

Contents

– Corporate Governance Report

Introduction by the Chairman of the Board	56
Corporate Governance Report 2020	57
Share and ownership structure	58
Annual General Meeting	58
Annual General Meeting for the 2019 fiscal year	58
Nominating Committee	60
Board of Directors	61
Committees	63
The company's auditors	63
Remuneration to auditors	63
Board of Directors and auditors	64
President and Group management	66
Areas of responsibility	66
Remuneration to senior executives	66
Operational control	67
Group management meetings in 2020	68
Board of Directors' report on internal control	68
Control environment	68
Risk assessment	68
Control structures	68
Information and communication	69
Follow-up	69
Auditor's statement on the Corporate Governance Report	70



Introduction by the Chairman of the Board

Alfa Laval

Little did I know, entering my first year as Chairman of the Alfa Laval Board, what a different and challenging year this would be. By early 2020 employees all over the world were forced to contend with a new normal; lockdowns, travel bans and challenges of different kinds. Despite this Alfa Laval remained resilient and adjusted rapidly to the new situation while maintaining employee's safety and customers business continuity in focus. During the year, I have been impressed to see the strong drive on customer focus and the competence and technology skills that the organization possesses.

Alfa Laval's innovative technologies are dedicated to purifying, refining, and reusing materials, promoting more responsible use of natural resources. They contribute to improved energy efficiency and heat recovery, better water treatment, and reduced emissions. Alfa Laval is thereby, not only accelerating success for its customers, but also for people and the planet, making the world a better place.

The Board of Directors is responsible for the organization and management of the Group and for creating the conditions for long-term profitable growth with the best interest of the company and owners in mind. This is done by regularly assessing the Group's financial situation and the companies financial, legal, social, and environmental risks, ensuring that the organization is designed for satisfactory control.

We are committed to building a better future for our customers and the Board is fully supportive of the company's relentless focus on developing and improving its product portfolio with the aim of staying ahead and securing long-term value creation in the years ahead.

The year in brief

2020 has been a year like no other. It has been a year of unprecedented challenges, but also a year that offered opportunities.

In 2020, Alfa Laval continued to transform its sales of service and spare parts as well as its customer service in line with its strategy to make them more digitized and data based. Initiatives like digi-

talization, including connected equipment and remote diagnostics, were accelerated to better service and support many of our customers during a difficult year.

The ultimate goal of transforming the service business is for Alfa Laval to be able to fully leverage its installed base, improve and expand the customer base and simultaneously improve the customer experience, thereby supporting the Alfa Laval brand.

The Board continued to focus on key initiatives implemented within the framework of the company's strategic priorities to reach its growth, profitability, and capital utilization goals. Our efforts to develop products and systems for a changing world, with new demands and needs concerning energy supply, energy utilization and food production as well as changing regulations, continued.

Product launches across the various technological platforms continued at a rapid pace while the company worked on adjusting its existing manufacturing capacity to meet changing demands. This was done while accelerating connectivity, rolling out of e-commerce solutions, and handling the rapid changes without disruptions in the supplier chain or deliveries to customers.

All in all, despite a challenging 2020, Alfa Laval performed well. While volumes were lower, profitability remained at a high level and a strong cash flow put us in a good position going forward.

I would like to take this opportunity to thank my fellow Board members for good cooperation, constructive contributions and engaged work. I would also like to thank the Alfa Laval management and all its employees for exceptional work during a challenging year.

Lund, February 2021

Dennis Jönsson
Chairman of the Board

Corporate Governance Report 2020

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 do they 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 23, 2020 and are available in their entirety on www.alfalaval.com

Share and ownership structure

At December 31, 2020, Alfa Laval had 419,456,315 shares outstanding, allocated among 43,417 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 International SA 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 5.8 percent, followed by AMF with a holding of 3.7 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 93.0 percent of the shareholdings: Sweden, Switzerland, 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 52–53.



