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## Introduction by the Chairman of the Board

### **Alfa Laval**

Alfa Laval's business concept is to optimize the performance of its customers' processes through products and services in the three key technologies of heat transfer, separation and fluid handling. Through constant innovative and insight, the company develops new products to meet customers' various needs. Once implemented in industrial process solutions, the company's products enable resources to be used effectively and sustainably, with minimal impact on the environment. Both through cooperation with customers and internal work, Alfa Laval contributes to a more sustainable society.

The Board's task is to create the conditions for long-term, profitable growth, with the best interests of the company and the owners in mind. At the same time, the Board bears the ultimate responsibility for ensuring that business is conducted correctly and in accordance with prevailing laws and regulations. Everyone at the company, from individual employees to management and the Board, are to follow regulations and act in accordance with the company's business principles regarding the environment, ethics, transparency and social responsibility. This requires guidance in the form of training, monitoring and clear processes and areas of responsibility. The following pages describe the more tangible aspects of how the Board conducts this work.

### **The year in brief**

In 2019, the Board continued to focus on the initiatives implemented within the framework of the company's profitability and organic growth strategies. These initiatives included the introduction of structural changes in the supply chain, most of which were concluded during the year and generated positive results. They also included a continued focus on further developing the Service business to better support our customers and ensure our product's long-term capacity and efficiency. Our efforts had a positive impact in this area as well, with

significant growth in the Service business during the year. Our efforts to develop products and systems for a changing world continued, with new demands and needs concerning energy supply, energy utilization and food production as well as changes in regulations aimed at reducing people's impact on the environment.

All in all, our initiatives and a more decentralized organizational structure generated earnings that reflected our high expectations in the form of healthy growth, despite cautious market conditions in certain areas.

After 17 years as Chairman of the Board, I have announced that I will not seek re-election. In all those years, I have thoroughly enjoyed my time at Alfa Laval. Those of us on the Board have worked intensively to create the conditions for growth and profitability, thereby enabling long-term value growth for our owners.

I would like to thank the owners for the confidence they have had in me over the years, and I would like to thank Alfa Laval's employees for their incredible commitment, hard work and deep passion for change. The last 17 years have been a fantastic journey. I am leaving a company whose sales, earnings and value have increased several times over in that time. A company whose offering has been continuously developed and which today offers a portfolio that is more relevant than ever, not least considering the world's increased focus on sustainability. I will follow Alfa Laval's continued development with keen anticipation, and I wish the new Board all the best in their work.

Lund, February 2020

### **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](http://www.alfalaval.com)

## Share and ownership structure

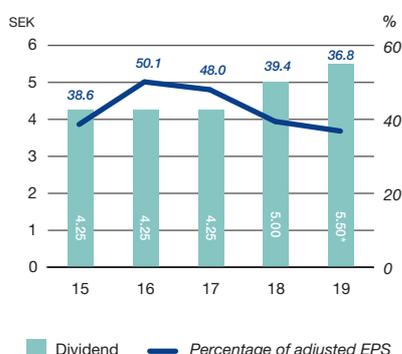
At December 31, 2019, Alfa Laval had 419,456,315 shares outstanding, allocated among 41,147 shareholders according to Euroclear Sweden's share register. Alfa Laval has only one class of shares and each share corresponds to one vote. Tetra Laval was the largest owner, with 29.1 percent of the shares in Alfa Laval at year-end, and the only owner with a stake larger than 10 percent. The second largest owner was Alecta with 5.6 percent, followed by AMF with a holding of 5.2 percent. Legal entities accounted for slightly more than 95 percent of the holdings, while individuals accounted for the remainder. From a geographic perspective, the following five countries represented a total of 94.2 percent of the shareholdings: Switzerland, 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

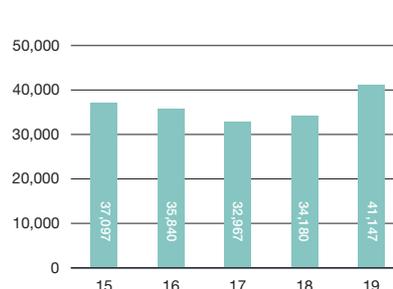
The Annual General Meeting is the company's highest decision-making body in which all shareholders are entitled to participate and each share entitles its holder to one vote. The majority of motions addressed at the Annual General Meeting are decided by a simple majority. However, certain points sometimes 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 share 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.

