

Corporate Governance Report 2009

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Corporate Governance Report

Corporate governance to be characterized by clarity and transparency

Internal and external confidence in a company's Board of Directors and management is crucial. Naturally, this confidence can be secured in several ways. One way is to demonstrate that the company's actions are characterized by sound ethical behavior and that governance and control are carried out with the owners' interests in mind. Achieving these goals requires transparency, which in turn enables the company's shareholders, the market and the general public to assess the Board and management's handling of the responsibilities assigned to them.

Accordingly, Alfa Laval – which strives for the highest quality and greatest transparency with regard to management, governance and control, in both its daily operations and the work of the Board – has presented detailed information regarding the governance of the company for several years. As in previous years, this year's Corporate Governance Report, the sixth published by the company, is based on the Swedish Code of Corporate Governance and has been examined by the company's auditors.

As a result of the financial crisis, market conditions have been difficult to assess, a trend that also characterized the work of the Board of Directors in 2009. While Alfa Laval's strategic direction remains firm, the company's operations must be adapted to the prevailing market situation. In this respect, maintaining the highest possible governance and control is a crucial prerequisite for improving competitiveness and continued value growth.



Lund, Sweden, March 2010
Anders Narvinger
Chairman of the Board

Corporate governance in Alfa Laval

Alfa Laval AB is a public company listed on the NASDAQ OMX Exchange Stockholm. Alfa Laval had 33,780 shareholders as of December 31, 2009 and the registered office of the Board of Directors is in Lund, Sweden. Accordingly, Alfa Laval's corporate governance is based on the Swedish Companies Act, the exchange rules of the NASDAQ OMX Exchange Stockholm and the Swedish Code of Corporate Governance.

The Annual General Meeting, Alfa Laval's highest decision-making body, annually appoints the members and Chairman of the Board of Directors, among others, based on proposals from the Nominating Committee. The Board, whose responsibilities are regulated by legislation and regulations, as well as its own formal work plan, is responsible for

the company's long-term goals and strategy.

The President manages the company's operations and draws his closest support from a management group and from the managements of the divisions, to which responsibility and authority are delegated. Alfa Laval has developed and implemented a number of business principles and fundamental values to support the sound governance of the organization and ensure that the company's conduct complies with all applicable ethical guidelines. These principles and values are described on Alfa Laval's website: www.alfalaval.com.

The company's external auditors review the company, including the Annual Report. They also make a statement concerning the discharge of the Board from liability. The

internal audit involves an examination of a broad range of procedures and issues. The Corporate Governance Report, in accordance with the Swedish Code of Corporate Governance, provides a detailed description of how Alfa Laval's different units for corporate governance act and interact.

Alfa Laval has applied the Swedish Code of Corporate Governance since 2005, with the exception of the appointment of Board member Finn Rausing as Chairman of the Nominating Committee. The reason for this deviation from the Code is that the Nominating Committee considers Finn Rausing to be suited to effectively lead the Nominating Committee's work to achieve the best result for the company's shareholders.

Articles of Association

In accordance with Alfa Laval's Articles of Association, the registered name of the company is Alfa Laval AB. The registered office of the Board of Directors of the company 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 flow technology, and to administer fixed and movable property, and other related operations. Alfa Laval's Board of Directors shall comprise not fewer than four and not more than ten members, with not more than four deputy members. The number of auditors shall be not less than one and not more than two, with not more than two deputies. Authorized public accountants or registered public accounting firms are appointed as auditors and, when applicable, deputy auditors. In addition to these statutes, the Articles of Association also include provisions regarding routines for the Annual General Meetings. The Articles of Association are available in their entirety on Alfa Laval's website: www.alfalaval.com.

Alfa Laval's currently prevailing Articles of Association were adopted at the Annual General Meeting on April 22, 2008.

Annual General Meeting

The Annual General Meeting (AGM) is the Alfa Laval Group's highest decision-making body. According to Alfa Laval's Articles of Association, the Annual General Meeting shall be held annually within six months of the close of the fiscal year in either Lund or Stockholm. Normally, the AGM takes place at the end of April or beginning of May in Lund. The AGM for the 2008 fiscal year was held in Lund on April 20, 2009.

Board Chairman Anders Narvinger was elected as the Meeting Chairman. Following the President's report, the Board Chairman spoke about the Board's activities and the work of the Remuneration Committee. Finn Rausing, Chairman of the Board's Audit Committee, reported on the work of the Audit Committee.

