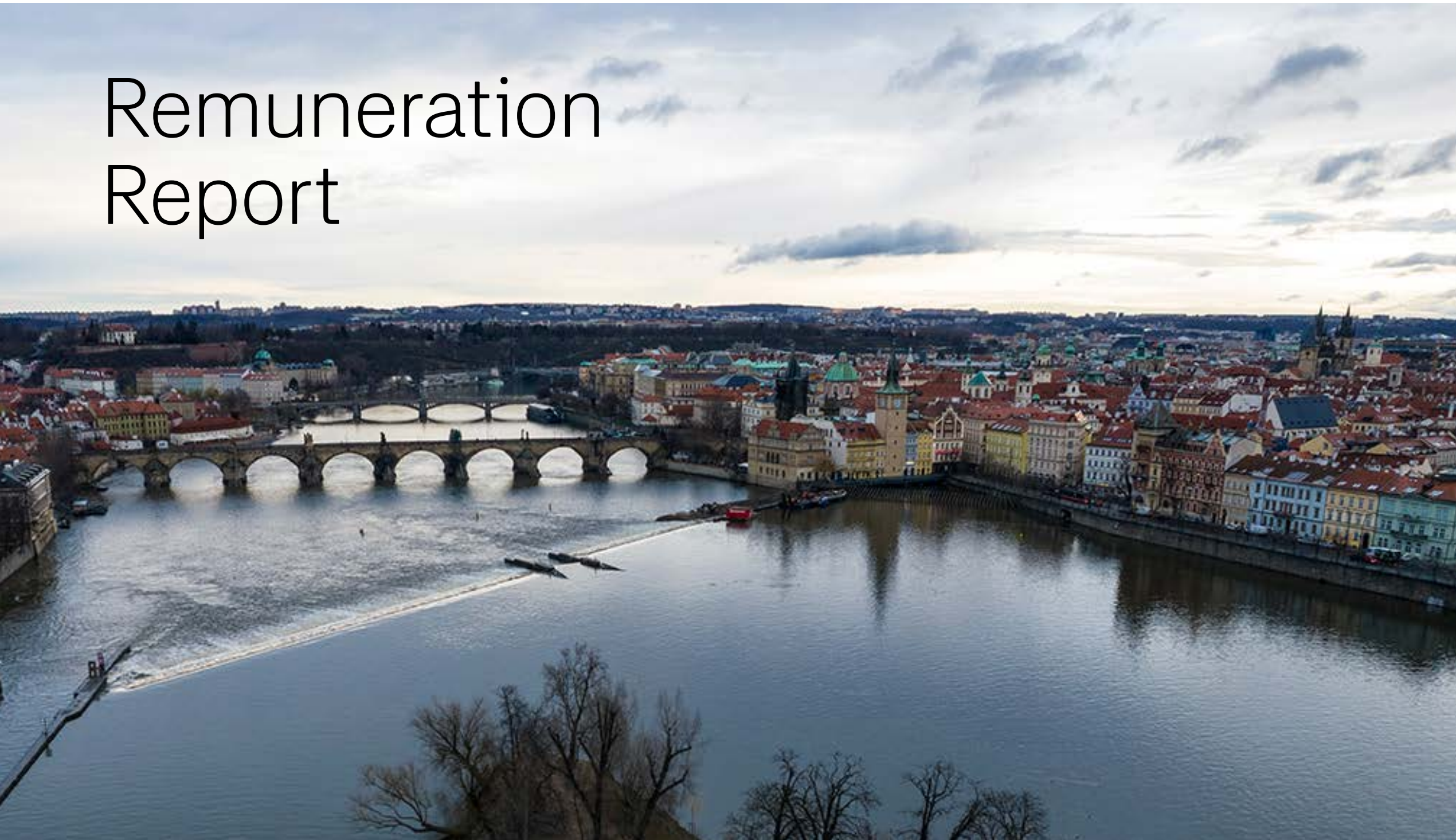


# Remuneration Report



## 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 2023. 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 Rules on Remuneration to directors and Incentive programs 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 pages 75–77 in the company's annual report for 2023 (the "annual report 2023"). Information on the work of the Remuneration Committee in 2023 is set out in the corporate governance report, which is available on pages 140–151 in the company's annual report 2023.

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 page 74–77 in the company's annual report 2023.

### Key developments 2023

The CEO summarizes the company's overall performance in his statement on pages 11–14 in the company's annual report 2023.

