Business Principles
Progress Report 2011

 (Published 31 March 2012)

Editorial comment and a request to you the reader.

A good time to reflect and change?

The Alfa Laval Business Principles were published eight years ago in 2003 and were based on the OECD Guidelines and the UN Global Compact. Since then, we have developed policies and processes to identify and mitigate risks. We have developed indicators that tell us how we are performing and published results in reports such as this. We have set targets and monitored achievement against them. We have signed the UN Global Compact. With some years of experience and the 2011 revision of the OECD Guidelines it is now a good time to review and update the Business Principles.

We have learned a lot.

Over the last eight years we have learned a lot. Initially believing that we were an excellent company in respect to our Business Principles our risk assessment identified several areas where we needed to be rather more humble. The more we work with our Business Principles the more we realize that reaching their aspirations is a long term challenge, and a process of continuous improvement.

We have changed a lot

Over the last eight years Alfa Laval has changed considerably. The company has grown from around 9 000 employees to approximately 16 000. Sales have increase from around 14 000 MSEK to over 28 000 MSEK. We have added over 30 acquisitions which have increased the company's product and service offering to customers.

The World has changed a lot.

Over the last eight years the World has changed as well. Globalisation of trade and access to information has continued at a fierce pace. Society has increased its expectations that multi-national companies must set positive examples and standards throughout their supply chains. The debate on Climate Change has been vigorous and few can now argue rationally against the growing scientific evidence that human activity is affecting the rate of change.

A Paradox?

The widening issues that are brought onto the sustainability agenda for multi-nationals may, paradoxically, be forcing us to narrow our focus. Within a broad sustainability agenda, we face the risk of spreading our resources so thinly that we reduce our potential to make real positive changes. Should we focus on the issues where our influence can produce a clear positive result or should we stay wide with the risk of superficiality? Our instinct is to focus on the aspects were our contribution can have a tangible impact; but this brings a risk of criticism from some single issue groups that demand we report and measure aspects that are important but maybe not material from our point of view. What is your view? Please let us know.

Can you help us?

We would very much welcome your opinions, ideas and suggestions, on the future direction of our Business Principles, whether you are a customer, shareholder, employee, student, Non Government Organisation, ethical fund analyst, rating agency, local community member or any other stakeholder. Simply email david.ford@alfalaval.com.

David Ford, Corporate Social Responsibility, Alfa Laval.

1.0 About this report.

Alfa Laval's Business Principles form the basis for our work on Sustainability. This report covers each main principle: Environment; Social, Business Integrity and Transparency.

The Alfa Laval Annual Report for the financial year 2011 (pages 48 to 49) gives a summary of some of the sustainability highlights for the Group, and also contains the CEO's renewed commitment to work with these issues.

This report supplements the Annual Report with additional information about key initiatives in 2011. It can be read together with our GRI (Global Reporting Initiative) Sustainability Report. Each paragraph in this report is cross referenced with to the most relevant section of the GRI report.

The three reports together, (Sustainability Report, Progress Report and GRI report) represent the Annual Communication of Progress required by being a member of the UN Global Compact.

2.0 Environment Progress 2011

2.0.1 Our role is bigger than the company looks.

Alfa Laval has a larger role to play in reducing the environmental impact of society than our company size suggests. Our products play an increasingly important role in minimizing energy consumption in industry; our environmental protection solutions are sometimes the only efficient way for industrial processes to meet new legislation on emissions to both air and water.

When new industry opens up in developing economies, it is often Alfa Laval's technology that helps them to be more efficient than equivalent but older installations in the "developed" economies. Where new "green" technologies are developed, Alfa Laval's products and R&D expertise can often be found. You will find a list of case studies of these applications in the GRI report in section *PRA1: Recent Customer Case studies of Sustainable product applications.* In 2011 we have added 13 new articles to this list.

Alfa Laval's compact heat exchangers are already saving millions of tons of carbon dioxide emissions

Our compact heat exchangers can save a considerable amount of energy compared with the traditional heat exchangers when used in energy-intensive industries such as oil refineries. In 2007 we estimated that the installed base of Alfa Laval compact heat exchangers in these industries was already saving over 10 million tons of CO_2 emissions per year which is equivalent to between one and two million passenger cars. The potential future savings are much larger because the market share of our type of heat exchanger is small compared with traditional types.

