

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 page 52 of the Administration Report for the Group in the Annual Report 2020.

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 2020 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.

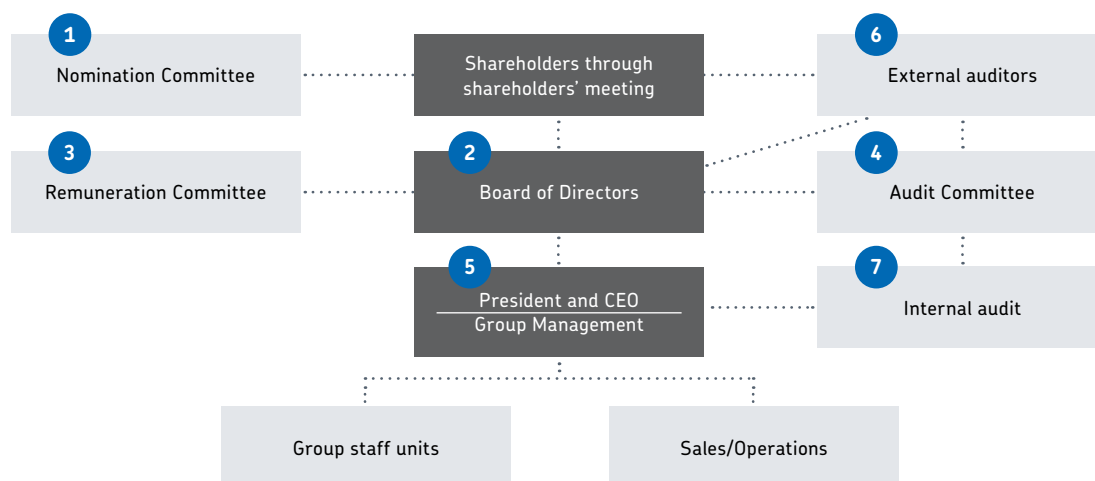
General information about how the company is managed

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 Chairman 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 the following business areas; Industrial Sales Americas, Industrial Sales Europe, Middle East and Africa, Industrial Sales Asia, Automotive, SKF Technology and Industrial Technologies. The responsibility for end-to-end procurement, manufacturing and logistics is combined into Bearing Operations. Further, there are three Group staff units; Group Finance, IT,



Marketing & Communication, Group Human Resources and Group Legal, Reinsurance, Brand Protection and Real Estate & Facility Management, see pages 150–151 in the Annual Report 2020. Each Group staff unit has its own defined area of responsibility and the task to define strategic directions and fundamental requirements within its area. The Director of Group Sustainability, reports, from 4 February 2020, directly to the Chief Executive Officer and has the task to assure that all relevant aspects of sustainability are addressed and integrated into operations and activities throughout the Group. Policies and instructions are in place to ensure that matters of certain importance are referred to the President and/or the Board of Directors.

1 Nomination Committee

At the Annual General Meeting of AB SKF held in the spring 2020, 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 Chairman 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 25 September 2020, it was announced that a Nomination Committee consisting of the following representatives of the shareholders, besides the Chairman of the Board, had been appointed in preparation of the Annual General Meeting 2021:

- Marcus Wallenberg, FAM
- Anders Jonsson, Skandia
- Anders Algotsson, AFA Försäkring
- Evert Carlsson, Swedbank Robur Fonder

The Nomination Committee is to furnish proposals in the following matters to be presented to, and resolved by, the Annual General Meeting in 2021:

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

The proposals of the Nomination Committee were published in connection with the notice to the Annual General Meeting 2021.

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 2020, 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 2020 resolved to appoint Board members in accordance with the Nomination Committee's proposal.

