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Introduction by the Chairman of the Board

Alfa Laval and its corporate governance

Alfa Laval is a world leader in heat transfer, separation and fluid handling. With clear growth and profitability goals in place, it is crucial that the company continue to strengthen its leading positions. This can be achieved through the launch of new, even more efficient products, by establishing a strong local presence or through a broad offering of spare parts and service. Our customers associate the Alfa Laval brand with quality. But this attention to quality must be evident not only in the products and solutions we deliver, but also in how we act during our daily operations. The Board of Directors, management and all employees are expected to comply with applicable laws and regulations as well as with the company's business principles related to the environment, ethics, transparency and social responsibility. In this section, we will describe how the company is governed, the distribution of responsibility between the Board, the President and Group management, and the control structures that are in place. By doing so, we want to show that our work and management of the company are based on the best interests of the owners and would stand up to the scrutiny of a review.

The year in brief

In conjunction with the change of CEO in the spring, a review was initiated which marked the start of an extensive strategic overhaul. One of the questions we asked ourselves was whether Alfa Laval was optimally positioned and organized in order to respond to and leverage the developments under way in our operating environment.

The answer came in the form of a number of new initiatives, including a change to the structure that had been in place at Alfa Laval for 15 years. By breaking down and changing the company's segment and divisional structure, we will be able to further enhance the rate and clarity of the company's interactions with customers. And by further concentrating our exposure to markets and applications, we will be able to more efficiently allocate resources to areas with clear growth opportunities.

However, some things have not changed. Separation, heat transfer and fluid handling are the backbone of Alfa Laval's operations and will remain so in the future.

In parallel with our ongoing efforts to adapt our production resources, our strategy work resulted in a restructuring program comprising staff reductions in the sales and administration organizations, a review of the manufacturing structure and the reassignment of certain product groups to a separate non-divisional structure. Some of these initiatives will be fully implemented in the near future; others will take a little more time. But we are convinced that following these changes, Alfa Laval will be well equipped for the future.

Lund, February 2017

Anders Narvinger

Chairman of the Board



Corporate Governance Report 2016

Alfa Laval is a leading, global provider of specialized products and engineered solutions in the areas of heat transfer, separation and fluid handling. Across the globe, there is a significant need for heat transfer and fluid control and Alfa Laval's products can thus be used in numerous industries and applications, ranging from power production and wastewater management to heat recovery and food production. Thanks to this broad exposure, Alfa Laval currently plays a leading role in areas considered to be important to society, such as energy optimization, environmental protection and food production. Alfa Laval's products and solutions are sold in more than 100 countries and its sales amounted to SEK 35.6 billion in 2016.

Alfa Laval is to offer efficient and environmentally responsible products and solutions while working to achieve its established goals with regard to growth, profitability and return. By achieving or even exceeding these goals, Alfa Laval creates the necessary scope for its continued development in line with the company's strategic priorities. A favorable result also generates value for the Group's shareholders in the form of an annual dividend and by boosting the value of the company. For more information about Alfa Laval's financial goals, refer to page 12. Equally as important as achieving goals and fulfilling the Group's business concept are

the conduct of the company and its employees along the way. Alfa Laval is to act in a manner that is sustainable from a long-term perspective, taking its shareholders, employees, customers, suppliers and other stakeholders into consideration. The framework for the company's corporate governance is based on various laws and regulations, such as the Swedish Companies Act, the Swedish Annual Accounts Act, the rules of the stock exchange and the Swedish Corporate Governance Code (the "Code"). These laws and regulations are supplemented by the company's business principles regarding the environment, human

rights, ethics and transparency. The company also has internal regulations, such as governing documents containing guidelines and instructions as well as procedures for control and risk management. The work of the Board and the President is governed by formal work plans.

Alfa Laval's Corporate Governance Report for 2016 aims to describe these guidelines, the division of responsibility within the company and the interaction between the Annual General Meeting, the Board of Directors and the President. The report has been reviewed by the company's auditors.

Alfa Laval – the company



The registered name of the company is Alfa Laval AB (publ) 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. The Articles of Association do not include any limitations regarding the number of votes a shareholder can cast at a General Meeting. Nor does it include any specific rules regarding the appointment and dismissal of Board members or changes in the Articles of Association. The currently prevailing Articles of Association were adopted at the Annual General Meeting on April 20, 2009 and are available in their entirety on www.alfalaval.com



Share and ownership structure

At December 31, 2016, Alfa Laval had 419,456,315 shares outstanding, allocated among 35,840 shareholders according to Euroclear Sweden's shareholders' register. Alfa Laval has only one class of shares and each share corresponds to one vote. Tetra Laval was the largest owner, with 29.1 percent of the shares in Alfa Laval at year-end, and the only owner with a stake larger than 10 percent. The second largest owner was Alecta with 7.2 percent, followed by Swedbank Robur with a holding of 5.4 percent. Legal entities accounted for slightly more than 94 percent of holdings, while individuals accounted for the remainder. From a geographic perspective, the following countries represented a total of 93.6 percent of the shareholdings: Sweden, the Netherlands, the US, the UK and Luxembourg. For more information about Alfa Laval's share, share performance

and ownership structure, refer to the Share section on pages 16–17.

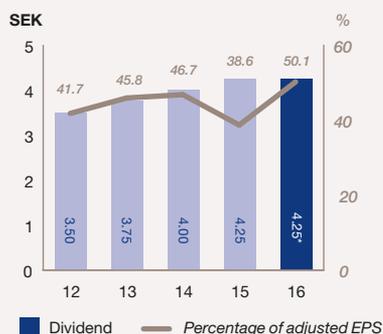


Annual General Meeting

The Annual General Meeting is the company's highest decision-making body in which all shareholders are entitled to participate and each share entitles its holder to one vote. The majority of motions addressed at the Annual General Meeting are decided by a simple majority. However, certain points require a qualified majority, for example, amendments to the company's Articles of Association or resolutions to buy back shares. The Annual General Meeting is to 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 late April or early May in Lund. The date and location are announced not later than in conjunction with the publication of the interim report for the third quarter. To be entitled to participate and vote in the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by Euroclear Sweden AB. Any shareholder who is unable to attend in person may participate through a proxy with a power of attorney. Shareholders with nominee-registered shares must have the shares temporarily registered under their own name. The Annual General Meeting is held in Swedish and all documentation is available in Swedish and English. Alfa Laval endeavors to ensure that all Board members participate, as well as, in so far as it is possible, all members of Group management. The company's auditors are always present.

Dividend and percentage of adjusted EPS**



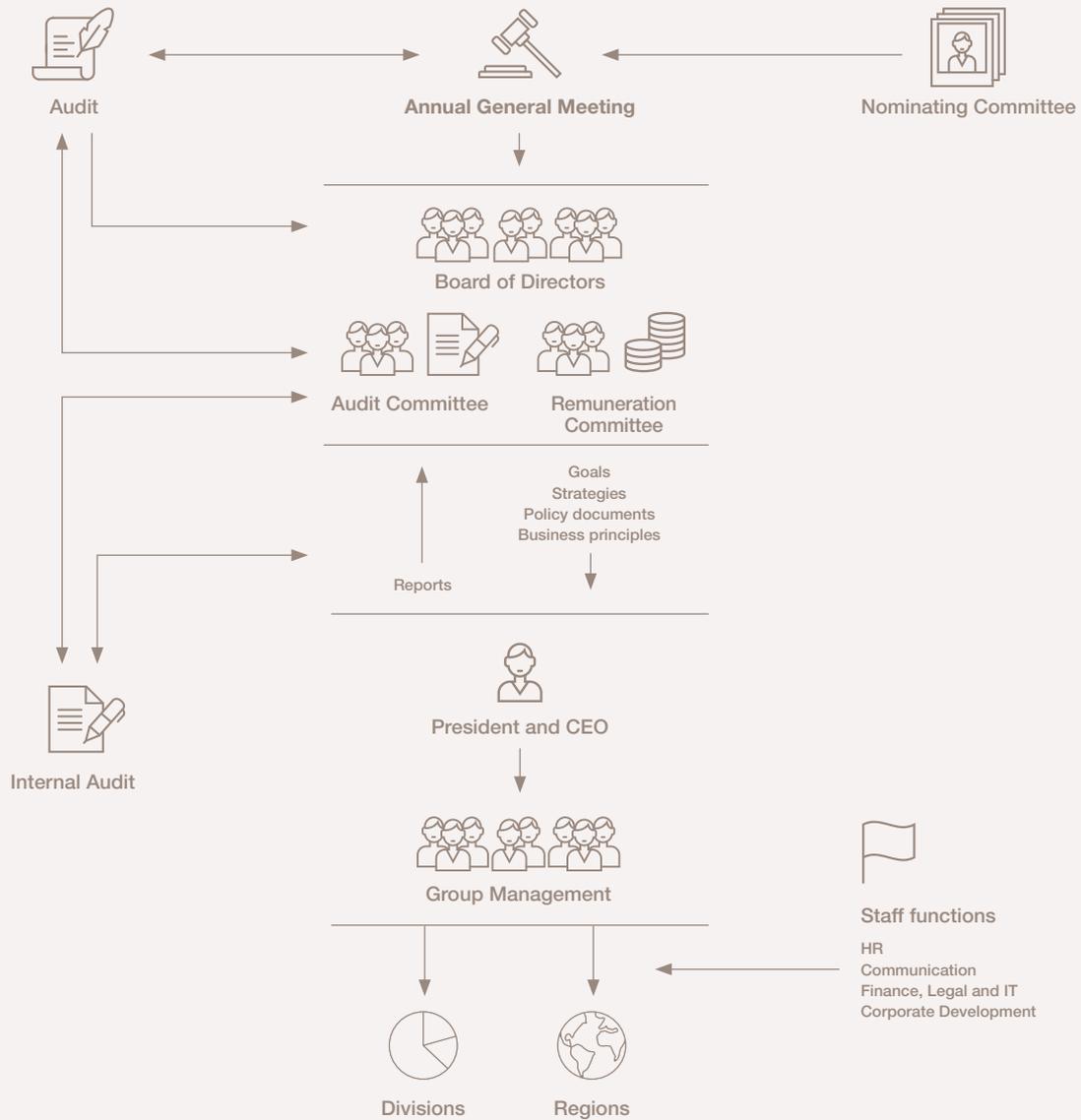
*Board proposal to the Annual General Meeting.
**Adjusted for step up amortization net of taxes.

Ownership categories at December 30, 2016

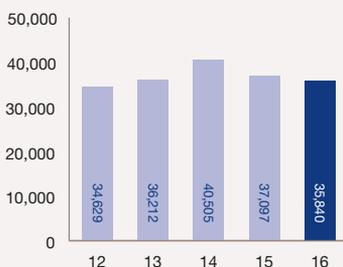
	No. of shares	Holding, %
Financial companies	104 258 015	24.8
Other financial companies	12 957 335	3.1
Social insurance funds	7 992 054	1.9
Government	414 274	0.1
Municipal sector	38 906	0.0
Trade organizations	4 739 921	1.1
Other Swedish legal entities	8 457 626	2.0
Shareholders domiciled abroad (legal entities and individuals)	255 813 626	61
Swedish individuals	22 889 319	5.5
Uncategorized legal entities	1 895 239	0.5

Source: Euroclear

Corporate governance



Total number of shareholders



Source: Euroclear

Ten largest shareholders at December 30, 2016*

	No. of shares	Capital/voting rights, %	Change in holding in 2016, percentage points
Tetra Laval BV	122,037,736	29.1%	3.0
Alecta	30,109,962	7.2%	0.9
Swedbank Robur Funds	22,750,646	5.4%	-1.1
AMF Insurance and Funds	21,795,454	5.2%	+/- 0
Foundation Asset Management	12,550,000	3.0%	-3
Fourth Swedish Pension Insurance Fund	6,551,772	1.6%	0.3
Folksam	3,033,424	0.7%	+/- 0
SEB Investment Management	2,845,295	0.7%	-0.8
SPP Funds	2,629,962	0.6%	+/- 0
Nordea Investment Funds	2,240,493	0.5%	-1.3
Total ten largest shareholders	226,544,744	54.0%	

* The table is adjusted for custodian banks. Were they to be included, they would represent a total holding of 11.09 percent.