Annual General Meeting

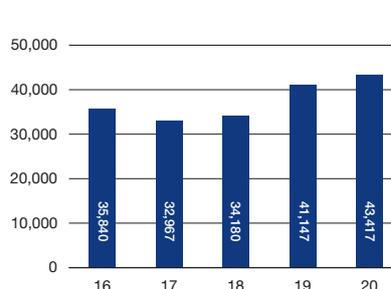
The Annual General Meeting is the company's highest decision-making body in which all shareholders are entitled to participate and each share entitles its holder to one vote. The majority of motions addressed at the Annual General Meeting are decided by a simple majority. However, certain points sometimes 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, 2020

	No. of shares	Holding, %
Financial companies	91,204,734	21.7%
Other financial companies	168,917	0.0%
Social insurance funds	8,110,132	1.9%
Government	259,453	0.1%
Municipal sector	28,682	0.0%
Trade organizations	4,023,903	1.0%
Other Swedish legal entities	6,044,800	1.4%
Shareholders domiciled abroad (legal entities and individuals)	287,312,514	68.5%
Swedish individuals	20,839,602	5.0%
Uncategorized legal entities	1,463,578	0.3%

Source: Euroclear

Ten largest shareholders at December 31, 2020*

	No. of shares	Capital/voting rights, %	Change in holding in 2020, percentage points
Tetra Laval International SA	122,037,736	29.1	0.0
Alecta	24,312,464	5.8	0.2
AMF Insurance and Funds	15,377,737	3.7	-1.6
Swedbank Robur Funds	11,883,626	2.8	-1.6
CBNY Norges Bank	9,637,816	2.3	-0.3
SEB Investment Management	7,521,072	1.8	-0.3
Handelsbanken Funds	7,032,268	1.7	0.5
Första AP fonden	3,742,815	0.9	0.5
Folksam	3,648,365	0.9	0.0
Livförsäkringsbolaget Skandia	3,125,758	0.8	0.2
Total ten largest shareholders	208,319,657	49.8	-2.4

Source: Euroclear

* The table is adjusted for nominee-registered shares.

Annual General Meeting for the 2020 fiscal year

The Annual General Meeting of Alfa Laval AB (publ) will be held on Tuesday, April 27, 2021, at 4:00 p.m.

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.

Annual General Meeting for the 2019 fiscal year

The Annual General Meeting for the 2019 fiscal year was held at Scandic Star in Lund on April 23, 2020. As a result of the restrictions taken to reduce the risk of spreading COVID-19, a very limited number of people participated in the Meeting and Anders Narvinger, Chairman of the Board, and Finn Rausing, Chairman of the Nominating Committee, participated via phone. Other Board members, proposed new members and other members of the Nominating Committee also participated via phone. A total of 20 people were present at the Annual General Meeting, including shareholders, proxies, assistants, guests and officials. In conjunction with the Annual General Meeting, Alfa Laval's owners were given the option of early voting by mail. The total number of votes represented at the Meeting corresponded to 31 percent of the total number of votes in the company. Attorney Erik Sjöman 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 as well as the consolidated income statement and consolidated balance sheet and to discharge the Board of Directors and President from liability.

– A resolution was passed that no dividend be paid for 2019 and that the company's profits be carried forward.

– A resolution was passed that the number of Board members appointed by the Meeting is to amount to eight, with no deputies.

– A resolution was passed that fees paid to non-executive Board members elected by the Meeting remain unchanged at SEK 5,845,000. In addition, fees for work on the Board's committees are to remain unchanged.

– A resolution was passed to re-elect Board members Finn Rausing, Jörn Rausing, Ulf Wiinberg, Henrik Lange, Heléne Mellquist and Maria Moræus Hanssen. Dennis Jönsson and Ray Mauritsson were elected as new Board members. Anders Narvinger and Anna Ohlsson Leijon declined re-election.

It was resolved that Dennis Jönsson be elected as the new Chairman of the Board.

– A resolution was passed in favor of the Nominating Committee's proposal, resulting in the re-election of Authorized Public Accountants Staffan Landén and Karoline Tedevall as the company's auditors. Authorized Public Accountants Henrik Jonzén and Andreas Mast were also elected as the company's deputy auditors.

– A resolution was passed in favor of the

Board's proposed guidelines for remuneration to senior executives.

– A resolution was passed in favor of the Board's proposed changes to Alfa Laval AB's Articles of Association.



