

An aerial photograph of a city at dusk, featuring a large, illuminated steel bridge spanning a wide river. The city buildings are lit up, and a large white boat is visible on the water. The sky is a deep blue, and the overall scene is vibrant and detailed.

Corporate Governance Report

Introduction

SKF Care defines the Group's approach to securing sustainable, positive development over the short, medium and long term. SKF applies the principles of sound corporate governance as an instrument for increased competitiveness and to promote confidence in SKF among all stakeholders. Among other things, this means that the company maintains an efficient organizational structure with clear areas of responsibility and clear rules for delegation, that the financial, environmental and social reporting is transparent and that the company in all respects maintains good corporate citizenship.

The corporate governance principles applied by SKF are based on Swedish law, in particular the Swedish Companies Act and the Swedish Annual Accounts Act, and the regulatory system of NASDAQ Stockholm AB (Stockholm Stock Exchange).

Information under the Annual Accounts Act Chapter 6, § 6, sections 3–4, are found at pages 40-41 of the Administration Report for the Group in the Annual Report 2022.

Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance (the "Code") was originally introduced on 1 July 2005. The Code has been revised several times since the introduction and the applicable Code is available at the website of the Swedish Corporate Governance Board, www.corporategovernanceboard.se.

It is considered good stock exchange practice for Swedish companies whose shares are traded on a regulated market to apply the Code. SKF applies the Code, and this Corporate Governance Report has been prepared in accordance with the Code and the Swedish Annual Accounts Act. Furthermore, SKF has provided information on the company's

website in line with the Code requirements. The Annual General Meeting in 2022 was also held in accordance with the Code rules. The auditor of the company has read and performed a statutory examination of the Corporate Governance Report.

General information about how the company is managed

The shareholders' meeting is the company's highest decision-making body. The Annual General Meeting of shareholders shall be held within six months after the end of the financial year. At the Annual General Meeting the shareholders exercise their voting rights for e.g. the composition of the Board of Directors, adoption of principles of remuneration for Group Management and election of external auditors. SKF has issued A and B shares. An A share entitles the shareholder to one vote and a B share to one-tenth of a vote.

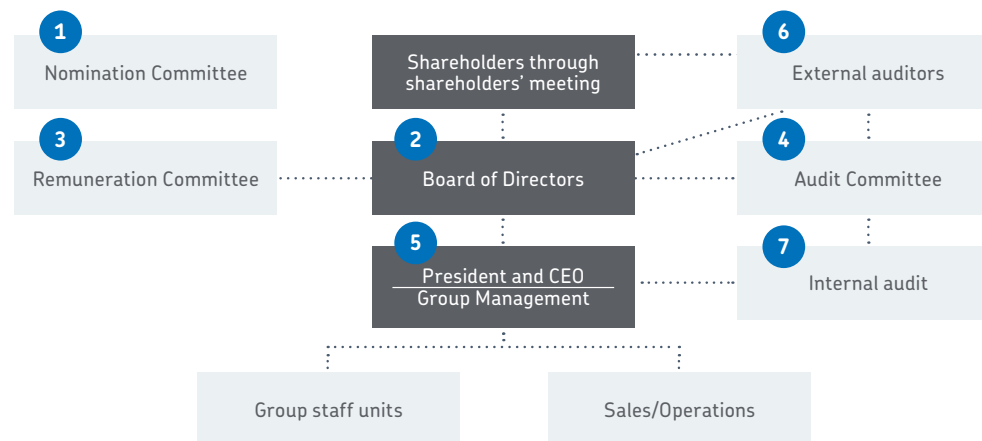
The Board of Directors has a responsibility for the company's organisation and for the oversight of the management of the company's affairs and is, together with the President and Group Management defining and continuously monitoring SKF's vision, mission, values and drivers. The Chair of the Board of Directors shall direct the work of the Board and monitor that the Board of Directors fulfils its obligations. The Board annually adopts written rules of procedure for its internal work and written instructions. For more details on the rules of procedures and the written instructions, see below under the heading "Activities of the Board of Directors".

The President of the company, who is also the Chief Executive Officer, is appointed by the Board of Directors and handles the day-to-day management of the company's business in accordance with the guidelines and instructions from the Board. The approval of the Board is, for example,

required in relation to investments and acquisitions above certain amounts, as well as for the appointment of certain senior managers. The President is supported by Group Management.

