Introduction by the Chairman of the Board

The following report describes the structure of Alfa Laval’s corporate governance, the division of responsibility within the company and the control functions in place. In order for the Board of Directors and management to maintain the trust of Alfa Laval’s shareholders and the market, we must be able to demonstrate that the company is characterized by sound corporate governance. However, this also requires transparent communication since openness enables people without direct insight into the company’s daily operations to assess how well we as a Board manage the responsibility assigned to us by the shareholders. Combined, these two factors – openness and a well-developed structure – contribute to ensuring that the company conducts itself in an ethical manner in all situations, acting in accordance with the law and with the best interests of the shareholders in mind. At Alfa Laval, we strive to achieve the highest level of quality and maximum clarity with respect to management, governance and control in both our daily operations and the work of the Board. We hope that our commitment will be clearly demonstrated in this report.

In 2011, the work of the Board was largely devoted to the acquisition of Aalborg Industries – Alfa Laval’s largest acquisition to date – and the company’s subsequent integration. Following this acquisition, it was only natural to restructure the operations from two sales divisions to three, with the goal of expanding Alfa Laval’s presence and boosting its competitiveness, thereby strengthening the company’s position.

Other prioritized areas included the company’s overall strategic direction, particularly in light of its revised growth target, which intensified the focus on organic growth. During the year, the Board also decided to initiate a process to acquire Alfa Laval India Ltd., and thereafter to apply for delisting. Although this course of action was partly adopted due to regulatory changes in India, it should be viewed as part of our strategy and a confirmation of our long-term belief in India and our operations there.

In other respects, several events occurred in the global economy that were worth observing and noting, particularly in light of the economic fluctuations experienced in recent years, which were fresh in our minds. Budget crises in a number of economies resulted in uncertainty and volatility in the world’s stock exchanges, while emerging economies continued to grow. For us, it was important to establish an appropriate level of preparedness, while remaining firm in our efforts to ensure Alfa Laval’s continued value growth.

Lund, March 2012
Anders Narvinger
Chairman of the Board
Corporate Governance Report 2011

Alfa Laval is a public company listed on the NASDAQ OMX Exchange Stockholm. Accordingly, the company’s governance is based on the Swedish Companies Act, the Swedish Annual Accounts Act and the rules of the exchange. It also complies, with only one exception, with the Swedish Code of Corporate Governance (“the Code”). Alfa Laval’s Corporate Governance Report for 2011 is presented below, and has been reviewed by the company’s auditors. The report provides a detailed description of the division of responsibility in Alfa Laval and also how the company’s three decision-making bodies – the Annual General Meeting, the Board of Directors and the President – act and interact. The report is available on www.alfalaval.com.

Shareholders
Alfa Laval’s share was listed as early as 1901, but was delisted when the company was bought out from the Stockholm Stock Exchange in 1991. The company remained in private ownership until 2002, when it was relisted on the NASDAQ OMX Exchange Stockholm. The number of shares outstanding amounts to 419,456,315 and the number of shareholders totaled 36,567 at December 30, 2011. Tetra Laval was the largest owner and the only owner with a stake larger than 10 percent. Tetra Laval’s holding at year-end amounted to 26.1 percent. Legal entities accounted for about 93 percent of holdings, while individuals accounted for the remaining holdings. From a geographic perspective, the following countries were represented by the five largest shareholders: Sweden, the Netherlands, the UK, the US and Luxembourg. For more information about Alfa Laval’s share and ownership structure, refer to pages 10 and 11.

Alfa Laval – the company
The registered name of the company is Alfa Laval AB and the registered office of the Board of Directors shall be in Lund Municipality in Sweden. The company’s share capital shall amount to not less than SEK 745,000,000 and not more than SEK 2,980,000,000. The number of shares shall be not less than 298,000,000 and not more than 1,192,000,000. The fiscal year is the calendar year. The objective of the company’s operations is to, directly or through subsidiaries and joint venture companies in and outside Sweden, develop, manufacture and sell equipment and installations, primarily in the areas of separation, heat transfer and fluid handling, and to administer fixed and movable property, and other related operations.

Governance Model
Annual General Meeting
The Annual General Meeting is Alfa Laval’s highest decision-making body. Each year, the Annual General Meeting appoints the members and Chairman of the Board of Directors, based on motions from the Nominating Committee. All shareholders are entitled to participate at the Annual General Meeting and each share has one vote. According to Alfa Laval’s Articles of Association, the Annual General Meeting shall be held annually within six months of the close of the fiscal year in either Lund or Stockholm. Normally, the Annual General Meeting takes place in April or May in Lund.