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 2021 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,

Composition of the Nominating Committee ahead of the Annual General Meeting for the 2020 fiscal year

Name	Representing	Shareholding in Alfa Laval, %*
Jörn Rausing	Tetra Laval International SA	29.2
Ramsay Brufer	Alecta Pensionsförsäkring	5.6
Anders Oscarsson	AMF Insurance and Funds	4.4
Jan Andersson	Swedbank Robur Funds	3.3
Per Trygg	SEB Funds	1.8

*As of August 31, 2020.

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 Dennis Jönsson, 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 9, 2021.

are among the largest shareholders and requests that they each appoint one member. The composition is then announced in a press release, in the third-quarter interim report and on Alfa Laval's website. Ahead of the 2021 Annual General Meeting, the composition of the Nominating Committee was announced on September 28, 2020. It was also included in Alfa Laval's third-quarter interim report, which was published on October 22, 2020. The Nominating Committee for the Annual General Meeting for the 2020 fiscal year comprised the following individuals: Jörn Rausing (Tetra Laval International SA), Ramsay Brufer (Alecta Pensionsförsäkring), Anders Oscarsson (AMF Insurance and Funds), Jan Andersson (Swedbank Robur Funds) and Per Trygg (SEB Funds). The holdings of the Nominating Committee represented 44.2 percent of the number of shares outstanding at August 31, 2020.

Chairman of the Board Dennis Jönsson was elected as a member, Alfa Laval's General Counsel and Board secretary Emma Adlerton was elected as 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

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Work of the Nominating Committee ahead of the 2020 Annual General Meeting

The Nominating Committee held four minutes meetings ahead of the Annual General Meeting that took place in April 2020 for the 2019 fiscal year. The Nominating Committee also conducted discussions by phone and e-mail. The meetings covered an evaluation of the Board's composition, an assessment of the potential future competence requirements of the Board and an evalu-

ation of 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 2020 Annual General Meeting stated that the Nominating Committee had applied Rule 4.1 of the Swedish Corporate Governance Code ("the Code") as its diversity policy when preparing its motion to the Board. 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.

Ahead of the 2020 Annual General Meeting, the Nominating Committee was tasked with preparing proposals for a new Chairman and another new member of Alfa Laval's Board of Directors. In its work, the Nominating Committee focused particularly on identifying and proposing Board members who together would represent a broad range of industrial experience and experience in development areas relevant to Alfa Laval. For the role of Chairman, the Nominating Committee's goal was to find a candidate with comprehensive experience in leading international companies similar to Alfa Laval. The Nominating

Committee's efforts resulted in the Annual General Meeting appointing Dennis Jönsson as Chairman and Board member and electing Ray Mauritsson as a new Board member.

Over the last few years, the Nominating Committee has aimed for an even distribution of gender on the Board, in accordance with the benchmark level stipulated in the Swedish Corporate Governance Board. The current Board consists of two women and six men, which represents a share of 25 percent women. This is less than ideal and the issue will continue to receive careful scrutiny.

At the 2020 Annual General Meeting, Anders Narvinger was thanked for his time as Chairman of the 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, Alfa Laval's Articles of Association, the Board's

Remuneration of Board members and attendance at Board meetings

	Name	Present	Remuneration*
Appointed by the AGM	Anders Narvinger **	● 5	-
	Dennis Jönsson***	● 10	1,750,000
	Henrik Lange	15	585,000
	Ulf Wiinberg	15	585,000
	Finn Rausing	15	585,000
	Jörn Rausing	14	585,000
	Anna Ohlsson-Leijon**	4	-
	Heléne Mellquist	12	585,000
	Ray Mauritsson***	10	585,000
	María Moreaus Hanssen	15	585,000
Employee representatives	Bror García Lantz	15	-
	Susanne Jonsson	15	-
	Henrik Nielsen	15	-
	Total	15	5,845,000

● Chairman *The remuneration recognised pertains to the period between two AGMs

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

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 also 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 2020 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. Additionally, 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 General 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 2020 Annual General Meeting" on page 91.

Independence of Board members

All members of the Alfa Laval Board elected by the Annual General Meeting are considered independent of the company and its management. All members are also considered independent of the company's major shareholders, except Finn Rausing, Jörn Rausing and Dennis Jönsson, who cannot be considered independent due to their relationship with Tetra Laval International SA, which owned 29.1 percent of the shares in the company as of December 31, 2020.

