

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

## **Item 2**

### **The Nomination Committee's proposal for the election of a Chairman for the meeting**

The Nomination Committee of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on 24 April 2019 adopts the following resolution in respect of election of Chairman of the meeting.

It was resolved to appoint the Chairman of the Board of Directors, Anders Narvinger, to be the Chairman of the 2019 Annual General Meeting.

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**Item 10 b)**

**The Board of Directors' proposal for resolution on the allocation of the Company's profit according to the adopted balance sheet, and on record date for distribution of profits**

The Board of Directors of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on 24 April 2019 adopts a resolution in the form set out below regarding allocation of the Company's profit according to the adopted balance sheet and regarding record date for distribution of profits.

It was resolved that distribution of profits shall be made in an amount of SEK 5 per share for 2018 corresponding to a total of SEK 2,097,281,575 and that the remaining earnings of SEK 7,835,386,279 shall be carried forward. Record date for the right to receive dividend shall be Friday 26 April 2019. Euroclear Sweden AB is expected to pay the dividend on Thursday 2 May 2019.

*The statement from the Board of Directors pursuant to Chapter 18, Section 4 of the Swedish Companies Act is attached to this proposal and will be presented at the Annual General Meeting.*

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## **Item 12**

### **The Nomination Committee's proposal for resolution on the determination of the number of members of the Board of Directors and deputy members of the Board of Directors to be elected by the meeting as well as the number of Auditors and deputy Auditors**

The Nomination Committee of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on 24 April 2019 adopts a resolution in the form set out below regarding the determination of the number of members of the Board of Directors, deputy members of the Board of Directors, Auditors and deputy Auditors to be elected by the meeting.

It was resolved that the number of members of the Board of Directors to be elected by the meeting shall be eight with no deputies. Further, it was resolved that the number of Auditors shall be two and that the number of deputy Auditors shall be two.

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### **Item 13**

#### **The Nomination Committee's proposal for resolution on the determination of the compensation to the Board of Directors and the Auditors**

The Nomination Committee of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on 24 April 2019 adopts a resolution in the form set out below regarding the determination of the compensation to the Board of Directors and the Auditors.

It was resolved that the compensation to the Board of Directors shall be SEK 5,845,000 to be distributed among the members of the Board of Directors who are elected by the meeting and not employed by the Company, as follows:

- Chairman of the Board of Directors SEK 1,750,000
- Other members of the Board of Directors SEK 585,000

Furthermore, it was resolved that, in addition to the above mentioned compensation to the members of the Board of Directors who are elected by the meeting and who are not employed by the Company, the additional compensation mentioned below shall be distributed to the board members who are Chairman or a member of the Committees mentioned below:

- Extra amount for the Chairman of the Audit Committee SEK 200,000
- Extra amount for the other members of the Audit Committee SEK 125,000
- Extra amount for the Chairman of the Remuneration Committee SEK 50,000
- Extra amount for the other members of the Remuneration Committee SEK 50,000

It was resolved that compensation to the Auditors shall be paid as per approved invoice.

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#### **Item 14**

##### **The Nomination Committee's proposal for resolution on the election of Chairman of the Board of Directors, other members of the Board of Directors, deputy members of the Board of Directors, Auditors and deputy Auditors**

The Nomination Committee of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on 24 April 2019 adopts a resolution in the form set out below regarding the election of Chairman of the Board of Directors, other members of the Board of Directors, deputy members of the Board of Directors, Auditors and deputy Auditors.

It was resolved to re-elect Anders Narvinger, Finn Rausing, Jörn Rausing, Ulf Wiinberg, Anna Ohlsson-Leijon and Henrik Lange as members of the Board of Directors and to re-elect Anders Narvinger to be the Chairman of the Board of Directors for the time up to the end of the 2020 Annual General Meeting. Margareth Øvrøm has declined re-election.

It was resolved to elect Heléne Mellquist and Maria Moræus Hanssen as new members of the Board of Directors.

Should Anders Narvinger's assignment as Chairman of the Board of Directors end prematurely, the Board of Directors shall appoint a new Chairman.

It was resolved, in accordance with the Remuneration Committee's recommendation, to re-elect the authorized public accountants Staffan Landén and Karoline Tedevall as the Company's Auditors for the forthcoming year, thus for the time up to the end of the 2020 Annual General Meeting and to re-elect the authorized public accountants Henrik Jonzén and Nina Bergman as the Company's deputy Auditors for the forthcoming year, thus for the time up to the end of the 2020 Annual General Meeting.

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*Information on all members proposed to the Board of Directors and the Nomination Committee's reasoned statement regarding its proposal regarding the Board of Directors, is available at Alfa Laval AB's website, <https://www.alfalaval.com/investors/corporate-governance/> and will also be available at the Annual General Meeting.*

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## **Item 15**

### **The Board of Directors' proposal for resolution on guidelines for compensation to senior management**

The Board of Directors of Alfa Laval AB (publ) proposes that the Annual General Meeting to be held on 24 April 2019 adopts a resolution in the form set out below regarding guidelines for compensation to senior management.

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

#### 1. Scope

The term senior management refers to the Managing Director and the group management. These guidelines apply to employment contracts for members of the senior management entered into following the adoption of these guidelines by the meeting, and to amendments to existing employment contracts for senior management made thereafter. The Board of Directors has the right to deviate from the guidelines if there are special circumstances for such deviation in an individual case. Special circumstances may, e.g., be that it must be possible to offer to members of the senior management who reside outside Sweden terms which are competitive in their country of residence. If the Board of Directors deviates from the guidelines due to special circumstances, the reasons for the deviation must be clearly justified.