2.0.4 Our key environmental goals:

We set a number of environmental goals in 2007 which were to be achieved by the end of 2011. This and previous Progress Reports have illustrated many of the initiates we have taken to reach our targets. We regret that our achievements have fallen short in several areas. However, during the target period we have extended that scope of our work hugely, in 2006 we were tracking environmental progress in 56 different sites, by the end of 2011 this had increased to 126 sites.

Our main goals and achievements for the period 2006 to 2011 were:

- Energy consumption in factories (and thus emission of greenhouse gases) to be reduced by 15% compared to 2006 base year adjusted for production volume. We achieved an improvement of over 20% (energy consumption per million Euro of added value) in the 20 factories studied since 2006. However, we do not believe this level is sustainable because factory utilization was excellent in 2011 and if demand drops we can expect the energy efficiency to be negatively impacted.

- Greenhouse gas emissions from transportation of goods to be cut by 15% (Tonnes CO2 per tonne of goods transported per kilometer). We achieved a reduction of approximately 5%

- Reduction of GHG emissions from employee business travel by 15% compared with 2006 base year. In this period business approximately doubled whilst emissions from business travel in the countries studied increased by approximately 40%.

- Elimination of all chemicals on the Alfa Laval Black List within three years of their identification. 96% were eliminated.

- Reduction of GHG emission from the company car fleet by 15%. We achieved approximately 10% reduction in the period 2007 to 2011.

More information on each the targets and achievements are explained in each section of this report.

New targets for the period 2012 to 2017 will be announced during 2012.

2.0.2 Acquisitions may take time to achieve our environmental standards.

Over the past eight years we have learned that individual companies and sites within the Group take time to establish reliable data for their environmental aspects. When we acquire a new company we incorporate their environmental data into our consolidated figures as soon as their data is reliable which is at some time in the first 3 years of our ownership. Some acquisitions can achieve our standards quickly because they already have good environmental management systems, some take the full three years perhaps because they are a small company with little experience of this subject.

<u>**Please note that Aalborg Industries (acquired in 2011) is NOT included in any of our environmental data in this and other 2011 Environmental reports.**</u>

2.0.3 Please take care when making conclusions from our environmental reports.

Readers of our reports need to pay close attention to the boundary conditions of our published data. Boundary conditions may vary between different environmental aspects.

Our financial figures will always have total sales data accurately for the whole enterprise including recent acquisitions whilst the energy data from acquisitions may not be included for up to three years. Thus, in our opinion, using ratios such as Tonnes of GHG per Million Euro of sales tends to make our environmental performance look better than it really is and so we discourage such a methodology.

2.0.6 Our GRI report structure will change in 2012 – targets will focus on ISO14001 sites.

The total number of manufacturing units reporting environmental information continues to rise and the business acquisition strategy will continue this trend. This makes analysis of improvement somewhat difficult because we are frequently not comparing "apples with apples".

During 2011 we concluded that we needed to find a more simple way by which we can chart our progress. Thus, to improve comparability of data we will start to focus in two different sets of environmental impacts from 2012:

> **Manufacturing Sites that have ISO 14001**. These sites are relatively large. Our policy is that over 80% of all our production should come from ISO14001 certified sites. Thus our most significant environmental impacts and risks are from these sites.
>
> ISO 14001 helps these sites to have reliable and accurate environmental reporting. They are large enough to develop and maintain environmental management competence in their organizations. It is therefore reasonable for us to consolidate environmental data from these sites and use it for setting measurable corporate improvement targets and monitoring progress with trend analyses.
>
> **Other sites with workshops.** These are sites that normally do not have ISO 14001. This will include recent acquisitions (some of which may have ISO14001), small manufacturing sites and service and repair workshops. These sites are generally small with, typically, around 10 employees.
>
> Data from these sites is reported in the GRI report and provides a sense of scale. However, trend analysis from this set of data lacks validity because from year to year it contains additional acquired companies, new small sites added through expansion or similarly some sites may be closed or divested in the year. Data reliability from these sites has to be questioned as well.