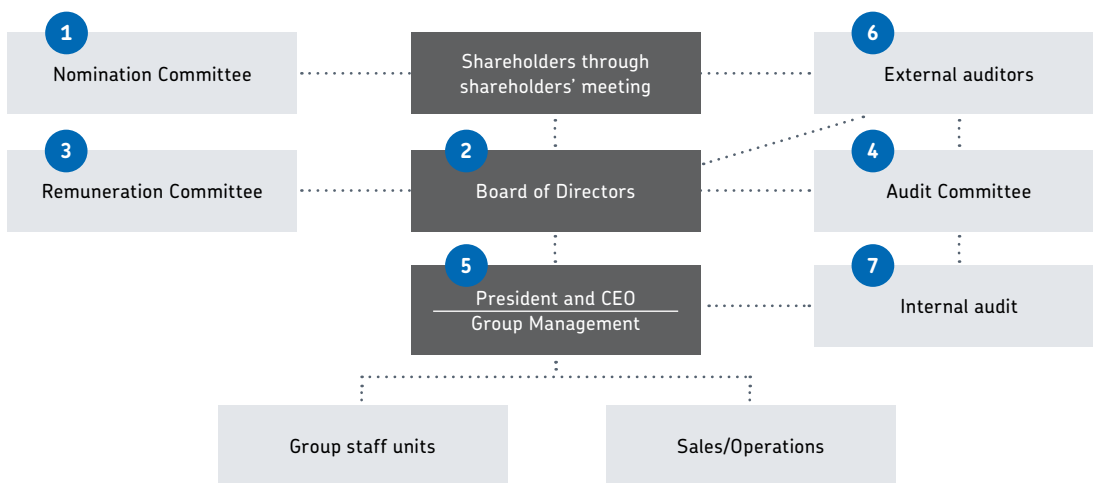
Nine Board members, including the Chairman, were elected at AB SKF's Annual General Meeting held in the spring of 2020. Lars Wedenborn retired from the Board. In addition, the employees have appointed two Board members and two deputy Board members. No Board member, except for the President, is included in the management of the company.

Information on the composition and remuneration of the Board members decided upon by the Annual General Meeting 2020 can be found in the Annual Report 2020, Consolidated Financial Statements, Note 23.

Independence requirements

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	•	•
Alrik Danielson		•
Ronnie Leten	•	
Barb Samardzich	•	•
Colleen Repplier	•	•
Geert Follens	•	•
Håkan Buskhe	•	
Susanna Schneeberger	•	•



Activities of the Board of Directors

The Board held ten meetings in 2020. The Board members were present at the Board meetings as described in the table below.

Name of the Board member	Presence/Total number of meetings
Hans Stråberg (chairman)	10/10
Lars Wedenborn (resigned in March 2020)	2/2
Hock Goh	10/10
Alrik Danielson	8/10
Ronnie Leten	10/10
Barb Samardzich	10/10
Colleen Repplier	10/10
Geert Follens	10/10
Håkan Buskhe (elected in March 2020)	8/8
Susanna Schneeberger (elected in March 2020)	8/8
Jonny Hilbert	10/10
Zarko Djurovic	9/10
Kennet Carlsson	10/10
Claes Palm	10/10

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 2020 include i.a. market outlook and the impacts of the COVID-19 pandemic, financial reporting, capital structure, acquisitions and divestments of companies, the strategic direction and business plan of the Group and management issues as well as management of the search process for a new President and Chief Executive Officer.

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.

3 Remuneration Committee

The Board of AB SKF has in accordance with the principles in the Code established a Remuneration Committee consisting of the Chairman of the Board, Hans Stråberg as chairman, and the Board members Ronnie Leten and Håkan Buskhe.

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 2020. The members of the committee were present at the meetings as follows:

Name of the Board member	Presence/Total no. of meetings
Hans Stråberg (chairman)	3/3
Lars Wedenborn (resigned in March 2020)	1/1
Ronnie Leten	3/3
Håkan Buskhe (elected in March 2020)	2/2

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 chairman, the Chairman of the Board, Hans Stråberg and the Board member Ronnie Leten.

