

Topics related to Annual Report 2005, including Sustainability Report

SKF Code of Conduct

For an international company like SKF to be consistently successful, it is vital that the organization, and every single employee in the performance of his/her duties, is seen and perceived as economically, socially and ethically responsible.

This is the only way to ensure lasting, positive and acceptable, financial and social development.

SKF has defined four key areas of responsibility:

Responsibility towards customers

To gain and maintain customers by continuous development and research and to be able to provide products, services and solutions that meet customers' expectations regarding quality, safety and environmental care.

Responsibility towards employees

To respect the employees and their rights, to offer safe and good working conditions, to offer non-discriminatory conditions and continuously develop skills and competencies to ensure the individual's satisfaction and career possibilities.

Responsibility towards shareholders

To protect the shareholders' investments and strive for a sustainable and improving return.

Responsibility towards society

To manage the business as a responsible member of our society acting according to the laws in the different countries where we are present, to express our support and show respect to the protection of internationally proclaimed human rights. We must make sure that we are not complicit in human rights abuses, and always consider health, safety and environmental issues in order to contribute to a sustainable development.

To fully perform these responsibilities we apply throughout the organization our core values - High Ethics, Empowerment, Openness and Team Work - and the ethical principles described in this Code of Conduct. It is also SKF's aim to actively involve all its stakeholders whenever possible.

Responsibility towards customers

Business ethics

SKF demands honesty and integrity in all parts of its activities and expects the same from all parties with whom the Group has any business relation - customers, suppliers, partners, agents.

SKF advocates free and fair trade, striving for competition and ethical conditions within the rules of

the legal framework.

SKF also supports transparency and openness, provided business secrets, the divulgence of which could harm the company's competitiveness and/or relationships with customers or partners, are not exposed.

SKF business ethics also dictate that

- bribes are forbidden and, consequently, that all forms of compensation to agents, suppliers and partners shall refer only to justified products or services.
- gifts and other favours as elements of expected hospitality must not exceed local customs and be in line with local laws.
- all employees must avoid any conflict of interest between private economic issues and the company's business; any case of uncertainty should be brought to the country management for judgment.
- all business transactions made on behalf of an SKF company must clearly appear in the company's accounting, conducted according to the Group's rules.

Responsibility towards employees

Working ethics

Leadership and the relationship between employees within SKF are based on our four core values. Among other things these values require that

- all employees be treated equally, fairly and with respect regardless of race, gender, age, national origin, disability, caste, religion, sexual orientation, union membership or political affiliation.
- SKF does not engage in or support the use of forced labour, nor shall any employee be required to lodge "deposits" or identity papers when commencing employment with SKF.
- SKF does not engage in or tolerate the use of child labour. We define as child any person less than 15 years, unless local minimum-age law stipulates a higher age for work or mandatory schooling, in which case the higher age shall apply. If, however, local minimum-age law is set at 14 years in accordance with developing country exceptions under ILO Convention 138, the lower age will apply.
- SKF respects the right of all employees to form and join trade unions of their choice and to bargain collectively. SKF will ensure that official representatives of such trade unions are not subject to discrimination and that such representatives have access to the union members and their workplace.
- SKF ensures that wages and other related benefits meet at least the legal or industry minimum standard in the country in question.
- SKF complies with applicable laws and industry standard on working hours in each country where we operate.
- SKF is committed to offering safe and healthy workplaces for all employees. SKF is certified to ISO 14001. The Group's aim, related to health and safety, is to eliminate rather than just reduce work-related accidents and injuries throughout its facilities. (See SKF Group Policy - Environment, Health and Safety.)
- SKF strives to give employees good opportunities to train for job enrichment and wider responsibility, as expressed in the Individual Development Plan.
- SKF will give all employees a fair chance to compete for job opportunities. Unless overridden by national legislation, only relevant skills and competencies shall be the differentiating factors in selecting the right person for the job.

- SKF ensures that the registration, filing and use of employee data is treated with strict confidentiality and in accordance with local legislation.

Responsibility towards shareholders

Finance ethics

Return on the shareholder's invested money is always considered when determining important strategies and action alternatives.

SKF keeps its shareholders all over the world well informed about the activities, results and strategies of the Group, complying with the rules of the stock exchanges where the SKF shares are listed.

Responsibility towards society

Social ethics

Communication

It is SKF's policy to be open and approachable, to provide factual and consistent information about the Group's products, services and development.

Information essential to the stakeholders of the company shall always be given as fast as circumstances permit.

Environment, health and safety

SKF has a firm commitment to contribute to ecologically sustainable development. Consequently SKF is continually striving to improve environmental care and to ensure the health and safety of people dependent upon the activities of the Group. (SKF's Environment, Health and Safety policy and programmes are described in the Group's annual Environmental Report.)

Responsibilities for environmental care are shared throughout the SKF Group - every employee has an important role to play.

SKF's progress towards sustainable development is reported annually.

Community relations

SKF acts in a socially responsible way and within the framework of the national legislation of all the countries where the Group is present.

SKF's best contribution to social and economic development is to run its businesses professionally and profitably, thus being able to create jobs and support our customers.

Suppliers

SKF encourages its suppliers to adhere to similar codes of conduct. Suppliers who refuse to do so run the risk of being excluded from SKF's supply chain.

Political issues

SKF does not interfere in the political life of the countries where the Group operates.

Consequently, companies within the SKF Group are forbidden to contribute financially to political parties or politicians. Likewise, SKF companies are not allowed to take part in party politics.

In relations with governments or international organizations, SKF as a Group has the right, and it is sometimes its duty, to make its views heard on issues that affect SKF, its employees, customers and shareholders. The Group President and CEO - in person or through explicit delegation - is the only person authorized to express political statements on behalf of SKF.

IMPLEMENTATION OF THE CODE OF CONDUCT

All employees have the obligation to follow the Code of Conduct and no one in the organization has the mandate to authorize exceptions from the Code of Conduct.

It is the responsibility of each manager within the SKF organization to ensure that employees are fully informed about the Group's Code of Conduct and to ensure that this Code is implemented and followed. Managers should act in such a way that their behaviour is an example of the practice of the Code.

Group Management will regularly supervise the observance of the Code of Conduct.

This Code of Conduct has its roots in SKF's long tradition as an international company and adheres to the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises.