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Introduction by the Chairman of the Board



Alfa Laval

Alfa Laval offers products, systems and services that help reduce the environmental impact of different processes on a global basis. At the same time, continuous efforts are being made to minimize the environmental impact of the company's own production processes. These efforts, related to Alfa Laval's own processes, stretch beyond environmental considerations to encompass all areas of the company, whose operations and actions are to be characterized by ethics and integrity. Alfa Laval aims to achieve profitable growth, but to do so, everyone who represents the company must follow relevant laws and regulations as well as the company's own Business Principles, which describe how to act with respect to the environment, ethics,

transparency and social responsibility.

The Board of Directors is tasked with creating the conditions for growth and profitability, thereby enabling long-term value growth for our owners. The Board therefore bears the ultimate responsibility for the organization, administration and actions of the company. This is a broad responsibility. It includes ensuring that the company is run correctly, with the owners' best interests in mind. As part of this work, the Board has implemented clear guidelines and a governance model that includes distinct areas of responsibility, appropriate structures and continuous review and follow-up.

The year in brief

The year 2018 saw a continuation of the positive development that began in the preceding year. With the wind in our sails thanks to favorable end markets and a new structure that further energized the organization, our order intake grew considerably. The increase was broad-based, with contributions from all three divisions, but particularly from the Marine Division as a result of the marine industry's increased investments in equipment to meet new environmental requirements for ballast water and sulphur emissions.

This broad growth placed increased pressure on Operations, our Group-wide production structure. The consolidation of the structure that began in earlier years continued. At the same time, investments were increased in order to selectively expand our production capacity within certain areas, such as brazed heat exchangers and exhaust

gas scrubbers. With a focus on delivering increased volumes, the division not only led capacity-raising projects but also tirelessly continued its work related to the environment, health and safety. Employees are the foundation for Alfa Laval's success, so their health and safety are always prioritized.

Another area characterized by a high level of activity was research and development. The work that started in 2017 began to bear fruit and resulted in an increased number of product launches. These will continue to accelerate during the coming years, as new products are rolled out from the platforms developed for gasketed plate heat exchangers and separators.

Overall, 2018 was a year generally marked by political maneuvering and tariff barriers. The effect on Alfa Laval's business was marginal. Over the longer term, should the situation escalate further, it could obviously become a source of concern for the general economic climate. Still, to sum it up from Alfa Laval's perspective, 2018 was a year when most things went our way. Our end markets were favorable and the structure we implemented in 2017 created a positive energy level among our employees. Given the changes we have made and announced in recent years and the structure we have in place today, I look forward to the future with a sense of optimism.

Lund, February 2019

Anders Narvinger
Chairman of the Board

Corporate Governance Report 2018

Alfa Laval offers efficient and environmentally responsible products and solutions in the areas of heat transfer, separation and fluid handling. The business is driven by clear goals for growth, profitability and returns, at the same time as there are distinct requirements on Alfa Laval to act in a manner that is sustainable from a long-term perspective for its shareholders, employees, customers, suppliers and other stakeholders.



The framework for the company's corporate governance is based on various laws and regulations, such as the Swedish Companies Act, the Swedish Annual Accounts Act, the rules of the stock exchange and the Swedish Corporate Governance Code (the "Code"). These are supplemented by the company's Business Principles regarding the environment, human rights, ethics and transparency. The company's control is also subject to internal regulations, including governing documents with 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. This Corporate Governance Report aims to describe the guidelines that are in place, the division of responsibility within the company and the interaction between the Annual General Meeting, the Board of Directors and the President. The Report was reviewed by the company's auditors.

Alfa Laval – The company



The registered name of the company is Alfa Laval AB (publ) and the registered office of the Board of Directors shall be in Lund Municipality in Sweden. The company's share capital shall amount to not less than SEK 745,000,000 and not more than SEK 2,980,000,000. The number of shares shall be not less than 298,000,000 and not more than 1,192,000,000. The company is listed on Nasdaq Stockholm AB. 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. Alfa Laval's currently prevailing Articles of Association were adopted at the Annual General Meeting on April 20, 2009 and are available in their entirety on www.alfalaval.com.



Share and ownership structure

At December 31, 2018, Alfa Laval had 419,456,315 shares outstanding, allocated among 34,180 shareholders according to Euroclear Sweden's shareholders' register. Alfa Laval has only one class of shares and each share corresponds to one vote. Tetra Laval was the largest owner, with 29.1 percent of the shares in Alfa Laval at year-end, and the only owner with a stake larger than 10 percent. The second largest owner was Alecta with 5.2 percent, followed by Swedbank Robur with a holding of 3.7 percent. Legal entities accounted for slightly more than 95 percent of holdings, while individuals accounted for the remainder. From a geographic perspective, the following five countries represented a total of 91.2 percent of the shareholdings: the Netherlands, Sweden, 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 12–13.



