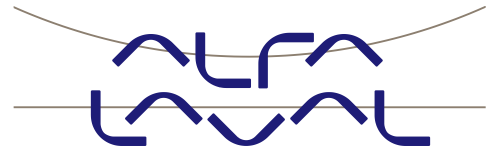


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1.0 Introduction.

[Alfa Laval's Business Principles](#) form the basis for our work on Sustainability.

The Alfa Laval Annual Report for the financial year 2009 (pages 44 to 47) gives a summary of the main sustainability highlights for the Group.

This report supplements the Annual Report with additional information about key initiatives in 2009 – for ease of comparison this report broadly follows the same structure as the 2006 to 2008 progress reports. If readers are new to the analysis of Alfa Laval's sustainability performance we recommend that the Progress Reports are read in chronological order to fully understand the progress we are making in this important area.

Our [GRI Sustainability Report](#) is a data rich report which also provides a cross reference to other information previously published about Alfa Laval's sustainability and corporate social responsibility initiatives.

2.0 Environment Progress 2009

2.01 ISO 14001 - a total of over 90 % of deliveries were from certified sites as at 31st Dec. 2009.

Our target to have over 80% of our factory deliveries to be from certified sites was achieved in 2008 with 18 plants having ISO 14001 certification. At the end of 2009 22 manufacturing sites have ISO 14001 certification representing over 90% of factory deliveries.

2.02 The Alfa Laval Environmental Management System was operating in a total of 78 sites as at 31st December 2009.

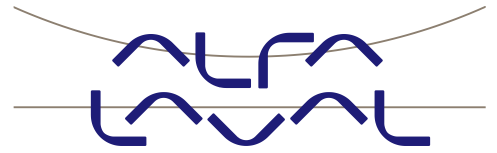
Larger manufacturing sites have to reach the Gold level of our environmental management system. This means that they have achieved ISO14001 certification and are continuously setting targets to reduce their environmental impact. We call the targets "Star Goals", which are set as a normal part of the annual business target setting process.

Small workshops (less than approx. 100 employees) are required to implement the Alfa Laval EMS at Bronze level. To achieve Bronze status they have to report all key environmental data into the Group web-based environmental data collection tool, they have written down how they comply with local environmental legislation and they are taking action to reduce their most significant environmental impacts. The majority of these sites are small service workshops that repair and service customer's equipment.

All manufacturing sites and workshops must report environmental data via the group EMS system. 78 sites (71 in 2008) reported environmental data in 2009.

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2.03 Our environmental data is improving in quality with far fewer errors in 2009

In 2008 we reported that some environmental data is collected centrally may well contain some undetected errors. This is because we report data from a large number of relatively small sites (63 % of those reporting have less than 50 employees; only 13 % have more than 200 employees). Since reporting environment data is still an infrequent and small part of a person's job – only a few sites have a dedicated environmental responsible person – it is difficult to achieve and maintain a deep competence in the subject.

To increase accuracy and focus in 2009 we worked hard to increase the sense of ownership of the data through the whole line management. This meant that communication was fed through the line management when data needed to be verified. We also increased the frequency of data reporting for energy and consumption of restricted and prohibited chemicals in 2009. Each workshop site now has to report these figures on a quarterly basis. This has had a positive effect with data reported in 2009 being more considerably more reliable than ever before

2.031: We will be moving to a more focused environmental data collection process

Over the past few years it has been very helpful to have external parties such as the GRI reporting definitions; Carbon Reporting Project and various SRI analysts giving guidance on which data should be collected and analysed. Since 2006 we have collected detailed information for all sites that contain workshops (production, assembly and repair). Without doubt this has significantly helped to reinforce a culture of environmental awareness inside Alfa Laval.

In 2009 we started to review our reporting systems so they become more tailored to the risks and impacts of each unit. We believe these changes will help us to improve our ability to focus on the key changes needed to reduce significant environmental impacts. Reporting requirements for large manufacturing sites will not change.