SKF is organized in four industrial regions: Americas; Europe, Middle East & Africa (EMEA); India & Southeast Asia (ISEA) and China & North-east Asia (CNEA). There is one global Automotive business unit and additionally seven independent business units collectively referred to as Independent and Emerging Businesses. All of the above mentioned business areas are respectively accountable for their own operational and financial performance. Further, there is a lean central function consisting of five Group staff functions: Operations & Digital Transformation, Technology Development, Group Finance, Group Legal & Compliance and Group People Experience & Communication, see pages 140–141 in the Annual

Report 2022. The management of SKF's operations is based on a decentralised operating model for the business areas achieving decision making close to the customer and the goal of serving customers with increased speed and responsiveness, however within a set of frameworks ensuring compliance, risk management and synergies across the SKF Group by a lean corporate center. Group staff functions govern these defined frameworks being fundamental requirements for the management of the SKF Group. Within these frameworks, defined processes, policies and instructions are in place to manage risk, strategically important matters, and ensure compliance. Furthermore, certain transactions/arrangements of high value or strategic importance are referred to the relevant decision-making bodies and ultimately the President and/or the Board of Directors.



1 Nomination Committee

At the Annual General Meeting of AB SKF it was resolved that the company shall have a Nomination Committee formed by one representative of each of the four major shareholders with regard to the number of votes held as well as the Chair of the Board. When constituting the Nomination Committee, the shareholdings per the last banking day in August each year would determine which shareholders are the largest with regard to the number of votes held. The names of the four shareholder representatives were to be published as soon as they had been elected, however not later than six months before the next Annual General Meeting. The Nomination Committee shall remain in office until a new Nomination Committee has been appointed.

In a press release on 12 September 2022, it was announced that a Nomination Committee consisting of the following representatives of the shareholders, besides the Chair of the Board, had been appointed in preparation of the Annual General Meeting 2023:

- Marcus Wallenberg, FAM
- Christer Gardell, Cevian Capital
- Anders Algotsson, AFA Försäkring
- Anders Jonsson, Skandia

The Nomination Committee is to furnish proposals in the following matters to be presented to, and resolved by, the Annual General Meeting in 2023:

- proposal for Chair of the Annual General Meeting
- proposal for Board of Directors
- proposal for Chair of the Board of Directors
- proposal for fee to the Board of Directors
- to the extent deemed necessary, proposal for new instructions for the Nomination Committee.

The proposals of the Nomination Committee were published in a press release dated 10 February 2023 and in connection with the notice to the Annual General Meeting 2023.

2 The Board of Directors Composition and remuneration of the Board

The Board shall, in addition to specially appointed members and deputies, according to the Articles of Association of SKF, comprise a minimum of five and a maximum of twelve Board members, with a maximum of five deputies. The Board members are elected each year at the Annual General Meeting for the period up to the end of the next Annual General Meeting.

The Nomination Committee proposes decisions to the Annual General Meeting regarding electoral and remuneration issues, including proposals for the composition and remuneration of the Board. As reflected in the Nomination Committee's statement regarding the composition of the proposed

Board and the proposed remuneration presented to the Annual General Meeting 2022, the Nomination Committee has applied the provisions in the Code as diversity policy. The objectives of the diversity policy is for the Board to have a composition appropriate to the company's operations, phase of development and other relevant circumstances; that the Board members elected by the shareholders' meeting collectively are to exhibit diversity and breadth of qualifications, experience and background; and that the company is to strive for gender balance on the Board. The Annual General Meeting 2022 resolved to appoint Board members in accordance with the Nomination Committee's proposal.

Seven Board members, including the Chair, were elected at AB SKF's Annual General Meeting held in the spring of 2022. Barb Samardzich resigned from the Board. In addition, the employees have appointed two Board members and two deputy Board members. No Board member, except for

the President, is included in the management of the company.

Information on the composition and remuneration of the Board members decided upon by the Annual General Meeting 2022 can be found in the Annual Report 2022, Consolidated Financial Statements, Note 23.

Independence requirements

The Nomination Committee has a responsibility to take independence into consideration in its proposal for Board of Directors. The Board of Directors has been considered to comply with the requirements regarding independence of the Code. The table below shows the Board member's independence according to the requirements of the Code in relation to the company and major shareholders.

Name of the Board members elected by the Annual General Meeting	Independence in relation to the company/senior management	Independence in relation to the major shareholders of the company
Hans Stråberg	•	•
Hock Goh	•	•
Barb Samardzich (resigned in March 2022)	•	•
Colleen Repplier	•	•
Geert Follens	•	•
Håkan Buskhe	•	•
Susanna Schneeberger	•	•
Rickard Gustafson	•	•

Activities of the Board of Directors

The Board held ten meetings in 2022. The Board members were present at the Board meetings as described in the table below. The Board adopts written rules of procedure annually for its internal work. These rules prescribe i.a.:

- the number of Board meetings and when they are to be held,
- the items normally included in the Board agenda, and
- the presentation to the Board of reports from the external auditors.

