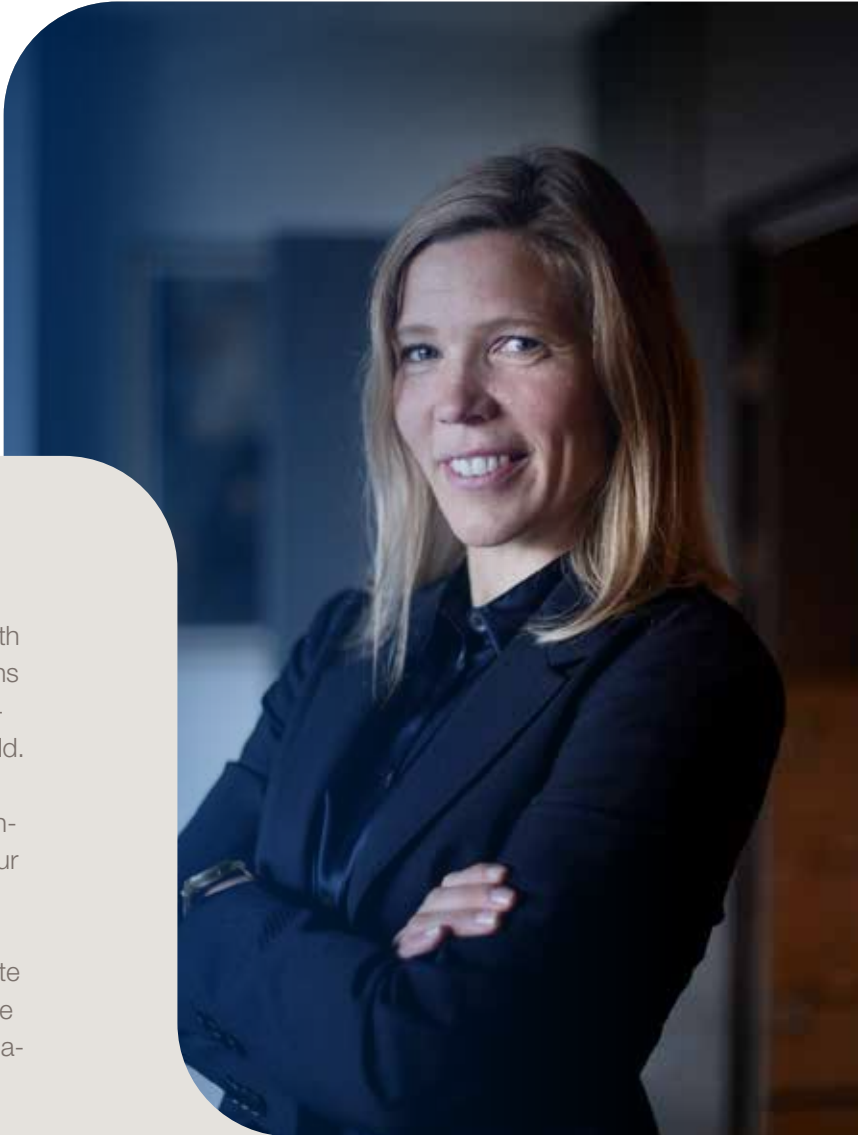




Human Rights Report

# 2022

An account of Alfa Laval's human rights due diligence processes



“At Alfa Laval, we believe in conducting business with integrity and respect. Respecting human rights aligns fully with the values of a responsible and forward-thinking corporation in today’s interconnected world.

Our Business Principles emphasize the fundamental importance of respecting human rights in all our operations and throughout our value chain. As a global company, we recognize the diverse social cultures in which we operate. We strive to navigate these differences with sensitivity and respect while always standing firm to our commitment to internationally recognized human rights.”

**Anna Celsing**  
VP Group Sustainability

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# About Alfa Laval

Alfa Laval is a global, world-leading provider of first-rate products in the areas of heat transfer, separation, and fluid handling. With these as its base, Alfa Laval aims to help enhance the productivity and competitiveness of its customers in various industries throughout the world. We define their challenges and deliver sustainable products and solutions that meet their requirements – mainly in energy, food & water, and the marine industry.