## Dividend and percentage of adjusted EPS\*\*



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

## Total number of shareholders



## Ownership categories at December 31, 2019

	No. of shares	Holding, %
Financial companies	104,617,472	24.9%
Other financial companies	28,407	0.0%
Social insurance funds	4,768,675	1.1%
Government	319,419	0.1%
Municipal sector	36,172	0.0%
Trade organizations	4,987,633	1.2%
Other Swedish legal entities	5,831,243	1.4%
Shareholders domiciled abroad (legal entities and individuals)	275,863,915	65.8%
Swedish individuals	20,727,917	4.9%
Uncategorized legal entities	2,275,462	0.5%

Source: Euroclear

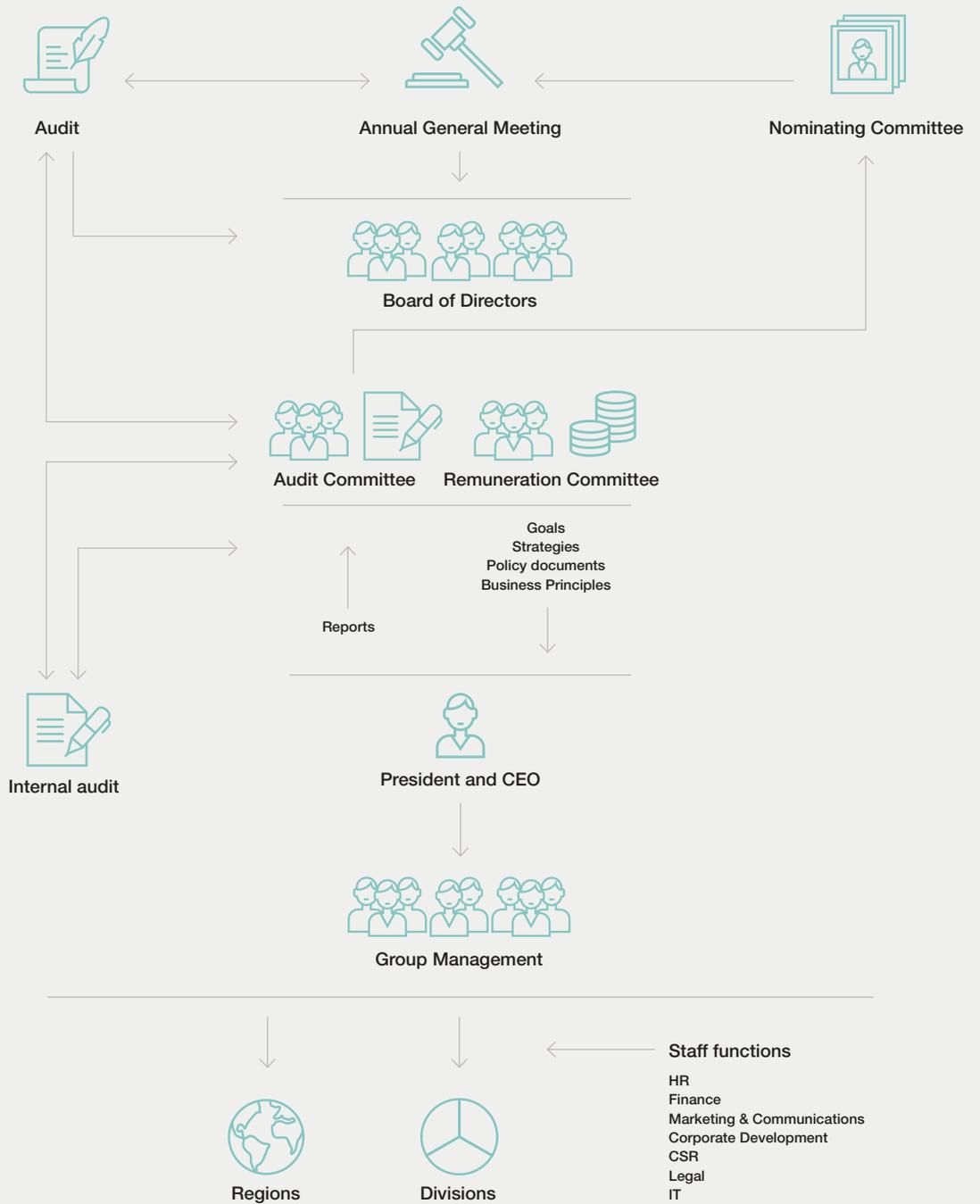
## Ten largest shareholders at December 31, 2019\*