Example: Reducing our energy consumption and intensity is essential to reduce our GHG emissions. Since 2006 we have collected energy data from all sites that contain a workshop including the mix of energy source used by electricity suppliers. In this way we can see the effect (positive or negative) that changes in electricity provider have on our calculated indirect emissions. However, energy saving is an environmental contribution to which all employees can contribute and so, during 2010, we will extend the requirement to report on purchased electricity and natural gas to all legal entities in the Group. This will bring more entities into the reporting system to support Group wide energy reduction awareness programmes. However, to make this manageable, we will cease the requirement to report on energy provider's fuel mix for small entities

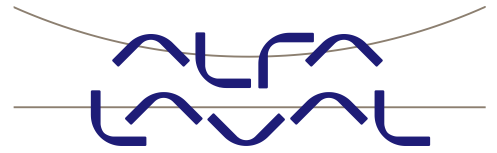
2.04 Since 2006 Alfa Laval has calculated Carbon Dioxide emission in a consistent way. In 2010 we have published a comparison of emissions calculated using the GHGRP methods and Alfa Laval's method.

In this section of the 2008 progress report we explained how we believe that our method for calculating carbon dioxide emissions was optimal for driving internal initiatives to save emissions.

We have now published comparison data in the GRI report for 2009 which shows that Alfa Laval's calculation method understate the scope 2 emissions from by approximately 30% compared to the GHGRP methodology.

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It is interesting to note that Alfa Laval reduced its electrical energy consumption in manufacturing facilities during 2009 by approximately 19% but increased its CO₂ emissions by approximately 1% according to Alfa Laval's calculations. But, using the GHGRP method of calculation our emissions in 2009 fell by approximately 11%

We will continue to use Alfa Laval's calculation method to track our reduction targets from 2007 to 2011, However, we will report both calculation methods in our GRI report for comparative purposes.

2.05 We have quantified our carbon dioxide emissions and even though the lower production demands in 2009 confuse the picture a little; we believe we are still on track to reach our reduction targets.

Alfa Laval has a target to reduce its carbon dioxide emissions for comparable operations by 15% over a 5 year period between 2007 and 2011. Alfa Laval has conducted a value chain approach to identify significant environmental impacts and opportunities. This was described in appendix 1 of the 2007 Business Principles Progress Report and is largely unchanged in 2008 and 2009 but is, however updated and republished as Appendix 1 to this document. In the next paragraphs we describe the main areas that are in focus.

2.051 Due to lower production demand, we need to look very carefully to see if we have reduced carbon dioxide emissions in 2009.

Alfa Laval's calculated CO₂ emissions in 2009 relating to Alfa Laval's' production, delivery and sales processes total approximately 85,000 tons (92,000 in 2008) a reduction of 11% compared with 2008. This is split 37% (42%) for goods transportation; 22% (22%) employee travel including company cars; 41% (36%) from production and service workshops. During 2009 an additional 7 sites were added to our environmental reporting. These are small sites either from companies acquired during the past 3 years or additional service workshops. These represent additional CO₂ emissions of 200 tons (4,000).

During 2009 the production demand was lower than 2008 represented by a reduction in total weight of goods transported reducing to 71 300 tons (75 400) a reduction of 5.5%.

Our total emissions have reduced by 7.5% whilst our shipping weight has reduced 5.5% implying that we are reducing our GHG intensity even during a downturn. However this is an oversimplification and, it is necessary to look at what is happening in each cause of emissions to get a better understanding whether we are achieving our goal of 15% reduction over the period 2007-2011.

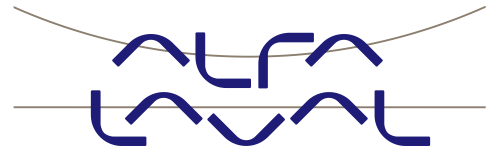
2.051 Goods Transportation GHG emissions intensity fell by 10.5% in 2009.

Total emissions from goods transportation in 2009 was 31 000 tons CO₂. (39 000).

The central transportation department has the overview of all product shipping and it is their responsibility to identify and take opportunities to reduce GHG emissions. (Please see section 2.08 of progress report 2008). Their target is to reduce the average emissions (g CO₂ per ton km) of transportation by more than 15% between the years 2007 to 2011.