Jörn Rausing, Chairman of the Nominating Committee and representative of Tetra Laval, reported on the work of the Nominating Committee. All the persons nominated to the Alfa Laval Board were present at the Meeting. The company's two auditors were present.

Resolutions passed at the 2009 Annual General Meeting

The most important resolutions passed at the 2009 Annual General Meeting were as follows:

- The AGM adopted the income statement and balance sheet and resolved that the Board of Directors and President be discharged from liability. The AGM also decided in favor of utilizing the company's profits in accordance with the Board's proposal, meaning that a dividend of SEK 2.25 per share be paid for 2008.
- The AGM decided in accordance with the Nominating Committee's proposal that the number of Board members shall be eight and that no deputies shall be appointed.
- The AGM decided in accordance with the Nominating Committee's proposal that the fees paid to the Board from the close of the 2009 AGM to the close of the following AGM shall amount to SEK 3,485,000.
- The AGM decided that remuneration to the auditors shall be paid in accordance with agreement.
- In accordance with the Nominating Committee's proposal, the following Board members were reelected: Anders Narvinger, Gunilla Berg, Björn Hägglund, Ulla Litzén, Finn Rausing, Jörn Rausing, Lars Renström and Waldemar Schmidt. The AGM decided to elect Anders Narvinger as Chairman of the Board.
- The AGM resolved to adopt the proposal of the Board concerning principles for remuneration to, and other employment conditions for, company management.
- In accordance with the proposal of the Nominating Committee, the AGM adopted criteria for appointing the Chairman and members of the Nominating Committee for the period up to and including the 2010 AGM. This means that the Nominating Committee shall comprise not more than five members and that the majority of the members may not be Board members. The Chairman of the Board shall contact representatives of the largest shareholders at the end of the third quarter and ask them each to appoint a member to the Nominating Committee. In addition, the Nominating Committee may decide that the Chairman of the Board and additional Board members shall be included in the Nominating Committee. If one of the five largest shareholders waives its right to appoint a member to the Nominating Committee, the next largest shareholder in terms of size shall be given the opportunity to appoint a member. If several shareholders waive their right to appoint a member to the Nominating Committee, only the eight largest shareholders must be given the opportunity to

do so, unless further appointments are required to ensure that the Nominating Committee comprises not fewer than three members. If a member resigns from the Nominating Committee before the work of the Committee is completed, the shareholder that appointed said member shall be entitled to appoint a replacement. The Chairman of the Nominating Committee shall be an owner representative who is able to simultaneously serve as a Board member. However, the Chairman of the Board shall not serve as Chairman of the Nominating Committee. The composition of the Nominating Committee shall be published not later than six months prior to the AGM. Should an owner represented on the Nominating Committee significantly reduce its shareholding and no longer qualify for a seat on the Nominating Committee, and providing that the Nominating Committee decides to do so, the representative of the owner shall be dismissed and another of the company's largest owners shall be offered the opportunity to appoint a member.

- The AGM decided to reduce the company's share capital by SEK 19,125,358 through the cancellation of all 7,353,950 shares repurchased by the company. The AGM also decided that the reduction amount shall be reserved in funds to be used in accordance with decisions by the AGM.
- The AGM decided to increase the company's share capital by SEK 19,125,358 through a bonus issue without the issue of new shares, by a transfer from unrestricted equity.
- The AGM decided in accordance with the proposal of the Board to amend Section 8 of the Articles of Association. This amendment pertained to the manner in which the company shall issue notices of its Annual General Meetings. However, the decision was conditional on an amendment to the rules regarding the issuance of notification of annual general meetings in the Swedish Companies Act taking effect, which would entail that the proposed wording of Section 8 would comply with the Companies Act. Since the proposed amendment to the Companies Act has not yet taken effect, the Articles of Association remain unchanged.

Nominating Committee for the 2009 Annual General Meeting

The Nominating Committee for the 2009 AGM comprised Jörn Rausing (appointed by Tetra Laval), Lars-Åke Bokenberger (appointed by AMF Pension), Jan Andersson (appointed by Swedbank Robur Funds), Lars Öhrstedt (appointed by AFA Försäkring), Bo Selling (appointed by Alecta) and Board Chairman Anders Narvinger. Jörn Rausing served as Chairman.