2.1 Environmental Progress in manufacturing units:

2.1.1 The Alfa Laval Environmental Management System was operating in a total of 34 (34)manufacturing units as of December 31st 2011. (M- EN0).

34 manufacturing sites are included in our GRI data consolidation in 2011. These sites employ a total of 7050 people and range between 20 and 1570 employees with a median of 118. They are situated in 16 different countries

In 2011 there were 23 ISO 14001 certified manufacturing sites representing approximately 92% of total factory deliveries.

2.1.2 Chemicals Used by weight. (M-EN1)

Focus to eliminate hazardous chemicals .

All manufacturing and workshops sites in Alfa Laval are required to have careful control of all substances used in their processes and must have product safety data sheets available at the place of work. The product safety data sheets must be scrutinised to identify whether the substance appears on the "Black or Grey list". Each site must report the presence of listed chemicals in the Alfa Laval environmental management system.

The "Black and Grey" list of chemicals is published by Alfa Laval. The black list are chemicals that are forbidden under international law such as the Montreal Protocol, need special permits, or have been identified as having very high risk to health or the environment. New substances are added to the black list when international authorities (such as the European Chemicals Agency) have identified their risks or introduced new restrictions on their use. The list is maintained by Alfa Laval's Materials and Chemicals Centre with close co-operation with authorities and other companies who have similar production processes.

Alfa Laval may place some substances on the black list if the substance has been proposed for restriction by the ECHA even if the proposal has not yet been translated into law. Alfa Laval seeks to eliminate black listed chemicals from its processes and products within 3 years of identifying it.

During 2011 three production process still used substances from the black chemical list because no alternatives have been found. The substances are permitted by law but we strive to eliminate them entirely. In 2006 19 200kg of black listed chemicals were used on our manufacturing sites, by the end of December 2011 this had been reduced to 700kg. A reduction of 96%.

2.1.3 Direct and Indirect Energy Consumption (M-EN3 M-EN4).

In 2006 we set ourselves the challenge to reduce our annual GHG emission by 15% by the end of 2011 after adjustment for volume. Our processes do not emit GHG in themselves (for example through chemical reactions) so our goal is to reduce our energy consumption both from purchased electricity (GHGRP Scope2) and through burning fuel on our sites (GHGRP Scope 1).

Of the 20 sites that were included in this challenge the direct and indirect energy consumed has been reduced by 17% in absolute terms. However, some of this saving may have been transferred to factories that were not included in the original 20 sites and so we believe the reduction is in the order of our 15% target.

2.1.4 We achieved our goal of improving our factory energy efficiency by over 15% between 2006 and 2011 (M-EN3+4).

Since we set our present environmental management goals in 2006 we have been normalizing data against a number of variables to determine what ratios give the best indication of whether we are improving or not.

In 2011 we decided that it was most relevant to normalize against Added Value by the factory.

(Added value = the difference between the cost of the finished product/service and the cost of the inputs involved in making it. So added value is the increase in value that a business creates by undertaking the production process.)

The ratio of energy consumed divided by Added Value gives us an indicator of the energy efficiency of the factory (Mega Watt Hours per Million Euro of Added Value (MWhr/MEUR)).

In 2006 the 20 factories in the study had an energy efficiency of 467 MWhr/MEUR. In 2011 the same factories had an energy efficiency of 332 MWhr/MEUR, an apparent improvement of over 27%. However, it is important to note that the 20 factories are in 13 different countries so exchange rates fluctuations will have some effect on this ratio. The significant improvement in this ratio in 2011 has been influenced by high factory load giving excellent utilisation of "fixed" energy costs. When factory load drops we can expect the energy intensity figures to increase.

Energy Intensity is a major target in future years because this represents the underlying cause of GHG emissions. From 2012 more sites will come into this comparison which thus should become more representative of the whole Group.

Based on this evidence we are pleased that the underlying cause of GHG emissions has been significantly reduced in these production sites; in line with our original target of a reduction of 15% over the same period.