Annual General Meeting

The Annual General Meeting is the company's highest decision-making body in which all shareholders are entitled to participate and each share entitles its holder to one vote. The majority of motions addressed at the Annual General Meeting are decided by a simple majority. However, certain points sometimes 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 in Lund. The date and location are announced not later than in conjunction with the publication of the interim report for the third quarter.

To be entitled to participate and vote in the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by Euroclear Sweden AB. Any shareholder who is unable to attend in person may participate through a proxy with a power of attorney. Shareholders with nominee-registered shares must have the shares temporarily registered under their own name. The Annual General Meeting is held in Swedish and all documentation is available in Swedish and English. Alfa Laval endeavors to ensure that all Board members participate as well as, in so far as it is possible, all members of Group management. The company's auditors are always present.

Annual General Meeting for the 2017 fiscal year

The Annual General Meeting for the 2017 fiscal year was held at Sparbanken Skåne Arena in Lund on April 23, 2018. The Annual General Meeting was attended by 346 people,

Dividend and percentage of adjusted EPS**



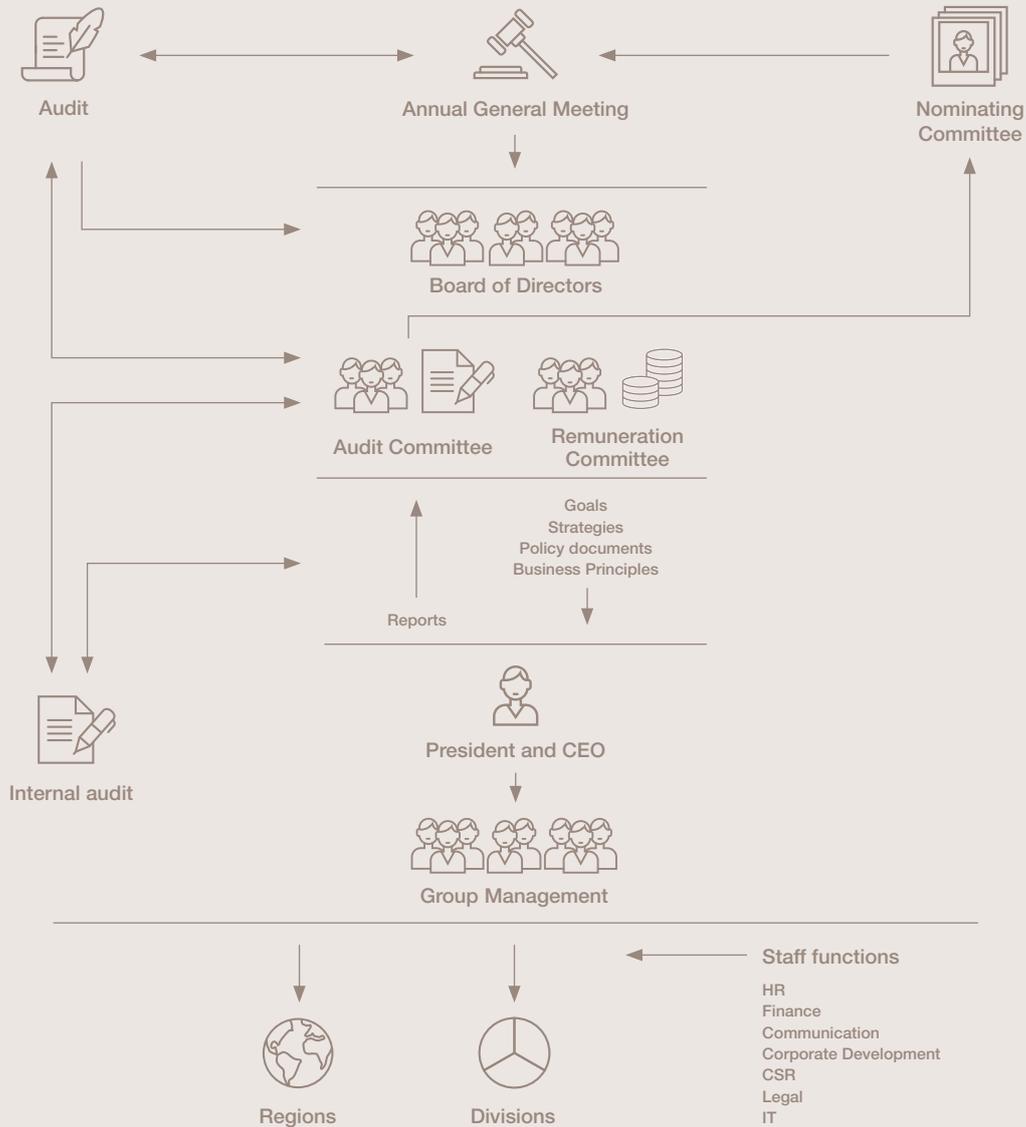
* Board motion to the Annual General Meeting.
** Adjusted for step up amortization net of taxes.