This report describes how we work with human rights due diligence to ensure that our respect for human rights and decent working conditions is manifested throughout the value chain. Our policies in this area build on both universal human rights and local legislation relevant to human rights issues.

As a multinational company with 20,300 employees in our organization, with a capacity to deliver services in over 160 countries, and with >5000 suppliers, we cannot draw a permanent contour around what constitutes a sufficient human rights due diligence process for us. Human rights due diligence is an on-going effort that we continuously need to calibrate to fit with our business activities. It also needs to be agile to adapt to changes in local circumstances or updated risk analyses.

Alfa Laval has more than 40 production sites and distribution centres in Europe, Asia, and America. For our own organization, a decentralized implementation of human rights due diligence, adapted to local conditions while aligned with corporate policies and directives, is key to creating meaningful positive impact to respect human rights. Prioritizing according to a risk-based approach is essential and we need to focus our efforts to the most salient risks and to areas where we may be causing negative impact.

Our global sourcing organization defines the strategy for supply and supplier management, while the responsibility for the sourcing of products and services is executed locally. Global sourcing is organized around eight commodities: raw material, casting & forging, machining & process, electric & components, proprietary parts, indirect production, machinery & equipment, and indirect & services.

20,300

Employees

>100

Presence in  
>100 countries

>160

Countries – capacity  
to deliver services

>4,000

Patents held

52,135

Net sales, SEK million

>100

Service centres

>40

Production sites and  
distribution centres

>5,000

First tier suppliers



# Our commitment to respect human rights

- We work actively to avoid causing or contributing to negative human rights impacts.
- We set clear human rights expectations to ourselves and all business partners through our business principles.
- We work actively to achieve an open environment where employees feel free to report observations or concerns regarding any of the human rights.
- We take preventative measures to minimize negative impacts along our value chain and to mitigate effects. We take part in providing remedy when so necessary.

Alfa Laval's *Business Principles: The way we act* expresses Alfa Laval's cornerstone commitment to human rights. Its four topics – *caring, committed, transparency and planet* – describe the way we act within society whilst achieving our business goals. The caring business principle reflects our commitment to respect human rights as expressed in the International Bill of Human Rights and the core International Labour Organization (ILO) Conventions, in addition to any additional rights granted in national legislation.

## Corporate human rights governance

To ensure compliance with national laws and adapt to local circumstances, we build on a decentralized governance.

Site-specific implementation of the due diligence process is guided by site-level management systems and corporate governing documents.

Several supporting policies provide further detail to our commitments relating to human rights, for example our Health and Safety Policy, Global Recruitment Policy and Inclusion and Diversity Policy. The Alfa Laval Business Principles for Suppliers, together with supplier agreements, forms the foundation for our sustainability requirements for suppliers.

In 2023, we launched Alfa Laval's Human Rights Policy, which provides further details regarding our commitment to respect human rights and it is linked to our global human rights risk assessment and due diligence processes.



# Embedding human rights in our company

To embed our respect for human rights in policies and management systems, Alfa Laval's work in human rights due diligence is guided by the UN principles on business and human rights, the OECD guidelines for multinational enterprises and the OECD's guidance for responsible business conduct<sup>1)</sup>.

<sup>1)</sup> <http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

We believe that the management systems the sites have in place form a good structure for introducing or developing risk analyses, identification and implementation of preventative measures, follow-up procedures and other processes that are essential in the human rights due diligence process.

In 2022, we embarked on a project to identify improvement areas in our human rights due diligence, focusing on own operations and first tier suppliers. During the first and second quarter of 2023, we took decisive steps by taking actions related to these findings to further strengthen our processes.

Support and follow-up on policies for the organisation is provided by group level supporting organizations such as Internal Audit, Group HSE, Human Resources and Sustainability.



Average hours of training per	2022
Women	7.60
Men	5.78
Manager	12.83
Employee	6.18

## Corporate training and awareness

Corporate policies are linked to a training plan and communicated to employees via our training portal, where we manage and provide the introductory and reoccurring training programs to employees. As an example, awareness and knowledge on the Business Principles are secured in mandatory bi-yearly training and all new employees are trained during on-boarding on our Business Principles, Anti-Bribery and Anti-Corruption Policy and Whistleblowing mechanism.

