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Introduction by the Chairman of the Board

Alfa Laval and its corporate governance
Alfa Laval aims to achieve profitable growth and be a world leader in its three key technologies: heat transfer, separation and fluid handling. This is the company’s overall goal, one which characterizes all discussions and decisions by the Board, and all work in the organization. Equally important, however, is the conduct of the Board, management and employees as the company strives to achieve this goal. Accordingly, it is crucial that our decision-making processes, division of responsibilities and control activities – both in the Board and in the company’s operating activities – comply with all relevant laws and regulations and with the company’s business principles. In presenting this report, our aim is to facilitate an external assessment of our corporate governance by describing the actions and interaction of various bodies, our division of responsibilities and the control and follow-up structures that are in place. Hopefully it will also become clear that we always work in the best interests of our shareholders.

The year in brief
The Board’s work in 2015 was characterized by a continued focus on strategy in order to ensure that the company is well positioned – in both the short and long term – to respond to the trends in our operating environment. Considerable time was also devoted to Alfa Laval’s environmental and sustainability work – including everything from the implementation of new regulations to efforts to increase internal awareness of the company’s business principles, not least the sections pertaining to anti-bribery and anti-corruption measures.

We also focused on the ongoing successful integration of Frank Mohn AS, including a visit by the Board to Bergen, Norway, to learn more about the company’s operations. The Board also visited Alfa Laval’s facilities in Singapore to gain deeper insight into the prevailing market conditions in the marine industry.

Investment requirements and investment plans were reviewed, as were the proposals and opportunities for acquisitions, and a follow-up was conducted of the cost-cutting program initiated in autumn 2014. As part of our normal work, we also focused on the ongoing adaptation of the company’s resources to the demand situation, which is done continuously in order to ensure productivity, efficiency and profitability. As a result of this ongoing improvement work, combined with a diversified exposure to various industries and geographic regions, Alfa Laval is well positioned and robust, which is confirmed by the company’s stable long-term performance.

Our work during the year also involved a succession procedure, initiated since our current President will reach retirement age in early 2016. A new President, Tom Erikson, was appointed in November and will take over the role on March 1, 2016.

I would like to take this opportunity on behalf of myself and the Board to express our sincere thanks to Lars Renström for the successful and valuable work carried out under his leadership.

Lund, February 2016

Anders Narvinger
Chairman of the Board
Corporate Governance Report 2015

Alfa Laval is to be governed in a manner that is sustainable from a long-term perspective, taking its shareholders, employees, customers, suppliers and other stakeholders into consideration. The company’s corporate governance is based on various laws, rules and guidelines, as well as its own business principles with respect to the environment, human rights, ethics and transparency. The Corporate Governance Report for 2015 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.

Introduction to Alfa Laval

Vision
To “help create better everyday conditions for people” by offering efficient and environmentally responsible products and solutions in the three key technologies of heat transfer, separation and fluid handling.

Business concept
Based on its three key technologies, Alfa Laval offers products and solutions that “optimize the performance of our customers’ processes, time and time again.” In reality, this involves helping customers become more productive, energy efficient and competitive.

Financial goals
Alfa Laval is a result-oriented company with clear financial goals. Alfa Laval’s operations are governed not only by its business concept, but also by the financial goals established 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 its 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.

Strategy
In order to achieve its vision, fulfill its business concept and attain its financial goals, Alfa Laval has established a number of strategic priorities. These include expanding the Group’s product offering and market presence – mainly organically, but also through acquisitions – as well as strategies for increased efficiency.

The path to goal achievement
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. As a public company, Alfa Laval’s corporate governance is subject to a number of laws and regulations, the most important of which include the Swedish Companies Act, the Swedish Annual Accounts Act, the rules of the stock exchange and the Swedish Corporate Governance Code (the “Code”). The company also has internal regulations, including governing documents, such as 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 business principles permeate the entire operations. For more information on these principles, visit www.alfalaval.com.

Alfa Laval’s 2015 Corporate Governance Report was reviewed by the company’s auditor.