Annual General Meeting for the 2015 fiscal year

The Annual General Meeting for the 2015 fiscal year was held at Sparbanken Skåne Arena in Lund on April 25, 2016. The Annual General Meeting was attended by 433 people, including shareholders, proxies, assistants, guests and officials. The total number of votes represented corresponded to 66.66 percent of the total number of votes in the company. Chairman of the Board Anders Narvinger was elected as the Meeting Chairman. The minutes from the Annual General Meeting, and all other information related to the Meeting, are available at www.alfalaval.com/investors/corporate-governance/. The resolutions passed at the Meeting included the following:

- A resolution was passed to adopt the income statement and balance sheet and discharge the Board of Directors and President from liability.
- A resolution was passed in accordance with the Board's motion that a dividend of SEK 4.25 per share be paid.
- A resolution was passed that the number of Board members is to amount to eight, with no deputies.
- A resolution was passed to re-elect Board members Gunilla Berg, Arne Frank, Anders Narvinger, Finn Rausing, Jörn Rausing, Ulla Litzén, Ulf Wiinberg and Margareth Øvrum. Lars Renström, who retired from his role as President of the company in March 2016, declined re-election. In addition, a resolution was passed in favor of the Nominating Committee's motion for auditors, resulting in the re-election of Authorized Public Accountant Håkan Olsson Reising and new election of

Authorized Public Accountant Joakim Thilstedt. In addition, auditors David Olow and Duane Swanson were re-elected as deputy auditors.

- A resolution was passed that fees paid to non-executive directors on the Board would amount to SEK 5,105,000. In addition, fees are payable for work on the Board's committees.
- A resolution was passed accepting the Board's motion for remuneration principles for senior executives. These principles comprise fixed remuneration and short-term and long-term programs for variable remuneration.



Nominating Committee

Work of the Nominating Committee

The Nominating Committee, which comprises representatives of the largest shareholders, is responsible for preparing and submitting motions regarding candidates for Board members and, if applicable, auditors. The supporting documentation utilized for the Committee's work includes the annual evaluation of the work of the Board, which is initiated by the Chairman of the Board. Other key factors to be considered, against the background of the company's strategy, include the type of competence required. The Nominating Committee can call upon the assistance of external resources in its search for suitable candidates and can also conduct interviews with individual Board members. The Nominating Committee is also responsible for submitting motions in

respect of remuneration to members of the Board and its committees.

Composition

The composition of the Nominating Committee is determined in accordance with the process approved by the Annual General Meeting. The Chairman of the Board contacts representatives of the largest shareholders at the end of the third quarter and requests that they each appoint one member. The Nominating Committee may decide whether or not to include the Chairman of the Board or other Board members. The composition is then announced in a press release, in the third-quarter interim report and on Alfa Laval's website. Ahead of the 2017 Annual General Meeting, the composition of the Nominating Committee was announced on October 14, 2016. It was also included in Alfa Laval's third-quarter interim report, which was published on October 25.

Ahead of the Annual General Meeting for the 2016 fiscal year

The Nominating Committee for the Annual General Meeting for the 2016 fiscal year comprised the following individuals: Jörn Rausing (Tetra Laval), Jan Andersson (Swedbank Robur Funds), Ramsay Brufer (Alecta), Lars-Åke Bokenberger (AMF) and Magnus Fernström (Foundation Asset Management). The holdings of the Nominating Committee represented 51.6 percent of the number of shares outstanding at September 30, 2016.

The Chairman of the Board Anders Narvinger was elected as member and secretary, and Jörn Rausing was elected as Chairman. Due to Jörn Rausing's position as a Board member, his role as Chairman is a deviation from the Code. The reason for this deviation is that the Nominating Committee deemed Jörn Rausing to be

Annual General Meeting for the 2016 fiscal year

The Annual General Meeting of Alfa Laval AB (publ) will be held on Wednesday, April 26, 2017 at 4:00 p.m. at Sparbanken Skåne Arena, Klostergården's sports area, Stattenavägen, in Lund. Light refreshments will be served after the Meeting. In accordance with the company's Articles of Association, notice of the Annual General Meeting will be inserted as an announcement in the Swedish Official Gazette and on the company's website not more than six and not less than four weeks prior to the Meeting. An announcement that the notification has been issued will be placed in Dagens Nyheter. As a service to existing shareholders, information about the Annual General Meeting can be sent to them by mail.

Composition of the Nominating Committee for the Annual General Meeting

Name	Representing	Shareholding in Alfa Laval, %*
Jörn Rausing	Tetra Laval	29.09
Jan Andersson	Swedbank Robur Funds	7.23
Ramsay Brufer	Alecta	7.18
Lars-Åke Bokenberger	AMF Insurance and Funds	5.09
Magnus Fernström	Foundation Asset Management	2.99

* As of September 30, 2016.

particularly well suited to lead the work of the Committee and obtain the best possible results for the company's owners.

