for a resolution on SKF’s Performance Share Programme 2025

Background information

At the Annual General Meeting in 2008 the SKF Group introduced a long-term performance share programme for senior managers and key employees (SKF’s Performance Share Programme 2008). Since 2008 the Annual General Meeting has resolved each year upon a performance share programme.

The Board of Directors’ proposed decision

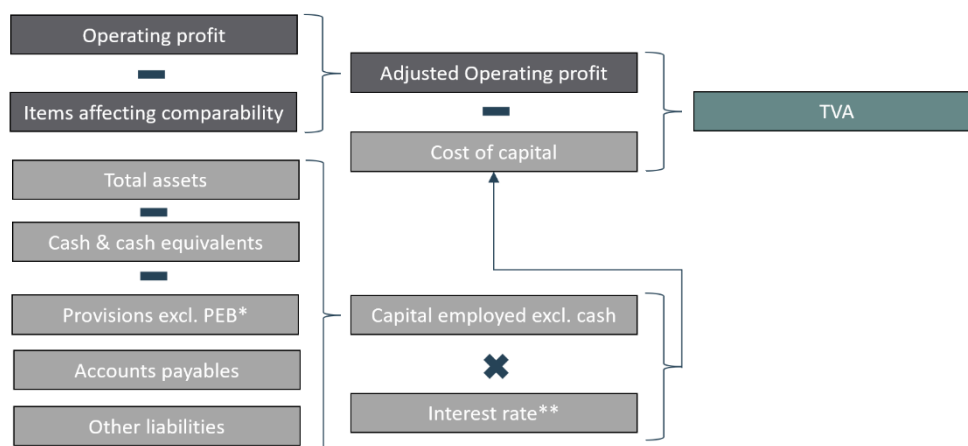
The Board of Directors proposes – to continue to link the long-term interests of the participants and the shareholders, strengthening the SKF Group’s ability to attract and retain the best people and to contribute to the SKF Group’s business strategy, its long-term interests and sustainability – that a decision be taken at the Annual General Meeting 2025 on SKF’s Performance Share Programme 2025.

The programme is proposed to cover senior managers and key employees in the SKF Group with an opportunity to be allotted, free of charge, SKF B shares in accordance with the following principal terms and guidelines. Under the programme, not more than in total 1,000,000 SKF B shares may be allotted.

The allotment of shares shall be related to the level of achievement of the Total Value Added (TVA) target, as defined by the Board of Directors, and the SKF Group’s CDP Climate Change score. The TVA performance measure is weighted 80% and the CDP Climate Change score performance measure is weighted 20%.

TVA performance measure

TVA is a simplified economic value-added model promoting greater operating profit, capital efficiency and profitable growth. TVA is the adjusted operating profit, less the pre-tax cost of capital.



* Post employment benefits

** 9% for 2025

Over the three-year programme period (2025-2027), the TVA performance target range is set annually by the Board of Directors against the baseline of the actual TVA achieved in the previous year. The overall performance achievement for the TVA performance measure of the programme is the average of achievements of the annual TVA targets. In order for allocation of shares to take place, the average TVA development must exceed a certain minimum level (the threshold level). In addition to the threshold level, a target level is set. Maximum allotment is awarded if the target level is reached or exceeded. By way of example, if the TVA achievement year 1 is 80%, year 2 is 100% and year 3 is 0%, the overall performance achievement of the programme would then be 60% $(80\%+100\%+0\% / 3)$.

CDP Climate Change score performance measure

CDP is a global non-profit organization known for its assessments and scoring methodology to evaluate companies' disclosure and performance relating to climate change and environmental impact.

Performance categories
Business strategy, financial planning & scenario analysis
Emissions reduction initiatives
Energy
Governance
Opportunity disclosure
Risk disclosure
Risk management processes
Scope 1 & 2 emissions
Scope 3 emissions
Targets
Value chain engagement

The CDP Climate Change score is based on an extensive questionnaire requiring disclosure and performance in the 11 different categories shown in the picture.

This comprehensive assessment and the resulting score are known across the investor and customer communities as a credible third-party view on companies' approaches to climate change.

The score ranges from A (leadership level) to D- (disclosure level). SKF received an A- score in 2024. This is higher than the latest available average scores for Europe (B) and the metal product manufacturing sector (C).

The overall performance achievement for the CDP Climate Change score is the weighted average of the annual performance achievement, based on the criteria in the table.

For example, if SKF's CDP score is B in year 1, A- in year 2 and A in year 3, the overall performance achievement for the full programme period is 75% $((50\%+75\%+100\%) / 3)$.

CDP Climate Change score	Performance achievement
A	100%
A-	75%
B	50%
<B	0%

The CDP Climate Change score performance measure has a number of advantages:

- It covers all aspects of SKF's climate change approach.
- All functions in SKF have the potential to contribute to the achievement.
- The score is set by an external party and the bar is raised every year, reflecting increasing stakeholder expectations. Performance achievement will require continuous improvements.
- A well-recognized way of scoring how successful SKF is in the climate improvement work and is easy to compare with other companies using CDP-scoring.