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The various projects undertaken (see example below) resulted in a decrease from 115,8 g/ton-km in 2007 to an average of 114,6 g/ton-km in 2008 and 102,6 in 2009 g/ton-km. This is a reduction of 10,5% compared with 2008 and a total of 11,5 % since 2007.

Reducing Air freight is saving significant CO2 emissions.

In 2008, Carbon Dioxide emissions from transporting Alfa Laval's products accounted for approximately 42% of the total emissions of the company. In 2008, the Global Transport department analysed over 100,000 transactions to identify opportunities to reduce emissions by shifting from air freight to surface transportation.

One example is the Distribution Centre based in Tumba, Sweden who focused on stock-to-stock transfers of standard Stocked Items to the Americas Distribution Centre (AMDC) in Indianapolis, USA and to the Asian-Pacific Distribution Centre (APDC) in Singapore. For AMDC the move from air to ocean meant switching the ordering process for an annual total of approximately 32.000 order lines. For APDC the respective number is 9500 annual order lines. A thorough cost-benefit analysis confirmed that increased inventory costs were more than outweighed by the CO2 reduction and freight cost savings.

The advantage of air freight had been that the inventory levels could be minimised and a fast response to changing customer needs could be assured. Switching to sea freight required an inventory build-up in both AMDC and APDC to ensure that delivery performance to end customers would not suffer. Building inventory required careful production planning and supply chain management linked to accurate sales forecasts – a true team effort. A project team consisting of customer service employees, shipping specialists, warehouse managers, controllers, IT personnel, our Global Transport department and external forwarders combined efforts to manage the switch from air to ocean. The inventory build-up was completed in Q2-Q3 2008 and the switch from air freight to sea freight was completed in late 2008. The change resulted in a significant reduction of approximately 12% for Product Group Part's carbon dioxide emissions (see table) compared with the same period in 2008 and a 6,5% reduction when the full year 2009 is compared with 2008.

Our group goals to reduce emissions by 15% during the period 2007 to 2011 are independent of volume. This means for goods transportation the target is to reduce the CO2 emission per ton kilometre – the absolute figure will fluctuate dependent on the purchased volume.

2.052 Our GHG emissions from Employee transportation fell by approx. 22% in 2009.

We monitor our GHG emissions from employee air travel and leased company cars:

Company Car Policy changes start to translate into emissions savings – average emission per car reduces by approximately 5%.

Alfa Laval's company cars are all leased. Company cars are often essential tools for the jobs of service technicians and sales personnel; we also have many company cars that are part of the employment package for management. The company car policy was reviewed in 2006 with the target to reduce the carbon dioxide emissions from the car fleet. This is accomplished by

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changing to cars with lower emissions when cars are replaced. This activity focuses on the car fleet in 56 countries. In 2008, the policy was updated to further reduce the average carbon dioxide emissions.

Average emissions per car have fallen to 181 g CO₂ per km from 189 g CO₂ per km in 2008. The number of cars has reduced from 1 643 to 1 613 due to cost cutting and reduction of the number of employees.

GHG emissions from employee travel dropped by approximately 30% in 2009.

Calculating the CO₂ emissions from employee travel is probably the least precise of all our measurements. (For more information see para. 2.16 of the 2008 Progress Report).

Alfa Laval's global business presence means that international air travel is an essential part of providing customer service. Our main focus is to reduce the air travel for internal meetings etc. Telephone conferencing and web-based meetings are now common-place.

Air travel reduced noticeably in 2009 in response to cost cutting initiatives and reduced business activity. For practical reasons we are only able to monitor the employee travel patterns from 10 EU countries and the USA. Total calculated emissions from air transport in these 10 countries was 7 300 tons CO₂ (10 600). It is fair to say that we cannot draw any conclusions whether the reductions are sustainable when the economic cycle turns up again.

2.053 Our site emissions increased by in 2009.

We track considerable amount of environmental management data from our sites. You can find many detailed statistics in the GRI report and cross reference for 2009.

There was considerable economic pressure on all Alfa Laval entities in 2009 due to a reduction in demand caused by the global financial situation. To ensure Alfa Laval has a strong sustainable future as an enterprise every employee and company was charged to reduce costs.