The Board has also issued written instructions on:

- when and how information required for the Board's assessment of the company's and the Group's financial position shall be collected and reported to the Board, and
- the allocation of the tasks between the Board and the President.

Issues dealt with by the Board in 2022 include i.a. market outlook and the impacts of the COVID-19 pandemic, issues related to the war in Ukraine, cash flow and investment analysis, financial reporting, capital structure, acquisitions and divestments of companies, the new strategic direction and new operating model, including material organizational changes of the Group and management issues.

The Board continuously evaluates economic, environmental and social aspects for the Group's performance and reviews specific issues such as accident rates, greenhouse gas emissions and Code of Conduct adherence.

Each new board member has to go through a general introduction training about the SKF Group. The Board visits on a regular basis different SKF sites in order to enhance knowledge about the SKF Group, subject to COVID-19-related restrictions and recommendations.

Name of the board member	Presence/Total number of meetings
Hans Stråberg (chair)	10/10
Hock Goh	8/10
Barb Samardzich (resigned in March 2022)	3/10
Colleen Repplier	9/10
Geert Follens	10/10
Håkan Buskhe	10/10
Susanna Schneeberger	10/10
Rickard Gustafson	10/10
Jonny Hilbert	10/10
Zarko Djurovic	9/10
Thomas Eliasson	10/10
Steve Norrman	10/10

3 Remuneration Committee

The Board of AB SKF has in accordance with the principles in the Code established a Remuneration Committee consisting of the Chair of the Board, Hans Stråberg as chair, and the board members Håkan Buskhe and Colleen Repplier.

The Remuneration Committee prepares matters related to the principles of remuneration for Group Management and employment conditions for the President. The principles of remuneration for Group Management shall be submitted to the Board, which shall submit a proposal for such remuneration principles to the Annual General Meeting for approval at least every fourth year. The employment conditions for the President shall be approved by the Board.

The Remuneration Committee continuously monitors and evaluates the SKF Group's remuneration package for Group Management. Not later than three weeks prior to the Annual General Meeting the Board submits on the company's website, in accordance with the Swedish Companies Act and the principles in the Code, a remuneration report.

The Remuneration Committee held three meetings in 2022. The members of the committee were present at the meetings as follows:

Name of the board member	Presence/Total number of meetings
Hans Stråberg (chair)	3/3
Håkan Buskhe	3/3
Colleen Repplier	3/3

4 Audit Committee

The Board of AB SKF has in accordance with the principles of the Swedish Companies Act and the Code appointed an Audit Committee. The Audit Committee consists of the board member Håkan Buskhe, as chair, the Chair of the Board, Hans Stråberg and the board member Geert Follens.

The Audit Committee oversees and ensures the quality and reliability of the accounting and financial reporting processes and reports, monitors the effectiveness of the Group's internal control over financial reporting, audit and risk management processes and the adequacy of the Group's controls for compliance with laws and regulations. The Audit Committee also reviews and monitors the work of external auditors as well as make preparations in relation to the nomination of external auditors.

The Audit Committee held six meetings in 2022. The members of the committee were present at the meetings as follows:

Name of the board member	Presence/Total number of meetings
Hans Stråberg	6/6
Håkan Buskhe (chair)	6/6
Geert Follens	6/6

Assessment

The board members assess the quality of the work of the Board through the completion of a questionnaire and interviews, which reflect the Group's values and drivers including sustainability. The result is then discussed at a Board meeting. The Nomination Committee has been provided with the result of the assessment.

5 President and Chief Executive Officer

Rickard Gustafson

Rickard Gustafson, President and CEO of AB SKF since 2021. Board member of AB SKF's Board since 2021. Born 1964.

Education and job experience

Master of science from the Institute of Technology at Linköping University. His previous senior positions include president and CEO of the SAS Group, CEO of the insurance company Codan/Trygg-Hansa and several positions within General Electric.

Other assignments

Board member of Telia Company and Confederation of Swedish Enterprise.

Shareholding (own and/or held by related parties) as of 31 December 2022

9,600 SKF B

Material shareholdings or other holdings

(own and/or held by related parties) in companies with which the company has important business relationships: 0

6 The auditor of the company

The task of the auditor is to audit, on behalf of the shareholders, the Annual Report and the accounting and also to audit the Board's and the President's management of the company.

The Annual General Meeting elects the auditor for a period of four years. At AB SKF's Annual General Meeting in the spring 2021, Deloitte AB (Deloitte) was elected as auditor for the time up to the closing of the Annual General Meeting in 2025. Hans Warén is the auditor in charge.