Share and ownership structure
At December 31, 2015, Alfa Laval had 419,456,315 shares outstanding, allocated among 37,097 shareholders according to Euroclear Sweden’s shareholders’ register. Each share corresponds to one vote. Tetra Laval was the largest owner, with 26.1 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 Swedbank Robur Fonder with 6.5 percent, followed by Alecta Pensionsförsäkring with a holding of 6.3 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 94.7 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 and 17.

Dividend and percentage of adjusted EPS**

<table>
<thead>
<tr>
<th>Dividend (SEK)</th>
<th>Percentage of adjusted EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.6</td>
<td>40%</td>
</tr>
<tr>
<td>43.0</td>
<td>40%</td>
</tr>
<tr>
<td>46.7</td>
<td>40%</td>
</tr>
<tr>
<td>36.8</td>
<td>20%</td>
</tr>
<tr>
<td>36.8</td>
<td>20%</td>
</tr>
</tbody>
</table>

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

Ten largest shareholders at December 30, 2015*

<table>
<thead>
<tr>
<th>No. of shares</th>
<th>Capital/voting rights, %</th>
<th>Change in holding in 2015, percentage points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tetra Laval BV</td>
<td>109,487,796</td>
<td>26.1%</td>
</tr>
<tr>
<td>Swedbank Robur Funds</td>
<td>27,150,724</td>
<td>6.5%</td>
</tr>
<tr>
<td>Alecta</td>
<td>26,459,962</td>
<td>6.3%</td>
</tr>
<tr>
<td>Foundation Asset Management</td>
<td>25,100,000</td>
<td>6.0%</td>
</tr>
<tr>
<td>AMF Insurance and Funds</td>
<td>21,668,183</td>
<td>5.2%</td>
</tr>
<tr>
<td>First Swedish National Pension Fund</td>
<td>8,368,923</td>
<td>2.0%</td>
</tr>
<tr>
<td>Nordea Investment Funds</td>
<td>7,792,868</td>
<td>1.9%</td>
</tr>
<tr>
<td>SEB Investment Management</td>
<td>6,382,999</td>
<td>1.5%</td>
</tr>
<tr>
<td>Fourth Swedish Pension Insurance Fund</td>
<td>5,515,901</td>
<td>1.3%</td>
</tr>
<tr>
<td>Folksam</td>
<td>2,822,617</td>
<td>0.7%</td>
</tr>
<tr>
<td>Total ten largest shareholders</td>
<td>240,739,283</td>
<td>57.4%</td>
</tr>
</tbody>
</table>

* The table is adjusted for custodian banks. Were they to be included, they would represent a total holding of 6.33%.
Source: Euroclear

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Financial data table:

<table>
<thead>
<tr>
<th>Dividend and percentage of adjusted EPS**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend (SEK)</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>28.6</td>
</tr>
<tr>
<td>43.0</td>
</tr>
<tr>
<td>46.7</td>
</tr>
<tr>
<td>36.8</td>
</tr>
<tr>
<td>36.8</td>
</tr>
</tbody>
</table>

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

Alfa Laval – the company

The total number of shareholders, as reported by Euroclear, is shown in the graph below:

Source: Euroclear
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 proposals 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 all Board members. The Annual General Meeting is to be attended by 329 people, representing 59.9 percent of the shares and votes. The Annual General Meeting was held in Swedish and all Board members participate, as well as, in so far as it is possible, all members of Group management. The company’s auditors are all Board members.

Annual General Meeting for the 2014 fiscal year

The Annual General Meeting for the 2014 fiscal year was held at Sparbanken Skåne Arena in Lund on April 23, 2015. The Annual General Meeting was attended by 329 people, including shareholders, proxies, assistants, guests and officials. The total number of votes represented was 59.9 percent. 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. The resolutions passed at the Meeting included the following:

– A resolution was passed accepting the Board’s motion that a dividend of SEK 4.00 per share be paid.