Faced with the necessity to reduce employment every cost aspect was examined because reducing expenditure is far preferable to reducing employment. Energy costs were no exception and cost became an essential requirement in the choice of energy providers. Unfortunately, from a carbon emission point of view, this mean that some energy suppliers with higher GHG emission per kWh of electricity were chosen for cost reasons. Whilst total electricity consumption reduced by 11% from 2008 to 2009 the change in suppliers caused indirect CO₂ emissions to increase from 32 300 tons to 35 000 tons.

2.06 Our consolidated environmental reporting is not yet externally audited.

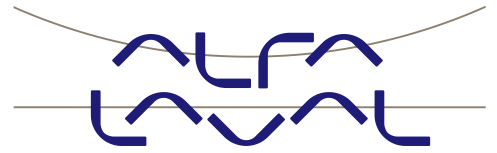
All sites with ISO 14001 certification have regular external auditing of their processes. However, our consolidated environmental reporting is not yet externally audited. We still feel that we are identifying opportunities to improve our systems and data reliability from internal activities so that employing external auditors at this stage would not be cost effective.

2.07 Energy saving projects reduce GHG Emissions.

Site-based emissions are mainly from indirect energy consumption (electricity) which is used for heating, cooling and lighting the workplace, and to power computers and machinery. Alfa Laval's production processes are generally not energy intensive – the majority of the processes are

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pressing and machining stainless steel. Some heat exchanger production requires the use of ovens for the brazing process – these sites have the highest energy consumption.

During 2008 we reported on a number of energy saving projects that were being tracked centrally. Using that experience we have identified certain types of project that produce the best energy savings and return on investment. This means that from the centre we are trying to replicate best practice on all relevant sites.

We have identified the best energy saving opportunities in the following areas: Heating and cooling systems; compressed air generation and use; lighting, use of photovoltaic cells.

30 “best practice” projects had been completed by the end of 2009 with a calculated saving of 6 000 MWh per year which is approximately 3% of the total energy of the sites.

2.071 Water consumption was reduced by approximately 20% in 2009 helped by several recycling projects.

Alfa Laval’s production processes are not water intensive. In new production sites, water is used for cleaning and pressure testing components and products. In development laboratories, water is used for testing to simulate customer’s process fluids. In service centers it is used for washing used products before they can be repaired and reused. Of course a significant amount of water is used for employee sanitation, kitchens etc.

Most of the water consumption reduction in 2009 can probably be attributed to a reduction in business activity. However, 7 sites completed water saving projects during 2009 and whilst these savings will only have a full year effect in 2010, the sites on which they were implemented had an average consumption 38% lower than 2008.

2.09 Alfa Laval’s products contribute significantly to reducing environmental impact from many industrial and municipal processes.

For decades, our products have been essential components in many energy saving, waste stream processing and environmental protection systems and we are continuously developing new products and technologies for these applications. However, in recent years the growing concern about climate change and environmental protection means that the environment is a growing value of our customers. Thus, recent market communication and promotional material places stronger emphasis on these factors.

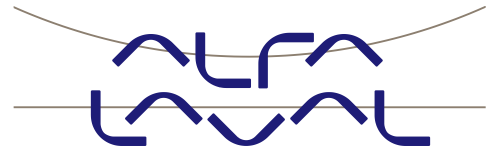
We are sometimes asked “How much of Alfa Laval’s business is cleantech?”; We find this a difficult question to answer because we have found no consistent definitions of what constitutes “green” or “cleantech” business. Because the efficient use of heat energy is one of our core competences we estimate that approx two thirds of our business provides our customers with the opportunity to reduce their negative environmental impacts.

2.10 Alfa Laval compact heat exchangers are already saving millions of tons of carbon dioxide emissions.

Our compact heat exchangers save a considerable amount of energy compared with the traditionally installed shell-and-tube type of heat exchangers, when used in energy-intensive industries such as oil refineries. We estimated in 2007 that the installed base of Alfa Laval compact heat exchangers in these industries are already saving over 10 million tons of CO₂ emissions per year which is equivalent to between one and two million passenger cars. The

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potential future savings are much larger because the market share of this type of heat exchanger is small compared with the less efficient shell-and-tube type.

