

As required by Swedish accounting law, here below is a summary of Environmental, Health and Safety, Human Rights and Corruption and Fraud risks relevant to SKF. Other material risks are described on pages 50 and 51 of the 2020 annual report

Risk Type	Specific risk	Explanation	Mitigation approach	Read more skf.com/ar2020
Environmental	Major incident at an SKF facility	A major incident during which a significant amount of local environmental damage occurs leading to fines, loss of reputation etc.	SKF's Environmental managements systems is certified to ISO 14001 and works to assure that all such material risks are identified and effective counter-measures are implemented in order to mitigate them. This includes actions to mitigate the risk as well as emergency response plans to assure the impacts of any incident are minimised.	Page 123-125
	Water risk	Water scarcity in the supply chain or at SKF facility leads to reduced production.	SKF direct processes are not water intensive, most water systems are closed loop. Those SKF facilities which are located in areas of water scarcity are identified and required to drive strong water reduction programs. SKF has a diversified supply chain with requirements for suppliers to follow environmental norms, implement certified management systems this facilitates risk reduction and avoidance for water risks and other environmental risks.	Page 123-125
	Risk of SKF products causing environmental damage	SKF products result in environmental damage during use or disposal by customer.	SKF Environmental Design Guidelines exist as part of the Group's overall product development process. Using lists of restricted substances and the compliance monitoring of relevant legislation e.g. REACH, RoSH etc, facilitates proper use phase and end-of-life management.	Page 123-125
	Climate change risks – extreme weather events	Extreme weather events disrupt SKF facilities, distribution or supply chain.	Requirements for emergency response plans at all sites include flood risks etc. See also Production risks and Supply chain disruption above. See also SKF TCFD report published together with 2020 AR and available at skf.com/ar2020	TCFD report available at skf.com/ar2020
	Climate change risks – energy & carbon costs	Increased energy and other environmental cost due to legislation leading to increased material and production costs and or impacting certain market segments.	SKF focus on energy efficiency at its own facilities and suppliers - reducing energy demand and therefore related risks. SKF's highly diversified customer base and strong focus on developing solutions that deliver or enable improved energy and carbon performance enables a mitigated risk at the Group's customers. See also SKF TCFD report published together with 2020 AR and available at skf.com/ar2020	Page 119-122, skf.com/ar2020
Health and Safety	Health and Safety and SKF operations	SKF employees are hurt or killed by an accident at work.	SKF's Health and Safety management system is certified to OHSAS 18001 (to be replaced by ISO 45001 in 2021). The Group's Zero accident program supported by proactive near miss reporting aims at the avoidance of all workplace accidents.	Page 127-129
	Health and Safety related to SKF products and services	Person or persons are hurt or injured as a result of SKF product failure, malfunction or defect.	SKF follows strict design and validation rules for all products, and fully adheres to industry specific requirements for safety critical applications such as aerospace, rail and automotive. SKF provides detailed instruction on the correct use, fitting and application of products. SKF's overall approach to quality management assures product conformance and performance to the highest level.	Page 123-125
	Health and Safety at supplier and business partner operations	Employees of SKF suppliers or business partners are hurt or killed.	SKF has defined within its code of conduct for suppliers, specific requirements for the assurance of health and safety for the employees of suppliers and sub suppliers. See also Code of conduct deviations in the supply chain above.	Page 134-135
Human Rights	Human rights non-compliances at SKF	Human rights of SKF employee not respected.	SKF adheres to international standards and guidelines such as the United Nation's Global Compact's Ten principles, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Companies and the International Chamber of Commerce (ICC) Charter. SKF enforces the SKF Code of Conduct policy in all its operations regardless of their size, geographical locations and types of operations. The policy is communicated via intranet, printed format and training (e-learning and classroom) to raise awareness. Whistle-blowing process is available both at the local and global level. SKF also performs periodic Code of Conduct compliance audits at the different units.	Page 132-133
	Inherited human rights and other Code of Conduct risks.	Human rights or other non compliances to Code of Conduct on newly acquired companies.	As part of the due diligence process for major acquisitions, SKF evaluates various issues such as human rights and labour rights among all other code of conduct aspects. Adherence to code of conduct is also covered in contract clauses.	Page 132-133
	Code of Conduct non-compliances or abuses in the supply chain	Human rights and labour rights of suppliers employee (extended supply chain) not respected.	SKF Quality Standards for Suppliers include mandatory compliance of the SKF Code of Conduct. See also code of conduct deviations in the supply chain above.	Page 132-133
Corruption and fraud risks	Corrupt or fraudulent actions carried out by SKF representatives.	SKF's employee or employees fail to adhere to the Group's Code of Conduct and related policies and requirements and act in a fraudulent or corrupt manner leading to financial penalties and reputation damage.	SKF takes a proactive approach to assure awareness of demanded ethical standards by education, compliance programmes including anti-corruption, antifraud and antitrust. The work to follow up adherence is facilitated by the whistle blower function and a risk-and incident based audit system.	Page 118-119