

## **The Board of Directors' proposal for a resolution on SKF's Performance Share Programme 2022**

### 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's proposed decision

The Board proposes, in order 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 2022 on SKF's Performance Share Programme 2022.

The programme is proposed to cover not more than 225 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 level, as defined by the Board, and the SKF Group net zero 2030 objective. TVA is a simplified economic value-added model promoting greater operating profit, capital efficiency and profitable growth. TVA is the operating profit, less the pre-tax cost of capital.

90 % of the maximum allocation of shares under the programme is based on the level of TVA increase. 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 for the financial years 2022-2024 compared to the financial year 2021. After the expiry of the financial year 2024 a comparison is made between the average TVA for the financial years 2022-2024 and TVA for the financial year 2021. The TVA change is expressed as a percentage. In order for allocation of shares to take place the TVA increase 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.

10 % of the maximum allocation of shares under the programme is based on the reduction of CO<sub>2</sub> emissions. The SKF Group net zero 2030 objective is related to the SKF Group's ambition to become carbon neutral year 2030 (the net zero 2030 objective). The target is based on a CO<sub>2</sub> emission reduction trajectory for the operations defined by the net zero 2030 objective with 2021's emissions as a starting point. After the expiry of the financial year 2024, a comparison will be made of the level of CO<sub>2</sub> reduction achieved during the programme period and the net zero 2030 objective trajectory. If the trajectory reduction level is met or exceeded full allotment

is awarded, i.e. 10 % of the total maximum allotment under the programme. If the reduction does not meet the trajectory level, no allotment is awarded in relation to this part of the programme.

Provided that the TVA increase reaches the target level and that the net zero 2030 objective target is met, the participants of the programme may be allotted shares up to the following maximum per person within the various key groups:

CEO and President – 36,500 shares  
Other members of Group Management – 13 000 shares  
Managers of large business units and similar – 4,500 shares  
Other senior managers – 3,000 shares  
Other key persons – 1,250 shares

If the TVA increase 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.

Allotment of shares requires that the persons covered by the programme are employed in the SKF Group during the entire calculation period. If all the conditions included in SKF's Performance Share Programme 2022 are met, allotment of shares shall be made free of charge following the expiry of the three year calculation period, i.e. during 2025.

The number of shares included in the proposal may be recalculated by the Board 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, or a committee established by the Board for this purpose, will be responsible for the detailed drafting and management of SKF's Performance Share Programme 2022, within the scope of the principal conditions and guidelines as specified. The Board shall thereupon be entitled to make adjustments to meet specific rules or market conditions abroad. The Board 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 conditions for allocation in accordance with SKF's Performance Share Programme 2022 are no longer appropriate.

Before the number of shares to be allotted is finally determined, the Board 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, reduce the number of shares to be awarded to the lower number of shares deemed appropriate by the Board.

Participation in SKF's Performance Share Programme 2022 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.

The Board is furthermore entitled to introduce an alternative incentive solution for employees in countries where participation in SKF's Performance Share Programme 2022 is not appropriate. Such alternative incentive solution shall, as far as practicable, be formulated employing the same conditions as SKF's Performance Share Programme 2022.

#### Preparation of the matter

The proposal for SKF's Performance Share Programme 2022 has been prepared by AB SKF's Remuneration Committee and the Board with the support of independent expertise and in consultation with major shareholders.

The Board 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 2022

The company has 455,351,068 shares in issue as per 23 February 2022. In order to comply with the obligations of SKF's Performance Share Programme 2022, 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 2022 and a share price of SEK 184, the cost, including social security cost, is estimated at approximately MSEK 221. On the basis of a share price of SEK 280, the cost, including social security cost, is estimated at approximately MSEK 336. 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 2025. The programme does not entail any dilution of the company's shares.

#### Other long-term incentive programmes

SKF's Performance Share Programmes 2008-2019 have expired. Below is the result for the following programmes:

| Programme | Performance period | Allotment |
|-----------|--------------------|-----------|
| PSP2015   | 2015-2017          | 31%       |
| PSP2016   | 2016-2018          | 100%      |
| PSP2017   | 2017-2019          | 100%      |
| PSP2018   | 2018-2020          | 64%       |
| PSP2019   | 2019-2021          | 34%       |

SKF's Performance Share Programmes 2020-2021 are on-going. Said programmes are not possible to measure due to the calculation model, which apply to the full on-going performance periods.

Majority requirement

A valid resolution in respect of the Board's 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.