2.11 Environmental Management continues to be integrated into the line functions.

The Environment Council was formed in 2006 to oversee policy implementation; initiate impact reduction projects and review environmental reporting. However, our policy is to incorporate environmental management into the normal line management responsibilities with the goal to make the process of impact reduction sustainable.

The Environmental Council contains two members of the Group Management team and is chaired by the Executive Vice President of Operations. Members of the Environment Council include senior managers from Manufacturing; Research and Development; Materials Laboratory; Customer Service; Purchasing; and the Vice President of Human Resources. The Chairman of the Environmental Council reports directly to the Company President and Chief Executive Officer. Environmental targets, data and initiatives are discussed regularly in the Group Executive Management Meetings and at least once per year in the Board Meetings.

As environmental performance becomes more and more in focus in society, many initiatives are taken in individual units in Alfa Laval. The Environmental Council focuses on those initiatives that are considered to be critical to the main environmental impacts of the whole company.

2.12 Environmental Life Cycle Assessment of core products continued in 2009.

To help reduce the life-time environmental impact of our products we have introduced an environmental Life Cycle Assessment (LCA) into our new product design and development process. Four key products were selected for initial life cycle assessments during 2006. These projects were finalised in 2007 with the result that the Eco-indicator 99 methodology was selected as the standard for LCAs in Alfa Laval.

In 2008 the Eco-indicator 99 method was implemented in the new product development process in 4 of the largest product groups within Alfa Laval. In 2009, 19 (20) new products were assessed using LCAs. Of these, 10 (10) were replacements of existing products which were assessed to have a 9 to 60 percent less environmental impact than the products they replaced.

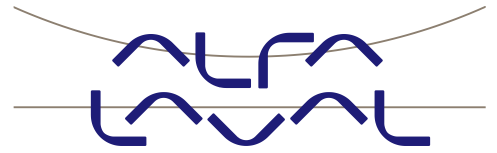
During 2009 a study was made to understand the impact that the LCA process has had on new product development. The LCA is incorporated in the new product development decision process, however the study showed that the results from the LCAs have very little or no influence over the technical decisions taken during the project. The study confirms a belief that good engineering design (reducing materials used, improving product efficiency etc) is intrinsically consistent with reducing environmental impact for Alfa Laval's type of products. It was decided to retain the LCA in the new product development process because a) it does give an objective indication of the environmental impact; b) it has relatively low cost c) we believe it helps develop the culture of environmental awareness that we strive for in Alfa Laval.

2.13 Good progress has been made to eliminate the restricted and prohibited chemicals.

There has been a strong focus on reducing the use of prohibited and restricted chemicals in the production and service workshops in the period 2007 to 2009. The result is the elimination of over 26 000 kg of prohibited chemicals that were identified in our production processes in 2006. Some prohibited substances still exist in air conditioning plants and batteries and these will be disposed of when the units reach the end of their serviceable life. Some acquired companies are found to use prohibited chemicals and our policy is to eliminate their use within three years of

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their identification. Elimination is achieved by identifying alternatives chemicals or alternative processes that avoid the use of prohibited chemicals.

The use of restricted chemicals was reduced from 11 000 kg in 2008 to 4 000 kg in 2009.

Please see para. 2.13 of the 2008 Progress Report for more information about this process

2.14 Environmental considerations included in factory supplier evaluations.

In the 2008 Progress Report we discussed the difficulty of measuring environmental aspects in the production supply chain. We had obtained a considerable amount of data from our suppliers but realized that we will always lack the resources to follow up each supplier at such a micro level. We concluded that our prime target must be to successfully influence suppliers to improve their environmental performance. By adopting a more pragmatic approach to data collection we believe we can focus more quickly on opportunities and risks. Our first goal is to increase the proportion of our suppliers who have good GHG and other environmental monitoring and reductions targets.

During 2009 the new “pragmatic” approach was rolled out. In this; we ask our major suppliers 6 key questions:

1. Is your company certified according to ISO 14001?
2. Does your company have a documented Environmental Management System?
3. Does your company calculate its Carbon Dioxide emissions?
4. Has your company published targets to reduce your Carbon Dioxide targets?
5. Does your company have processes to make sure it fulfills all local laws and regulations in respect of handling, labeling, disposal of waste chemicals and hazardous substances?
6. Does your company have a defined process to identify, reduce and eliminate hazardous chemicals such as those identified on Alfa Laval’s prohibited and restricted chemical list?