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 2020

The Board held 15 meetings in 2020, including eight ordinary and seven extraordinary meetings. 11 meetings were held by phone, while the other meetings were held in Lund and Stockholm in Sweden. The company's President prepares an agenda for each meeting in consultation with the Chairman of the Board. Normal agenda items include health and safety, earnings results, order trends, investments, sustainability and acquisitions. In addition to these, much time was spent discussing the COVID-19 situation, the tender offer for Neles and adapting the organization to a changing market. The Board also focused on reviewing personnel issues.

Board training

All new Board members undergo an extensive introduction program. In addition, a combined training course and field trip takes place each year. However, due to COVID-19, the trip was canceled.

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 2020, the evaluation was conducted by the Chairman of Board through an external evaluation and 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.

Audit Committee: fees and attendance

Name	Present	Remuneration
Anna Ohlsson-Leijon**	● 2	–
Henrik Lange	● 6	200,000
Heléne Mellquist	6	125,000
Dennis Jönsson*	4	125,000
Total	6	450,000

● Chairman

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

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.

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. The Committee also follows up the effectiveness of the internal control systems and reviews the company's financial reports. For further information regarding the responsibilities of the Audit Committee, refer to "The Board of Directors' report on internal control" on page 68.

Members and meetings in 2020

Members are appointed annually at the Board's statutory meeting. In 2020, the Committee comprised Henrik Lange (Chairman), Dennis Jönsson and Heléne Mellquist with the Group Controller serving as secretary. Six digital meetings were held during the year. The company's Chief Financial Officer, the Head of the Internal Audit Function and the company's auditors also attend the Committee's meetings. The meetings addressed the following:

- financial reports and debriefing from the external auditors,
- Group provisions and allocations,
- planning external and internal audits,
- internal control processes,
- closing down the company's reinsurance company,
- the financial policy and capital structure strategy as well as the company's enterprise risk management plan, and
- reviewing the outcome of the self-assessment of managers in the Group regarding internal control points.

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 Executive Remuneration Policy to senior executives to be resolved on by the Annual General Meeting and for submitting motions to the Board of Directors regarding the report on remuneration paid and outstanding, which is to be prepared by the Board each fiscal year and be presented to the Annual General Meeting for approval. In addition, the Committee submits proposals to the Board on matters regarding salary and employment terms for the President and for senior executives who report directly to the President.

Members and meetings in 2020

The Remuneration Committee is appointed annually at the Board's statutory meeting. The Committee held two meetings in 2020. At the first meeting in February 2020, the Committee comprised Anders Narvinger (Chairman), Jörn Rausing and Ulf Wiinberg. At the second meeting in December 2020, the Committee comprised Dennis Jönsson (Chairman), Jörn Rausing and Ulf Wiinberg. 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 proposed, among other things:

- The executive remuneration policy according to Chapter 7 and 8 of the Swedish Companies Act (Sw. Aktiebolagslagen)
- The goals for the short-term incentive (STI) and long-term incentive (LTI) plans.
- Defined benefits pension plan obligations was also discussed.



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, 2020, Authorized Public Accountants Staffan Landén and Karoline Tedeval were elected as the company's auditors. Henrik Jonzén and Andreas Mast 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 2020, 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 six occasions.

Remuneration to auditors

Refer to Note 7 on page 123.

Remuneration Committee: fees and attendance

Name	Present	Remuneration
Anders Narvinger*	● 1	–
Dennis Jönsson**	● 1	50,000
Jörn Rausing	2	50,000
Ulf Wiinberg	2	50,000
Total	2	150,000

● Chairman

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

Board of Directors and auditors

Appointed by the Annual General Meeting



Dennis Jönsson
Chairman since 2020.

Born: 1956.

Formerly President and CEO of Tetra Pak.

Education: BSc. Econ from Stockholm University.

Independent of the company.

Number of shares in Alfa Laval: 210,000* (**)



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, IPCO AB, Thomas Concrete AB, Traction AB and The German-Swedish Chamber of Commerce.

Independent of the company and major shareholders.

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



Heléne Mellquist
Board member since 2019.