Composition of the Nominating Committee for the 2010 Annual General Meeting

Name	Representing	Shareholding in Alfa Laval ¹⁾ , %
Finn Rausing, Chairman	Tetra Laval	18.71
Bo Selling	Alecta	7.59
Lars-Åke Bokenberger	AMF Pension	6.60
Jan Andersson	Swedbank Robur Funds	6.09
Peter Rönström	Lannebo Funds	2.42
Anders Narvinger	Board Chairman	
Total		41.41

¹⁾ As of September 30, 2009

Nominating Committee for the 2010 Annual General Meeting

In accordance with a resolution passed at Alfa Laval AB's AGM on April 20, 2009, the largest shareholders in Alfa Laval appointed the following members to the Nominating Committee for the AGM to be held on April 26, 2010: Finn Rausing (appointed by Tetra Laval), Lars-Åke Bokenberger (appointed by AMF Pension), Jan Andersson (appointed by Swedbank Robur Funds), Bo Selling (appointed by Alecta) and Peter Rönström (appointed by Lannebo Funds).

The Chairman of the Nominating Committee is Finn Rausing. The Nominating Committee appointed Board Chairman Anders Narvinger to be a member of the Nominating Committee and its secretary. Shareholders wishing to submit proposals to the Nominating Committee prior to the AGM 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.

The Board of Directors

The Board consists of eight members elected by the AGM, and no deputy members.

The members are elected annually for the period until the conclusion of the next AGM. In addition, each trade-union organization appoints 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. Alfa Laval's Chief Legal Counsel serves as Board Secretary. The work of the Board is regulated by an annually updated formal work plan that sets the Board's internal division of labor and meeting agenda. There is a special set of instructions for the President that, among other matters, describes the financial reports to be presented to the Board to enable the latter to properly assess the financial situation on an ongoing basis. For further information about the Board's members, see pages 128–129.

The Board's responsibilities

According to the Swedish Companies Act and the Board's formal work plan, the Board is

responsible for preparing and evaluating Alfa Laval's overall long-term strategies and objectives, adopting budgets and business plans, checking and approving financial statements, adopting key guidelines, making decisions on issues relating to acquisitions and divestments of operations and deciding on major investments and significant changes in Alfa Laval's organization and operations.

The Board (through its Audit Committee) also procures auditing services and maintains ongoing contact with the company's auditors. The Board appoints the President and defines the instructions the President must follow. The Board (through the Remuneration Committee) also determines salaries and remuneration to the President and members of executive management.

The Board's formal work plan

The Board's formal work plan is determined annually in a statutory meeting following the AGM. The formal work plan describes the Board's work assignments and the division of responsibility between the Board and the President. The formal work plan also stipulates that the Board shall have a Remuneration Committee and an Audit Committee, and defines the role of the Board Chairman. The company's President prepares an agenda for each meeting in consultation with the Board Chairman. Board members who wish to discuss a particular matter must inform the Board Chairman well in advance, so that the requisite information or documentation on which to base decisions can be prepared. Notices of meetings, with the meeting agenda and the requisite information or documentation on which to base decisions, shall reach the Board members not later than one week prior to the date of the meeting. Minutes from Board meetings shall be numbered, and all Board members shall receive copies. The original shall be stored in a safe manner by the company. This is the responsibility of the company President. Matters discussed by the Board are by definition confidential, and every Board member is subject to a duty of confidentiality regarding matters that could harm the company.

Board Chairman

The Board Chairman directs the work in a manner that ensures compliance with the Swedish Companies Act.

The Chairman is also responsible for ensuring that the Board's work is well organized and efficiently conducted, so that the Board fulfills its tasks. In dialog with the company's President, the Chairman monitors operational developments and is responsible for ensuring that the other members receive, on an ongoing basis, information necessary for Board work to be performed in the most effective manner. The Chairman is responsible for evaluating the Board's work and participates in evaluation and development matters with respect to the Group's senior executives.

The Chairman represents the company in ownership issues.

Independent Board members

All members of the Alfa Laval Board elected by the AGM are considered to be independent of the company, except Lars Renström, who is President and CEO of the company. All members are also considered independent of the company's major shareholders, except Finn Rausing and Jörn Rausing, who due to their relation to Tetra Laval, are not considered to be independent in relation to the company's major shareholders. On December 31, 2009, Tetra Laval owned 18.7 percent of the shares in the company. Board members have a duty to devote the necessary time and attention to their Board work and to possess the knowledge required to further the interests of the company and its shareholders in the best possible manner.

Board work during 2009

Ten Board meetings were held during 2009, of which seven were regularly scheduled meetings.