Ownership categories at December 31, 2018

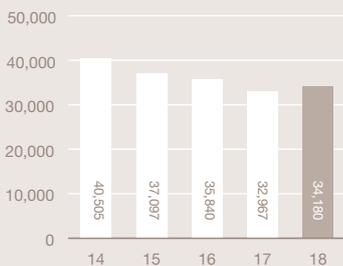
	No. of shares	Holding, %
Financial companies	77,794,285	18.5
Other financial companies	153,266	0.0
Social insurance funds	3,833,928	0.9
Government	409,488	0.1
Municipal sector	49,241	0.0
Trade organizations	3,727,036	0.9
Other Swedish legal entities	5,782,980	1.4
Shareholders domiciled abroad (legal entities and individuals)	307,852,438	73.4
Swedish individuals	19,041,745	4.5
Uncategorized legal entities	811,908	0.2

Source: Euroclear

Corporate governance



Total number of shareholders



Source: Euroclear

Ten largest shareholders at December 31, 2018*

	No. of shares	Capital/voting rights,%	Change in holding in 2018, percentage points
Tetra Laval BV	122,037,736	29.1%	0.0
Alecta	21,909,962	5.2%	-0.2
Swedbank Robur Funds	15,694,305	3.7%	-0.5
CBNY – Norges Bank	12,662,498	3.0%	0.4
AMF Insurance and Funds	9,122,145	2.2%	-0.6
SEB Investment Management	4,091,525	1.0%	0.1
Second Swedish National Pension Fund	3,522,639	0.8%	0.6
Folksam	3,369,647	0.8%	0.1
SPP Funds	2,580,710	0.6%	0.0
Länsförsäkringar fondförvaltning	2,502,038	0.6%	0.2
Total ten largest shareholders	197,493,205	47.0%	

* The table is adjusted for nominee-registered shares.

including shareholders, proxies, assistants, guests and officials. The total number of votes represented corresponded to 58.8 percent of the total number of votes in the company. Chairman of the Board Anders Narvinger was elected as the Meeting Chairman. The minutes from the Annual General Meeting, and all other information related to the Meeting, are available at www.alfalaval.com/investors/corporate-governance. The resolutions passed at the Meeting included the following:

- A resolution was passed to adopt the income statement and balance sheet and discharge the Board of Directors and President from liability.
- A resolution was passed in accordance with the Board's motion that a dividend of SEK 4.25 per share be paid.
- A resolution was passed that the number of Board members is to amount to seven, with no deputies.
- A resolution was passed to re-elect Board members Anders Narvinger, Finn Rausing, Jörn Rausing, Ulf Wiinberg, Margareth Øvrum and Anna Ohlsson-Leijon. Ulla Litzén declined re-election. Henrik Lange was elected as a new Board member.
- A resolution was passed in favor of the Nominating Committee's motion for auditors, resulting in the election of Authorized Public Accountants Staffan Landén and Karoline Tedevall. Authorized Public Accountants Henrik Jonzén and Nina Bergman were elected as deputy auditors.
- A resolution was passed that fees paid to non-executive directors on the Board

would amount to SEK 5,035,000. In addition, fees are payable for work on the Board's committees.

- A resolution was passed accepting the Board's motion for remuneration principles for senior executives. These principles comprise fixed remuneration and short-term and long-term programs for variable remuneration.



Nominating Committee

Work of the Nominating Committee

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

Composition for the 2019 Annual General Meeting

The composition of the Nominating Com-

mittee is determined in accordance with the process approved by the Annual General Meeting. The Chairman of the Board contacts representatives of the institutions which, as of the end of August, are among the largest shareholders and requests that they each appoint one member. The Nominating Committee may decide whether or not to include the Chairman of the Board or other Board members. The composition is then announced in a press release, in the third-quarter interim report and on Alfa Laval's website. Ahead of the 2019 Annual General Meeting, the composition of the Nominating Committee was announced on October 3, 2018. It was also included in Alfa Laval's third-quarter interim report, which was published on October 25. The Nominating Committee for the Annual General Meeting for the 2018 fiscal year comprised the following individuals: Jörn Rausing (Tetra Laval), Ramsay Brufer (Alecta), Jan Andersson (Swedbank Robur Funds), Lars-Åke Bokenberger (AMF) and Vegard Torsnes (Norges Bank Investment Management). The holdings of the Nominating Committee represented 43.8 percent of the number of shares outstanding at August 31, 2018. The Chairman of the Board Anders Narvinger was elected as member and secretary, and Jörn Rausing was elected as Chairman of the Nominating Committee. Due to Jörn Rausing's position as a Board member, his role as Chairman is a deviation from the Code. The reason for this deviation is that the Nominating Committee deemed Jörn Rausing to be particularly well suited to lead the work of the Committee and obtain the best possible results for the company's owners.