– A resolution was passed to re-elect Board members Gunilla Berg, Arne Frank, Anders Narvinger, Finn Rausing, Jörm Rausing, Lars Renström, Ulla Litzen and Ulf Winberg. It was resolved that Margareth Øvrum would be elected as a new Board member. In addition, a resolution was passed in favor of the Nominating Committee’s proposal for auditors. Authorized public accountants Håkan Olsson Reising and Helene Willberg were elected for the coming year. In addition, auditors David Clow and Duane Swanson were elected as deputy auditors for the company.

– A resolution was passed that fees paid to non-executive directors on the Board would amount to SEK 4,850,000. 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, prepares and submits proposals 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. Its duties also comprise the submission of 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. This means that the Chairman of the Alfa Laval Board contacts representatives of the largest shareholders at the end of the third quarter and requests that they each appoint one member of the Nominating Committee. The Nominating Committee may then decide whether or not to include the Chairman of the Board or other Board members. Once the

<table>
<thead>
<tr>
<th>Name</th>
<th>Representing</th>
<th>Shareholding in Alfa Laval, %*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finn Rausing</td>
<td>Tetra Laval</td>
<td>26,1</td>
</tr>
<tr>
<td>Claes Dahlbäck</td>
<td>Foundation Asset Management</td>
<td>6,0</td>
</tr>
<tr>
<td>Ramsay Bruer</td>
<td>Alecta</td>
<td>5,8</td>
</tr>
<tr>
<td>Jan Andersson</td>
<td>Swedbank Robur Funds</td>
<td>5,6</td>
</tr>
<tr>
<td>Lars-Åke Bomanberger</td>
<td>AMF Insurance and Funds</td>
<td>5,1</td>
</tr>
</tbody>
</table>

* As of September 30, 2015.
composition of the Nominating Committee has been established, an announcement is made in a press release, the third-quarter interim report and on Alfa Laval’s website. Ahead of the 2016 Annual General Meeting, the composition of the Nominating Committee was announced on October 12, 2015. It was also included in Alfa Laval’s third-quarter interim report, which was published on October 27.

Ahead of the Annual General Meeting for the 2015 fiscal year
The following individuals comprise the Nominating Committee for the Annual General Meeting for the 2015 fiscal year: Finn Rausing (Tetra Laval), Claes Dahlbäck (Foundation Asset Management), Ramsay Brufer (Alecta), Jan Andersson (Sverdbank Robur Funds) and Lars-Åke Bokenberger (AMF). The holdings of the Nominating Committee represented 48.6 percent of the number of shares outstanding at September 30, 2015. The Chairman of the Board Anders Narvinger was elected as member and secretary, and Finn Rausing was elected as Chairman of the Nominating Committee. Due to Finn 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 Finn Rausing to be 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 2015 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.

Board of Directors
Work and responsibilities
The Board administers the company on behalf of the shareholders and 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 prepares 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 also establishes the instructions for the President with respect to the Group’s daily operations and, through the Audit Committee, procures auditing services and maintains ongoing contact with the company’s auditors. In addition, the Board works to ensure that a sound internal control function and formalized procedures are in place. 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 nine members and no deputies. The members are elected annually for the period until the conclusion of the next Annual General Meeting and are obligated 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 and Alfa Laval’s Chief Legal Counsel 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, 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, Jöhn Rausning and Lars Renström, who cannot be considered independent due to their relation to Tetra Laval, which, on December 31, 2015, owned 26.1 percent of the shares in the company.

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

Annual General Meeting for the 2015 fiscal year
The Annual General Meeting of Alfa Laval AB (publ) will be held on Monday, April 25, 2016 at 4.00 p.m. at Sporthallen Skåne Arena, Klostergården’s sports area, Stathamvägen, 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.