The Annual General Meeting for the 2010 fiscal year was held at Fårs och Frosta Sparbank Arena in Lund on April 27, 2011. The Annual General Meeting was attended by 510 shareholders, in person or by proxy, representing 52.83 percent of the total number of shares and votes. Both of the company’s external auditors attended, as did all Board members elected by the Annual General Meeting. Board Chairman Anders Narvinger was elected as the Meeting Chairman. The full register of all resolutions made at the Annual General Meeting is available as minutes published on Alfa Laval’s website. The following list comprises only an extract of the resolutions passed:

– The Annual General Meeting adopted the income statement and balance sheet and resolved that the Board of Directors and President be discharged from liability.

– The Annual General Meeting resolved in accordance with the Board’s motion that a dividend of SEK 3.00 per share be paid for the 2010 fiscal year.

– A resolution was passed to re-elect Board members Gunilla Berg, Arne Frank, Björn Hägglund, Anders Narvinger, Finn Rausing, Jörm Rausing, Lars Renström and Ulla Lützen.

– A resolution was passed that fees paid to non-executive directors on the Board shall amount to SEK 3,650,000 (3,060,000). In addition, fees to Board members that are the Chairman or a member of the Audit Committee and Remuneration Committee, shall be paid as follows: to the Chairman of the Audit Committee SEK 125,000, to members of the Audit Committee SEK 75,000 and to the Chairman and members of the Remuneration Committee SEK 50,000.

– A resolution was passed accepting the Board’s motion for principles for remuneration to company management.

– A resolution was passed to authorize the Board, on one or more occasions before the next Annual General Meeting, to repurchase a maximum of 5 percent of the company’s shares outstanding.

Nominating Committee
For the 2012 Annual General Meeting
In accordance with a resolution passed by the Annual General Meeting, the Chairman of the Board contacted representatives of the company’s largest shareholders at the end of the third quarter and requested that they each appoint one member of the Nominating Committee. The composition of the Nominating Committee was communicated by a press release and on Alfa Laval’s website on October 19, 2011. The following individuals are members of the Nominating Committee: Finn Rausing (appointed by Tetra Laval), Bo Selling (appointed by Alecta), Claes Dahlbäck (appointed by Foundation Asset Management), Jan Andersson (appointed by Swedbank Robur Funds) and Lars-Åke Bokenberger (appointed by AMF Pension). The holdings of the Nominating Committee represented 43.56 percent of the number of shares outstanding at September 30, 2011. The Chairman of the Nominating Committee is Finn Rausing and the Nominating Committee appointed Board Chairman Anders Narvinger as a member of the Nominating Committee and its Secretary. According to the Code, a majority of the members of the Nominating Committee are to be independent of the company and management. At least one member must be independent of the company’s largest shareholders in terms of votes or the group of shareholders that jointly administer the company. The Chairman of the Nominating Committee may not be the Chairman of the Board or a Board member. Accordingly, Finn Rausing’s position as Chairman constitutes a deviation from the Code. The reason for this deviation is that the Nominating Committee considers Finn Rausing to be exceptionally suitable to lead the work of the Committee in an efficient manner and thus achieve an optimal result for the company’s shareholders.

Shareholders wishing to submit proposals to the Nominating Committee prior to the Annual General Meeting may contact Alfa Laval’s Board Chairman Anders Narvinger, or one of the owner representatives. Contact may also take place directly via e-mail at valbereckningen@alfalaval.com.

Composition of the Nominating Committee for the 2012 Annual General Meeting

<table>
<thead>
<tr>
<th>Name</th>
<th>Representing</th>
<th>Shareholding in Alfa Laval, %*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finn Rausing</td>
<td>Tetra Laval</td>
<td>21.6</td>
</tr>
<tr>
<td>Bo Selling</td>
<td>Alecta</td>
<td>8.45</td>
</tr>
<tr>
<td>Claes Dahlbäck</td>
<td>Foundation Asset Management</td>
<td>5.60</td>
</tr>
<tr>
<td>Jan Andersson</td>
<td>Swedbank Robur Funds</td>
<td>5.02</td>
</tr>
<tr>
<td>Lars-Åke Bokenberger</td>
<td>AMF Pension</td>
<td>2.89</td>
</tr>
</tbody>
</table>

* As of September 30, 2011
Board of Directors

The Board of Directors shall comprise a minimum of four and maximum of ten members, with a maximum of four deputy members. The members are elected annually for the period until the conclusion of the next Annual General Meeting. In addition, the trade-union organizations appoint three employee representatives and three deputy employee representatives. Salaried employees in the company are invited to Board meetings as presenters and experts. The company’s Chief Financial Officer participates in all meetings and Alfa Laval’s Chief Legal Counsel serves as Board Secretary. For further information about the members of the Board, see pages 136–137. All Board members were re-elected to the Board in 2011.

