Item 15
The Board of Directors’ proposal for a resolution on the guidelines for compensation to senior management

The Board of Directors of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on April 23, 2013 adopts a resolution in the form set out below regarding the guidelines for compensation to senior management.

It was resolved to adopt the following guidelines for compensation to senior management:

1. **Scope**
The term senior management refers to the Managing Director and the group management. These guidelines apply to employment contracts for members of the senior management entered into following the adoption of these guidelines by the meeting, and to amendments to existing employment contracts for senior management made thereafter. The Board of Directors has the right to deviate from the guidelines where special cause exists therefore in an individual case. Special cause may, e.g., be that it must be possible to offer to members of the senior management who reside outside Sweden terms which are competitive in their country of residence.

2. **The main principle and how compensation matters are prepared**
The main principle for the guidelines is that Alfa Laval AB shall offer compensation on market terms so that the Company can attract and retain a competent senior management. The Board of Directors has established a Committee within the Board, with the tasks of preparing matters regarding the guidelines for compensation for the senior management, which shall be resolved upon by the Annual General Meeting, as well as to the Board of Directors propose remuneration and employment provisions for the Managing Director. The Board of Directors shall resolve on matters regarding remuneration and employment provisions for the Managing Director following preparation by the Remuneration Committee. The Committee shall resolve on matters regarding remuneration and employment provisions for members of senior management which report directly to the Managing Director. The Committee shall continuously report to the Board of Directors.

3. **Fixed compensation**
The fixed salaries shall be revised annually and shall be based upon the competence and areas of responsibility of each individual.
4. **Variable compensation**
   The variable compensation comprises (i) an individual annual variable compensation, and may also, as a supplement, include (ii) a long-term incentive program.

   (i) The individual annual variable compensation may be between 30 and 60 percent of the fixed compensation, depending on position. The outcome depends on the degree of fulfilment of, in particular, financial targets, and to a more limited extent also on qualitative targets.

   (ii) The long-term incentive program directed to not more than 85 of the Company’s top executives, including the senior management, is intended to be a supplement to the individual annual variable compensation. It is the Board of Directors’ proposal to implement a long-term incentive program also in 2013, on terms similar to those of the current programs. The long-term incentive program for 2013 is, just as the long-term incentive programs for 2010, 2011 and 2012, a cash-based program connected to the Company’s earnings per share, taking possible repurchases of the Company’s own share into account. The long term incentive program for 2013 will run for three years. The proposed program may generate up to a maximum of 75 per cent in total of the participants’ individual annual variable compensation over a period of three years. Payment to the participants of the program will be made after three years, provided, however, that they are still employees at that time.

   The Board of Directors may consider to propose the meeting a share or share price-related program for the senior management.

5. **Pension benefits**
   A detailed description of current pension schemes for the senior management is available in note 6 of the Annual Report for 2012.

   Early retirement is offered selectively and only after a special decision by the Remuneration Committee. As from 2006, a premium-based early retirement scheme with a premium of 15 percent of the pensionable income is offered.

   For old-age pension, in addition to the ITP-benefit, a premium based scheme, with a premium of 30 percent of the pensionable income above 30 basic amounts is being offered since 2006. Members of the senior management also have a special family pension which fills the gap between the old-age pension and the family pension according to the ITP plan. In addition, they have the opportunity to allocate salary and bonus to a temporary old-age and family pension.

6. **Non-monetary benefits**
   Members of the senior management have the right to normal non-
monetary benefits, such as company car and healthcare benefits. In certain cases, Alfa Laval AB can also arrange for a residence supplied by the Company.

7. Dismissal and severance pay
Should Alfa Laval AB dismiss a member of the senior management, the compensation during the notice period and the severance pay may be an amount corresponding to a maximum of 2 yearly salaries.

8. Estimated costs for variable compensation
The cost for variable compensation to the senior management according to the proposal of the Board of Directors, taking into account existing agreements and based on the present remuneration rates, may in 2013, at maximum outcome, which presupposes that all targets on which the variable remuneration is based are reached, amount to maximum SEK 25,250,000 (exclusive of social security payments), whereof SEK 9,280,000 to the Managing Director (also President). The estimate is based on the persons currently being part of the senior management. The costs may change in case additional persons will become part of the senior management.

9. Remuneration resolved upon that is not due for payment
At the time of the Annual General Meeting on 23 April 2013, Alfa Laval AB has no unsettled obligations of compensation, except running obligations to senior management in accordance with the principles of compensation described on page 97-98 in the annual report.

The auditors’ report, in accordance with Chapter 8, Section 54 of the Swedish Companies Act, regarding the compliance with the Annual General Meeting’s principles for compensation to senior management is attached to this proposal and will also be available at the meeting.

The Board of Directors’ account of the result of the Remuneration Committee’s evaluation in accordance with section 10.3 of the Swedish Corporate Governance Code is attached to this proposal and will also be available at the meeting.