We focus on the suppliers that, combined, represent 80% of purchased value. In 2009; 60% of purchased value was from suppliers that responded “Yes” to all of these key questions. We will now focus attention on the suppliers who have not reached these standards in an attempt to influence them to improve.

3.0 Social Progress 2009

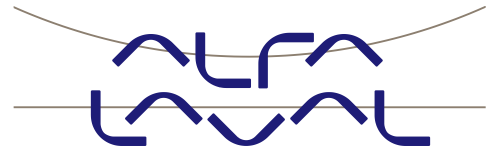
3.01 The supplier evaluation process is well established – improvements in human rights, health and safety are a routine part of purchasing activities.

Alfa Laval published its Business Principles in September 2003 and set its priorities for improvement. At that time in order to live up to our aspirations, we realized that our highest priority was to improve our knowledge of the health and safety, labour conditions and the working environment of our suppliers’ employees in countries and industries of high risk.

Since 2004 we have kept a focus on this essential area and the development for our processes to do this have been explained in each Business Principles Progress Report since 2004. In the 2008 report we highlighted some of the key improvements.

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During 2009 this work continued and expanded. Over 200 (126) suppliers in India, China, Mexico and Eastern Europe are now included in this process. Over 150 social inspections were carried out during the year. India represents a large proportion of this effort due to the number of suppliers and the long time that we have been manufacturing in India both for the Indian market and, more recently, for export.

2009 was a year when business demand contracted. In the previous few years demand has, in many areas, outstripped the supply with the result that we were often somewhat limited in choice of supplier. The business conditions in 2009 meant that we needed to rationalize the supplier base. In India, which has the highest number of suppliers in this process, we used the social performance measurements as a key assessment tool when we decided which suppliers to retain. Of the 180 Indian suppliers in the social performance development process, 21 were eliminated due to supplier rationalization.

As an indicator of how our process improves worker conditions we monitor the worst rated suppliers each year to review their progress. In India, at the end of 2008, there were 27 suppliers who fell below our minimum standard of 65% score on our audit checklist. At the end of 2009: 6 had been discontinued due to poor worker conditions; 1 is pending termination for the same reason; 5 suppliers were discontinued as a part of rationalization, 14 improved above the 65% minimum score and 1 is still a listed supplier but has no active business with Alfa Laval.

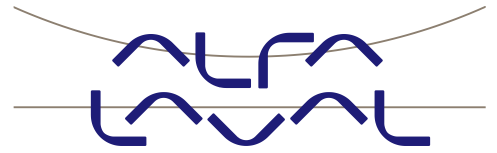
3.04 Internally; Health and Safety is in Top Management Focus.

We are focused on improving our health and safety performance and are not satisfied with its present level. The following actions were taken during 2009:

1. A new Health and Safety Council was started to oversee policy implementation; initiate improvement projects and review reporting. However, our firm belief remains that good health and safety management is the normal line management responsibility. The Health and Safety Council contains 5 senior managers; two of whom are members of the Group Management team. It is chaired by the Executive Vice President for Human Resource with the Executive Vice President for Operations and the Head of the Parts and Service Segment representing the organizations with the highest safety risk. The Chairman of the Health and Safety Council reports directly to the Company President and Chief Executive Officer.
2. An experienced Health and Safety manager has been appointed to oversee the practical implementation of improvement processes throughout Alfa Laval.
3. Health and Safety was reiterated as the highest priority for factory managers and where noticeable improvements are needed, as a part of their individual targets.
4. A new Health and Safety Policy has been developed and communicated – this is incorporated in the list of key policies that managing directors of all Alfa Laval companies have to sign, as a part of the corporate governance management process.
5. A new health and safety reporting system has been developed and will be implemented in all legal entities in 2010.
6. A working group have developed a standard workplace accident reporting system that will be standardized for all workshop workplaces in 2010.

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Key Safety Statistics for 2009 (Factories¹ only).