The general duration of meetings was four hours. Board meetings are generally held in Lund or Stockholm. No circular meetings were held and five meetings were held by phone. The normal agenda items for Board meetings include earnings results, order trends, investments, acquisitions and shareholder developments. In addition to the normal agenda items, the Board meetings held during 2009 addressed the following matters:

- changes to market conditions
- the company's ongoing strategic direction
- review and revision of the company's financial objectives
- cost adjustments
- acquisition decisions
- asbestos-related lawsuits
- audit planning
- overall funding
- Alfa Laval's business principles
- environmental considerations
- staffing

Board decisions are made based on open discussions led by the Chairman.

Audit Committee

Alfa Laval has had a special Audit Committee since 2006. Members of the Audit Committee

are appointed annually within the Board. Following the conclusion of the 2009 AGM, the committee comprised Finn Rausing (Chairman), Gunilla Berg and Anders Narvinger. Alfa Laval's General Counsel is the Committee Secretary.

During 2009, the Audit Committee held three meetings averaging approximately three hours in length. Minutes are kept at all meetings of the Audit Committee and are distributed to the Board members.

The Audit Committee has the right to make decisions regarding the focus of the internal audit and the formulation of guidelines for financial reporting and follow-up. The Audit Committee also makes decisions, in consultation with the external auditors, regarding the focus of the external audit. The Audit Committee's work also includes continually monitoring the effectiveness of internal controls. The Audit Committee's duties also involve evaluation and discussion of significant issues in the areas of accounting and financial reporting.

The Audit Committee examines the procedures for reporting and financial controls, the auditors' work, their qualifications and their independence. Its supervision also encompasses other key matters related to financial reporting. The Audit Committee assists management in identifying and evaluating the primary operational risks and ensures that management directs its efforts to addressing these matters.

Remuneration Committee

Alfa Laval's Remuneration Committee is appointed on an annual basis within the Board. Following the conclusion of the 2009 AGM, the Committee comprised Anders Narvinger (Chairman), Jörn Rausing and Björn Hägglund. The Remuneration Committee held three meetings during 2009, at which all members were in attendance. In addition, the Committee acts in conjunction with recruitment and is involved when other conditions of employment relating to the President or other members of Group Management require discussion. Minutes are kept at all meetings of the Remuneration Committee and the contents are distributed to the Board members. The Remuneration Committee's assignment is to prepare the guidelines for remuneration to senior executives to be resolved on by the Annual General Meeting. It submits proposals to the Board of Directors regarding salary and employment terms and conditions for the President. In addition, the Committee handles matters for the Board regarding salary and employment terms and conditions for senior executives who report directly to the President.

Evaluation of the Board's work

The Board Chairman ensures that the work of the Board is evaluated annually. This evaluation occurs through open discussions and interviews between the Board Chairman and individual Board members. The evaluation of the Board's

Attendance at Board meetings and committee meetings					
	Name	Board	Remuneration Committee	Audit Committee	
Elected at AGM	Anders Narvinger	● 10	● 3	3	
	Gunilla Berg	10	–	3	
	Björn Hägglund	10	3	–	
	Ulla Litzén	8	–	–	
	Finn Rausing	10	–	● 3	
	Jörn Rausing	9	3	–	
	Lars Renström	10	–	–	
	Waldemar Schmidt	9	–	–	
	Employee representatives	Arne Kastö	10	–	–
		Jan Nilsson	10	–	–
Susanna Norrby		9	–	–	
	Number of meetings	10	3	3	

● Chairman

work focuses on the forms in which the work is carried out, the work climate and the availability of and the need for special Board expertise.

The purposes of the evaluation include assisting the Nominating Committee in its task of nominating Board members and proposing remuneration levels.

Remuneration to the Board

Remuneration to the Board members elected at the AGM is determined by the AGM based on the proposals submitted by the Nominating Committee. Supplements are paid to the Chairman of the Audit Committee and to members of the Audit Committee and the Remuneration Committee. No Board member is entitled to pension payments from the company, except Lars Renström, who is CEO. The table below summarizes the remuneration received by all Board members from Alfa Laval for the period from the 2009 AGM until the 2010 AGM.

Group Management

Alfa Laval's executive management comprises ten persons led by President Lars Renström, who is also CEO of the Alfa Laval Group. The President directs the daily operations and is responsible for ensuring that the Board receives information and the necessary decision-making

foundation. The President is also responsible for ensuring that the company's accounting complies with applicable laws and provisions. Alfa Laval's management group consists of the CEO and those individuals who, on the CEO's recommendation, have been appointed by the Board. For further information about Group Management, see pages 130–131. The persons in the management group are responsible both for their own areas of operation and, collectively, for the Group as a whole. The management group held six minuted meetings during 2009. In addition to minuted meetings of the management group, quarterly reviews of operations are held with the heads of divisions and geographical regions. These deal with the business situation, earnings, earnings projections for the next 12 months and specific questions for the various components of operations.