Board training
Each year, a combined training course and field trip takes place at one of Alfa Laval’s facilities. In 2015, the trip had as its destination Alfa Laval’s facilities in Singapore.
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 2015
A total of ten Board meetings were held in 2015, nine of which were scheduled meetings. Two meetings were held by phone, while the other meetings were held in Lund, Stockholm and Malmö. The normal agenda items addressed at Board meetings include earnings results, order trends, investments and acquisitions. The company’s President prepares an agenda for each meeting in consultation with the Chairman of the Board. Board members who want to discuss a particular matter must inform the Chairman of the Board well in advance, so that the necessary material on which to base decisions can be prepared. Notices of meetings, including the meeting agenda and the required information or documentation on which to base decisions, must reach the Board members not later than one week prior to the date of the meeting. Decisions are made based on open discussions led by the Chairman.

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 2015, the destination for the trip was Alfa Laval’s unit in Singapore.

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 the Board’s work methods and work climate, as well as its access to and 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 by external resources, the evaluation forms part of the supporting documentation for the Nominating Committee when nominating Board members and proposing remuneration levels.

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 dialog 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. In addition to being responsible for evaluating the Board’s work, the Chairman 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 also 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 the Remuneration Committee receive supplementary remuneration. No Board member is entitled to pension payments from the company.

Committees
According to Alfa Laval’s Articles of Association, 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’s tasks include ensuring 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 also 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 59.

Members and meetings in 2015
Members are appointed annually at the Board’s statutory meeting. In 2015, the Committee comprised Finn Rassing

### Remuneration of Board members and attendance at Board meetings

<table>
<thead>
<tr>
<th>Name</th>
<th>Remuneration</th>
<th>Present</th>
<th>Number of meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anders Nordin</td>
<td>1,350,000</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Gunilla Berg</td>
<td>500,000</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Arne Franke</td>
<td>500,000</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Björn Hägglund</td>
<td>2</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Margareth Ohlums</td>
<td>500,000</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Ulla Litzén</td>
<td>500,000</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Finn Rassing</td>
<td>500,000</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Jöran Rausings</td>
<td>500,000</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Lars Ranström</td>
<td>500,000</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Ulf Wikberg</td>
<td>500,000</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4,850,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Resigned at the AGM. ** Took up position at the AGM. *** Resigned as of June 3rd, 2015. **** Took up position on June 3rd, 2015.
(Chairman), Gunilla Berg and Ulla Litzén. Alfa Laval’s Chief Legal Counsel served as the Committee’s secretary. Three meetings were held in 2015, 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. During the year, the following items were dealt with at the Committee meetings: review of the procedures for corporate governance, review and follow-up of the results of the current annual feedback from approximately 200 managers regarding controls, updates regarding new IFRS developments, amendments to the Code, a review of Group provisions and allocations, 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 or members of Group management. The Committee’s assignment is to prepare the guidelines for remuneration to senior executives to be resolved on by the Annual General Meeting and to submit proposals to the Board of Directors regarding salary and employment terms 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 2015

The Remuneration Committee is appointed annually at the Board’s statutory meeting. In 2015, the Committee comprised Anders Narvinger (Chairman), Jörn Rauing and Arne Frank. The Committee held two meetings in 2015. Phone meetings were also held to address ongoing issues. Separate 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. The meetings of the Committee 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 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 result of the audit – the Audit Report – is 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 23, 2015, authorized public accountants Håkan Olsson Reising and Helene Willberg 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 2015, 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

<table>
<thead>
<tr>
<th>Name</th>
<th>Remuneration Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present</td>
<td>Remuneration</td>
</tr>
<tr>
<td>Appointed by the Annual General Meeting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anders Narvinger</td>
<td>2</td>
<td>50,000</td>
</tr>
<tr>
<td>Gunilla Berg</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Arne Frank</td>
<td>2</td>
<td>50,000</td>
</tr>
<tr>
<td>Björn Hägglund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Margareth Øvrum</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ulla Litzén</td>
<td>2</td>
<td>100,000</td>
</tr>
<tr>
<td>Finn Rauing</td>
<td>3</td>
<td>150,000</td>
</tr>
<tr>
<td>Jörg Rauing</td>
<td>1</td>
<td>50,000</td>
</tr>
<tr>
<td>Lars Renström</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ulf Weinberg</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>150,000</td>
</tr>
<tr>
<td>Employee representatives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan Nilsson</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Susanna Norby</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henrik Nilsson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Birgitta Lantz</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of meetings</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
Board of Directors and auditors
Appointed by the Annual General Meeting

1. **Anders Narvinger**
   - Chairman since 2003.
   - Born: 1956.
   - Formerly President of Terveystalo 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: JF AB, Cosar Service Management AB and Capie AB.
   - Board member: AM AB.
   - Independent of the company and major shareholders.
   - Number of shares in Alfa Laval: 40,000* (40,000**).