Born: 1964

CEO of Volvo Penta.

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: –



Maria Moraeus Hanssen
Board member since 2019.

Born: 1965

Previously COO, Vice President/ CEO of Wintershall Dea Holding GmbH and President and CEO of DEA Deutsche Erdoel AG.

Held several executive positions in ENGIE SA, 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 IFP School in Paris.

Board member: Schlumberger limited, Scatec ASA, Oslobygg KF (chair) and Wastefront AS (chair)

Independent of the company and major shareholders.

Number of shares in Alfa Laval: –



Ray Mauritsson
Board member since 2020.

Born: 1962

President and CEO, Axis AB.

Former positions include several different leading positions in Axis Communications AB and Tac (today part of Schneider Electric).

Education: MSc. Engineering Physics, Lund University Faculty of Engineering. Executive MBA, Lund University School of Economics.

Independent of the company and of major shareholders.

Number of shares in Alfa Laval: –

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:
50* (-**)



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
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.

Andreas Mast
Authorized Public Accountant, EY.

Born: 1979

Deputy auditor since 2020.

*Holdings at December 31, 2020. **Holdings at December 31, 2019.

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:
10,000* (-**)



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:
-



Emma Adlerton
General Counsel & Secretary to
the Board of Directors.

Born: 1973

Employed by Alfa Laval since 2008.

General Counsel and Secretary to the Board of Directors since 2015; President of Group Legal & Sustainability. Former positions include senior legal counsel in the Alfa Laval Group and attorney at law.

Education: Master Laws (LL.M), Lund University.

Number of shares in Alfa Laval:
1,000*



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: Ms. Mech. Eng.

Number of shares in Alfa Laval:
1,000* (1,000**)

*Holdings at December 31, 2020. **Holdings at December 31, 2019.

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, Legal 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 121–123 and 149–151.



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.

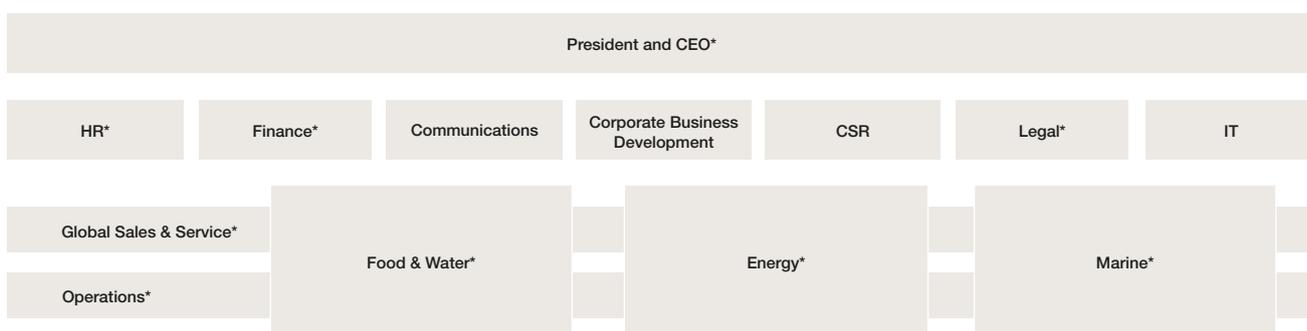
Education: Marine engineer and MBA.

Number of shares in Alfa Laval: –

*Holdings at December 31, 2020. **Holdings at December 31, 2019.

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 2020

Group management held eight scheduled meetings in 2020 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 2020, Group management meetings concentrated on addressing the effects of COVID-19, risks and opportunities in individual business units, products,

application areas and geographic regions as well as the consequences for 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 2020, 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.

Alfa Laval has implemented a management testing process for key internal controls over business processes in the company. The managers and key employees evaluated their compliance through a control self-assessment test for important internal controls in these business processes and will perform this on an annual basis. Based on the results, the internal controls framework will be strengthened and assist in risk-based valuation of the business processes at Alfa Laval.

Lund, February 2021

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 2020 on pages 55–69 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 2021

Staffan Landén
Authorized Public Accountant
Ernst & Young AB

Karoline Tedevall
Authorized Public Accountant
Ernst & Young AB