Provided that the performance measures of the programme are fully met, the participants may be allotted shares up to the following maximum per person within the various key groups:

- CEO and President – shares corresponding to a value of 75% of the fixed base salary¹
- Other members of Group Management – shares corresponding to 55% of the fixed base salary¹ or 13,000 shares, whichever is higher²
- Managers of large business units and similar – 4,500 shares
- Other senior managers – 3,000 shares
- Other key persons – 1,250 shares

If the total outcome of the programme exceeds the threshold level for allotment of shares but the final allotment is below 5% of the target level, payment will be made in cash instead of shares, whereupon the amount of the cash payment shall correspond to the value of the shares calculated on the basis of the closing price for SKF's B share the day before settlement.

If all the conditions included in SKF's Performance Share Programme 2025 are met, allotment of shares shall be made free of charge following the expiry of the three-year performance period, i.e. during 2028.

The number of shares included in the proposal may be recalculated by the Board of Directors due to changes in the capital structure, such as a bonus issue, consolidation or split of shares, new issue or reduction of the share capital or similar measures.

The Board of Directors, or a committee established by the Board of Directors for this purpose, will be responsible for the detailed drafting and management of SKF's Performance Share Programme 2025 including conditions for participation, within the scope of the principal conditions and guidelines as specified. The Board of Directors shall thereupon be entitled to make adjustments to meet specific rules or market conditions abroad. The Board of Directors shall also be entitled to make other adjustments provided that there are substantial changes in the SKF Group or its surroundings which would signify that the conditions for allocation in accordance with SKF's Performance Share Programme 2025 are no longer appropriate.

¹ Fixed base salary means each participant's yearly fixed base salary on 1 January 2025. The share value to be used for the calculation shall amount to the average closing price of the five trading days before and the five days after the 2024 annual result is published.

² For Group Management members employed after 2023, only 55 % of the fixed base salary will be applied.

Before the number of shares to be allotted is finally determined, the Board of Directors shall examine whether the allotment is reasonable considering SKF's financial results and position, the conditions on the stock market as well as other circumstances, and if not, as determined by the Board of Directors, reduce the number of shares to be awarded to the lower number of shares deemed appropriate by the Board of Directors.

Participation in SKF's Performance Share Programme 2025 presupposes that such participation is legally and suitably possible and that the administrative costs and financial efforts are reasonable in the opinion of the Board of Directors.

The Board of Directors is furthermore entitled to introduce an alternative incentive solution for employees in countries where participation in SKF's Performance Share Programme 2025 is not appropriate. Such alternative incentive solution shall, as far as practicable, be formulated employing the same conditions as SKF's Performance Share Programme 2025.

Preparation of the matter

The proposal for SKF's Performance Share Programme 2025 has been prepared by AB SKF's Remuneration Committee and the Board of Directors with the support of independent expertise.

The Board of Directors deems that it is an appropriate principle that each Group Management member during the coming five-year period holds the following number of SKF shares, provided that a corresponding number of shares has been allotted to such member under SKF's Performance Share Programme:

- CEO and President – shares corresponding to a value of the net fixed annual salary
- Other members of Group Management – shares corresponding to a value of 50 % of the net fixed annual salary.

Costs of SKF's Performance Share Programme 2025

The company has 455,351,068 shares in issue as per 27 February 2025. To comply with the obligations of SKF's Performance Share Programme 2025, a maximum number of 1,000,000 B shares are required, corresponding to approximately 0.2% of the total number of outstanding shares.

Assuming maximum allocation under the Performance Share Programme 2025 and a share price of SEK 200, the cost, including social security cost, is estimated at approximately MSEK 240. Based on a share price of SEK 315, the cost, including social security cost, is estimated at approximately MSEK 378. In addition, the administrative costs are estimated at approximately MSEK 2.

Hedging actions and dilution

The Board does not propose for the time being to take any action to hedge the SKF Group's obligations under the programme. Delivery of shares under the programme shall not take place until 2028. The programme does not entail any dilution of the company's shares.

Other long-term incentive programmes

SKF's Performance Share Programmes 2008-2022 have expired. Below is the result for the following programmes:

Programme	Performance period	Allotment
PSP2018	2018-2020	64%
PSP2019	2019-2021	34%
PSP2020	2020-2022	43%
PSP2021	2021-2023	100%
PSP2022	2022-2024	45%

SKF's Performance Share Programmes 2023 and 2024 are on-going. Said programmes are not possible to measure due to the calculation model, which applies to the full on-going performance periods.

Majority requirement

A valid resolution in respect of the Board of Directors' proposal at the general meeting requires that the resolution be supported by shareholders with more than half of the votes cast or, in the event of a tied vote, through the chairman exercising his casting vote.