2.1.5 Energy Saving Projects – still a challenge to increase the pace (M-EN5).

Between 2008 and 2011 we completed 54 significant energy saving projects in the 34 factories in the GRI report with a total energy saving of 10 000 MWh per year. This means that, on average, we have now completed projects which save approximately 7% of our total manufacturing energy consumption each year of those 34 factories.

Last year we reported that our pace of closing projects was too slow to be sure of achieving our goals. In 2011 there is evidence that the relaxed financial pay-back requirement for these projects has still not driven enough new initiatives. (Normally capital investment projects require a pay-back of less than 3 years but environment projects are allowed up to 5 years).

One reason for this could be that factory managers are reluctant to propose these projects when they see other production related capital requisition projects “competing” for the same capital, but with shorter pay-back periods. The culture change to bring more energy saving projects to the table is “work-in-progress”.

These projects do not represent all of the energy saving that is coming from investment in manufacturing. New machine tools required for increased volume normally improves our energy efficiency even if the rationale for these investments is production capacity or quality. Manufacturers of machine tools and other production equipment are, themselves, striving to reduce cost of ownership and thus energy consumption and we see the benefits of their improvements in our factories.

2.1.6 Environmental impact from new products significantly lower thanks to LCA (M-EN6)

Whilst measurements of our organisation’s environmental performance are important, it is only the product Life Cycle Assessment (LCA) that takes into account all the known environmental impacts of the product from mineral extraction to final disposal and recycling. No matter whether production is completed “in-house” or sub-contracted the LCA “captures” all impacts and gives us an indication of how well we are improving our overall environmental performance.

We introduced LCA (Life Cycle Assessment) into our new product design and development process in 2008 after a pilot project in 2007.

Our goal is to make an LCA assessment of every significant new product that we launch so that we are able to compare the environmental impact of new products with the ones they replace.

In the four years since; 88 LCAs have been completed. This represents the launch of a significant new product approximately every 3 weeks.

Of these 88 LCAs 52 are direct replacements of existing products. Those completed in 2011 had an average environmental impact reduction of 15% and a range from 0 to 32%. This means that irrespective of whether we outsource the production or make it in-house, we can be confident that the future environmental impact of our business is continuously being reduced.

The Life cycle assessment is not a pure science. It contains many trade-offs, for example the greenhouse gas emission versus the impacts of waste water on the environment. To ensure we are objective, we use an external LCA model for these calculations and in order to build competence in the organization we have used the same model since 2007.

2.1.7 Water consumption reduced (M-EN8).

In 2011 Alfa Laval used 13% less water in the production processes in 34 factories than it did in 20 factories in 2006 (the year when we started our present measurement system). Many water saving initiatives have been completed, mainly to introduce more re-use of water in product washing processes or to identify and repair leaks.

Interestingly, although water was not one of our corporate environmental goals for the five year period from 2006 to 2011 but the organization at local level have incorporated this into their own goals with significant results.

Consumption in 2011 was slightly higher than in 2010. Water saving projects were offset by leaks at one site and the failure of a cooling system at another which caused increased water consumption.

Reducing water consumption is one of our key environmental focus areas and will become one of the corporate goals in 2012..

2.1.8 Total Direct and Indirect Greenhouse Gas emissions by weight: The factories improved energy efficiency has had a positive effect. (M-EN16)

Alfa Laval's target was to reduce its Greenhouse Gas emissions from production sites by 15% between 2007 and 2011 with 2006 as the base year.

Emissions from production sites included in this target in 2011 were 35 300 tonnes of CO2. This is an increase of nearly 200 tonnes, or 1% compared with 2006 levels. Adjusted for volume, this is a reduction of 10%. So we did miss our target of reducing emissions by 15% in that period even though our energy efficiency improved by over 25% (see M-EN3+4).

The reduction of GHG emissions fell at a slower rate than energy efficiency between 2006 and 2011 because production in India and China more than doubled whilst in Sweden it increased by around 5%. This reflects the growth of the domestic markets in China and India and the localization of production in response (China is now Alfa Laval's second largest market). India and China have a much higher level of GHG emissions per MWh than Sweden.