Work of the Nominating Committee ahead of the Annual General Meeting

The Nominating Committee held three meetings ahead of the Annual General Meeting for the 2016 fiscal year and conducted a number of discussions by phone and e-mail. The focus of the Committee's meetings included an assessment of the composition of the Board, based on the evaluation of the work of the Board carried out by the Chairman of the Board, as well as the potential future competence requirements of the Board.

Proposals to the Nominating Committee

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 valberedningen@alfalaval.com.



Board of Directors

Work and responsibilities

The Board administers the company on behalf of the shareholders and thus bears the ultimate responsibility for the organization and administration of the company. The work and responsibilities of the Board are governed by the Swedish Companies Act, the Swedish Board Representation (Private Sector Employees) Act, the Articles of Association, the Board's own formal work plan, Nasdaq's Rule Book for Issuers

and the Code. The Board establishes and evaluates Alfa Laval's overall long-term objectives and strategies, which includes establishing business and financial plans, reviewing and approving financial statements, adopting guidelines, making decisions on issues relating to acquisitions and divestments, and deciding on major investments and significant changes to Alfa Laval's organization and operations. The Board is responsible for ensuring that processes are in place for monitoring compliance with relevant laws and rules. The Board also establishes the instructions for the President with respect to the Group's daily operations and approves the President's commitments outside the company. Through the Audit Committee, the Board procures auditing services, maintains ongoing contact with the company's auditors and works to ensure that a sound internal control function and formalized procedures are in place to enable monitoring and assessment of the company's financial situation. The Board also appoints the President and, through the Remuneration Committee, determines salaries and remuneration for the President and senior executives.

Composition

The Board of Directors is to comprise a minimum of four and maximum of ten members, with a maximum of four deputy members. At present, the Board comprises eight members and no deputies. The members are elected annually for the period until the conclusion of the next Annual General Meeting and are to dedicate the requisite time and diligence to the assignment as well as have the necessary knowledge to best look after the interests of the company and its owners. 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, as does its Chief Legal Counsel, who serves as Board Secretary.

Independence of Board members

All members of the Alfa Laval Board elected by the Annual General Meeting are considered independent 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 owned 29.1 percent of the shares in the company as of December 31, 2016.

The Board's formal work plan

The work of the Board is governed by a formal work plan that is determined annually at the statutory meeting. This formal work plan describes the Board's work assignments and the division of responsibility between the Board, the committees and the President. It also defines the role of the Chairman of the Board and includes separate instructions for the company's President regarding the financial reporting to be submitted to the Board to enable ongoing assessment of the financial position.

Work of the Board in 2016

The Board held nine meetings in 2016, eight of which were scheduled meetings. Three meetings were held by phone, while the other meetings were held in Lund and Stockholm in Sweden and Aalborg in Denmark. The company's President prepares an agenda for each meeting in consultation with the Chairman of the Board. Normal agenda items include earnings results, order trends, investments and acquisitions. In addition, considerable time

Proposals to the Nominating Committee

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 be made directly by e-mail at valberedningen@alfalaval.com

Board training

Each year, a combined training course and field trip takes place at one of Alfa Laval's facilities. In 2016, the trip had as its destination Alfa Laval's facilities in Aalborg, Denmark.



was devoted to the strategic review carried out during the year.

Board training

All new Board members receive an extensive introduction program. In addition, each year, a combined training course and field trip takes place at one of Alfa Laval's facilities. In 2016, the destination for the trip was Alfa Laval's unit in Aalborg, Denmark.

Evaluation of the Board's work

The Chairman of the Board ensures that an annual evaluation is conducted of the work of the Board. The evaluation focuses on work methods and work climate as well as access to and the need for particular Board competence in order to lay the foundation for a well-functioning Board. External resources are brought in at regular intervals to evaluate the work of the Board. Regardless of whether it is conducted internally or externally, the evaluation forms a foundation for the Nominating Committee's work related to the nomination of Board members and proposed remuneration levels. In 2016, the evaluation was conducted by the Chairman of Board, who held individual one to two-hour discussions with all Board members. The evaluation followed a clear structure based on standard models. The results were reported to the Board and the Nominating Committee.

Responsibilities of the Chairman of the Board

The Chairman of the Board directs the work of the Board in a manner that ensures it complies with prevailing laws and regulations, the Code and the Board's formal work plan. The Chairman must ensure that the

work is well organized and conducted efficiently, and that the Board fulfills its tasks. In dialogue with the company's President, the Chairman monitors operational developments and is responsible for ensuring that the other members continuously receive all information necessary for the work of the Board to be performed in the most effective manner. The Chairman is responsible for ensuring that new Board members receive an introduction to the company and any other training agreed on by the Chairman and the individual member within six months from the member's election. In addition to being responsible for evaluating the Board's work, the Chairman also participates in evaluation and development matters with respect to the Group's senior executives. The Chairman ensures that the Board's decisions are executed and represents the company in ownership issues.

Remuneration of the Board

Remuneration to the Board 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 Remuneration Committee receive supplementary remuneration. No Board member is entitled to pension payments from the company.



Committees

Alfa Laval's Articles of Association stipulate that there must be a Remuneration Committee and an Audit Committee that

report to the Board. Committee members are appointed from among the Board members for a period of one year.

Audit Committee

Areas of responsibility

The Audit Committee ensures compliance with the principles for financial reporting and internal control. The 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 examines the procedures for reporting and financial controls, as well as the work, qualifications and independence of the external auditors. For further information regarding the responsibilities of the Audit Committee, refer to "The Board of Directors' report on internal control" on page 58.