Proposals to the Nominating Committee
Shareholders wishing to submit proposals to the Nominating Committee prior to the

Annual General Meeting for the 2018 fiscal year

The Annual General Meeting of Alfa Laval AB (publ) will be held on Wednesday, April 24, 2019, at 4:00 p.m. at Scandic Star Lund, Glimmervägen 5, 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 notification has been issued will be placed in Dagens Nyheter. As a service to existing shareholders, information about the Annual General Meeting can also be sent to them by mail.

Composition of the Nominating Committee ahead of the Annual General Meeting for the 2018 fiscal year

Name	Representing	Shareholding in Alfa Laval, %*
Jörn Rausing	Tetra Laval	29.1
Ramsay Brufer	Alecta	5.1
Jan Andersson	Swedbank Robur Funds	3.9
Vegard Torsnes	Norges Bank Investment Management	3.2
Lars-Åke Bokenberger	AMF	2.5

*As of August 31, 2018.

Annual General Meeting were able to contact Alfa Laval's Board Chairman Anders Narvinger, or one of the owner representatives. Contact could also take place directly via e-mail at valberedningen@alfalaval.com. The final day for submitting matters to be addressed by the Annual General Meeting was March 6.

Work of the Nominating Committee ahead of the 2018 Annual General Meeting

The Nominating Committee held five meetings ahead of the Annual General Meeting for the 2017 fiscal year, which took place in April 2018. 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. The reasoned statement of the Nominating Committee ahead of the Annual General Meeting stated that the Nominating Committee applied Rule 4.1 of the Code as its diversity policy when preparing its motion. The aim of the policy is to ensure that the composition of the Board of Directors is appropriate to the company's operations, phase of development and other relevant circumstances, and that it is characterized by diversity and breadth of qualifications, experience and background, and that an even gender balance is sought after. The Nominating Committee was tasked with finding two new members for Alfa Laval's Board of Directors before the Annual General Meeting took place in April 2018. The Nominating Committee focused their efforts on identifying women candidates. However, these candidates declined, so the Nominating Committee proceeded to fill only one of the available positions, which resulted in the number of Board members decreasing from eight to seven. These seven consisted of

five men and two women, a composition that did not reflect the ambitions of the Swedish Corporate Governance Board. The Nominating Committee therefore communicated that it is important that its work towards gender balance, continues during the rest of the year.



Board of Directors

Work and responsibilities

The Board administers the company on behalf of the shareholders and thus bears the ultimate responsibility for the organization and administration of the company. The work and responsibilities of the Board are governed by the Swedish Companies Act, the Swedish Board Representation (Private Sector Employees) Act, the Articles of Association, the Board's own formal work plan, Nasdaq's Rule Book for Issuers and the Code. The Board establishes and evaluates Alfa Laval's overall long-term objectives and strategies. This includes establishing business and financial plans, reviewing and approving financial statements, adopting guidelines, making decisions on issues relating to acquisitions and divestments, and deciding on major investments and significant changes to Alfa Laval's organization and operations. The Board is also responsible for Alfa Laval's Business Principles, which determine how the company and its employees are to conduct themselves in society, taking into consideration the environment, ethics, social responsibility and transparency. The Board is responsible for the Corporate Governance Report. The Board is also responsible for ensuring that processes are in place for monitoring compliance with relevant laws and

rules. The Board appoints, evaluates and dismisses the company's President, establishes the instructions for the President with respect to the Group's daily operations and approves the President's commitments outside the company. Through the Audit Committee, the Board procures auditing services, maintains ongoing contact with the company's auditors and works to ensure that a sound internal control function and formalized procedures are in place to enable monitoring and assessment of the company's financial situation. Through the Remuneration Committee, the Board 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 the 2018 Annual General Meeting, seven members were elected, and no deputies. The members are elected annually for the period until the conclusion of the next Annual General Meeting and are to dedicate the requisite time and diligence to the assignment as well as have the necessary knowledge to best look after the interests of the company and its owners. The trade-union organizations appoint three employee representatives and three deputy employee representatives. Salaried employees in the company are invited to Board meetings as presenters and experts. The company's Chief Financial Officer participates in all meetings, as does its Chief Legal Counsel, who serves as Board Secretary. For more information about the goals regarding Board composition, refer to "Work of the Nominating Committee ahead of the 2018 Annual General Meeting".

Proposals to the Nominating Committee

Shareholders wishing to submit proposals to the Nominating Committee prior to the Annual General Meeting were able to contact Alfa Laval's Board Chairman Anders Narvinger, or one of the owner representatives. Contact could also take place directly via e-mail at valberedningen@alfalaval.com. The final day for submitting matters to be addressed by the Annual General Meeting was March 6, 2019.

Board training

All new Board members receive an extensive introduction program. In addition, a combined training course and field trip takes place each year. In 2018, the destination for the trip was London, England.