Remuneration, pensions and severance pay/termination of employment

The principles of remuneration to the President and other members of senior management are decided by the AGM. For additional information regarding Group management's remuneration, pensions and severance pay, see pages 93 and 94.

Remuneration to the Board			
Name	Board	Remuneration Committee	Audit Committee
Anders Narvinger	900 000	50 000	75 000
Gunilla Berg	360 000	0	75 000
Björn Hägglund	360 000	50 000	0
Ulla Litzén	360 000	0	0
Finn Rausing	360 000	0	125 000
Jörn Rausing	360 000	50 000	0
Lars Renström	0	0	0
Waldemar Schmidt	360 000	0	0
Total	3 060 000	150 000	275 000

Remuneration is fixed. No variable portion exists. No remuneration is paid to elected Board members who are employees of the company.

Governance and control

Financial reporting

The Board oversees financial reporting through instructions to the President. The Audit Committee prepares all of the financial reports issued by the company, while the Board as a whole addresses the company's quarterly reports and year-end report. The Audit Committee also handles quarterly risk reporting and information about risk assessments, legal disputes and any irregularities that may occur.

Policy documents

As governance instruments, the Board has decided on a number of policy documents, which are to be used in the daily work of the company. Examples of such documents include the Board's formal work plan, the President's instructions, reporting instructions, business principles, investment policy, financial policy and communications policy. The Board annually checks that these instructions and policies remain relevant and up to date.

Due to the size of the company and the complexity of its operations, Alfa Laval's feedback function for corporate governance was further strengthened in 2009 through the introduction of new procedures for the Group's senior executives. The objective is to further emphasize the importance of and ensure the full implementation of Alfa Laval's internal instructions and rules, and to increase transparency, thereby enabling the company's external and internal auditors to assess the operations.

Internal controls

The Board is responsible for the company's internal controls, the overall purpose of which is to protect shareholders' investments and the company's assets. The Board as a whole received reports from the company's external auditors at three Board meetings during 2009. In addition, the Board's Audit Committee received reports from the company's external auditors on three occasions. On one occasion, the Board received a report from the company's external auditors without the President or any other representative of executive management being present.

For further information about internal controls, see the Board's report on internal controls provided in the Corporate Governance Report (see page 127). It describes the control environment, risk assessment, control activities, information and communication, and the supervision of the internal control system.

Internal audit

The internal audit consists of two auditors supplemented by internal specialist company resources and auditors from KPMG's organization for internal auditing. During 2009, 32 internal audits were carried out. The audits encompassed a broad spectrum of functions and areas of inquiry. The scope was determined by the Board and involved examining, for example:

- Efficiency in the current units.
- The processes that ensure that the principles for best practice are applied and that the controls that have been systematically built in are relevant.
- The existence of systems to ensure that financial transactions are implemented, archived and reported in an accurate and lawful manner.
- Compliance with the systems, guidelines, policies and processes established for the Group's business operations.
- Opportunities to improve management control, the company's profitability and the organization may be identified during audits.

The internal audit team reports the results of the audits performed to the Audit Committee. On these occasions, the planning parameters for the next six to eight months are also established. The internal audit team also distributes reports from individual audits to the Group Management members concerned. To ensure that the internal audits result in specific measures, a procedure for continuous follow-up of agreed measures has been established. This procedure is based on agreements regarding time schedules and responsibility for individual measures.

Risk management

Alfa Laval's risk management processes are explained in the risk management section on pages 84–89 of the Annual Report.

Audits and auditors

The 2008 AGM elected the company's auditors for a period of four years. Authorized Public Accountants Kerstin Mouchard and Staffan Landén are the company's auditors. Authorized Public Accountants Håkan Olsson and Thomas Swenson are the company's deputy auditors. All are Authorized Public Accountants with Ernst & Young AB.

Kerstin Mouchard, born in 1952, has been an auditor for Alfa Laval since 2004. Staffan

Landén, born in 1963, has been an auditor for Alfa Laval since 2008. Håkan Olsson, born in 1961, has been a deputy auditor for Alfa Laval since 2000. Thomas Swenson, born in 1957, has been a deputy auditor for Alfa Laval since 2004. In Alfa Laval's judgment, none of these auditors has any relationship to Alfa Laval, or a company close to Alfa Laval, that could affect their independent status in relation to the company. All of the auditors also possess the requisite competence to be able to execute their assignment as auditors for Alfa Laval.