Every year, a combined educational and study trip is undertaken to one of Alfa Laval’s plants around the world. In 2011, the destination was India.

The Board’s formal work plan

The work of the Board is governed by a formal work plan that is determined annually following the Annual General Meeting.

This formal work plan describes the Board’s work assignments and the division of responsibility between the Board and the President. It also defines the role of the Board Chairman and stipulates that the Board has a Remuneration Committee and an Audit Committee, which report to the Board. The company’s President prepares an agenda for each meeting in consultation with the Board Chairman. Board members who wish to discuss a particular matter must inform the Board Chairman well in advance, so that the requisite material on which to base decisions can be prepared. Notices of meetings, including the meeting agenda and the requisite information or documentation on which to base decisions, must reach the Board members not later than one week prior to the date of the meeting. The formal work plan contains specific instructions for the company’s President regarding the financial reporting required by the Board so that it can make ongoing judgments of the financial situation. Minutes from Board meetings are numbered, and all Board members receive copies. The President is responsible for the safe storage of the original of the minutes. Matters discussed by the Board are by definition confidential, and every Board member is subject to a duty of confidentiality.

Board work in 2011

In 2011, nine Board meetings were held, all of which were regularly scheduled and lasted an average of approximately three hours. Two of which were regularly scheduled and lasted

In 2011, nine Board meetings were held, all of which were regularly scheduled and lasted an average of approximately three hours. Two of which were regularly scheduled and lasted in 2011.

Evaluation of the Board’s work

The Chairman of the Board ensures that an annual evaluation is conducted of the work of the Board.

This is carried out through open discussions and interviews with the individual members. The evaluation focuses on the Board’s work methods, its work climate and the access to and need for particular Board competence.

The evaluation forms part of the supporting documentation for the Nominating Committee when nominating Board members and proposing remuneration levels. To supplement this information, the Nominating Committee also interviews selected Board members.

The Board’s responsibilities

The Board, whose responsibilities are governed by the Swedish Companies Act and its own formal work plan, prepares and evaluates Alfa Laval’s overall long-term objectives and strategies. This includes establishing business and financial plans, checking and approving financial statements, adopting guidelines, making decisions on issues relating to acquisitions and divestments, and deciding on major investments and significant changes in Alfa Laval’s organization and operations. Board members have a duty to devote the necessary time and attention to their Board work and to possess the knowledge required to further the interests of the company and its shareholders in the best possible manner. The Board (through its Audit Committee) procures auditing services and maintains ongoing contact with the company’s auditors. In addition, the Board works to ensure that the company has a sound internal control function and formalized procedures. The Board also appoints the President and defines the instructions that the President must follow. Through the Remuneration Committee, the Board determines salaries and remuneration to the President and members of the executive management.

Board Chairman and the responsibilities of the Chairman

The Board Chairman directs the work of the Board in a manner that ensures it complies with the Swedish Companies Act, is well organized and is conducted efficiently, so that the Board fulfills its tasks. In dialog with the company’s President, the Chairman monitors operational developments and is responsible for ensuring that the other members receive, on an ongoing basis, information necessary for Board work to be performed in the most effective manner. The Chairman is responsible for evaluating the Board’s work, participates in evaluation and development matters with respect to the Group’s senior executives and ensures that the Board’s decisions are executed. The Chairman represents the company in ownership issues.

Independent Board members

All members of the Alfa Laval Board elected by the Annual General Meeting are considered independent of the company, except Lars Renström, who is President and CEO of the company. All members are also considered independent of the company’s major shareholders, except Finn Rausing and Jörn Rausing, who cannot be considered independent due to their relation to Tetra Laval, which, on December 31, 2011, owned 26.1 percent of the shares in the company. The Code requires that a majority of the Board members elected by the Annual General Meeting are to be independent of the company and management. At least two members must be independent of the company’s largest shareholders.