Independence of Board members

All members of the Alfa Laval Board elected by the Annual General Meeting are considered independent of the company. All members are also considered independent of the company's major shareholders, except Finn Rausing and Jörn Rausing, who cannot be considered independent due to their relation to Tetra Laval, which owned 29.1 percent of the shares in the company as of December 31, 2018.

The Board's formal work plan

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

Work of the Board in 2018

The Board held eight meetings in 2018, all of which were scheduled meetings. Two meetings were held by phone, while the other meetings were held in Lund and Stockholm in Sweden and London, England. The company's President prepares an agenda for each meeting in consultation with the Chairman of the Board. Normal agenda items include earnings results, order trends, investments and acquisitions. In addition, considerable time was devoted to following up on: the restructuring of the supply chain, investments in new production capacity, R&D and various areas pertaining to sustainability as well as health and safety. The Board also focused on reviewing personnel issues such as

management development and succession planning.

Board training

All new Board members receive an extensive introduction program. In addition, a combined training course and field trip takes place each year. In 2018, the destination for the trip was London, England.

Evaluation of the Board's work

The Chairman of the Board ensures that an annual evaluation is conducted of the work of the Board. The evaluation focuses on work methods and work climate as well as its access to and the need for particular Board competence in order to lay the foundation for a well-functioning and efficient Board. External resources are brought in at regular intervals to evaluate the work of the Board. Regardless of whether it is conducted internally or externally, the evaluation forms a foundation for the Nominating Committee's work related to the nomination of Board members and proposed remuneration levels. In 2018, the evaluation was conducted by the Chairman of Board, who held individual discussions with the Board members. The evaluation followed a clear structure based on standard models. The results were reported to the Board and communicated to the Nominating Committee.

Responsibilities of the Chairman of the Board

The Chairman of the Board directs the work of the Board in a manner that ensures it complies with prevailing laws and regulations, the Code and the Board's formal work plan. The Chairman must ensure that the work is well organized and conducted efficiently, and that the Board fulfills its tasks. In dialogue with the company's President, the Chairman monitors operational developments and is

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

Remuneration of the Board

Remuneration to the Board is determined by the Annual General Meeting based on the motions submitted by the Nominating Committee. The Chairman and members of the Audit Committee and the Remuneration Committee receive supplementary remuneration. No Board member is entitled to pension payments from the company.



Committees

Alfa Laval's Articles of Association stipulate that there must be a Remuneration Committee and an Audit Committee that report to the Board. Committee members are appointed from among the Board members for a period of one year.

Remuneration of Board members and attendance at Board meetings

	Name	Present	Remuneration		Name	Present
Appointed by the AGM	Anders Narvinger	● 8	1,675,000	Employee representatives	Bror García Lantz	8
	Henrik Lange*	3	560,000		Susanne Jonsson	8
	Ulf Wiinberg	6	560,000		Henrik Nielsen	8
	Margareth Øvrum	6	560,000		Total	8
	Finn Rausing	8	560,000			
	Jörn Rausing	7	560,000			
	Anna Ohlsson-Leijon	7	560,000			
	Ulla Litzén**	3	-			
Total	8	5,035,000				

● Chairman

*Appointed at Annual General Meeting

**Declined re-election at the AGM

Audit Committee

Areas of responsibility

The Audit Committee ensures compliance with the principles for financial reporting and internal control. The Committee formulates guidelines for the company's financial reporting and follow-up, and has the right to determine the focus of the internal audit. The Committee examines the procedures for reporting and financial controls as well as the work, qualifications and independence of the external auditors. For further information regarding the responsibilities of the Audit Committee, refer to "The Board of Directors' report on internal control" on page 56.

Members and meetings in 2018

Members are appointed annually at the Board's statutory meeting. In 2018, the Committee comprised Finn Rausing (Chairman), Anna Ohlsson-Leijon and Henrik Lange, with the company's Chief Legal Counsel serving as secretary. Five meetings were held during the year, four of which were conducted by phone. The company's Chief Financial Officer, the Head of the Internal Audit Function and the company's auditors also attend the Committee's meetings. Among other items, the meetings addressed the following: a review of the procedures for corporate governance, a review and follow-up of the results of the annual feedback from, at present, approximately 250 managers regarding governance, updates regarding new IFRS developments, amendments to the Code, a review of Group provisions and allocations, and a review of Group surplus values. The Committee also updated the work instructions for the internal audit. The external audit was planned and the fees to the external auditors were discussed.

Remuneration Committee

Areas of responsibility

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

Members and meetings in 2018

The Remuneration Committee is appointed annually at the Board's statutory meeting. In 2018, the Committee comprised Anders Narvinger (Chairman), Jörn Rausing and Ulf Wiinberg. The Committee held four meetings during the year. Phone meetings were also held to address ongoing issues. Minutes are taken at all meetings and the contents are distributed to the Board members, except in certain cases when the minutes are noted directly in the corresponding Board minutes. During the year, the Remuneration Committee, among other things, conducted a review and follow-up of the guidelines for remuneration to senior executives, management development and replacement planning.