Members and meetings in 2016

Members are appointed annually at the Board's statutory meeting. In 2016, the Committee comprised Finn Rausing (Chairman), Gunilla Berg and Ulla Litzén, with the company's Chief Legal Counsel serving as secretary. Four meetings were held during the year, one of which was conducted by phone. The company's Chief Financial Officer, the Head of the Internal Audit Function and the company's auditors were also present at the meetings. The meetings addressed the following items: review of the procedures for corporate governance, review and follow-up of the results of the current annual feedback from approximately 200 managers regarding governance, updates regarding new IFRS developments, amendments to the Code, a review of Group provisions and allocations, a

Remuneration of Board members and attendance at Board meetings

● Chairman

	Name	Board of Directors	
		Present	Remuneration
Appointed by the Annual General Meeting	Anders Narvinger	● 9	1,500,000
	Gunilla Berg	9	515,000
	Arne Frank	8	515,000
	Margareth Øvrum	9	515,000
	Ulla Litzén	9	515,000
	Finn Rausing	9	515,000
	Jörn Rausing	8	515,000
	Lars Renström *	2	
	Ulf Wiinberg	8	515,000
	Total		5,105,000
Employee representatives	Henrik Nielsen	9	
	Susanna Norrby **	3	
	Susanne Jonsson ***	2	
	Bror García Lantz	9	
	Leif Norkvist	1	
	Christer Olofsson	3	
Number of meetings		9	

* Resigned in conjunction with the 2016 Annual General Meeting.

** Stepped down in October 2016.

*** Took up position in October 2016.

review of Group surplus values, transfer pricing and IT security.

Remuneration Committee

Areas of responsibility

The Remuneration Committee is involved in recruitment, appointments, and matters pertaining to other conditions of employment relating to the President and Group management. The Committee is responsible for preparing the guidelines for remuneration to senior executives to be resolved on by the Annual General Meeting and for submitting motions to the Board of Directors regarding salary and employment terms for the President. In addition, the Committee addresses matters regarding salary and employment terms for senior executives who report directly to the President.

Members and meetings in 2016

The Remuneration Committee is appointed annually at the Board's statutory meeting. In 2016, the Committee comprised Anders Narvinger (Chairman), Jörn Rausing and Arne Frank. The Committee held four meetings during the year. Phone meetings were also held to address ongoing issues. Minutes are taken at all meetings and the contents are distributed to the Board members, except in certain cases when the minutes are noted directly in the corresponding Board minutes. During the year, the Remuneration Committee participated in the assessment of candidates for managerial positions in the new organizational structure. The meetings of the Committee also included a review and follow-up of the guidelines for remuneration to senior executives, other Group guidelines and international issues pertaining to this area as well as personnel

issues related to the integration of acquired companies. The Committee also reviewed the Group's management development program and terms of employment for Group management as well as addressing the Group's incentive program.



The company's auditors

The auditors comprise a supervisory body appointed by the Annual General Meeting. The auditors' assignment includes the following: auditing the accounting and financial statements of individual companies, evaluating the accounting policies applied, assessing the administration of company management, reviewing the interim report for the third quarter and evaluating the overall presentation in the Annual Report. The results of the audit – the Audit Report – are communicated to shareholders in the Annual Report and at the Annual General Meeting. In addition, the auditors present a statement regarding the discharge from 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 Group must have a minimum of one and maximum of two auditors, with not more than two deputy auditors. An authorized public accountant or registered auditing firm is to be appointed as the company's auditor and, where applicable, as deputy auditor. At the Annual General Meeting on

April 25, 2016, authorized public accountants Håkan Olsson Reising and Joakim Thilstedt were elected as the company's auditors. David Olow and Duane Swanson were elected as deputy auditors. 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 2016, the entire Board received reports from the company's external auditors on two occasions. On one occasion, this occurred without the presence of the President or other members of Group management. The Audit Committee received separate reports on four occasions.

Remuneration to auditors

Refer to Note 7 on page 109.

Remuneration and attendance at Committee Meetings

● Chairman

Name	Remuneration Committee		Audit Committee	
	Present	Remuneration	Present	Remuneration
Anders Narvinger	● 4	50,000		
Gunilla Berg			4	100,000
Arne Frank	4	50,000		
Margareth Övrum				
Ulla Litzén			4	100,000
Finn Rausing			● 4	150,000
Jörn Rausing	4	50,000		
Lars Renström *				
Ulf Wiinberg				
Total		150,000		350,000
Number of meetings	4		4	

* Resigned in conjunction with the 2016 Annual General Meeting.

Board of Directors and auditors

Appointed by the Annual General Meeting



Anders Narvinger
Chairman since 2003.

Born: 1948

Formerly President of Teknikföretagen and formerly President and CEO of ABB Sweden.

Education: BSc. Eng. from the Faculty of Engineering at Lund University, BSc. Econ from Uppsala University.

Chairman of the Board: ÅF AB, Coor Service Management AB and Capio AB.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
40,000* (40,000**)



Gunilla Berg
Board member since 2004.

Born: 1960

CFO of the PostNord Group. Former positions include Executive Vice President and CFO of the SAS Group and Executive Vice President and CFO of the KF Group.

Education: BSc. Econ from the Stockholm School of Economics.

Board member: Atlas Copco AB.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
3,400* (3,400**)



Ulf Wiinberg
Board member since 2013.

Born: 1958

Formerly CEO of H. Lundbeck A/S, as well as director of Wyeth Pharmaceuticals, EMEA/Canada & BioPharma, and a number of other senior positions in Wyeth.

Chairman of the Board: Avillion LLP, Hansa Medical AB, Trialbee AB and Sigrid Therapeutics.

Board member: UCB Pharma and Agenus Inc.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
20,000* (20,000**)



Margareth Øvrum
Board member since 2015.

Born: 1958

Executive Vice President and member of Group management at Statoil ASA. Previously held senior positions in a number of areas in Statoil's Norwegian operations, including technology, projects, production, maintenance, health, safety, environment and purchasing.

Education: Master's degree in Technical Physics from the Norwegian University of Science and Technology in Trondheim.

Board member: Atlas Copco and FMC Corporation.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:
-

Employee representatives



Henrik Nielsen
Employee representative since 2015.

Born: 1968

Employed by Alfa Laval since 1994.