Hans Warén has many years of experience as auditor in a number of other listed companies, and is currently the lead auditor for Axfood, Industrivärden and Trelleborg.

The auditor shall according to a resolution of the Annual General Meeting be remunerated in accordance with approved invoice. SKF has a procedure in place whereby all matters that are intended to be handled by the elected auditors are evaluated in relation to the independence requirements and are approved or, as the case may be, rejected, by the Audit Committee. Deloitte applies a similar procedure and issues annually, in addition thereto, a written statement to the Audit Committee stating that the audit firm is independent in relation to SKF.

Deloitte has during 2022 been involved in matters besides the audit assignment. These matters have primarily concerned tax services. The total fees for Deloitte's services besides auditing in 2022 amount to MSEK 4.

Financial reporting

The Board of Directors is responsible for documenting how the quality of the financial reporting is secured and how the company communicates with its auditor.

The Audit Committee assists the Board of Directors by preparatory work to secure the quality of the company's financial reporting. This is, for example, achieved through the Audit Committee's review of the financial information and the company's internal financial controls.

The Board of Directors had one meeting with the auditors in 2022 and has been provided with the audit and its result. Within the scope of its work, which includes reviewing the extent of the external audit and evaluating the performance of the external auditors, the Audit Committee met with the auditors in connection with four Audit Committee meetings. In addition to that, the auditors gave both the Audit Committee and the Board of Directors information in writing regarding matters including the planning and implementation of the audit and an assessment of the risk position of the company.

The Board of Directors as of 31 December 2022



Hans Stråberg

Chair, Board member since 2018
Born 1957

Education and job experience

Master of Science in Engineering from Chalmers University of Technology, Gothenburg. President and CEO of Electrolux AB 2002–2010. Several leading positions within the Electrolux Group in Sweden and USA since 1983. Former EU Co-Chair TABD, Trans-Atlantic Business Dialogue.

Other assignments

Chair of Atlas Copco AB, Roxtec AB, CTEK AB and Anocca AB. Board member of Investor AB and Mellby Gård AB. Member of the Royal Swedish Academy of Engineering Sciences.

Shareholding

(own and/or held by related parties)
37,000 SKF B



Hock Goh

Board member since 2014
Born 1955

Education and job experience

Bachelor's degree (honours) in Mechanical Engineering from Monash University, Australia, completed the Advanced Management Program at INSEAD. Operating Partner of Baird Capital Partners Asia, 2005–2012. Several senior management positions in Schlumberger Limited, 1995–2005, President of Network and Infrastructure Solutions division in London, President Asia and Vice President and General Manager China.

Other assignments

Member of the Board of Stora Enso Oyj.

Shareholding

(own and/or held by related parties)
0 SKF B



Colleen Replier

Board member since 2018
Born 1960

Education and job experience

Bachelor's degree in Electrical Engineering, University of Pittsburgh and MBA from the University of Central Florida. Vice president and general manager of Johnson Controls 2016–2018. Several leading positions within Tyco 2007–2016 and Home Depot 2005–2007, and in the energy industry within GE Energy 1994–2003, Bechtel Corporation 1992–1994 and Westinghouse 1983–1992.

Other assignments

Board member of Kimball Electronics and Triumph Group.

Shareholding

(own and/or held by related parties)
0 SKF B



Geert Follens

Board member since 2019
Born 1959

Education and job experience

Master of Science in Electromechanical Engineering and a post graduate degree in Business Economics from the university of Leuven, Belgium. Senior Executive Vice President and Business Area President Vacuum Technique at Atlas Copco AB. Several leading positions within the Atlas Copco Group in Sweden, Belgium and the U.K. since 1995, including General Manager of Atlas Copco Compressor Technique customer center, President of the Portable Energy division and President of the Industrial Air division.

Shareholding

(own and/or held by related parties)
1,500 SKF B



Håkan Buskhe

Board member since 2020
Born 1963

Education and job experience

Master of Science, Licentiate of Engineering, Chalmers University of Technology. CEO of FAM AB, owned by Wallenberg Investments AB. His previous senior positions include CEO of Saab AB, 2010–2019 and CEO of E.ON Nordic AB, 2008–2010.

Other assignments

Chair of IPCO AB, Vice Chair of Stora Enso Oyj, board member of FAM AB, Munters Group AB, Kopparfors Skogar AB, The Grand Group and Navigare Ventures.

Shareholding

(own and/or held by related parties)
5,000 SKF B



THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2022, CONT.