The average employee received over six hours of training in 2022 and has on average received over 102 training hours in total.

### Ongoing developments

In the human rights risk analysis conducted in 2022, we identified human rights risks - and which of these are the salient points. We also carried out an analysis of our management systems regarding human rights.

This analysis then guided us in the next step, focusing on further developing our human rights due diligence processes. The outcome from the human rights due diligence analysis have been put into roadmaps for group level supporting organisations: Health Safety and Environment, Human Resources, Global Sourcing and Sustainability. Action plans for additional supporting organisations are planned to be developed.

### Examples of the actions planned and on-going in supporting organisations' human rights due diligence roadmaps:

- Developing a Human Rights Policy and People Policy as well as corresponding training materials
- Establishing a Sustainability Faculty including human rights training material for employees
- Further developing the internal audit's questionnaire and the approach regarding compliance to human rights expectations
- Oversight of indicators with relevance to human rights to be included in group level monitoring
- Several development projects within sourcing are ongoing and include process and system development, data collection and report development and communication.



# Our human rights due diligence processes

Building on our work to embed human rights in group level policies and processes and site level management systems, we take measures to identify, assess, prevent, mitigate, cease, track and communicate on impacts.



## Identifying and prioritizing risks

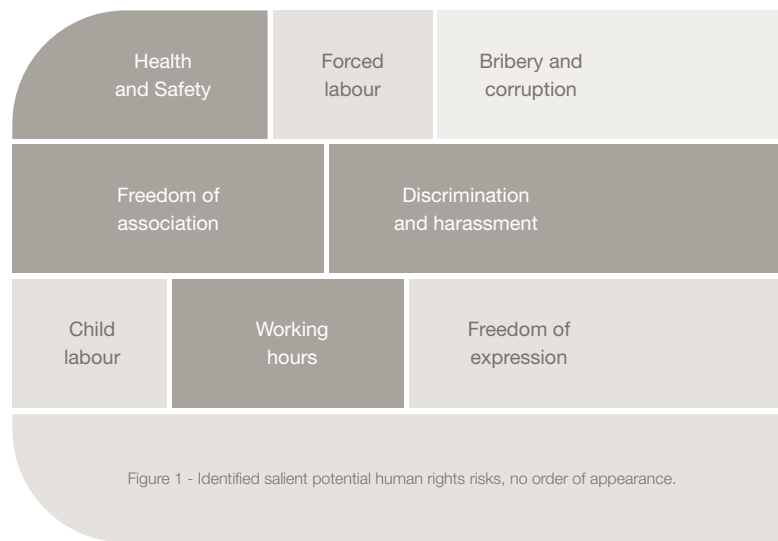
Identification and prioritization of human rights risks within our *own organization* is primarily carried out at site-level within Alfa Laval, via local management system procedures to identify risks related to occupational health and safety, compliance, and the environment. The global whistle-blower mechanism provides an additional channel to identify human rights risks or negative impacts.

In 2022, we consulted external experts to identify potential global human rights risks in our own organisation. The identification of inherent potential human rights risks built on several globally recognised risk indexes regarding human rights, in addition to factors such as sector risk and production process-related risk.

The 2022 human rights risk assessment for own organisation identified 12 prioritized potential human rights risk topics. The salience of these risks was assessed for each sub-organisation in scope for the analysis, by multiplying severity and likelihood. Out of the risk topics, eight were identified as salient. Preventative and mitigating actions related to the identified salient risks are described in table 1, p.8.

Alfa Laval's process to identify human rights risks at *suppliers* builds on information from multiple sources. For Alfa Laval, risk management means understanding and mitigating supply chain risks. To identify risk focus areas, the sourcing organization uses macro risk trend reports, external insights for critical risk indicators, for example anti-corruption, environmental and working conditions indexes, and internal

data and insights. Performed audits and supplier dialogues will give valuable input into the improvement of the risk screening process. A supplier risk assessment includes an initial screening to ensure prioritization of the suppliers with the highest risk of breaches of the Business Principles. The identified salient risks referenced in table 1, p.8, are addressed in the Business Principles for Suppliers.