Employee representative for the Swedish Metal Workers' Union (IF Metall).

Number of shares in Alfa Laval:
-



Susanna Norrby
Employee representative since 2003.

Born: 1967

Employed by Alfa Laval since 1992.

Employee representative for the Swedish Confederation of Professional Associations (SACO).

Number of shares in Alfa Laval:
5,000* (5,000**)

Stepped down in October 2016.



Susanne Jonsson
Employee representative since 2016.

Born: 1965

Employed by Alfa Laval since 2008.

Employee representative for the Swedish Confederation of Professional Associations (SACO).

Number of shares in Alfa Laval:
-

Took up position in October 2016.



Bror García Lantz
Employee representative since 2012.

Born: 1965

Employed by Alfa Laval since 1990.

Employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).

Number of shares in Alfa Laval:
100* (-)**

**Ulla Litzén**

Board member since 2006.

Born: 1956

Former positions include President of W Capital Management and various senior positions at Investor.

Education: BSc. Econ from the Stockholm School of Economics, MBA from the Massachusetts Institute of Technology.**Board member:** among others, Boliden AB, Electrolux AB, Husqvarna AB, NCC AB and Ratos AB.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:

29,000* (29,000**)

**Finn Rausing**

Board member since 2000.

Born: 1955**Education:** B.L., MBA from INSEAD.**Board member:** Tetra Laval Group, DeLaval Holding AB, EQT AB and Swede Ship Marine AB.

Independent of the company.

Number of shares in Alfa Laval:

–

**Arne Frank**

Board member since 2010.

Born: 1958

President and CEO of AAK AB.

Education: BSc. Eng. in industrial economics from Linköping Institute of Technology.**Chairman of the Board:** Inwido AB.

Independent of the company and major shareholders.

Number of shares in Alfa Laval:

46,000* (16,000**)

**Jörn Rausing**

Board member since 2000.

Born: 1960

Head of Mergers and Acquisitions (M&A) in the Tetra Laval Group.

Education: BSc. Econ.**Board member:** Tetra Laval Group, Ocado PLC and DeLaval Holding AB.

Independent of the company.

Number of shares in Alfa Laval:

–

**Lars Renström**

Board member since 2005.

Born: 1951

President and CEO of Alfa Laval from October 1, 2004 until February 29, 2016.

Former positions include President and CEO of Seco Tools AB, Division Manager at Ericsson AB and Atlas Copco AB.

Education: Eng., BSc. Econ.**Chairman of the Board:** ASSA ABLOY AB.**Board member:** Tetra Laval Group.**Number of shares in Alfa Laval:**

40,400* (40,400**).

Resigned in conjunction with the 2016 Annual General Meeting.

Deputy employee representatives

Leif Norkvist

Deputy member since 2009.

Born: 1961

Employed by Alfa Laval since 1993. Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).

Stefan Sandell

Deputy member since 2005.

Born: 1971

Employed by Alfa Laval since 1989. Deputy employee representative for the Swedish Organization for Managers (Ledarna).

Christer Olofsson

Deputy member since 2015.

Born: 1972

Employed by Alfa Laval since 1998. Deputy employee representative for the Swedish Metal Workers' Union (IF Metall). Took up position on June 3, 2015.

Auditors

Håkan Olsson Reising

Authorized Public Accountant, KPMG.

Born: 1961

Company auditor since 2015.

Joakim Thilstedt

Authorized Public Accountant, KPMG.

Born: 1967

Company auditor since 2016.

Deputy auditors

David Olow

Authorized Public Accountant, KPMG.

Born: 1963

Deputy auditor for Alfa Laval since 2014.

Duane Swanson

Authorized Public Accountant, KPMG.

Born: 1959

Deputy auditor for Alfa Laval since 2014.

* Holdings as of December 31, 2016.
** Holdings as of December 31, 2015.

President and Group management



Tom Erixon
President and CEO.

Born: 1960

CEO since March 1, 2016.

Former positions include President and CEO of OVAKO AB and President of Sandvik Coromant.

Board member: Boliden AB, Chinsay.

Education: MA Law from the University of Lund in Sweden and MBA Business Administration from IESE in Spain.

Number of shares in Alfa Laval: 34,900 + 4,300 through endowment insurance.*



Joakim Vilson
Executive Vice President in charge of the Central and Eastern Europe, Latin America, Middle East and Africa regions.

Born: 1965

Employed by Alfa Laval since 1990.

Regional manager since January 1, 2013. Former positions include head of the Mid Europe Region and the Process Industry segment.

Education: BSc. Eng.

Number of shares in Alfa Laval: 6,520* (6,520**)



Peter Torstensson
Senior Vice President, Corporate Communications.

Born: 1955

Employed by Alfa Laval since 1999.

Senior Vice President, Corporate Communications since 1999. Former positions include President of Borstahusen Informationsdesign.

Number of shares in Alfa Laval: 66,000* (66,000**)



Thomas Thuresson
Chief Financial Officer.

Born: 1957

Employed by Alfa Laval since 1988.

Chief Financial Officer since 1995. Former positions include Controller of the Flow business area and Group Controller of the Alfa Laval Group.

Board member: JM AB.

Education: BSc. Econ., IMD (BPSE).

Number of shares in Alfa Laval: 130,095* (130,170**)



Nish Patel
Executive Vice President in charge of the Western Europe and North America regions.

Born: 1962

Employed by Alfa Laval since 1984.

Regional manager since 2011. Prior to this, he served as head of India and the UK.

Education: BSc. Eng.

Number of shares in Alfa Laval: 47,552* (47,552**)



Svante Karlsson
President, Process Technology Division.

Born: 1955

Employed by Alfa Laval since 1984.

Former positions include President of the Equipment Division, head of the Thermal business area and President of Marine & Power.

Education: BSc. Econ.