	No. of shares	Capital/voting rights, %	Change in holding in 2019, percentage points
Tetra Laval BV	122,580,149	29.1	0.0
Alecta	23,662,464	5.6	0.0
AMF Insurance and Funds	21,887,403	5.2	0.0
Swedbank Robur Funds	18,510,252	4.4	0.0
CBNY Norges Bank	10,897,642	2.6	0.0
SEB Investment Management	8,596,141	2	0.0
Folksam	3,774,113	0.9	0.0
SPP Funds	2,972,287	0.7	0.0
Livförsäkringsbolaget Skandia	2,308,953	0.6	0.0
Handelsbanken Funds	2,269,689	0.6	0.1
<b>Total ten largest shareholders</b>	<b>217,459,093</b>	<b>51.7</b>	

Source: Euroclear

\* The table is adjusted for nominee-registered shares.

# Corporate governance



## Annual General Meeting for the 2019 fiscal year

The Annual General Meeting of Alfa Laval AB (publ) will be held on Wednesday, April 23, 2020, 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.

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 2020 Annual General Meeting

The composition of the Nominating Committee 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 2020 Annual General Meeting, the composition of the Nominating Committee was announced on October 3, 2019. It was also included in Alfa Laval's third-quarter interim report, which was published on October 24. The Nominating Committee for the Annual General Meeting for the 2019 fiscal year comprised the following individuals: Finn Rausing (Tetra Laval), Ramsay Brufer (Alecta), Jan Andersson (Swedbank Robur Funds), Lars-Åke Bokenberger (AMF) and Vegard Torsnes (Norges Bank Investment

### Annual General Meeting for the 2018 fiscal year

The Annual General Meeting for the 2018 fiscal year was held at Scandic Star in Lund on April 24, 2019. The Annual General Meeting was attended by 358 people, including shareholders, proxies, assistants, guests and officials. The total number of votes represented corresponded to 60 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/](http://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 5.00 per share be paid.
- A resolution was passed that the number of Board members is to amount to eight, with no deputies.
- A resolution was passed to re-elect Board members Anders Narvinger, Finn Rausing, Jörn Rausing, Ulf Wiinberg, Anna Ohlsson-Leijon and Henrik Lange. Heléne Mellquist

and Maria Moraeus Hanssen were elected as new Board members. Margareth Øvrum declined re-election.

- 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 5,845,000. 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

### Composition of the Nominating Committee ahead of the Annual General Meeting for the 2019 fiscal year

Name	Representing	Shareholding in Alfa Laval, %*
Finn Rausing	Tetra Laval	29.1
Ramsay Brufer	Alecta	5.8
Jan Andersson	Swedbank Robur Funds	5.6
Lars-Åke Bokenberger	AMF Insurance and Funds	5.5
Vegard Torsnes	Norges Bank Investment Management	2.6

\*As of August 31, 2019.

### 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](mailto:valberedningen@alfalaval.com). The final day for submitting matters to be addressed by the Annual General Meeting was March 5, 2020.

Management). The holdings of the Nominating Committee represented 48.6 percent of the number of shares outstanding at August 31, 2019.

Chairman of the Board Anders Narvinger was elected as a member, Alfa Laval's Chief Legal Counsel Emma Adlerton was elected as 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.

**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.

#### Work of the Nominating Committee ahead of the 2019 Annual General Meeting

Ahead of the Annual General Meeting that took place in April 2019 for the 2018 fiscal year, the Nominating Committee held five minuted meetings. The Nominating Committee also conducted a number of discussions by phone and e-mail. The Nominating Committee's meetings covered a review of the Board's composition, an assessment of the potential future competence requirements of the Board and evaluating candidates for the Board's coming term. As a basis for its work, the Nominating Committee used an internal evaluation of the work of the Board that was conducted by the Chairman of the Board.