In the future we can expect proportionally even more production to be in China as that market continues to grow and due to Alfa Laval's acquisition strategy. Consequently; we can expect our GHG emissions (from production processes) to increase per million Euro of Added Value due to the emission from Chinese power plants. However, increased production emissions will be partially balanced by a reduction of emissions from goods transportation, both raw material and finished goods to serve these huge markets.

Alfa Laval's emission intensity in tonnes CO2 per Million Euro added value was improved in the Indian factories by over 30% in the period 2006 to 2011 whilst the Chinese factories improved by over 40%. Some of this was due to energy saving projects but better factory utilization and additional new machine tools (which are considerably more efficient than old ones) made significant contributions.

2.1.9 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations (M-EN29 (goods).

The Operations division is in charge of production-related procurement, manufacturing and goods transportation. The goal is to provide rapid and cost-efficient transportation solutions that, in line with the company's environmental focus, can reduce carbon dioxide emissions. Accordingly, over the past few years, a focused initiative has been underway to reduce the use of airfreight in favour of land-based or maritime transports.

These projects require detailed investigation of transportation routes from factories to distribution centres, together with analysis of volumes and projected sales. Each product centre has to identify lines that are suitable for transferring to surface transportation and in some cases, particularly as the Asian markets continue to grow, to move production closer to the end customers.

Our target has been to reduce the average emissions (g CO_2 per ton km) of transportation by more than 15% between the years 2007 to 2011.

In 2011, approximately 7.2 percent (7,7) of distribution occurred by airfreight, 30.2 percent (32) by ship and 62.5 percent (60.6) by ground transportation.

Total emissions from goods transportation in 2011 was 50 700 tonnes CO_2. (42 000). The majority of this increase was due to the increased volume of production.

The various projects undertaken resulted in a decrease from 115,8 g/tonne -km in 2007 to an average of 110,3 g/tonne-km in 2011; a reduction of approximately 5%. We started this work with easy wins and a 12% reduction by the end of 2009 but, the financial market turmoil created fast changing demand for products and air freight rose in 2010 to meet customer demands. We hope we are back on the right path to capturing more savings after 2011. Our target still remains to reduce the average emissions by over 3% per year.

2.2 Environmental Management Progress in small workshop units:

2.2.1 92 (64) different smaller workshops conduct environmental reporting (O-EN0)

92 (64) smaller sites in 33 different countries are reporting environmental data in 2011. Of these, 31 sites of recently acquired companies were included in 2011 for the first time. The majority, 82%, of the sites in this section of the GRI report include service workshops that repair and service customer's equipment, with a total of 1745 employees. 61 of these sites have less than 20 employees and the median number of employees is 9.

2.2.2 Environmental targets for small workshops.

The prime targets for these sites are (in priority order): 1. To ensure they clearly operate with environmental legal compliance. 2. They fully comply with the Alfa Laval "Black and Grey" chemicals list policy to eliminate the use of potentially harmful chemicals. 3. They reduce water consumption. 4. They reduce energy consumption.

2.3 Environmental considerations increasingly included in customer supplier evaluations.

Environmental due diligence along a supply chain is becoming more common. This means we are receiving an increasing number of environmental questionnaires from our large multi-national customers.

Some of these questionnaires are extremely detailed. Our belief is that environmental supply chain due diligence is very important but that the self assessment questionnaires currently being implemented by many multi-national companies are not necessarily the most effective way to manage this issue. Nor do we think this approach is sustainable, with many thousands of customers we wonder how multiple reporting of the same data will accelerate the development of a lower carbon and a more sustainable environment.

Often self assessment questionnaires are simply copies of information that is already available in this and our GRI report, but often with less detail or context. We encourage our customers to use our existing public reporting to evaluate our commitment to environmental (and other CSR) improvements. If our public reporting is inadequate we welcome suggestions and ideas of how we can improve.

2.4 We also focus on our suppliers.

We ask our major suppliers 6 key questions concerning the environment:

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?

Our key indicator of environmental management in the supply chain is the proportion of our suppliers that, combined, represent 80% of purchased value have ISO14001 certification.