#### 2. The main principle and how compensation matters are prepared

The main principle for the guidelines is that Alfa Laval AB shall offer compensation on market terms so that the Company can attract and retain a competent senior management. The levels of compensation are compared on a regular basis with other companies that operate in the same markets in order to ensure compensation on market terms. The Board of Directors has established a Committee within the Board, with the tasks of preparing the guidelines for compensation for the senior management, which shall be resolved upon by the Annual General Meeting, as well as to propose to the Board of Directors remuneration and employment provisions for the Managing Director. The Board of Directors shall resolve on matters regarding remuneration and employment provisions for the Managing Director following preparation by the Remuneration Committee. The Committee shall resolve on matters regarding remuneration and employment provisions for senior management which reports directly to the Managing Director. The Committee shall continuously report to the Board of Directors. The Managing Director and the senior management are not present when their respective compensation terms are decided.

#### 3. Fixed compensation

The fixed salaries shall be revised annually and shall be based upon areas of responsibility and results of each individual.

#### 4. Variable compensation

The variable compensation comprises (i) an individual annual variable compensation, and may also, as a supplement, include (ii) a long-term incentive program.

- (i) The individual annual variable compensation may be between a maximum of 40 and 60 percent of the fixed compensation, depending on position. The outcome depends on the degree of fulfilment of predetermined financial targets. The outcome of the individual variable compensation is reported after the result for the current year has been determined. In addition, the goals and the underlying criteria for determining the goals are presented at the subsequent Annual General Meeting. Given that goals and criteria are commercially sensitive to the Company, public disclosure of these in advance, would, according to the Board of Directors, be detrimental to the Company.
- (ii) The long-term incentive program is directed to the Company's senior management and top executives (not more than 95 persons). The program is intended to be a supplement to the individual annual variable compensation. According to the Board of Directors, the proposed long-term incentive program is designed to strongly contribute to long-term value creation for the shareholders.

It is the Board of Directors' proposal to implement a long-term incentive program for 2019, on the same terms as for the 2018 program. The long-term incentive program for 2019 is, as the long-term incentive programs for 2016, 2017 and 2018, a cash-based program. The intention is that the long-term incentive program is related to the financial targets over a business cycle, which have been decided by the Board of Directors and communicated externally. The programs for 2018 and 2019 are therefore based on an operating margin (adjusted EBITA margin) of 15 percent and a Net Invoicing growth of 5 percent with a 50/50 distribution. The program runs, as before, over three years.

The outcome of the program is calculated as an average of the outcome of EBITA and Net Invoicing growth for the three program years. The outcome for the operating margin is calculated linearly between 14 percent and 17 percent and for Net Invoicing growth linearly between 4 percent and 7 percent. Thus, maximum outcome is awarded when the externally communicated long-term financial targets are clearly exceeded.

The compensation from the modified long-term incentive program may for the CEO amount to a maximum of 50 percent of the fixed compensation. For other senior management, a maximum of 30-40 percent and for other participants in the program a maximum of 20-40 percent of the fixed compensation depending on the position. The maximum cost for the long-term program over the three program years is estimated to amount to approximately SEK 81 million, of which approximately SEK 22 million for senior management.

Payment to the participants of the program is made after year three, provided, however, that they are still employed at the date of payment. The outcome for the long-term incentive program 2019-2021 is thus calculated at the beginning of 2022 and is based on an average of the three program years' results.

The previous programs for 2016 and 2017 are connected to the Company's earnings per share, taking possible acquisitions of the Company's own shares into account.

The Board of Directors may consider proposing the General Meeting a share or share price-related program for the senior management.

#### 5. Pension benefits

A detailed description of current pension schemes for the senior management is available in note 6 of the Annual Report for 2018.

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

For old age pension, in addition to the ITP benefits, a premium based scheme, with a premium of 30 percent of the pensionable income above 30 basic amounts is being offered since 2006. Members of the senior management also have a survivor's pension consisting of either a life insurance or a special family pension filling the gap between the old-age pension and the family pension according to the ITP plan. In addition, they have the opportunity to allocate salary and bonus to a temporary old-age and family pension.

#### 6. Non-monetary benefits

Members of the senior management have the right to normal non-monetary benefits, such as company car and healthcare benefits.

#### 7. Dismissal and severance pay

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

#### 8. Estimated costs for variable compensation

If all targets on which the variable remuneration is based on are reached and based on the present remuneration rates, the total cost for variable compensation to senior management, at maximum outcome of (i) individual annual variable compensation, and (ii) implemented long-term incentive programs, may during 2019 amount to a maximum of SEK 21,575,339 (exclusive of social security payments), whereof SEK 8,437,500 for Alfa Laval AB's CEO (also President). The estimate is based on the persons currently being part of the senior management. The costs may change if the number of persons in the senior management is changed.

#### 9. Remuneration resolved upon that is not due for payment

At the time of the Annual General Meeting on 24 April 2019, Alfa Laval AB has no unsettled obligations of compensation, except current obligations to senior management in accordance with the principles of compensation described in note 6 to the annual report for 2018.

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*The auditors' report, in accordance with Chapter 8, Section 54 of the Swedish Companies Act, regarding the compliance with the Annual General Meeting's principles for compensation*



*to senior management is attached to this proposal and will also be available at the Annual General Meeting.*

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