The reasoned statement of the Nominating Committee ahead of the 2019 Annual General Meeting stated that the Nominating Committee has applied Rule 4.1 of the Swedish Corporate Governance ("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's ambition up to this point has been for the Board members to collectively represent a broad range of industrial experience relevant for Alfa Laval.

The Nominating Committee was tasked with preparing proposals for two new members for Alfa Laval's Board of Directors before the 2019 Annual General Meeting. The Nominating Committee's work particularly focused on identifying potential women candidates so as to achieve a better gender balance on the Board. The Nominating Committee's efforts resulted in another two women Board members being appointed by the 2019 Annual General Meeting. Since a previous Board member declined re-election, the election of two new members meant that the number of Board members increased from seven to eight, including three women and five men. This division means that 38 percent of the Board members are women, which is well in line with the ambitions of the Swedish Corporate Governance Board.



#### 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

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

	Name	Present	Remuneration*
<b>Appointed by the AGM</b>	Anders Narvinger	● 9	1,750,000
	Henrik Lange	9	585,000
	Ulf Wiinberg	8	585,000
	Margareth Øvrum**	1	-
	Finn Rausing	9	585,000
	Jörn Rausing	9	585,000
	Anna Ohlsson-Leijon	9	585,000
	Heléne Mellquist	6	585,000
<b>Employee representatives</b>	Maria Moraeus Hanssen	6	585,000
	Bror Garcia Lantz	9	-
	Susanne Jonsson	9	-
	Henrik Nielsen	9	-
	<b>Total</b>	<b>9</b>	<b>5,845,000</b>

● Chairman

\*The remuneration recognised pertains to the period between two AGMs

\*\*Declined re-election at the AGM

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 2019 Annual General Meeting, eight 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 2019 Annual General Meeting" on page 55.

### 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 relationship with Tetra Laval, which owned 29.1 percent of the shares in the company as of December 31, 2019.

### 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 2019

The Board held nine meetings in 2019, including eight ordinary meetings and one extraordinary meeting. Two meetings were held by phone, while the other meetings were held in Lund and Stockholm in Sweden and Krakow in Poland. 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 service 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 2019, the destination for the trip was Krakow, Poland.

### 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 2019, the evaluation was conducted by the Chairman of Board, who held 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

### Remuneration Committee: fees and attendance

Name	Present	Remuneration
Anna Ohlsson-Leijon	● 8	200,000
Henrik Lange	8	125,000
Heléne Mellquist*	4	125,000
Finn Rausing**	3	-
<b>Total</b>	<b>8</b>	<b>450,000</b>

● Chairman

\*Appointed after the AGM \*\*Declined re-election at the AGM

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.

#### 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 2019*

Members are appointed annually at the Board's statutory meeting. In 2019, the Committee comprised Anna Ohlsson-Leijon (Chairman), Henrik Lange and Heléne Mellquist with the Group Controller serving as secretary. Eight meetings were held during the year, six 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 financial reports and a debriefing from the external auditors, a review of a new template for interim reports, a discussion regarding the finance policy and capital structure strategy, updating the guidelines for services unrelated to auditing, a review and follow-up of the results of the annual feedback from, at present, approximately 260 managers regarding governance and a review of Group provisions and allocations. The Committee also updated the work instructions for the internal audit. External and internal audits were planned.

#### 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 2019*

The Remuneration Committee is appointed annually at the Board's statutory meeting. In 2019, the Committee comprised Anders Narvinger (Chairman), Jörn Rausing and Ulf Wiinberg. The Committee held two meetings during the year. 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.



### 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 24, 2019, Authorized Public Accountants Staffan Landén and Karoline Tedeval 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 2019, the entire Board received a report from the company's external auditors on one occasion. On this occasion, the Board met with the auditors without the CEO or anyone from Group management being present. The Audit Committee received separate reports on five occasions.

#### Remuneration to auditors

Refer to Note 7 on page 117.

### Audit Committee: fees and attendance

Name	Present	Remuneration
Anders Narvinger	● 2	50,000
Jörn Rausing	2	50,000
Ulf Wiinberg	2	50,000
<b>Total</b>	<b>2</b>	<b>150,000</b>

● Chairman

# 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 Biopharma 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\*\*)



**Henrik Lange**  
Board member since 2018.

*Born: 1961*

Previously President and CEO of Gunnebo AB; 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 and IPCO AB.

