



“From the time we first published our Business Principles in 2003 and again when we updated them in 2012, we have committed ourselves to transforming them into better everyday conditions for people.

Many employees have been directly involved in this challenge as a part of their regular jobs. Our products save energy, protect the environment and optimize the use of natural resources, and it is natural that our research and development, sales and service personnel are engaged in sustainability concerns every day.

But behind the scenes, many other employees are making a difference: our logistics experts work to reduce our transportation carbon footprint; our purchasing staff discuss and agree on improvements that should be made to the working conditions at our suppliers’ facilities; our production management team implements energy and

water-saving projects at our plants; our human resource specialists ensure we have a discrimination-free workplace; the list goes on.

Several of the industries that we serve, such as the consumer goods, chemical and marine industries, have been working to adopt standard practices for managing supply chains in a responsible manner. During 2013, Alfa Laval became more involved in these joint industry initiatives, which I believe will give us even greater momentum when it comes to implementing practical improvements.”

A handwritten signature in black ink, reading "Lars Renström". The signature is written in a cursive style with a horizontal line at the end.

Lars Renström

Sustainability report 2013

Alfa Laval's four Business Principles

Alfa Laval's Business Principles form the basis for the company's work on sustainability.



This Sustainability Report focuses on the highlights of our work in implementing the Business Principles during 2013. Detailed statistics relating to these highlights and other sustainability initiatives can be found on www.alfalaval.com, in the 2013 Business Principles Progress Report and the data-rich Global Reporting Initiative Report (GRI).

Social

Respect for human rights is fundamental

In 2012, Alfa Laval updated its Business Principles to incorporate the United Nations Guiding Principles on Business and Human Rights and the latest revision of the OECD Guidelines for Multi-National Enterprises. We were not alone in this change; many of our largest multi-national customers are also working hard to adhere to these guidelines. Alfa Laval units are subject to several customer audits each year, with an increasing focus on social, human rights and environmental performance, as well as technical assessment.

Major companies in several industries have joined together to develop common processes to drive responsible supply chains. One of the most established networks is Aim-Progress, within the consumer goods industry. This forum includes many of the largest brand names found in supermarkets around the world. In another example, several leading chemical companies have formed Together for Sustainability.

Alfa Laval supports these initiatives because, although many of these companies have a significant influence on their own, a common industrial sector "voice" has an even greater impact when it comes to implementing improvements that affect the lives of people working in the supply chain. In 2013, a number

of major shipowners and the International Marine Purchasing Association (IMPA) launched a new initiative with the goal of achieving an effective, responsible supply chain management system for the industry. Alfa Laval was one of the pilot companies audited by the shipowners, and in recognition of our sustainability performance, we were invited to become a member of the Advisory Board of the initiative.

In major developing economies where statutory enforcement of labor standards is still inadequate, our own responsible supply chain initiatives have identified an unacceptably slow rate of improvement at some suppliers. Despite their commitment to make improvements to the health, safety and working conditions of their workers, as a part of their business relationship with Alfa Laval, their progress has been disappointing. Although we have been working with these issues for several years, we realized that we needed to strengthen our own organization and dedicate more resources to support change in these suppliers. We will provide more training and guidance to enable them to achieve the standards that we demand and their employees should expect. In tandem, we must make it clearer that if they fail to progress quickly, they will lose Alfa Laval's business.

Business Integrity

High ethical standards guide our conduct

The Business Integrity section of our Business Principles covers: Legal Compliance; Conflict of Interests; Political Contributions; Anti-Bribery and Anti-Corruption (ABAC); Fair Competition; and Governance.

Alfa Laval's Commercial Ethics Council was formed in 2012 and is chaired by the

CEO. Its scope includes export control matters, Group policies on general compliance (including ABAC), the Fair Competition Policy, as well as guidance on the commercial implications of the Business Principles.

