

## **Remuneration report 2022**

### Introduction

This remuneration report provides an outline of how AB SKF's principles for remuneration for Group Management (the "remuneration principles"), adopted by the Annual General Meeting 2020 and revised in 2022, have been implemented in 2022. The report also provides details on the remuneration of AB SKF's CEO. In addition, the report contains a summary of AB SKF's outstanding share and share-price related incentive programs. The report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is available in note 23 on p. 72-75 in the company's annual report for 2022 (the "annual report 2022"). Information on the work of the Remuneration Committee in 2022 is set out in the corporate governance report, which is available on p. 132-138 in the annual report 2022.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note 23 on p. 72-75 in the annual report 2022.

### Key developments 2022

The CEO summarizes the company's overall performance in his statement on page 11-13 in the annual report 2022.

### Overview of the application of the remuneration principles in 2022

The objective of the remuneration principles is to ensure that the SKF Group can attract and retain the best people in order to contribute to the SKF Group's mission and business strategy, its long-term interests and sustainability. Remuneration for Group Management shall be based on market competitive conditions and at the same time support the shareholders' best interests. Variable salary covered by the principles shall be linked to predetermined and measurable criteria, aiming to promote the SKF Group's business strategy and long-term interests, including its sustainability.

The total remuneration package for a Group Management member shall consist of the following components: fixed salary, variable salary, pension benefits, conditions for notice of termination and severance pay, and other benefits such as a company car. The components shall create a well-balanced remuneration reflecting individual performance and responsibility as well as the SKF Group's overall performance. The Annual General Meeting may also – irrespective of the principles – resolve on other remuneration components, e.g. SKF's Performance Share Programme.

The principles are found at [www.skf.com](http://www.skf.com). The remuneration principles, adopted by the Annual General Meeting 2020 and revised in 2022, have been fully implemented.

No deviation from the principles have been decided and no derogations from the procedure for implementation of the principles have been made. The auditor's report regarding the company's compliance with the principles is available on [www.skf.com](http://www.skf.com). No remuneration has been reclaimed.

In addition to remuneration covered by the remuneration principles, the Annual General Meetings of the company have resolved to implement SKF Performance Share Programme for senior managers and key employees.

**Table 1 – Total CEO remuneration in 2022 (kSEK)**

Table 1 below sets out total remuneration earned by AB SKF's CEO during 2022<sup>1</sup>.

Total remuneration	Fixed remuneration		Variable remuneration		Extraordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
	Base salary	Other benefits	One-year variable	Multi-year variable <sup>2</sup>				
Rickard Gustafson CEO	14,460	175	4,352	-	-	5,780	24,767	82% / 18%

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the company's strategy and to encourage behavior which is in the long-term interest of the company. In the selection of performance measures, the strategic objectives, sustainability, short-term and long-term business priorities for 2022 have been taken into account.

The performance measures for the CEO's variable cash remuneration have been divided equally between adjusted operating margin, net working capital and organic growth. There is also one criterion linked to reduction of greenhouse gas emissions. To determine the range for the parameters, both the business plan and the final result of the year before is the baseline. The reduction of CO<sub>2</sub> emissions criterion is related to the SKF Group net zero 2030 objective. During 2022, the financial performance measures were partly met and the net zero 2030 measure was fully met. The outcome was therefore that 43 % of the maximum variable cash remuneration was earned by the CEO during the year; 0 % relating to adjusted operating margin, 0 % relating to net working capital, 33 % relating to organic growth and 10 % related to the reduction of CO<sub>2</sub> emissions.

<sup>1</sup> Disbursements may or may not have been made during the year.

<sup>2</sup> Allotment of shares under the SKF Performance Share Programme is not covered by the remuneration principles and is reported separately under share based remuneration below.

### Comparative information on the change of remuneration and company performance

2020 was the first reference year and therefore no year over year changes for the previously reported financial years (RFY) will be presented. Coming years will be added so that the annual change over the last five years will be visible.

**Table 2 – Change of remuneration and company performance over the last reported financial years (kSEK)**

	2022	2022 vs. 2021	2021 vs. 2020
President remuneration	24,767	+868 (+3.6%)	+2,506 (+11.7%) <sup>3</sup>
Adjusted operating profit <sup>4</sup>	10,204,000	-635,000 (-5.9%)	+1,645,000 (+17.9%)
Cash flow <sup>5</sup>	5,641,000	+393,000 (+7.5%)	-3,017,000 (-36.5%)
Average remuneration on a full-time equivalent basis of employees in AB SKF	1,051	+3 (+0.3%)	+18 (+1.7%)

### Share-based remuneration

#### **Outstanding share-related incentive plans**

Since 2008 the Annual General Meeting has resolved each year upon the SKF Performance Share Programme for senior managers and key employees. The SKF Performance Share Programmes for 2020-2022 have been ongoing during 2022.

The number of shares that may be allotted must be related to the degree of achievement of the Total Value Added (TVA) target level, as defined by the Board, for the TVA development during a three-year calculation period. From the SKF Performance Share Programme 2022 a performance criterion related to the reduction of CO<sub>2</sub> emissions has been included. The performance criteria used to assess the outcome of the proposed SKF Performance Share Programme is distinctively linked to the business strategy and thereby to the SKF Group's long-term value creation, including its sustainability. These performance criteria include a clear link to the SKF Group's yearly growth, long-term financial targets and capital efficiency. For further information on said SKF Performance Share Programme, including the criteria which the outcome depends on, please refer to the Board of Directors' proposal on SKF's Performance Share Programme 2022 which can be found on [www.skf.com](http://www.skf.com).

<sup>3</sup> Alrik Danielson (Jan-April), Niclas Rosenlew (May), Rickard Gustafson (June-Dec).

<sup>4</sup> Operating profit excluding items affecting comparability.

<sup>5</sup> Net cash flow from operating activities

At the end of 2022, the SKF Performance Share Programme 2020 expired. Allotment of shares was subject to the satisfaction of performance conditions during the three-year period 2020-2022, compared to the financial year 2019. Since the threshold level of the TVA was met and the TVA target was partly met, as decided by the Board, the participants of the programme were awarded 43 % allotment of shares under the programme. In total, around 226,000 SKF B shares were allotted under the programme, corresponding to approximately 0.05 % of the total number of outstanding shares. Allotment of shares requires that the persons covered by the programme are employed in the SKF Group during the entire calculation period. The CEO Rickard Gustafson, that joined in 2021, did not participate in the Performance Share Programme 2020 and was therefore not awarded any allotment of shares under the programme. No CEO allotment of shares was therefore awarded.

The CEO Rickard Gustafson participates in the Performance Share Programme 2021 and the Performance Share Programme 2022. Allotment of shares may be made following the expiry of the three-year calculation period, i.e. during 2024 and 2025 respectively, if all the conditions of the programme are met and the allotment is approved by the Board.

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