Audit Committee

The Audit Committee formulates guidelines for the company’s financial reporting and follow-up, and has the right to determine the focus of the internal audit. The Committee also examines the procedures for reporting and financial controls, the work of the external auditors, their qualifications and independence. In addition, it follows up the effectiveness of the internal controls, evaluates and discusses significant issues in the areas of accounting and financial reporting, as well as monitoring other significant issues connected with the financial reporting.

The Audit Committee assists management in identifying and evaluating the primary operational risks and ensures that management directs its efforts to addressing these matters. Members of the Audit Committee are appointed annually at the Board of Directors’ statutory meeting. In accordance with the Code, a majority of these members must be independent of the company and management, and at least one member must also be independent of the company’s largest shareholders. During 2011, the Audit Committee comprised Finn Rausing (Chairman), Gunilla Berg and Ulla Litzén, Alfa Laval’s General Counsel, Mikael Wahlgren, is the Committee Secretary. During 2011, four meetings were held, of which one was held by phone, and the meetings held averaged slightly more than two hours in length. Minutes are kept of each meeting and distributed to the Board members. The company’s Chief Financial Officer, the Head of the Internal Audit Function and the company’s auditors were also present at all meetings.

Remuneration Committee

The Remuneration Committee acts in conjunction with recruitment and appointments, and is involved when other conditions of employment relating to the President or members of Group Management require discussion. The Committee’s assignment is to prepare the guidelines for remuneration to senior executives to be resolved on by the Annual General Meeting
and to submit proposals to the Board of Directors regarding salary and employment terms and conditions for the President. In addition, the Committee handles matters for the Board regarding salary and employment terms and conditions for senior executives who report directly to the President. Alfa Laval’s Remuneration Committee is appointed on an annual basis at the Board’s statutory meeting. In 2011, the Committee comprised Anders Narvinger (Chairman), Jörn Rausing and Björn Hägglund. The Remuneration Committee held three meetings, of which two were held per calendar. All members were in attendance. A number of phone meetings were also held to address ongoing issues. Minutes are taken at all meetings and the contents are distributed to the Board members.

Remuneration to the Board
Remuneration to the Board members is determined by the Annual General Meeting based on the motions submitted by the Nominating Committee. The Chairman and members of the Audit Committee and the Remuneration Committee receive supplementary remuneration. No Board member is entitled to pension payments from the company, except Lars Renström, who is President and CEO.

President and Group management
The President directs the daily operations and is responsible for ensuring that the Board receives information and the necessary supporting documentation for its decision-making purposes. The President is also responsible for ensuring that the company’s accounting complies with applicable laws and provisions. In support of sound corporate governance and to ensure that the company’s actions follow the requisite ethical guidelines, Alfa Laval has a number of Business Principles. These affect how the company and its employees act with respect to the Group's environmental impact, social responsibility, business ethics and transparency. The principles are described in full on Alfa Laval’s website, www.alfalaval.com. The President has the support of the management group, to which responsibilities and authority are delegated.

The members of the management group are responsible for their respective areas of operation, which comprise divisions or geographic regions, and collectively for the Group as a whole. Group management comprises the CEO and those individuals who, on the CEO’s recommendation, have been appointed by the Board. For further information regarding Group management, see pages 138-139.

The management group held six meetings in 2011, during which minutes were taken. In addition, quarterly reviews are held of all business developments in the company’s divisions and geographic regions, which address such items as the business climate, earnings, earnings projections for the next 12 months and other specific issues affecting the respective business areas.

Remuneration, pensions and severance pay/termination of employment
The remuneration principles for the President and other members of Group management are determined by the Annual General Meeting. For additional information, see pages 97 and 98.

The company’s auditors
Alfa Laval’s auditors constitute a supervisory body appointed by the Annual General Meeting. Their assignment involves examining the Annual Report, evaluating the accounting policies employed, making significant judgments concerning corporate management, conducting an overall review of the interim report for the third quarter and evaluating the general presentation in the Annual Report. The result of the audit – the Audit Report – is communicated to shareholders in the Annual Report and at the Annual General Meeting. Additionally, the auditors present a statement regarding the discharge of liability of the Board of Directors, a statement regarding the adoption of the income statement and balance sheet by the Annual General Meeting and a statement regarding the Corporate Governance Report. The number of auditors must be a minimum of one and maximum of two, with not more than two deputies. An authorized public accountant or registered auditing firm is appointed as the company’s auditor and, where applicable, as deputy auditor. The 2008 Annual General Meeting elected the company’s auditors for a period of four years. Authorized Public Accountants Kerstin Mouchard and Staffan Landén are the company’s auditors. Authorized Public Accountants Håkan Olsson and Thomas Swenson are the company’s deputy auditors. All of these individuals are authorized public accountants with Ernst & Young AB.