Remuneration of auditors (see Note 7 on page 95)

An audit assignment involves examining the Annual Report, evaluating the accounting principles employed, making significant judgments concerning corporate management, evaluating the general presentation in the Annual Report and conducting an overall review of the interim report for the third quarter. It also involves a review on which to base a decision on discharging the Board from liability. Any other tasks performed are defined as other assignments.

As an extension of our auditing assignment, which has now been completed as a result of our Audit Report dated March 4, 2010, we have reviewed the Corporate Governance Report (pages 121–126) for Alfa Laval AB for 2009 at the request of the Board of Directors. Based on our review, nothing has come to our attention that causes us to believe that the Corporate Governance Report does not comply with the guidelines contained in the Swedish Code of Corporate Governance.

Lund, March 4, 2010

Kerstin Mouchard
*Authorized
Public Accountant*

Staffan Landén
*Authorized
Public Accountant*

Board of Directors' report on internal control for 2009 fiscal year

The Board's description of the internal control

Control environment

Effective work by the Board forms the foundation for sound internal control. The Board has established clearly defined processes and priorities for its work and the Board's committees. An important part of the Board's work is to formulate and approve fundamental rules and guidelines. These include a finance policy, business principles, rules for investment decisions, financial reporting requirements and a communications policy. These rules and guidelines are intended to create the foundation for sound internal control. They are revised and updated continuously as the need arises. The Board has also ensured that the organizational structure is logical and transparent, with clearly defined roles, responsibilities and processes that facilitate effective management of operational risks and enable the company to fulfill its goals. The responsibility structure includes evaluations by the Board of business performance and results through a purpose-adapted package of reports that contains results, forecasts and analyses of important key factors. The Audit Committee holds meetings with the internal audit team, the external auditors and various specialists in senior management and support functions. The Board receives reports on these meetings. The Audit Committee's work also includes continually monitoring the effectiveness of internal controls. The Audit Committee's duties also involve evaluation and discussion of significant issues in the areas of accounting and financial reporting. Group Management maintains and manages the system of internal controls needed to manage significant risks in the ongoing business operations. This work includes ensuring that there are appropriate rules and guidelines for such areas as HR matters, staffing and skills development. Management's responsibility also includes a commitment to making active efforts to ensure that all employees understand the requirement for, and the individual's role in, maintaining effective internal control.

Risk assessment

The framework for the ongoing business operations and follow-up includes procedures for risk assessment and thus also for ensuring the production of accurate financial reporting. These procedures include, for example, the following areas:

- Risk assessments related to strategic planning, forecasts and acquisition activities that are intended to identify events in the market or business operations that could, for example, lead to changes in valuations of assets and currency exchange-rate effects on earnings.
- Processes to track changes in accounting regulations that ensure that these changes are implemented correctly in the financial reporting.

Control structures

The control structures have been designed to manage risks that the Board and management consider to be significant to the business operations, internal control and financial reporting. The control structures consist, firstly, of an organization with clearly defined roles that support an effective, and from an internal control perspective, appropriate division of responsibility, and secondly, specific control activities that are intended to discover or prevent the risk of errors in the reports. Examples of control activities include clearly defined decision-making processes and priorities for important decisions (for example, investments, agreements, acquisitions and divestments), earnings analyses and other forms of analytical follow-up, reconciliations, inventory-taking and automatic controls in the key IT systems related to financial reporting.

Information and communication

The company's main control documents in terms of regulations, guidelines and manuals, to the extent they are related to financial reporting, are updated continuously and communicated, for example, via the intranet, memorandums and internal meetings. The

effectiveness of this communication is monitored continuously to ensure reception of the information. There are also formal and informal information channels that enable employees to communicate important information to relevant recipients and ultimately, if necessary, to the Board of Directors.

A clearly defined policy has been formulated for communication with external parties, including guidelines for modes of communication. The policy is intended to ensure accurate and complete compliance by all persons responsible for the dissemination of information.

Follow-up

The internal control process is mainly monitored by three entities outside the line organization: the Audit Committee, external audit and internal audit. The Audit Committee established the principles that apply for the company with respect to accounting and financial reporting, and monitors compliance with these regulations.