Susanna Schneeberger

Board member since 2020
Born 1973

Education and job experience

Master of European Affairs (MBA) and Master of Science in International Business, Lund University. Senior advisor and several leading positions including Chief Digital Officer and executive board member of the KION Group, 2018–2020, CEO of Demag Cranes & Components, 2015–2018, and various positions in the Trelleborg Group 2007–2014.

Other assignments

Chair of Yunex GmbH. Board member of Concentric AB and Hempel A/S.

Shareholding

(own and/or held by related parties)
1,000 SKF B



Rickard Gustafson

President and Chief Executive Officer of AB SKF. For more details, see page 135.



EMPLOYEE REPRESENTATIVES

Jonny Hilbert

Board member since 2015.
Born 1981

Education and job experience

Employed in the SKF Group since 2005.

Other assignments

Chair Unionen, SKF, Gothenburg.

Shareholding

(own and/or held by related parties)
0 SKF B



Zarko Djurovic

Board member since 2015.
Born 1977

Education and job experience

Employed in the SKF Group since 2006.

Other assignments

Chair Metalworker's Union, SKF, Gothenburg.

Shareholding

(own and/or held by related parties)
0 SKF B



Thomas Eliasson

Deputy Board member since 2021. Born 1965

Education and job experience

Employed in the SKF Group since 1984.

Other assignments

Chief Safety Representative and Board member of Unionen at SKF in Gothenburg.

Shareholding

(own and/or held by related parties)
0 SKF B



Steve Norrman

Deputy Board member since 2021. Born 1965

Education and job experience

Employed in the SKF Group since 1994.

Other assignments

Vice Chair and Safety Officer Metalworker's Union, SKF, Gothenburg.

Shareholding

(own and/or held by related parties)
0 SKF B

7 Internal control and risk management regarding financial reporting

SKF applies the Internal Control Integrated Framework launched in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In 2013 COSO launched an updated version of the framework. SKF's internal control framework is aligned with the 17 fundamental principles of COSO 2013. The COSO framework consists of five interrelated components.

The control environment component is the foundation for the other components. Through its policies, instructions and organizational structure SKF has documented the division of responsibility throughout the SKF organization. This is reflected in the fact that policies and instructions, where applicable, are developed on the basis of internationally accepted standards and/or best practice. Policies and instructions are reassessed by the responsible function based on the need to adapt these to changes in requirements and legislation.

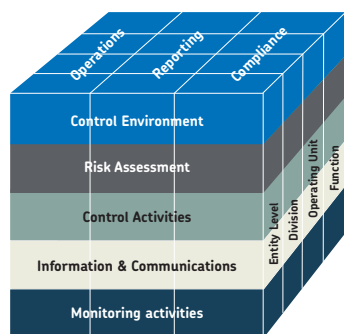
SKF is a process-oriented company and includes integrated risk assessment with the business processes such as business planning. In the area of control activities, SKF has documented all the critical finance processes and controls for the parent company and subsidiary companies. SKF has implemented these requirements as a Group standard, the SKF Internal Control Standard (SICS) for all Group companies. The documentation standards require that relevant controls in the business processes are described and performed. When deficiencies in individual controls are identified, action plans are created to remediate control gaps. A selection of defined control activities are tested annually. SKF has a risk approach to controls, control testing and actions to remediate control gaps. During 2022 the control test activities have been limited due to the COVID-19 pandemic and been performed primarily through testing of controls in the newly established Finance Operations Centers and through self assessments.

SKF has information and communication systems and procedures in place in order to ensure the completeness and correctness of the financial reporting. Accounting and reporting instructions are updated when necessary. These instructions are available to all relevant employees together with training material. Changes to accounting and reporting instructions are communicated regularly. Detailed financial process and control documentation are stored centrally and/or locally. This enables access to individual control documentation and analysis of results from the testing of SKF's financial internal control system.

SKF has an internal control function, within SKF Group Assurance, with the main responsibility to support the business to implement and maintain good internal control as well as to perform control testing to evaluate adherence with the framework and identify control weaknesses. The internal audit department Group Assurance conducts high level risk-based process audits within prioritized

areas. The Director, Group Assurance reports to the Group's Chief Financial Officer and regularly submits reports to the Audit Committee of the Board of Directors. The Board of Directors receives regular financial reports and the Group's financial position and development are discussed at every meeting. The Audit Committee of the Board of Directors reviews all interim and annual financial reports before they are released to the public.

Gothenburg, 1 March 2023
The Board of Directors



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Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in AB SKF (publ), corporate identity number 556007-3495

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2022-01-01–2022-12-31 on pages 131–138 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the

corporate governance statement 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. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Göteborg, March 1, 2023
Deloitte AB

Signature on Swedish original

Hans Warén
Authorised Public Accountant