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 2020. 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 (Chairman, elected in March (2020)	5/5
Lars Wedenborn (resigned in March 2020)	1/1
Ronnie Leten	6/6

Assessment

The Board members assess the quality of the work of the Board through the completion of a questionnaire, which reflects the Group's values and drivers. 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 Alrik Danielson

Alrik Danielson, President and CEO of AB SKF since 2015. Board member of AB SKF's Board since 2015. On the 16 November 2020 it was announced that Alrik Danielson will step down as President and CEO during 2021. Born 1962.

Education and job experience

Bachelor of Science in Business Administration and International Economics, School of Business Economics and Law, University of Gothenburg. Several positions within the SKF Group 1987–2005 and President and CEO of Höganäs AB 2005–2014.

Other assignments

Board member of the Association of Swedish Engineering Industries since 2015.

Shareholding (own and/or held by related parties) as of 31 December 2020

54,227 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 2017, PricewaterhouseCoopers AB (PwC) was elected as auditor for the time up to the closing of the Annual General Meeting in 2021. Johan Rippe is the auditor in charge and Karin Olsson is co-signing auditor.

Johan Rippe has many years of experience as auditor in a number of other listed companies, such as AB Volvo, Getinge and Handelsbanken. Karin Olsson has extensive experience from working with listed companies, such as AB Volvo and international groups. She is the lead auditor of Förvaltnings AB Framtiden and various subsidiaries to listed companies.

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. PwC applies a similar procedure and issues annually, in addition thereto, a written statement to the Board stating that the audit firm is independent in relation to SKF.

PwC has during 2020 been involved in matters besides the audit assignment. These matters have primarily concerned tax services. The total fees for PwC's services besides auditing in 2020 amount to MSEK 11.

The Nomination Committee's proposal for auditor for the coming period was published in connection with the notice to the Annual General Meeting 2021.

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 auditor in 2020 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 2020

1 Hans Stråberg

Chairman, 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
Chairman of Atlas Copco AB, Roxtec AB and CTEK AB. Board member of Investor AB, Mellby Gård AB and Anocca AB.

Shareholding (own and/or held by related parties) 15,000 SKF B

2 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, Santos Australia and Vesuvius PLC.

Shareholding (own and/or held by related parties) 0

3 Alrik Danielson

President and Chief Executive Officer of AB SKF. For more details, see page 151.

4 Ronnie Leten

Board member since 2017
Born 1956

Education and job experience
Master of Science in Applied Economics, University of Hasselt, Belgium. CEO and Board member of Atlas Copco AB between 2009–2017.

Other assignments
Chairman of Ericsson, Epiroc AB and Piab AB.

Shareholding (own and/or held by related parties) 10,000 SKF B

5 Barb Samardzich

Board member since 2017
Born 1958

Education and job experience
Bachelor of Science in Mechanical Engineering, University of Florida, Master of Science in Mechanical Engineering, Carnegie Mellon University, Master of Science in Engineering Management, Wayne State University. Various management positions at Ford Motor Company, 1990–2016, the latest as COO of Ford Europe, 2013–2016. Engineer in the Commercial Nuclear Fuel Division at Westinghouse Electric Corporation, 1981–1990.

Other assignments
Board member of Adient plc, Velodyne LidAR and Bombardier Recreational Products. Board of Trustee member of Lawrence Technological University.

Shareholding (own and/or held by related parties) 0

6 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

7 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

8 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 the Wallenberg Foundations. CEO of E.ON Nordic AB, 2008–2010, and CEO of Saab AB, 2010–2019.

Other assignments
Chairman of IPCO AB, board member of FAM AB, Munters Group, Stora Enso Oyj and Kopparfors Skogar AB

Shareholding (own and/or held by related parties) 0

9 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 CEO of Demag Cranes & Components, 2015–2018, various positions in the Trelleborg Group 2007–2014 and as Chief Digital Officer and executive board member of the KION Group, 2018–2020.

Other assignments
Board member of Concentric AB and Hempel A/S.