According to Alfa Laval’s assessment, none of these auditors has any relationship to Alfa Laval, or any company related to Alfa Laval, that could affect their independent status in relation to the company. All of the auditors also possess the requisite competence to be able to execute their assignment as an auditor for Alfa Laval.

Remuneration to auditors
(Refer to note 7 on page 99)

Attendance at Board meetings and committee meetings

<table>
<thead>
<tr>
<th>Name</th>
<th>Board</th>
<th>Remuneration Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointed by the Annual General Meeting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anders Narvinger</td>
<td>9</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Gunilla Berg</td>
<td>9</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Arne Frank</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Björn Hägglund</td>
<td>9</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Ulla Litzén</td>
<td>9</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Finn Rausing</td>
<td>9</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Jörn Rausing</td>
<td>8</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Lars Renström</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee representatives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arne Kastö</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan Nilsson</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Susanna Norby</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antal möten</td>
<td>9</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Remuneration to the Board

<table>
<thead>
<tr>
<th>Name</th>
<th>Board</th>
<th>Remuneration Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anders Narvinger</td>
<td>1,100,000</td>
<td>50,000</td>
<td>0</td>
</tr>
<tr>
<td>Gunilla Berg</td>
<td>425,000</td>
<td>0</td>
<td>75,000</td>
</tr>
<tr>
<td>Arne Frank</td>
<td>425,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Björn Hägglund</td>
<td>425,000</td>
<td>50,000</td>
<td>0</td>
</tr>
<tr>
<td>Ulla Litzén</td>
<td>425,000</td>
<td>0</td>
<td>75,000</td>
</tr>
<tr>
<td>Finn Rausing</td>
<td>425,000</td>
<td>0</td>
<td>125,000</td>
</tr>
<tr>
<td>Jörn Rausing</td>
<td>425,000</td>
<td>50,000</td>
<td>0</td>
</tr>
<tr>
<td>Lars Renström</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>3,650,000</td>
<td>150,000</td>
<td>275,000</td>
</tr>
</tbody>
</table>

Remuneration is fixed. No variable portion exists. No remuneration is paid to elected Board members who are employees of the company.
Board of Directors’ report on internal control

The Board is responsible for ensuring that a sound internal control function is in place. The overriding aim is to safeguard the company’s assets and thus the shareholders’ investments. The internal control function shall ensure the reliability of Alfa Laval’s financial reporting, and its compliance with legislation, regulations, the applicable accounting policies and the company’s Business Principles.

**Control environment**

To ensure sound internal control, the Board has established clear operating processes and formal work plans that cover the work of the Board and its committees. The Board has also prepared a clear internal distribution of tasks.

The Board monitors and bears overall responsibility for the company’s financial reporting. Another key component of the Board’s work is the formulation and approval of fundamental rules and guidelines aimed at creating the basis for sound internal control. These guidelines and rules, which are regularly revised and updated, apply to such aspects as the company’s finance policy, its Business Principles, rules for investment decisions, financial reporting requirements and the company’s communications policy. The Board is also responsible for ensuring that the organizational structure is logical and transparent, with clearly defined roles, responsibilities and processes. The Board assesses the performance and earnings of the operations through a package of reports including results, forecasts and analyses of key indicators. The Board also reviews the company’s interim reports and year-end report.

The Board’s Audit Committee, whose work and areas of responsibility were partly described on page 132, is tasked with ensuring compliance with the principles for financial reporting and internal control. The Committee also evaluates and manages the company’s relationships with its external auditors, examines the company’s financial reports and reviews its risk reports, information from risk assessments, disputes and potential improprieties. The Audit Committee holds meetings with the internal auditors, external auditors and various specialists in Group management and its support functions, and provides feedback on these meetings to the Board. In 2011, the entire Board received reports from the company’s external auditors on two occasions. On one occasion, this was conducted without the presence of the President or other members of Group management. The Board’s Audit Committee received separate reports from the company’s external auditors on three occasions.

The President is subject to instructions issued by the Board and is responsible for ensuring the existence of an efficient control environment. The President is also responsible for regular work on the internal control. Group management is responsible for managing and maintaining the internal control systems required to manage significant risks in the company’s operating activities. Management is also responsible for clearly ensuring that all employees understand the requirements for, and the individual’s role in, maintaining sound internal control.

