

The AB SKF's Board's report on the Remuneration Committee's evaluation of remuneration for senior managers

The Board of AB SKF has established a Remuneration Committee which prepares matters related to the principles of remuneration for Group Management as well as to the terms of employment 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. The terms of employment for the President shall be approved by the Board. According to the Swedish Code of Corporate Governance, the Remuneration Committee shall monitor and evaluate programmes of variable remuneration for Group Management, the application of the principles of remuneration for Group Management and applicable remuneration structures and levels of the company.

The Remuneration Committee continuously monitors and evaluates the SKF Group's remuneration package for Group Management. There were certain changes made to the Performance Share Programme of the Group 2015, where "pay for performance" was further highlighted and the Programme was redesigned to ensure that the SKF Group is able to attract and retain the best people for the Group also from a global perspective.

In the Remuneration Committee's opinion, the applicable principles of remuneration for Group Management, including the elements of variable salary and performance shares, have been functioning well and been balanced, with the aim of ensuring that the SKF Group is able to attract and retain the best people for the Group. The variable elements create a clear link between the remuneration of the individual, the Group's performance and shareholder value creation.

Market benchmarks are regularly conducted on remuneration structures and levels, and it is the opinion of the Remuneration Committee that the remuneration structures and levels applied by the SKF Group are in line with market practice.

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The Board of Directors