Eliminating bribery and corruption is essential for the continued development of international fair trade. Alfa Laval has conducted intensive training, internal auditing and reporting on this issue in recent years and this paragraph of the Business Principles was strengthened in 2012. During 2013, a review of the ABAC risk assessment and associated processes was initiated, including the roll-out of a new ABAC risk assessment methodology to all sales units.

Transparency

The company's commitment to open dialogue builds trust

Details on Alfa Laval's sustainability performance are published in the company's Progress Reports and GRI Reports, available in the sustainability section of www.alfalaval.com. Historically, most of the responses to these reports have come from SRI analysts and investors, as well as students. However, in 2013, we started to see more demand from customers for similar information.

In the past, non-financial data has been collected and managed at the corporate level, but the need to communicate this information to customers through various data exchanges has introduced new challenges with regard to both the systems used, as well as the people reporting the data. In response, we strengthened our resources during the year to handle these evolving demands.

In July 2010, the US Congress agreed to apply commercial pressure to help stop

human rights abuses in the conflict-ridden areas in and around the Democratic Republic of the Congo. They did this by including a requirement in the Dodd-Frank Wall Street Reform and Consumer Protection Act directing the U.S. Securities and Exchange Commission (SEC) to promulgate rules requiring certain reporting companies to disclose whether the sources of conflict minerals (those needed to produce tin, tantalum, tungsten and gold) in their product offerings are “conflict-free.”

Alfa Laval supports the SEC’s rules and is committed to having a conflict-free supply chain. When conflict minerals are used in our products, our goal is to conduct due diligence of the supply chain to ensure they come from conflict-free sources. Alfa Laval will collaborate with and disclose this information to our customers who are required, or who have voluntarily decided, to comply with the SEC’s rules. Consequently, Alfa Laval has formed a project team, headed by a full-time project leader, to ensure that we comply with this transparency requirement.

Environment
Optimising the use of natural resources is our business

Our environmental targets for key manufacturing units
 (Baseline 2011, Period 2012-2015. Applicable for the 23 sites that together accounted for 85 percent of our manufacturing energy consumption in 2011.):

- Improve energy efficiency by 12%
- Reduce water consumption by 20%
- Reduce restricted “grey” chemicals usage by 50%
- Reduce greenhouse gas from freight transportation by 12%

In the first two years of this target period, we focused on starting projects at our largest manufacturing sites, units of a size that justifies allocating people and money to make tangible progress in reducing energy, water and chemical use. Once successful outcomes are demonstrated, the knowledge gained will be used to “copy and paste” the solutions into other relevant, but smaller sites.

Since the start of the target period, 11 energy-saving projects have been completed and nine projects have been initiated at larger

Alfa Laval’s environmental work



sites with higher energy consumption.

We have also completed a project to measure and calculate the water footprint of the five sites with the highest water consumption. In this project, we determined the exact use of water and thus identified projects that could make significant impact. Our processes are not generally water-intensive but we still expect there to be a limited number of sites where we can “copy and paste” the solutions to achieve the overall goal.

Restricted (“grey”) chemicals are legally permitted but associated with potentially hazardous environmental or health risks. Many are found in cleaning solutions, paints, and other surface treatment applications. Analysis of the most common usage of “grey” chemicals has led to projects focused on replacing some solvents used in painting processes and cleaning operations. Once successful, these projects can be extended to several sites. In some cases, however, we will need detailed performance tests before we can have a realistic dialog with customers who specify existing paint finishes.

Greenhouse gas emissions from freight are mainly from air transportation. We analyze the weight and distance of all air freight shipments every month to help pinpoint projects that can reduce the need for air freight and replace it with surface transportation. Demand for airfreight is driven by customer requests or

when an order is accepted below the normal lead time for the product. It can also be a way to recover lost time if there has been a delay in production. Many logistics projects have been carried out to improve the underlying day-to-day operations, but achievement of the overall goal can be impeded by a few large, heavy orders that have to be airfreighted to meet customer requirements.

Numerical information illustrating our achievements during 2013 is available in the GRI Report, published in the sustainability section of www.alfalaval.com