2. **Gunilla Berg**
   - Board member since 2004.
   - 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: Vattenfall AB.
   - Independent of the company and major shareholders.
   - Number of shares in Alfa Laval: 4,000* (3,400**).

3. **Björn Hägglund***
   - Board member since 2005.
   - Born: 1955.
   - Former positions include Deputy CEO of Stora Enso.
   - Education: BSc. Eng. (for)
   - Chairman of the Board: SwTeo Technologies and Wallenberg Wood Science Centre.
   - Board member: among others, Bergvik Skog AB, the Knut and Alice Wallenberg Foundation and AB Karl Hedr.
   - Independent of the company and major shareholders.
   - Number of shares in Alfa Laval: 12,000* (12,000**).

4. **Margareth Övrum**
   - Board member since 2015.
   - Born: 1965.
   - Executive Vice-President and member of Group management at Statkraft ASA. Previously held senior positions in a number of areas in Statkraft’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 AB.
   - Independent of the company and major shareholders.
   - Number of shares in Alfa Laval: –

5. **Ulla Liljen**
   - 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, Atlas Copco AB, Boliden AB, Husqvarna AB and NCC AB.
   - Independent of the company and major shareholders.
   - Number of shares in Alfa Laval: 29,000* (15,600**).

6. **Finn Rausing**
   - Board member since 2000.
   - Born: 1956.
   - Education: BSc. Eng. MBA from INSEAD.
   - Board member: Tetra Laval Group, DeLaval Holding AB, EGT AB and Sweda Ship Marine AB.
   - Independent of the company.

7. **Lars Renström**
   - Board member since 2005.
   - Born: 1951.
   - President and CEO of Alfa Laval.
   - Education: Eng., BSc. Econ.
   - Chairman of the Board: ASEA AB/LOY AB.
   - Board member: Tetra Laval Group.
   - Number of shares in Alfa Laval: 49,400* (40,400**).

8. **Ulf Winberg**
   - Board member since 2013.
   - Formerly CEO of H. Lundbeck A/S. Former positions include director of Wyeth Pharmaceuticals, BMEA/Canada & Biopharma, and a number of other senior positions in Wyeth.
   - Chairman of the Board: Avilion, a pharmaceutical development company.
   - Board member: Novo Health Science.
   - Independent of the company and major shareholders.
   - Number of shares in Alfa Laval: 20,000* (20,000**).

9. **Arne Frank**
   - Board member since 2010.
   - Born: 1959.
   - 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: 16,000* (16,000**).

10. **Jörg Rausing**
    - Board member since 2000.
    - 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.

11. **Jan Nilsson**
    - Employee representative since 2000.
    - Born: 1952.
    - Employed by Alfa Laval since 1974.
    - Employee representative for the Swedish Metal Workers’ Union (F Metal).
    - Stepped down June 3, 2015.

12. **Henrik Nielsen**
    - Employee representative since 2015.
    - Born: 1968.
    - Employed by Alfa Laval since 1994.
    - Employee representative for the Swedish Metal Workers’ Union (F Metal).
    - Took up position on June 3, 2015.

13. **Susanna Norrby**
    - Employee representative since 2003.
    - 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**).

14. **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.

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**Auditors**

1. **Håkan Olsson Reising**
   - Authorized Public Accountant, KPMG.
   - Elected auditor at 2015 Annual General Meeting.

2. **Helene Willberg**
   - Authorized Public Accountant, KPMG.
   - Elected auditor at 2015 Annual General Meeting.