Number of shares in Alfa Laval: 60,344* (60,344**)



Göran Mathiasson
President, Operations Division.

Born: 1953

Employed by Alfa Laval since 1979.

President of the Operations Division since April 2003. Previously in charge of Alfa Laval Manufacturing and Thermal Technology, including research and development, production development, system development and purchasing.

Board member: Heatex AB.

Education: BSc. Eng.

Number of shares in Alfa Laval: 6,588* (6,588**)



Peter Leifland
President, Marine & Diesel Division.

Born: 1954

Employed by Alfa Laval since 1985.

President of the Marine & Diesel Division since 2011. Former positions include regional manager in charge of the Western Europe and North America Region 2004–2011, the Asia and Latin America Region 2001–2004 and the Eastern Europe and Latin America Region 1999–2001.

Education: B.L., lic.spec. IMD (PED).

Number of shares in Alfa Laval: 430,000* (430,000**)

* Holdings as of December 31, 2016.

** Holdings as of December 31, 2015.



Susanne Pahlén Åklundh
President, Equipment Division.

Born: 1960
Employed by Alfa Laval since 1983.
President of the Equipment Division since 2009. Previously responsible for the Mid Europe and Nordic regions and the Process Industry segment.
Board member: Trelleborg AB.
Education: BSc. Eng.
Number of shares in Alfa Laval: 10,000* (8,000**)



Peter Bailliere
Senior Vice President, Human Resources.

Born: 1963
Employed by Alfa Laval since 2007.
Senior Vice President, Human Resources since July 1, 2007. Previously Head of Group Human Resources at at Volvo Cars.
Education: Master of Sociology, Bachelor in Fiscal Law.
Number of shares in Alfa Laval: -



Ray Field
Executive Vice President in charge of the Asia, India and Oceania regions.

Born: 1954
Employed by Alfa Laval since 1985.
Regional manager since September 1, 2004. Prior to this, he served as President of Alfa Laval China for more than ten years.
Education: BSc. Eng.
Number of shares in Alfa Laval: 54,588* (54,588**)

Retired on June 30. Joakim Vilson held the position for the remainder of the year.

Areas of responsibility

The President directs the daily operations and is responsible for ensuring that the Board has access to the necessary information and 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, and that the ethical guidelines included in Alfa Laval's business principles are reflected in the conduct of the company. The President has the support of the Group management, to which responsibilities and authority are delegated. The members of Group management include three regional managers, four divisional managers and the heads of HR, Communication and Finance/Legal/IT.

Group management meetings in 2016

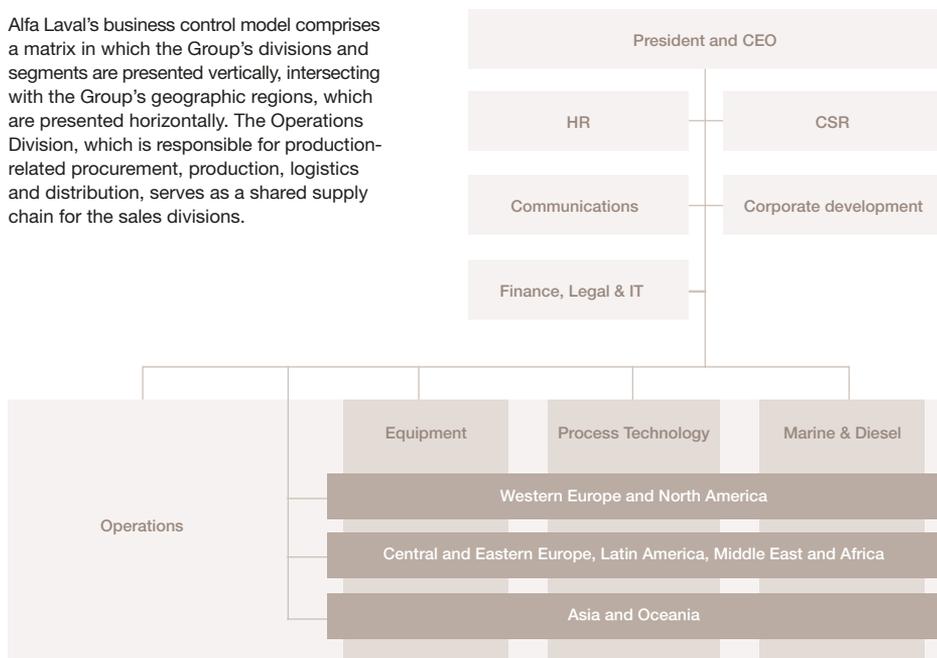
Group management held six meetings in 2016 during which minutes were taken as well as some 15 Group management meetings focusing exclusively on the strategic review carried out during the year. In addition, quarterly reviews were performed to discuss the business developments in the divisions and regions. These reviews addressed the business climate, earnings, earnings projections for the next 12 months and specific issues affecting the respective business areas. Separate strategy meetings were also held to address, among other areas, management's proposals concerning the future direction with regard to organic growth and growth through acquisitions. In 2016, the review concentrated on risks and opportunities in individual segments, products, application areas and geographic regions as well as the consequences on the supply chain based on the strategic review conducted during the year

Remuneration to senior executives, 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, refer to pages 107–108.

Operational control

Alfa Laval's business control model comprises a matrix in which the Group's divisions and segments are presented vertically, intersecting with the Group's geographic regions, which are presented horizontally. The Operations Division, which is responsible for production-related procurement, production, logistics and distribution, serves as a shared supply chain for the sales divisions.



Board of Directors' report on internal control

The Board is responsible for the internal control of the company, with the aim of safeguarding the company's assets and thus the interests of the shareholders. Through sound internal control, the Board ensures the reliability of Alfa Laval's reporting and its compliance with legislation, regulations, applicable accounting policies and the company's business principles. All communication and financial reporting is to be correct, relevant, objective and transparent.