In no particular order:	Salient potential human rights risks	Preventative and mitigating actions, examples
<b>Health and Safety</b>	Risks to occupational health and safety relate to workplace accidents, work-related illness, or stress. Examples of activities connected to elevated health and safety risks are handling of heavy machinery, heavy lifting, ergonomics etc.	In addition to mandatory and re-occurring safety training and guidelines on health and safety protocols, Alfa Laval has several preventative group-wide programs, such as I Care, Stop-Think-Act and 3PR in place. Our Health and Safety Policy defines our vision, that all employees return home safely every day. Our work is driven via decentralized management systems in accordance with the corporate Health and Safety Manual. Performance indicators are reported to group level.
<b>Freedom of association*</b>	Potential violations or infringements on workers' rights to establish or join trade unions, participate in collective bargaining and the right to strike could negatively impact the employee's ability to influence working conditions, compensation, and benefits.	Alfa Laval's Business Principles defines our commitment to the right to decent working conditions, including the right to freedom of association and collective bargaining. Implementing measures to ensure compliance to our business principles and to local legislation, is done by site-specific human resources or compliance organisations.
<b>Discrimination and harassment</b>	Discrimination can be related to race, gender, religion, disability, sex, or sexual orientation. Minorities, women, and migrant workers may be especially vulnerable and at a greater risk of being subjected to discrimination. Operating in many different geographies and in a sector where the workforce is historically predominantly male highlights the importance to work proactively in this area.	Alfa Laval's Business Principles defines our commitment to provide a workplace free from discrimination and harassment. Our Inclusion and Diversity Policy further details this commitment and is accompanied by proactive measures and defined diversity targets for our own organisation.
<b>Bribery and corruption*</b>	Corruption is a corroding agent in society; it undermines trust, depletes resources from the public sector and thus diminishes societies' overall resources to uphold and protect human rights. If occurring in a business environment, corruption could, for example, entail that non-compliances or issues related to human rights are not reported or acted upon in accordance with policies. As such, bribery and corruption can have a negative effect on all human rights.	All employees are trained on Alfa Laval's Business Principles, Anti Bribery and Anti-Corruption (ABAC) and whistleblowing mechanism every two years. An external whistle-blower mechanism, open for all affected stakeholders (internal as well as external), is in place. To safeguard whistle-blowers' integrity, the Whistle-blower Protection and Anti-Retaliation Policy has newly been adopted.
<b>Freedom of expression*</b>	Connected to certain risk geographies, our analysis has identified an elevated risk that employees could be under governmental influence and may not be able to freely express their opinions. This would of course in itself be an aggravating circumstance and would also cause risks that other negative impacts to human rights would not be reported.	The commitment we make to respect the rights set out in the international bill of human rights and the ILO conventions, includes the right to freedom of expression as a fundamental element. This commitment is found in our Business Principles and Human Rights Policy.
<b>Working hours</b>	Employees, not least those working in office functions, providing service to customers, and working in the distribution chain, are exposed to general risks for overtime. Not getting enough rest could have negative effects on both health and family life and increase health and safety risks.	Alfa Laval's Business Principles define our commitment to the right to decent working conditions, including reasonable working hours. More specifically, local requirements and guidelines regarding working hours are in place, adjusted to local legislation and agreements. Further, internal audits are conducted to ensure compliance with Alfa Laval's Business Principles throughout the organization.
<b>Child labour**</b>	Children working deprives them of their childhood, their potential and their dignity. Child labour is harmful to the physical and mental development that all children have a right to. Risks for child labour are primarily identified as salient in the supply chain.	The right to freedom from child labour is an essential part of the commitment we make to respect the rights as set out in the international bill of human rights and related ILO conventions. This is reflected in our Business Principles and Human Rights Policy and is included in internal and audits. Age checks are carried out during our recruitment processes.
<b>Forced labour**</b>	Connected to certain risk geographies, our analysis has identified an elevated risk for forced labour, meaning involuntary work and under threat of penalty. There is a risk that forced labour may be instigated by governments	The right to freedom from forced labour is an essential part of the commitment we make to respect the rights as set out in the international bill of human rights and related ILO conventions. This is reflected in our Business Principles and Human Rights Policy.

