

N.B. The English text is an unofficial translation. In case of any discrepancies between the Swedish text and the English translation the Swedish text shall prevail.

Item 15

The Board of Directors' proposal for a resolution on guidelines for compensation to executive officers

The Board of Directors of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on April 28, 2014 adopts a resolution in the form set out below regarding guidelines for compensation to executive officers.

It was resolved to adopt the following guidelines for compensation to executive officers:

1. Scope

The term executive officers refer to the Managing Director and the Group Management. These guidelines apply to employment contracts for members of the Group Management entered into following the adoption of these guidelines by the Meeting, and to amendments to existing employment contracts for executive officers 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 Group 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 executive officer. The Board of Directors has established a Committee within the board, with the tasks of preparing matters regarding the guidelines for compensation for executive officers, 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 Group 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 executive officers, 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 2014, on terms similar to those of the current programs. The long-term incentive program for 2014 is, just as the long-term incentive programs for 2011, 2012 and 2013, 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 2014 will run for three years. The proposed program may generate up to a maximum of 75 percent 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 executive officers.

5. Pension benefits

A detailed description of current pension schemes for executive officers is available in note 6 of the Annual Report for 2013.

Early retirement is offered selectively and only after a special decision by the Remuneration Committee. What may be offered is a premium-based early retirement scheme with a premium of 15 percent of the pensionable income. The Managing Director of Alfa Laval does not have an agreement on early retirement.

For old-age pension, in addition to the ITP-benefit, a premium based scheme exists, with a premium of 30 percent of the pensionable income above 30 base amounts (Sw. *basbelopp*). For the Managing Director of Alfa Laval the payments in accordance with the ordinary ITP up to a salary of 30 base amounts are funded in order to achieve full ITP benefits at the age of 65. On top of the ordinary ITP he has a defined contribution benefit comprising 50 percent of the base salary. If Alfa Laval terminates his employment before the age of 63 he will receive twenty four months' remuneration. If Alfa Laval terminates his employment after the age of 63 he will receive twenty four months' remuneration reduced with the number of months that has passed since his 63rd birthday. Until May 1, 2012 the executive officers also had a special family pension that represented a supplement between the old age pension and the family pension according to ITP. For the persons that were executive officers on May 1, 2012 the special family pension has been converted to a premium based supplementary retirement pension based on the premium level in December 2011. In addition, they may exchange salary and variable remunerations for a temporary old age and family pension.

6. Non-monetary benefits

Members of the Group 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 Group Management, the compensation during the notice period and the severance pay may be an amount corresponding to a maximum of two yearly salaries.

8. Estimated costs for variable compensation

The cost for variable compensation to executive officers according to the proposal of the Board of Directors, taking into account existing agreements and based on the present remuneration rates, may in 2014, at maximum outcome, which presupposes that all targets on which the variable remuneration is based are reached, amount to maximum SEK 29,080,000 (exclusive of social security payments), whereof SEK 10,815,000 to the Managing Director (also President). The estimate is based on the persons currently being part of executive officers. The

costs may change in case additional persons will become part of executive officers.

9. Remuneration resolved upon that is not due for payment

At the time of the Annual General Meeting on April 28, 2014, Alfa Laval AB has no unsettled obligations of compensation, except running obligations to executive officers in accordance with the principles of compensation described on page 107-108 in the annual report for 2013.

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 executive officers 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.