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**Deputy employees**

1. **Leif Norkvist**
   - Deputy member since 2009.
   - Employed by Alfa Laval since 1993.
   - Deputy employee representative for the Swedish Metal Workers’ Union (F Metal).

2. **Stefan Sandell**
   - Deputy member since 2005.
   - Employed by Alfa Laval since 1998.
   - Deputy employee representative for the Swedish Metal Workers’ Union (F Metal).
   - Took up position on June 3, 2015.

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**Deputy auditors**

1. **David Glow**
   - Authorized Public Accountant, KPMG.
   - Deputy auditor for Alfa Laval since 2014.

2. **Duane Swanson**
   - Authorized Public Accountant, KPMG.
   - Born: 1959.
   - Deputy auditor for Alfa Laval since 2014.
President and Group management
Lars Renström
President and CEO

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

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.
Number of shares: 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 Informationdesign.
Number of shares: 68,000* (68,000**).

Thomas Thuresson
Chief Financial Officer

Born: 1957.
Employed by Alfa Laval since 1985.
Chief Financial Officer since 1995. Former positions include Controller of the Flow business area and Group Controller of the Alfa Laval Group.
Education: BSc. Econ., IMD (BPSE).
Number of shares: 194,110* (194,110**).

Susanne Pahlén Åklundh
President, Equipment Division

Employed by Alfa Laval since 1985.
President of the Equipment Division since 2008. Previously responsible for the Mid Europe and Nordic regions and the Process Industry segment.
Board member: Nederman AB.
Number of shares: 9,000* (6,000**).

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.
Number of shares: 54,588* (54,588**).

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.
Number of shares: 47,562* (47,562**).

Göran Mathiasson
President, Operations Division

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.
Number of shares: 6,598* (6,598**).

Svante Karlsson
President, Process Technology Division

Born: 1965.
Employed by Alfa Laval since 1984.
President of the Equipment Division, head of the Thermal business area and President of Marine & Power.
Education: BSc. Econ.
Number of shares: 60,344* (60,344**).

Peter Leifland
President, Marine & Diesel Division

Born: 1954.
Employed by Alfa Laval since 1985.
Education: B.L., lic. spec. IMD (PED).
Number of shares: 430,000* (430,000**).

Peter Bailliere
Senior Vice President, Human Resources.

Employed by Alfa Laval since 2007.
Senior Vice President, Human Resources since July 1, 2007. Many years of experience at Volvo Cars, most recently as Head of Group Human Resources.
Education: Master of Sociology, Bachelor in Fiscal Law.

* Holdings as of December 31, 2015.
** Holdings as of December 31, 2014.
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 2015

Group management held six meetings in 2015, during which minutes were taken. Quarterly reviews were also performed to discuss the business developments in the divisions and regions. The reviews addressed the business climate, earnings, earnings projections for the next 12 months and specific issues affecting the respective business areas. In addition, separate strategy meetings were held to address, among other areas, management’s proposals concerning the future direction with regard to organic growth and growth through acquisition. In 2015, the review concentrated on risks and opportunities in individual segments, application areas and geographic regions, as well as the consequences on the supply chain. A review was also performed of the direction for acquisitions with regard to product, technology, channel and location.

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, see pages 107–108.

Business 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. These 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.

Control structure
The control structure is based on the Board, the Audit Committee and the President, and the division of duties and responsibilities between these parties.

The Board is responsible for ensuring that the company’s organization structure is logical and transparent, with clearly defined roles, responsibilities and processes. The work of the Board is also covered by processes and formal work plans, with a clear internal distribution of tasks. 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.

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. The Committee also monitors, evaluates and discusses significant issues in the areas of accounting and financial reporting. It evaluates and manages information pertaining to disputes and potential improprieties, as well as 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 examines the work, qualifications and independence of the external auditors. 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 2015, 36 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 operations, 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 2016
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 2015 on pages 47–60. 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 sup-
porting 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 4, 2016
Håkan Olsson Reising
Authorized Public Accountant
Helene Willberg
Authorized Public Accountant