The Audit Committee meets with the external auditors regularly to secure information about the focus and scope of the audit and to discuss results and coordination of the external and internal audits. The Audit Committee also establishes the direction, extent and time schedules for the internal audit team's work. The internal audit team reports the results of its audits to the Audit Committee at the latter's meetings. The results of the audit reviews are also reported continuously to Group Management so that any necessary measures may be taken.

The scope of the internal audit includes operational efficiency, compliance with regulations and guidelines and the quality of financial reporting from the subsidiaries.

The report not only comprises a description of how internal control is organized but also an opinion on how well it functions.

Board of Directors and Auditors

Elected by the Annual General Meeting



Anders Narvinger
Chairman since 2003.

Born: 1948.
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 Trelleborg AB and Coor Service Management AB.
Board member of Volvo Car Corporation, JM AB and Pernod Ricard SA.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 40,000* (40,000**).



Gunilla Berg
Board member since 2004.

Born: 1960.
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 of L E Lundbergföretagen AB and DnB NOR ASA.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 1,000*** (0**).



Björn Hägglund
Board member since 2005.

Born: 1945.
Former positions include Deputy CEO of Stora Enso.
Education: PhD (For.)
Board Chairman of the Swedish Industrial Institute for Economics and Social Research, SweTree Technologies and the World Wide Fund for Nature, Sweden.
Board member of, among others, Bergvik Skog AB, the Knut and Alice Wallenberg Foundation, Mistra and AB Karl Hedin.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 12,000* (12,000**).



Ulla Litzén
Board member since 2006.

Born: 1956.
Former positions include President of W Capital Management and various executive positions at Investor.
Education: BSc. Econ from the Stockholm School of Economics, MBA from the Massachusetts Institute of Technology.
Board member of, among others, Atlas Copco AB, Boliden AB, NCC AB, Rezidor Hotel Group AB and SKF AB.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 15,600* (15,600**).



Finn Rausing
Board member since 2000.

Born: 1955.
Education: B.L., MBA from Insead.
Chairman of R.R. Institute of Applied Economics AB.
Board member of Tetra Laval Group, De Laval Holding AB and Swede Ship Marine AB.
Independent of company.



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 of the Tetra Laval Group, Ocado Ltd. and De Laval Holding AB.
Independent of company.



Lars Renström
Board member since 2005.

Born: 1951.
President and CEO of Alfa Laval.
Education: BSc. Eng, BSc. Econ.
Board member of ASSA ABLOY AB and TeliaSonera AB.
Independent of major shareholders.
Number of shares in Alfa Laval: 40,400* (40,400**).



Waldemar Schmidt
Board member since 2000.

Born: 1940.
Former President and CEO of ISS Group.
Education: BSc. Eng.
Chairman of Superfos Industries A/S and Thrane & Thrane A/S.
Board member of Kwintet AB and Majid Al Futtaim Group LLC, Dubai.
Independent of company and major shareholders.
Number of shares in Alfa Laval: 60,000* (60,000**).

* Holdings as of December 31, 2009.

** Holdings as of December 31, 2008.

*** Acquisition carried out after the 2009 year-end report.

Employee representatives

**Arne Kastö***Employee representative since 2000.*

Born: 1948.
Employed by Alfa Laval since 1980.
Employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).

**Jan Nilsson***Employee representative since 2000.*

Born: 1952.
Employed by Alfa Laval since 1974.
Employee representative for the Swedish Metal Workers' Union (IF Metall).

**Susanna Norrby***Employee representative since 2003.*

Born: 1967.
Employed by Alfa Laval since 1992.
Employee representative for the Swedish Association of Graduate Engineers (CF).
Number of shares in Alfa Laval: 5,000* (5,000**).

Deputy employee representatives

Henrik Nielsen*Deputy member since 2008.*

Born: 1968.
Employed by Alfa Laval since 2005.
Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).

Maria Fröberg*Deputy member since 2005.*

Born: 1973.
Employed by Alfa Laval since 2001.
Deputy employee representative for the Swedish Union of Clerical and Technical Employees in Industry (Unionen).

Stefan Sandell*Deputy member since 2005.*

Born: 1971.
Employed by Alfa Laval since 1989.
Deputy employee representative for the Swedish Organization for Managers (Ledarna).

Auditors

**Kerstin Mouchard***Authorized Public Accountant, Ernst & Young AB, Malmö.*

Born: 1952.
Auditor for Alfa Laval since 2004.
Elected auditor at 2004 Annual General Meeting.
Kerstin Mouchard has long experience in auditing exchange-listed and internationally active companies. Among other assignments, she is auditor for Cardo AB, Profilgruppen AB, Strålfors AB and a number of companies in the Lantmännen Group.