Total number of accidents (including travel accidents): 183 (208)²

The number of accidents per million working hours: 10,31 (14,95)²

Accident severity as days lost per million working hours: 330 (551)²

¹Includes one large distribution centre.

²2008 figures are slightly different to those published in 2008 progress report because we discovered an error in the formulation of the 2008 progress report..

3.05 Diversity Goals are published.

Alfa Laval Group management have stated the following key goals to improve diversity in the company:

- Broaden the recruitment base for female managers by recruiting a higher proportion of female graduates
- Decrease the gap between the proportion female managers and the proportion of female employees
- Increase the proportion of Level 4+ managers coming from currently underrepresented countries.

3.06 Global Employee Survey conducted during 2009.

Alfa Laval was forced to reduce its number of employees during 2009. This is always a demoralizing and difficult process. However, employee morale and motivation is one of our key competitive advantages and it is essential that management takes a keen ear to the organization. The first ever global employee attitude survey was conducted in 2009.

The response rate was excellent. 91% of all employees participated, which demonstrates a very high willingness to contribute to the further development of Alfa Laval. Group Management has now discussed the overall results.

One of the key indexes from the survey is ESI, (Employee Satisfaction Index). All teams with 5 or more responses have an ESI score. A score below 100% indicates that there are issues negatively affecting the team performance and profitability. The total ESI result for Alfa Laval Group is 80%.

“This is a good result taking into account the fact that this is the first time we conduct this survey”, says Peter Bailliere, Vice President Human Resources.

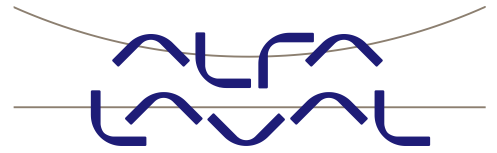
When looking at total company strengths, the survey shows that Alfa Laval has a very highly motivated, creative, engaged and proud workforce. Most employees also feel that the company and their teams are well managed and in general also very cost conscious and goal oriented.

There is however room for improvement when it comes to information, communication and feedback in particular. Many employees also want to see better co-operation between different departments and teams and think that Alfa Laval should implement decisions faster.

The survey results for each team have been available to managers since early December 2009 and a lot of work is now going on to analyze and act upon the results. There are supporting tools which can help everyone to identify and address their strengths and improvement areas.

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The actual result of the survey is not what matters the most, rather what one does with it, something which is everyone's responsibility.

3.06 Employee Training remains in high focus.

Alfa Laval has always placed a high emphasis on employee development. Whilst most training is conducted and arranged in local companies; the central Alfa Laval University programmes help sustain the value of continuous employee development. Central courses bring people together from around the world which, as well as imparting specialist knowledge and skills, helps to develop Alfa Laval's strong company culture. Even though cost reduction was a critical issue in 2009 the Alfa Laval University ran over 35 central courses with over 300 participants.

4.0 Business Integrity Progress 2009

4.01 Our process to secure good business ethics has a structure.

Since 2006 we have broadly been following the recommendations of the Transparency International guidelines for combating bribery and corruption and their Six-Step Implementation Process.

In this process it is essential that risks and bad practice can be "put on the table" in a safe and supportive atmosphere. Usually, the only corrective action needed is to tighten the local policy and training so that employees clearly understand how our Business Principles should be applied in practice.

4.02 Business ethics policy review focused on sales companies in 2006 and 2007 and central management in 2008.

The initiative to review business ethics policies throughout the company was started in 2006 and continued throughout 2007. By the end of 2007 the Managing Directors of sales companies in 48 countries had completed a training programme and subsequently reported on some ethics key performance indicators in a global database. The reporting was continued in 2008 and 2009.

4.04 In 2009 our focus turned to a new Fair Competition Policy.

During 2009 Alfa Laval developed a new policy to reinforce our standards on fair competition and compliance with anti-trust laws. The policy was developed using internal and external legal counsel. Competition law is a complex area and the new policy had to reflect the law whilst being easily understood by people of all nationalities. Drafts of the policy were circulated to management teams around the world for comment and questions. This process identified several areas where the policy was misunderstood and needed clarification. Questions were gathered and all were answered either in the policy or in accompanying presentation material.