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

EMPLOYEE REPRESENTATIVES

10 Jonny Hilbert

Board member since 2015. Born 1981

Education and job experience
Employed in the SKF Group since 2005.

Other assignments
Chairman Unionen, SKF, Gothenburg.

Shareholding (own and/or held by related parties) 0

12 Kennet Carlsson

Deputy Board member since 2015. Born 1962

Education and job experience
Employed in the SKF Group since 1979. Board member 2008–2015 and deputy board member 2001–2008.

Other assignments
Chairman SKF World Union Council and chairman SKF European Works Council.

Shareholding (own and/or held by related parties) 100 SKF A and 500 SKF B

11 Zarko Djurovic

Board member since 2015. Born 1977

Education and job experience
Employed in the SKF Group since 2006.

Other assignments
Chairman Metalworker's Union, SKF, Gothenburg.

Shareholding (own and/or held by related parties) 0

13 Claes Palm

Deputy Board member since 2016. Born 1971

Education and job experience
Employed in the SKF Group since 1989.

Other assignments
Board member of Unionen at SKF in Gothenburg.

Shareholding (own and/or held by related parties) 0



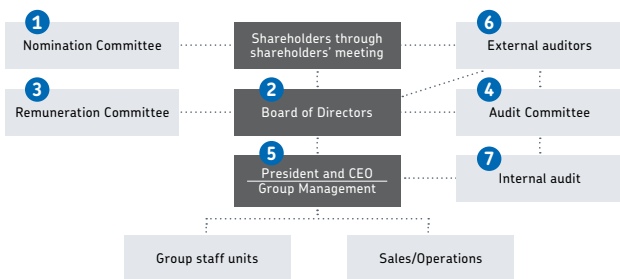
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AUDITORS

Johan Rippe

Authorized Public Accountant
Auditor in charge
PricewaterhouseCoopers AB

Karin Olsson

Authorized Public Accountant
PricewaterhouseCoopers AB



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. SKF applies ISF's Standard of Good Practice for Information Security and CIS controls for cyber security. 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 2020 the control test activities have been limited due to the COVID-19 pandemic and been performed primarily through remote testing regarding newly established Finance Operations Centers and through self assessments.

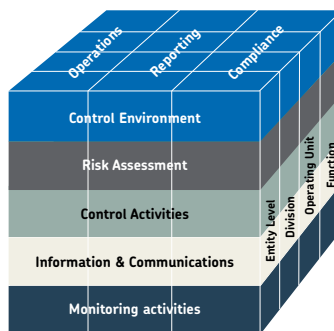
SKF has information and communication systems and procedures in place in order to ensure the completeness and correctness of the financial reporting. Accounting and reporting instructions are updated when necessary. These instructions are available to all relevant employees together with training programmes. Changes to accounting and reporting instructions are communicated regularly.

Financial process and control documentation, documentation of the COSO components of monitoring, information and communication, financial risk assessment, control environment, as well as test and review protocols, are stored in a special IT system. This enables access to individual control documentation and analysis of results from the testing of SKF's financial internal control system.

The implementation of SICS consisted primarily of adapting the process and control descriptions to a common framework and putting in place a comprehensive system for management testing of the controls. SKF applies a risk-based annual testing programme of selected units and critical controls. The test programme is reassessed annually.

SKF has an internal control function, within SKF Group Compliance & 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, within Group Compliance & Assurance conduct high level risk-based audits within prioritized areas. Group Compliance & Assurance report 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, 2 March 2021
The Board of Directors



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Auditor's report on the Corporate Governance Report

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 year 2020 on pages 141–148 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 auditing standard RevU 16. The auditor's examination of the corporate governance report. This means that our examination

of the corporate governance report 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 report 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.

Gothenburg, 2 March 2021
PricewaterhouseCoopers AB

Johan Rippe
Authorised Public Accountant
Auditor in charge

Karin Olsson
Authorised Public Accountant