Table 1 – Salient potential human rights risks and examples of mitigation actions

\* Potential risks related to freedom of association, freedom of expression and bribery and corruption were highlighted as salient in specific countries, based on country-level risk indexes.

\*\*The risks of child labour and forced labour were considered low in likelihood but very high in severity. Because of the high severity of impacts, these risks were included in the list of salient risks.



**Taking actions to prevent, mitigate and cease negative impacts**

Alfa Laval engages in a range of measures to prevent, mitigate, and cease negative impacts throughout our organization and for our business relationships.

**Corporate measures**

All employees have a responsibility to follow Alfa Laval's Business Principles. Training on Business Principles and the whistleblowing mechanism is provided to all employees every two years. The Internal audit organization is responsible for following up on compliance with Alfa Laval Business Principles throughout the organization. All employees (and other stakeholders) can submit concerns anonymously via whistle-blowing mechanism, provided via an external platform. Examples of mitigating measures connected to identified salient risks are provided above.

Within our own organization, Alfa Laval has several goals and KPI's to measure the effectiveness of our measures to mitigate human rights risks and to cease any occurring negative impact. Several indicators can be found in our *sustainability notes*, an appendix to the annual and sustainability report.

**Gender diversity targets for 2025:**

- 35% female employees (21% in 2022)
- 25% female managers (22% in 2022).

With 27% female new hires (34% white-collar hires) in 2022, we still have a way to go to reach out target and take proactive actions to accelerate.

**Examples** of proactive measures taken on gender diversity include engaging in the Female Digital Engineer program to support and encourage brilliant young female engineers.

**Suppliers**

Depending on the characteristics of an identified human rights risk, the sourcing team will address the risk in different ways. Actions are developed on a case-by-case approach supported by the Alfa Laval Supplier Risk and Compliance Council.

Alfa Laval works with a range of preventive and mitigative measures including business reviews of sub-commodity strategies, workshops for suppliers, a supplier award for best sustainability practices and a supplier audit program. In our audit programme, Alfa Laval's internally certified auditors perform different audits with our suppliers. The Business Principles audits are sustainability audits including reviews of performance regarding the environment, health and safety, human and labour rights, and social practices at the supplier.

**Examples** of indicators to track negative impacts: Injuries in the workplace.

See table 1 for examples of preventative and mitigating actions we take in Health and Safety.

Work-related injuries	2022
Number of fatalities	0
Rate of fatalities	0
Number of high-consequence work-related injuries	2
Rate of high-consequence work-related injuries	0.06
Number of recordable work-related injuries/LTIs	87
Rate of recordable work-related injuries/rate of LTIs	2.59
Main types of work-related injuries	Struck by moving, flying, or falling object
Number of hours worked	33,627,450



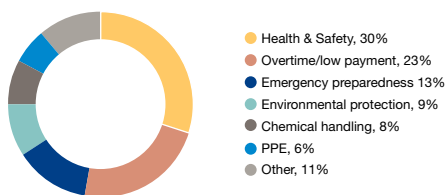
# 74 audits

On business principles for suppliers in 2022.

## Examples of preventative and mitigating actions for suppliers

Throughout 2021 and 2022, the Supplier Risk & Compliance organization – at times in collaboration with external experts – arranged a series of safety workshops and events with suppliers. Alfa Laval's internal 'I care' program is used as a basis also for safety workshops with suppliers. The purpose of these workshops is to increase supplier competence and to help create a safety culture beyond Alfa Laval.

## Most common deviations in supplier audits 2022



### Taking corrective action in supply chain

If non-compliance is found through a supplier evaluation activity, a reported incident, a risk analysis, or a follow-up activity such as an audit, the agreed improvement action plan is handled by the supplier responsible. Suppliers with serious breaches get a limited time to implement the necessary improvements with the support of an effective supplier development program, while the case is escalated and monitored.

If an approved supplier does not fulfill Alfa Laval's expectations on performance or compliance after assistance from Alfa Laval, an escalation to the Supplier Risk Council is done. An escalation will, if not solved, lead to a decision to put business on hold or even phase out and terminate the agreement between Alfa Laval and the supplier. Alfa Laval follows up all Business Principles audit cases of identified potential or actual negative impacts with an improvement action plan. Critical deviation areas are child labour, young labour, forced labour, freedom of association, health and safety, fire protection, and environment. Deviations in any of Alfa Laval's critical areas require immediate correction, both from new and established suppliers.