The internal auditors report to the CFO and comprise the function that reviews and implements improvements to the internal control function, reports these results to the Audit Committee and proposes plans for the coming six to eight months. The internal auditors also issue reports from individual audits to the members of Group management concerned. A procedure is in place for performing regular reviews of the agreed actions to ensure that specific actions are taken following the internal audit. This is based on a schedule agreed on with the party responsible for the individual activities. The internal audit function comprises two internal auditors, supplemented by internal specialist resources and auditors from the auditing company KPMG. In 2011, 24 internal audits were performed. These encompassed a broad spectrum of functions and areas of inquiry. The scope was determined by the Board and involved examining such aspects as:

- Compliance with the systems, guidelines, policies and processes established for the Group’s business operations.
- The existence of systems to ensure that financial transactions are carried out, archived and reported in an accurate and lawful manner.
- Opportunities to improve management control, the company’s profitability and the organization, which may be identified during audits.

**Risk assessment**

Within the framework of the company’s operating activities and review functions, procedures are in place for risk assessments pertaining to the financial reporting. These procedures aim to identify and evaluate the risks that may affect internal control. This identification process creates stronger opportunities for accurate financial reporting. The procedures encompass risk assessments in conjunction with strategic planning, forecasts and acquisition activities, as well as processes for identifying amendments to the accounting policies to ensure that these amendments are accurately reflected in the financial reporting. For more information on financial and operational risks, refer to pages 88–93.

**Control structures**

The control structures have been designed to manage risks that the Board and management consider to be significant to the business operations, internal control and financial reporting. The control structures comprise (i) an organization with clearly defined roles that enable an effective, and from an internal control perspective, appropriate division of responsibility, and (ii) specific control activities that enable the identification and timely prevention of risks becoming reality. Examples of control activities include clearly defined decision-making processes and the policy for decision-making in relation to, for example, investments, agreements, acquisitions and divestments, earnings analyses and other forms of analytical reviews, reconciliations, inventory-taking and automatic controls in the IT systems.

**Governance instruments**

As governance instruments, the Board deploys a number of policy documents, which are used in the company’s daily operations. These encompass such instruments as the Board’s operating procedures, the President’s instructions, reporting instructions, Business Principles, investment policies, and the finance and communications policies. Each year, the Board reviews how relevant and current these instruments are. An annual feedback function
Assignment and allocation of responsibilities
We have examined the Corporate Governance Report (pages 129–135) for Alfa Laval AB for 2011. The Board of Directors is responsible for the Corporate Governance Report and its compliance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

Information and communication
The company’s regulations, guidelines and manuals are communicated through several internal channels to ensure sound control. The effectiveness of this communication is monitored continuously to ensure that the information is sufficiently accessible. There are also formal and informal information channels that enable employees to communicate important information to relevant recipients and ultimately, if necessary, to the Board of Directors. For communication with external parties, a clearly defined policy has been formulated. The aim is to ensure that all obligations with regard to information are met in a correct and complete manner.

Monitoring
The internal control process is mainly monitored by two entities: the Audit Committee and the internal audit function. The Audit Committee establishes the principles that apply for the company with respect to accounting and financial reporting, and monitors compliance with these regulations. The Audit Committee also meets with the external auditors to secure information about the focus and scope of the audit and to discuss results and coordination of the external and internal audits. The Audit Committee establishes the direction, extent and time schedules for the internal audit team’s work. The internal audit team reports the results of its audits to the Audit Committee and continuously to Group management so that any necessary measures may be taken. The scope of the internal audit includes operational efficiency, compliance with regulations and guidelines, and the quality of financial reporting from the subsidiaries.

Auditors’ statement on the Corporate Governance Report
To the annual meeting of the shareholders of Alfa Laval AB, corporate identity number 556587-8054

Assignment and allocation of responsibilities
We have examined the Corporate Governance Report (pages 129–135) for Alfa Laval AB for 2011. The Board of Directors is responsible for the Corporate Governance Report and its compliance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

The objective and scope of the audit
The audit has been performed in accordance with RevU 16 Auditors’ Review of the Corporate Governance Report. This requires that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the Corporate Governance Report is free of material misstatement. An audit includes examining, on a test basis, a selection of the underlying evidence for the Corporate Governance Report. We believe that our audit provides us with a reasonable basis for our opinion set out below.

Opinion
The Corporate Governance Report has been prepared and is consistent with the annual accounts and consolidated financial statements.

Lund, March 5, 2012
Kerstin Mouchard Staffan Landén
Authorized Public Accountant Authorized Public Accountant