Independent of the company and major shareholders.

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



**Heléne Mellquist**  
Board member since 2019.

*Born: 1964*

CEO of Volvo Trucks Europe.

Previous positions include CEO of Rederi AB Transatlantic and a number of senior positions at Volvo Trucks, Volvo Buses and Volvo Penta.

**Board member:** Thule Group AB.

**Education:** Diploma in International Economy from the University of Gothenburg Executive Program Stockholm School of Economics.

Independent of the company and major shareholders.

**Number of shares in Alfa Laval:**  
-



**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\* (-\*\*)



**Maria Moraes Hanssen**  
Board member since 2019.

*Born: 1965*

President and CEO of DEA Deutsche Erdoel AG.

Proposed COO and Vice President/CEO, Wintershall DEA Holding GMBH (merger planned for the second quarter of 2019).

Previously President of ENGIE Exploration and Production International SA and GDF Suez E&P Norge AS as well as several senior positions at Aker ASA, Statoil ASA (now Equinor ASA) and Norsk Hydro ASA.

**Education:** Petroleum technology at the Norwegian University of Science and Technology (NTNU), and petroleum economics at the Institute du Petrole (IFP School) in Paris, France.

Independent of the company and major shareholders.

**Number of shares in Alfa Laval:**  
-

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## 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\*\*)

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## 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**  
Deputy member since 2017.

*Born: 1961*

Employed by Alfa Laval since 1977.  
Deputy employee representative for the Swedish Metal Workers' Union (IF Metall).

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## 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.

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## 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, 2019. \*\*Holdings at December 31, 2018.

# 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:**  
101,200\* (81,200\*\*)



**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,  
Marketing & Communications.

*Born: 1955*

Employed by Alfa Laval since 1999.

Senior Vice President, Corporate Communications since 1999.  
Former positions include President of Borstahusen 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, 2019. \*\*Holdings at December 31, 2018.

## 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.

## 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 115–117 and 141–143.



**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\*\*)



**Sameer Kalra**  
President, Marine Division.

*Born: 1962*

Employed by Alfa Laval since 2011. Previously Head of the Pumping Systems and Offshore business units.

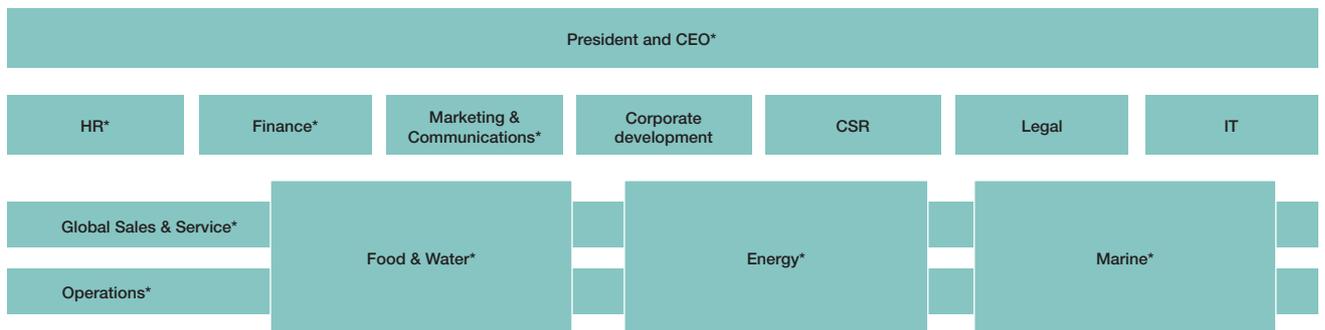
**Education:** Marine engineer and MBA.

**Number of shares in Alfa Laval:** –

\*Holdings at December 31, 2019. \*\*Holdings at December 31, 2018.

## 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.



\*Members of Group management

## Group management meetings in 2019

Group management held eight scheduled meetings in 2019 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 2019, 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.

# 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 information 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 four 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 2019, 35 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 2020

**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 2019 on pages 49–64 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 9 March 2020

Staffan Landén  
Authorized Public Accountant  
Ernst & Young AB

Karoline Tedevall  
Authorized Public Accountant  
Ernst & Young AB