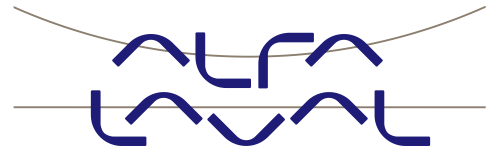
All sales company managing directors received training on the new policy as did the management teams of the three main divisions. A total of over 90 senior managers were trained in the new policy in 2009 – more will attend training during 2010. Each senior manager has to conduct a risk assessment of their areas of responsibility and, if necessary, take advice of the corporate legal department should they perceive any possibility of non-compliance with the policy.

4.05 Global reporting tool on business ethics has been implemented.

To follow up the policy review each sales company has to report certain indicators each year to ensure that the business ethics policies are kept in focus. 48 sales companies reported using this

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tool in 2007 and 2008. The report includes questions such as: The number of employment discrimination cases raised against Alfa Laval during 2009 = 2, (2008 = 1) and the number where Alfa Laval has been found to have acted illegally in 2009 = 0 (0). The number of disciplinary proceedings taken against employees who breach the Business Principles in 2009 = 1 (2).

4.06 The Business ethics review will continue in 2010.

During 2010 we will continue to strengthen some of our internal policies, conduct training and implement improved documentation that managers are fully aware and compliant with our Ethical standards.

5.0 Transparency Progress 2009

The Sustainability Report contained in the Annual report has been reduced in length in 2009. This is because we found that we were tending to repeat information each year, information that can be found in other places in the Annual report or on our [Sustainability Reports on the internet](#).

5.01 More Sustainability Indexes recognised Alfa Laval during 2009

During 2009, Alfa Laval received a number of notices that it was included in different funds and indexes due to its positive contribution towards sustainability during 2008. We attribute this partly as a reflection of the growing importance of sustainability as an investment category but also because we published more information about our Sustainability work during 2009.

We also noticed that we were receiving more recognition for the role our products and services play in protecting the environment and helping our customers improve yield from natural resources. Previously, sustainability ratings often seemed to focus on internal risk processes irrespective of the products delivered. We welcome this change of emphasis because we believe that Alfa Laval's main contribution to sustainability is the important role that our products play in the conservation and efficient use of energy and natural resources.

5.02 The 2009 Annual Report is supplemented by a GRI report on the internet.

We published our first report structured along the lines of the Global Reporting Initiative (GRI) Version 3.0 guidelines in 2009. Feedback from SRI analysts has been reasonably positive, particularly regarding the transparency of data and its comprehensive nature. However some felt that it was a little too heavy and complex in its format. In 2010 we have refined this document to try to make it a more user friendly and have included more information on product stewardship.

The GRI report is principally intended for those wishing to conduct in-depth research into Alfa Laval's sustainability work.

5.03 But, our focus remains on continuous improvement - not data reporting.

As we said in 2008 we remain focused on improving performance and not on data reporting for its own sake.

Our approach remains to focus on some key areas in which we need to improve each year – we call these the “Vital Few” and we then concentrate on data reporting and initiatives around these. The “Vital Few” change from year to year as we bring more control and consistent processes to

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manage the relevant issue. In 2009 our sustainability "Vital Few" were: 1. Eliminate hazardous chemicals, 2. Reduce accidents, 3. Focus on best practice energy saving initiatives.

5.04 We continue to meet interested external parties

Meetings with SRI analysts have continued in 2009 as in previous years. We are very pleased to meet SRI analysts: please contact Gabriella.Gotte@alfalaval.com to arrange a meeting.

Students show a great interest in our Business Principles activities and there have been a number of student visits and projects during 2009. Students can contact david.ford@alfalaval.com to arrange a meeting.

5.05 Our links with other Swedish Manufacturing Companies are important

We continue to benefit from our meetings with other Swedish manufacturing companies during 2009 although for economic reasons they were reduced to a minimum in 2009. In these meetings we share methodologies and they have helped Alfa Laval to gain insights into best practice in Corporate Social Responsibility. These meetings will continue during 2010.

5.06 We like to talk with interested parties

We encourage questions from interested parties on our work on sustainability which can be directed to david.ford@alfalaval.com.