### Overview of the application of the remuneration principles in 2023

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. Hence, allotment of shares under the SKF Performance Share Programme is not covered by the remuneration principles and is reported separately under the heading share-based remuneration below.

The principles are found at the company's webpage, [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 Meeting of the company have resolved to implement SKF Performance Share Programmes for senior managers and key employees.

### Application of performance criteria related to the One-Year variable remuneration programme

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 2023 have been taken into account.

## Table 1 – Total CEO remuneration in 2023 (kSEK)

Table 1 below sets out total remuneration earned by AB SKF's CEO during 2023<sup>1)</sup>.

| Total remuneration     | Fixed remuneration             |                | Variable remuneration |                                   | Extra ordinary items | Pension expense | Total remuneration | Proportion of fixed and variable remuneration |
|------------------------|--------------------------------|----------------|-----------------------|-----------------------------------|----------------------|-----------------|--------------------|---|
|                        | Base salary incl. vacation pay | Other benefits | One-year variable     | Multi-year variable <sup>2)</sup> |                      |                 |                    |   |
| Rickard Gustafson, CEO | 14,970                         | 222            | 8,928                 | 6,297                             | —                    | 5,573           | 35,990             | 58% / 42%                                     |

1) Disbursements may or may not have been made during the year.

2) The multi-year variable consists of shares received under SKF's Performance Share Program 2021. The CEO was invited to participate in SKF's Performance Share Program the first time in 2021. The performance period for the SKF Performance Share Program 2021 was between the year 2021 until and including 2023. PSP vesting shareprice was SEK 209.90.

The performance measures for the CEO's variable cash remuneration have been divided 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 greenhouse gas emissions criterion is related to the SKF Group net-zero 2030 objective. During 2023, the financial performance measures were partly met and the net-zero 2030 measure was fully met. The outcome was therefore that 87% of the maximum variable cash remuneration was earned by the CEO during the year; 41% relating to adjusted operating margin, 36% relating to net working capital, 0% relating to organic growth and 10% related to the reduction of greenhouse gas emissions.

### 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.

### 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 2021–2023 have been ongoing during 2023.

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 each of the calculation periods during the programme (each equaling one calendar year). From the SKF Performance Share Programme 2023 a performance criterion related to the CDP Climate Change score has been included in the programme. 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. Allotment of shares under the programme requires that the persons covered by the programme are employed in the SKF Group during entire calculation period. 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 2023 which can be found on [www.skf.com](http://www.skf.com).

At the end of 2023, the SKF Performance Share Programme 2021 expired. Allotment of shares was subject to the satisfaction of performance conditions during the three-year period 2021–2023, compared to the financial year 2020. Since the threshold level of the TVA was met and the TVA target was fully met, as decided by the Board, the participants of the programme were awarded 100% allotment of shares under the programme. In total, around 562,000 SKF B shares were allotted under the programme. The CEO Rickard Gustafson, participated in the Performance Share Programme 2021 and was therefore awarded shares under the programme. The CEO was allotted 30,000 shares.

The CEO Rickard Gustafson participates in the Performance Share Programme 2022 and the Performance Share Programme 2023. Allotment of shares may be made following the expiry of the three-year calculation period, i.e. during 2025 and 2026 respectively, if all the conditions of the programme are met and the allotment is approved by the Board.

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

|   | 2023       | 2023 vs. 2022     | 2022 vs. 2021    | 2021 vs. 2020       |
|---|------------|-------------------|------------------|---------------------|
| CEO remuneration <sup>3)</sup>  | 35,990     | +11,223 (+45%)    | +868 (+3.6%)     | +2,506 (+11.7%)     |
| Adjusted operating profit <sup>4)</sup>                                     | 12,997,000 | +2,773,000 (+27%) | -635,000 (-5.9%) | + 1,645,000(+17.9%) |
| Cash flow <sup>5)</sup>   | 13,783,000 | 8,142,000 (+144%) | +393,000 (+7.5%) | -3,017,000 (-36.5%) |
| Average remuneration on a full-time equivalent basis of employees in AB SKF | 1,137      | +86 (+8%)         | +3 (+0.3%)       | +18 (+1.7%)         |

3) The development of the CEO remuneration between 2022 to 2023 relates to a +2% increase on the base salary, a 18% increase related to improved results in the one-year variable pay program and a +25% increase related to the multi-year variable pay program (SKF Performance Share Program 2021). The SKF Performance Share Program 2021 is the first multi-year incentive program in which the CEO has participated under and which he has been allotted shares.

4) Operating profit excluding items affecting comparability.

5) Net cash flow from operating activities.

