

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 employment conditions of 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 employment conditions of the President shall be approved by the Board. According to the Swedish Code of Corporate Governance, the Remuneration Committee shall monitor and evaluate programs 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. In the Remuneration Committee's opinion, the applicable principles of remuneration for Group Management, including the elements variable salary and performance shares, are well functioning and balanced, aiming to ensure that the SKF Group can 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. The only change, that the Remuneration Committee sees a need for, compared to the principles of remuneration for Group Management decided upon by the Annual General Meeting 2011, is that the normal retirement age shall be 65 years instead of 62 years.

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.

Aktiebolaget SKF
(publ)

The Board of Directors