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 results of the audit – the Audit Report – are communicated to shareholders in the Annual Report and at the Annual General Meeting. In addition, the auditors present a statement regarding the discharge from liability of the Board of Directors, a statement regarding the adoption of the income statement and balance sheet by the Annual General Meeting and a statement regarding the Corporate Governance Report. The Group must have a minimum of one and maximum of two auditors, with not more than two deputy auditors. An authorized public accountant or registered auditing firm is to be appointed as the company's auditor and, where applicable, as deputy auditor. At the Annual General Meeting on April 23, 2018, Authorized Public Accountants Staffan Landén and Karoline Tedevall were elected as the company's auditors. Henrik Jonzén and Nina Bergman 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 2018, 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 five occasions.

Remuneration to auditors

Refer to Note 7 on page 111.

Remuneration Committee: fees and attendance

Name	Present	Remuneration
Anders Narvinger	● 4	50,000
Jörn Rausing	4	50,000
Ulf Wiinberg*	1	50,000
Total	4	150,000

● Chairman

* Appointed after the AGM, 2018.

Audit Committee: fees and attendance

Name	Present	Remuneration
Finn Rausing	● 5	175,000
Anna Ohlsson-Leijon	5	125,000
Henrik Lange*	4	125,000
Ulla Litzén**	1	–
Total	5	425,000

● Chairman

*Appointed after the AGM

**Declined re-election at the AGM

Board of Directors and auditors

Appointed by the Annual General Meeting



Anders Narvinger
Chairman since 2003.
Born: 1948

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

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

Chairman of the Board: ÅF AB. Independent of the company and major shareholders.

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



Ulf Wiinberg
Board member since 2013.
Born: 1958

President of X-Vax Inc. Formerly CEO of H. Lundbeck A/S, Director of Wyeth Pharmaceuticals, EMEA/Canada & BioPharma, and a number of other senior positions in Wyeth.

Chairman of the Board: Hansa Medical AB and Sigrid Therapeutics.

Board member: UCB Pharma and Agenus Inc. Independent of the company and major shareholders.

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



Margareth Øvrum
Board member since 2015.
Born: 1958

Executive Vice President and member of Group management at Equinor ASA.

Previously held senior positions in a number of areas at Equinor (formerly Statoil), 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: FMC Corporation. Independent of the company and major shareholders.

Number of shares in Alfa Laval: –



Henrik Lange
Board member since 2018.
Born: 1961

President and CEO of Gunnebo AB.

Previously held several senior positions within the SKF Group, including Industry Division Manager and CFO, and served as CEO of Johnson Pump AB.

Education: BSc. Econ. from the Gothenburg School of Business, Economics and Law

Board member: Velux A/S. Independent of the company and major shareholders.

Number of shares in Alfa Laval: 4,000* (-)**



Finn Rausing
Board member since 2000.
Born: 1955

Education: B.L., MBA from INSEAD.

Board member: Tetra Laval Group, DeLaval Holding AB, EQT AB, Swede Ship Marine AB and Excillum AB.

Independent of the company.

Number of shares in Alfa Laval: –



Jörn Rausing
Board member since 2000.
Born: 1960

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

Education: BSc. Econ.

Board member: Tetra Laval Group, Ocado PLC and DeLaval Holding AB.

Independent of the company.

Number of shares in Alfa Laval: –



Anna Ohlsson-Leijon
Board member since 2017.
Born: 1968

Head of Major Appliances Europe and Executive Vice President, AB Electrolux.

Former positions include CFO of AB Electrolux, CFO of Electrolux Major Appliances EMEA, Head of Corporate Control and Services at Electrolux, Group Treasurer and Head of Internal Audit at Electrolux.

Education: BSc. Econ. from Linköping University.

Independent of the company and major shareholders.

Number of shares in Alfa Laval: 2,000* (-)**

Ulla Litzén
Board member from 2006 until the Annual General Meeting in April 2018.

Born: 1956

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

Declined re-election at the 2018 Annual General Meeting.

*Holdings at December 31, 2018. **Holdings at December 31, 2017.

Employee representatives



Henrik Nielsen
Employee representative
since 2015.

Born: 1968

Employed by Alfa Laval since 1994.

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

Number of shares in Alfa Laval:
–



Susanne Jonsson
Employee representative
since 2016.

Born: 1965

Employed by Alfa Laval since 2008.

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

Number of shares in Alfa Laval:
–



Bror García Lantz
Employee representative
since 2012.

Born: 1965

Employed by Alfa Laval since 1990.

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

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

Deputy employee representatives

Leif Norkvist
Deputy member since 2009.

Born: 1961

Employed by Alfa Laval since 1993.

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

Stefan Sandell
Deputy member since 2005.

Born: 1971

Employed by Alfa Laval since 1989.