**Staffan Landén***Authorized Public Accountant, Ernst & Young AB, Gothenburg.*

Born: 1963.
Auditor for Alfa Laval since 2008.
Elected auditor at 2008 Annual General Meeting.
Staffan Landén has years of experience in auditing exchange-listed and internationally active companies. Among other assignments, he is auditor for Capio AB, Papyrus AB, Academedia AB and Bure Equity AB.

Deputy auditors

Håkan Olsson*Authorized Public Accountant, Ernst & Young AB, Malmö.*

Born: 1961.
Deputy auditor for Alfa Laval since 2000.

Thomas Swenson*Authorized Public Accountant, Ernst & Young AB, Malmö.*

Born: 1957.
Deputy auditor for Alfa Laval since 2004.

* Holdings as of December 31, 2009.

** Holdings as of December 31, 2008.

Group Management



Lars Renström
President and CEO.

Born: 1951.
CEO since October 1, 2004.
Former positions include President and CEO of Seko Tools AB, Division Manager at Ericsson AB and Atlas Copco AB.
Board member of ASSA ABLOY AB and TeliaSonera AB.
Education: BSc. Eng, BSc. Econ.
Number of shares in Alfa Laval: 40,400* (40,400**).



Thomas Thuresson
Chief Financial Officer.

Born: 1957.
Employed by Alfa Laval since 1988.
CFO since 1995. Former assignments include Controller of the Flow business area and Group Controller of the Alfa Laval Group.
Board member of PartnerTech AB.
Education: BSc. Econ.
Number of shares in Alfa Laval: 140,800* (140,800**).



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.
Education: BSc. Eng.
Number of shares in Alfa Laval: 6,588* (6,588**).



Svante Karlsson
President, Process Technology Division.

Born: 1955.
Employed by Alfa Laval since 1984.
Former 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: 82,744* (82,744**).



Susanne Pahlén Åklundh
President, Equipment Division.

Born: 1960.
Employed by Alfa Laval since 1983.
President of the Equipment Division since 2009.
Previously responsible for Mid Europe, Nordic and the Process Industry segment.
Education: MSc. Eng.
Number of shares in Alfa Laval: 756*.



Peter Leifland
Executive Vice President in charge of the Western Europe and North America Region.

Born: 1954.
Employed by Alfa Laval since 1985.
Peter Leifland has been a regional manager since 1999. Formerly President of Alfa Laval International Engineering AB.
Board member of Cision AB.
Education: B.L., lic.spec. IMD (PED).
Number of shares in Alfa Laval: 480,000* (480,000**).



Lars Henriksson

Executive Vice President in charge of the Central and Eastern Europe and Latin America Region.

Born: 1950.
Employed by Alfa Laval since 1977.
Responsible for the Central and Eastern Europe and Latin America Region since September 1, 2004. Prior to this, he was President of Alfa Laval Inc. in Canada and held executive positions in Alfa Laval in Sweden, Spain and Brazil.
Education: BSc. Eng.
Number of shares in Alfa Laval: 24,000* (24,000**).



Ray Field

Executive Vice President in charge of the Asia, Oceania and Middle East Region.

Born: 1954.
Employed by Alfa Laval since 1985.
Responsible for the Asia, Oceania and Middle East Region since September 1, 2004. Prior to this, he served as President of Alfa Laval China for slightly more than ten years.
Education: BSc. Eng.
Number of shares in Alfa Laval: 54,588* (54,588**).



Peter Torstensson

Senior Vice President, Corporate Communications.

Born: 1955.
Employed by Alfa Laval since 1999.
Senior Vice President, Corporate Communications since 1999. Formerly President of Borstahusen Informationsdesign.
Number of shares in Alfa Laval: 76,000* (76,000**).



Peter Bailliere

Senior Vice President, Human Resources.

Born: 1963.
Employed by Alfa Laval since 2007.
Senior Vice President, Human Resources, since July 1, 2007.
Many years of experience with Volvo Cars, most recently as head of Group Human Resources.
Education: Master of Sociology.

Resigned from Group Management on July 1, 2009.

Ulf Granstrand

Senior Adviser.

Born: 1947.
Employed by Alfa Laval since 1975.
Former positions include President of the Process Technology Division.

* Holdings as of December 31, 2009.

** Holdings as of December 31, 2008.