The most common deviations in recent years have been in the areas of health and safety, overtime/low payment, emergency preparedness and environmental protection.

### Preventative measures downstream the value chain

Several measures to prevent negative impacts downstream in the value chain have been put in place.

We provide a range of supporting measures to ensure that our products can be handled in a safe way at customer sites. These include safe installations and service carried out by Alfa Laval's employees, providing remote guidance, installation, and operating manuals as well as trainings to customers.

To provide safe working environments in our field service work, detailed safety requirements are used in service contracts. Detailed safety training and instruction material is also available for field service workers. A robust compliance organization exists to ensure compliance with trade sanctions and other restrictions, as well as to work proactively to support ethical business conduct in all parts of the value chain.

### Following up on implementation and results

Several indicators on human rights risks related to the HSE and compliance organizations are followed-up at group level. Indicators on human rights risks and topics related to the human resources function are primarily defined and followed-up on at site level. Some human resources indicators are already reported and analysed at group level, one example being gender diversity in the workforce.

Based on the 2022 human rights management system analysis, we are now developing additional reporting structures at corporate level, in order to allow more oversight of group level performance.

In addition to local follow-up procedures, Alfa Laval's internal audit function is responsible for following up on how the business units are complying with the business principles as well as other group level policies.



Alfa Laval's sourcing organization has two sustainability KPIs, Business Principles audits and climate projects. After two years of travel restrictions due to Covid, the number of on-site audits increased again in 2022 and our auditors conducted a total of 74 Business Principles audits to assess suppliers' social and environmental performance and compliance with our Business Principles, mainly in China, India and Mexico.

#### **Engaging and communicating with stakeholders**

We have identified employees, contractors, suppliers, and local communities as the key rightsholders regarding human rights and we consider them as key stakeholders in all our activities. Communication and engagement with these groups takes place in a range of ways, including trainings, webinars, newsletters, supplier audits and dialogues with local communities. Our annual report and website are the main platforms where we communicate about our sustainability efforts to all concerned stakeholders. From the 2022 human rights risk analysis, we have identified a need for a more detailed mapping of how we conduct stakeholder engagement. Based on this, we will be able to further develop our engagement with different stakeholder groups as needed, with a special focus on salient human rights risk topics.

#### **Providing remediation when needed**

Alfa Laval encourages all employees and stakeholders to raise any concerns, including human rights, in good faith and without fear of reprisal. This can be done directly to managers or via our external whistle-blowing function *Speak Up!* All reports are taken seriously and investigated by the Compliance function according to the investigation procedures. Reports to our whistle-blowing function can be made in by any stakeholder, internal or external.

Remediation for employees is handled at site level and is determined on a case-by-case basis in collaboration with rightsholders, union representation, HR, and site management. Employee remediation includes a range of possible measures such as providing rehabilitation programmes, compensation for injuries and employment-related processes such as reinstatements.

As a company committed to follow local laws and regulations, we take part in any judicial proceedings affecting the company: if these should occur we are committed to providing remedy in cases where we have a responsibility to do so.



## More information

For more and updated information about our sustainability efforts and our human rights due diligence process, please visit <https://www.alfalaval.com/about-us/sustainability/>



#### **This is Alfa Laval**

Alfa Laval is active in the areas of Energy, Marine, and Food & Water, offering its expertise, products, and service to a wide range of industries in some 100 countries. The company is committed to optimizing processes, creating responsible growth, and driving progress – always going the extra mile to support customers in achieving their business goals and sustainability targets.

Alfa Laval's innovative technologies are dedicated to purifying, refining, and reusing materials, promoting more responsible use of natural resources. They contribute to improved energy efficiency and heat recovery, better water treatment, and reduced emissions. Thereby, Alfa Laval is not only accelerating success for its customers, but also for people and the planet. Making the world better, every day. It's all about *Advancing better™*.

#### **How to contact Alfa Laval**

Up-to-date Alfa Laval contact details for all countries are always available on our website at [www.alfalaval.com](http://www.alfalaval.com)