Deputy employee representative for the Swedish Organization for Managers (Ledarna).

Johnny Hultén
Styrelsesuppleant sedan 2017.

Deputy member since 2017.

Born: 1961

Employed by Alfa Laval since 1977.

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

Auditors

Staffan Landén
Authorized Public Accountant, EY.

Born: 1963

Company auditor since 2018.

Karoline Tedevall
Authorized Public Accountant, EY.

Born: 1978

Company auditor since 2018.

Deputy Auditors

Henrik Jonzén
Authorized Public Accountant, EY.

Born: 1977

Deputy auditor since 2018.

Nina Bergman
Authorized Public Accountant, EY.

Born: 1979

Deputy auditor since 2018.

*Holdings at December 31, 2018. **Holdings at December 31, 2017.

President and Group management



Tom Erixon
President and CEO.

Born: 1960

CEO since March 1, 2016.

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

Board member: Boliden AB.

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

Number of shares in Alfa Laval:

81,200* (61,200**)



Jan Allde
Chief Financial Officer.

Born: 1967

Employed by Alfa Laval since 2018.

Chief Financial Officer since 2018.

Former positions include several international positions at ABB from 1991 to 2017, most recently as Chief Financial Officer for the Americas.

Education: BSc. Econ from Stockholm University.

Number of shares in Alfa Laval:

–



Pascale Gimenez
Senior Vice President, Human Resources.

Born: 1966

Employed by Alfa Laval since August 1, 2018.

Former positions include Senior Vice President of Human Resources at various units within Sandvik and Electrolux.

Education: Master's degree in marketing from ESSEC Business School and a degree in engineering from the Institut Supérieur Agricole de Beauvais.

Number of shares in Alfa Laval:

–



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 Borstahuset Informationsdesign.

Number of shares in Alfa Laval:

66,000* (66,000**)



Mikael Tydén
President, Operations Division.

Born: 1967

Employed by Alfa Laval since 1995.

President of the Operations Division since January 2017. Former positions include head of global manufacturing and supply of separators, decanters, hygienic fluid handling equipment and air heat exchangers 2005–2016.

Education: BSc. Eng.

Number of shares in Alfa Laval:

1,000* (1,000**)

*Holdings at December 31, 2018. **Holdings at December 31, 2017.

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 regulations, 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 a head of global sales and service, four divisional managers and the heads of HR, Communications and Finance.

Group management meetings in 2018

Group management held seven scheduled meetings in 2018 during which minutes were taken. In addition, quarterly reviews were performed to discuss the business developments in the divisions and regions. These reviews addressed the business climate, earnings, earnings projections for the next 12 months and specific issues affecting the respective business areas. Separate strategy meetings were also held to address, among other areas, management's proposals concerning the future direction with regard to organic growth and growth through acquisitions. In 2018, Group management meetings concentrated on discussing risks and opportunities in individual

business units, products, application areas and geographic regions as well as the consequences on the supply chain. Group management also addressed research, development and product launches as well as the company's strategies and the future direction of the individual divisions. Additional topics of discussion included structures concerning processes, system support and the service business as well as opportunities within digital market communications and the development of solutions for electronic development and control of the company's products. Sustainability was also discussed during the meetings, with a focus on health and safety.



Joakim Vilson
Senior Vice President, Global Sales & Service.

Born: 1965

Employed by Alfa Laval since 1990. Former positions include Executive Vice President in charge of the Central and Eastern Europe, Latin America, Middle East and Africa Regions, Head of Mid Europe Region and Head of the Process Industry segment.

Education: BSc. Eng.

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



Susanne Pahlén Åklundh
President, Energy Division.

Born: 1960

Employed by Alfa Laval since 1983. President of the Energy Division since 2017. Former positions include President of the Equipment Division, Head of Mid Europe and Nordic, and Head of the Process Industry segment.

Board member: Trelleborg AB.

Education: BSc. Eng.

Number of shares in Alfa Laval: 10,000* (10,000**)



Nish Patel
President, Food & Water Division.

Born: 1962

Employed by Alfa Laval since 1984. Former positions include Executive Vice President in charge of the Western Europe and North America Regions, and Head of India and the UK.

Education: BSc. Eng.

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



Peter Leiffand
President, Marine Division.