Control environment

The control environment includes the internal governance instruments adopted by the Board for the company's daily operations. These control instruments comprise policy documents, which are continuously assessed, reviewed and updated. The documents include, for example, the Board's formal work plan, the President's instructions, reporting instructions, the company's finance policy, business principles, investment policy and communication policy.

The Board has overriding responsibility for financial reporting, among other things, and must therefore assess 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 and is to meet with the external auditors at least once a year without the presence of the President or other members of Group management.

The Board's Audit Committee is tasked with ensuring compliance with the principles for financial reporting and internal control. It follows up the effectiveness of the internal control system and reviews the financial procedures to ensure that the information can be traced back to underlying financial systems and that it is in line with legislation and relevant standards. It examines procedures for reporting and financial controls as well as addressing the company's financial reports. It also monitors, evaluates and discusses significant issues in the areas of accounting and financial reporting. The Committee evaluates and manages information pertaining to disputes and potential improprieties, and assists management with identifying and evaluating mainly financial and similar risks that are relevant to the operations in order to ensure that the focus is on managing

these risks. The Audit Committee has the right to determine the focus of the internal audit and is responsible for ensuring the efficiency of the function by assessing its activities, resources and structure. The Committee is also responsible for reviewing the results and recommendations of the internal audit to ensure that they are handled in an appropriate manner. It is also responsible for reviewing the internal audit plan every six months to ensure that it addresses the relevant risk areas and for ensuring that there is suitable coordination between the internal and external audit. The Audit Committee reviews the work, qualifications and independence of the external auditors, and the results of this review are reported to the Nominating Committee on an annual basis. The Committee supports the Nominating Committee in its work to nominate accountants and conducts an annual review of the proposed scope of the audit.

Reports are provided to the Board regarding internal meetings as well as meetings with the internal auditors, the external auditors and various specialists in Group management and its support functions.

The President is subject to instructions issued by the Board and is responsible for ensuring an effective control environment. The President is also responsible for the ongoing control work and for ensuring that the company's accounting complies with legislation and that the management of assets is adequately performed.

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 review and implement improvements to the internal control function, conduct internal audits – which are reported to the Audit Committee – and propose plans for the coming six to eight months. The internal auditors also issue reports from individual audits to the appropriate members of Group management. Procedures are in place for performing regular reviews of the agreed actions to guarantee that specific actions are taken following the internal audit. These are based on an agreed schedule set with the party responsible for the individual activities. The Internal Audit Function comprises two internal auditors, internal specialist resources and external auditors. Internal audits encompass a broad spectrum of functions and issues determined by the Board. The areas audited include: 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; and opportunities to improve management control, the company's profitability and the organization, which may be identified during audits. In 2016, 35 internal audits were performed.

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. The procedures encompass risk assessments in conjunction with strategic planning and acquisition activities as well as processes for identifying amendments to the accounting policies to ensure that they are accurately reflected in the financial reporting.

Control structures

Control structures are in place in all areas of the organization in order to prevent, identify and adjust errors or deviations. They manage the risks that the Board and management consider to be significant to the business, internal control and financial reporting. These structures comprise both an organization with clearly defined roles that enables an effective and – from an internal control perspective – appropriate division of responsibility, and specific control activities that enable the identification and timely prevention of risks becoming a reality. Control activities also include clearly defined decision-making processes and a policy for decision-making with respect 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.

Information and communication

The company's regulations, guidelines and manuals are communicated through several internal channels and the efficiency of this communication is monitored on an ongoing basis. There are formal and informal information channels that enable employees to communicate important information to relevant recipients and ultimately, if necessary, to the Board of Directors. Clear guidelines have also been established for external communications, the aim of which is to provide the most accurate overview possible while at the same time ensuring that all obligations with regard to information are met.

Follow-up

The internal control process is mainly followed up by two bodies: 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 Committee meets with the external auditors to obtain information about the focus and scope of the audit and to discuss results and coordination of the external and internal audits. In addition, the Committee establishes the direction, scope and time schedules for the work of the internal audit team, whose audits are reported to the Audit Committee and continuously to Group management so that any necessary measures may be taken. The scope of the internal audit includes, among other factors, operational efficiency, compliance with regulations and guidelines, and the quality of financial reporting from the subsidiaries. An annual feedback function is also in place, which is geared toward the company's senior executives. This feedback function is designed to ensure that Alfa Laval's internal instructions and rules are fully implemented. All managers who report directly to a member of Group management are expected to review the guidelines and rules that apply to their respective areas. They must sign and submit documents confirming their understanding of the significance of these guidelines and compliance with these guidelines in their area of responsibility. If there are any deviations compared with the instructions, they must specify what actions they intend to take to ensure compliance. This process also aims to increase transparency and thus facilitate assessments by the external and internal auditors.

Lund, February 2017

Board of Directors

Auditor's statement on the Corporate Governance Report

To the annual meeting of the shareholders of Alfa Laval AB (publ), corporate registration number 556587-8054

Assignment and responsibilities

We have audited the Corporate Governance Report for the year 2016 on pages 46–59. The Board of Directors is responsible for the Corporate Governance Report and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the Corporate Governance Report based on our audit.

Focus and scope of the audit

We conducted our audit in accordance with FAR's auditing standard RevU 16: The Auditor's Examination of the Corporate Governance Report. This standard requires that we have planned and performed the audit to obtain reasonable assurance that the Corporate Governance Report is free of material misstatements. An audit includes examining, on a test basis, evidence

supporting the information included in the Corporate Governance Report. We believe that our audit procedures provide a reasonable basis for our opinion set out below.

Opinion

In our opinion, a Corporate Governance Report has been prepared and is consistent with the annual accounts and consolidated financial statements.

Lund, March 3, 2017

Håkan Olsson Reising
Authorized Public Accountant

Joakim Thilstedt
Authorized Public Accountant