Born: 1954

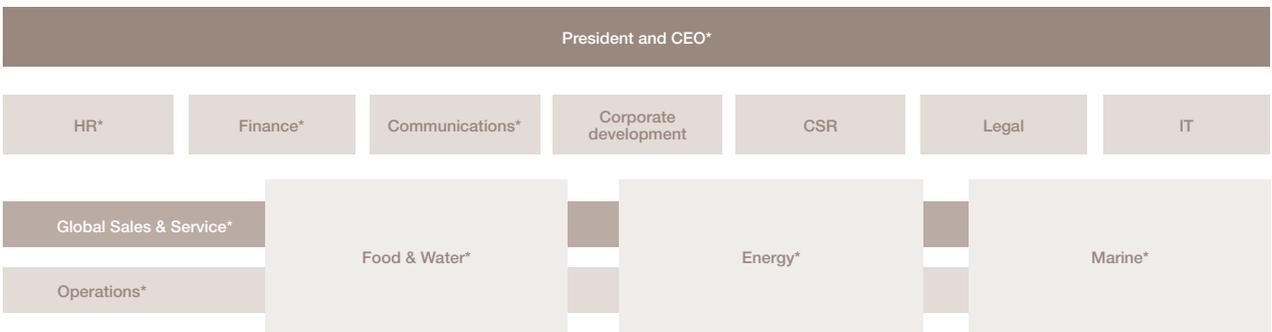
Employed by Alfa Laval since 1985. President of the Marine Division since 2011. Former positions include Regional Manager in charge of the Western Europe and North America Region 2004–2011, the Asia and Latin America Region 2001–2004 and the Eastern Europe and Latin America Region 1999–2001.

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

Number of shares in Alfa Laval: 400,000* (400,000**)

Operational control

*Holdings at December 31, 2018. **Holdings at December 31, 2017.



*Members of Group management

Remuneration to senior executives, pensions and severance pay/termination of employment

The remuneration principles for the President and other members of Group management are determined by the Annual General Meeting. For additional information, refer to pages 109–111.



Operational control

Alfa Laval's operational control model comprises a matrix in which the Group's divisions 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 its 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. The 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.

The Board has overriding responsibility for financial reporting, among other things, and must therefore assess the performance and earnings of the operations through a package of reports including results, forecasts and analyses of key indicators. The Board also reviews the company's interim reports and year-end report and is to meet with the external auditors at least once a year without the presence of the President or other members of Group management.

The Board's Audit Committee is tasked with ensuring compliance with the principles for financial reporting and internal control. The Committee 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.

The Committee examines procedures for reporting and financial controls as well as addressing the company's financial reports. It also monitors, evaluates and discusses significant issues related to accounting and financial reporting. The Committee evaluates and manages information pertaining to disputes and potential improprieties, and assists management with identifying and evaluating mainly financial and similar risks that are relevant to the operations in order to ensure that the focus is on managing these risks. It also reviews the company's

information security system and the contingency plans in place to ensure delivery of financial information.

The Audit Committee has the right to determine the focus of the internal audit and is responsible for ensuring the efficiency of the function by assessing its activities, resources and structure. The Committee is also responsible for reviewing the results and recommendations of the internal audit to ensure that they are handled in an appropriate manner. It is responsible for reviewing the internal audit plan every six months to ensure that it addresses the relevant risk areas and for ensuring that there is suitable coordination between the internal and external audit. The Audit Committee holds regular meetings with the external auditors and reviews their work, qualifications and independence, and the results of this review are reported to the company's Nominating Committee on an annual basis. The Audit Committee supports the Nominating Committee in its work to nominate auditors and conducts an annual review of the proposed scope of the audit. Reports are provided to the Board regarding internal meetings as well as meetings with the internal auditors, the external auditors and various specialists in Group management and its support functions. The Committee is responsible for reviewing significant results from the external audit and the recommendations issued by the external auditors as a result. It is also responsible for establishing guidelines that ensure the independence of the external auditors.

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. The President is also responsible for ensuring that all Board members regularly receive sufficient infor-

mation to be able to assess the company's financial position.

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 three 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 2018, 25 internal audits were performed.

Risk assessment

Within the framework of the company's operating activities and review functions, procedures are in place for risk assessments pertaining to the financial reporting. These

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

Control structures

Control structures are in place in all areas of the organization in order to prevent, identify and adjust errors or deviations. They manage the risks that the Board and management consider to be significant to the business, internal control and financial reporting. These structures comprise both an organization with clearly defined roles that enables an effective and – from an internal control perspective – appropriate division of responsibility, and specific control activities that enable the identification and timely prevention of risks becoming a reality. Control activities also include clearly defined decision-making processes and a policy for decision-making with respect to, for example, investments, agreements, acquisitions and divestments, earnings analyses and other forms of analytical reviews, reconciliations, inventory-taking and automatic controls in the IT systems.

Information and communication

The company's regulations, guidelines and manuals are communicated through several internal channels and the efficiency of this communication is monitored on an ongoing basis. There are formal and informal information channels that enable employees to communicate important information to relevant recipients and ultimately, if necessary, to the Board of Directors. Clear guidelines have also been established for external communications, the aim of which is to provide the most accurate and relevant overview possible while at the same time ensuring that all obligations 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 2019

Board of Directors

Auditor's report on the corporate governance statement

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 on pages 44–57 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard

RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Lund 8 March 2019

Staffan Landén
Authorized Public Accountant
Ernst & Young AB

Karoline Tedevall
Authorized Public Accountant
Ernst & Young AB