In 2011; approximately 67% (65%) of purchased value was from suppliers that have ISO14001 certification.

2.5 Employee business travel impacts continue to rise (EN29).

Our GHG emissions from Employee transportation by air increased by 19 % in 2011. 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 "business-as-usual".

Calculating the CO_2 emissions from employee travel is probably the least precise of all our environmental measurements. 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 10 500 tonnes CO_2 (8 800).

In 2011 air travel increased by approximately 20%. There was a noticeable growth in intercontinental travel which increased by approximately 26% from our main head office locations of Sweden and Denmark. But, intercontinental flights to China increased by approximately 37% in the same time. This reflects the support for business activity in China.

2.6 Change in Company Car Policy continues to cut emissions– average emission per car down 10% since 2006 (EN29).

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 changing to cars with lower emissions when cars are replaced. This activity focuses on the car fleet in 56 countries.

In 2011, the average emission per car was 169g/km (175) a reduction of approximately 9% since 2007 when the average was 186g/km. However, when taking the leasing mileage into account the savings in CO2 for the fleet reduced from 9600 tonnes per year in 2007 to 8600 tonnes per year in 2011 a reduction of approximately 10%.

To help achieve our goal of 3% per year the car policy was changed on 1 January 2011 and the maximum emission for any vehicle was reduced to 180g/km. The average emission for the 271 cars leased in 2009 was 160g/km and for the 250 cars leased in 2011 was 163g/km.

3.0 Social Progress 2010

3.1 Significant suppliers and contractors that have undergone screening on human rights and actions taken (HR 2).

One of our highest priorities is 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.

During 2011 this work continued. Over 230 (200) suppliers in India, China, Mexico are included in this process. Over 750 social inspections were carried out since 2004. 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.

3.2 Labour turnover (LA2).

The Group has on average had 14,667 (12,078) employees. At the end of December 2011 the Group had 16,064 (12,618) employees. The employee turnover rate for 2011 is 8.6 (9.5) percent and mainly relates to employees within the sales organisation and manufacturing units.

For the largest 20 companies which represent over 50 % of the total workforce; turnover (excluding leavers due to retirement) was 8,6 (6,6)%; female turnover; 10,7 (7,4%) and male turnover 8,2 (6,5%).

3.3 Labour / management Relationships. Employee survey measures the level of satisfaction (LA4).

Alfa Laval has used an employee satisfaction survey called Compass annually since 2009. This has a high response rate with above 90% of employees participating. One of its most valuable roles is to allow employees in a department raise issues (and successes) in a way that they know will be considered and discussed with the co-workers and managers. Managers get an insight in to the working climate in their teams and, if this is poor, they have access to people trained to facilitate appropriate remedial actions.

Compass also gives indicators of employee satisfaction in different parts of the organization and in different countries.

Satisfaction levels can be compared with other benchmark companies that use the same tool. The overall score in 2011 was higher than the benchmark for "Employee Pride"; "How the Company is Managed" and "Information from Group Management" but below the benchmark for "Information Concerning the Business Performance". The trend since the survey was implemented has been progressive improvement.

3.4 Occupational Health and Safety. New reporting standards reflect a new focus on health and safety (LA6)

For some years Alfa Laval has collected health and safety data concerning employees in manufacturing units. In 2011 we introduced a new reporting system so that we can collect data from all legal entities.

The focus on workshop safety continued in 2011. New safety boards are being introduced in each workshop which raises awareness for employees and management. A focus on "near misses" (incidents that could have, but did not result in an accident) has been introduced as one of the best ways to prevent accidents. These allow health and safety risks and improvements to be quickly, easily and clearly identified by workers so that supervisors and management receive early identification of risks. Remedial actions, if needed, are also communicated on the boards.

Other methods such as risk analysis have been introduced. These help to improve the design of the working environment. In combination with injury analysis this helps us to eliminate the causes or potential causes of accidents.

Alfa Laval also provides health promotion activities for employees. These vary from country to country and place to place and may include anything from local exercise facilities, with a gym and workout room, to help with giving up smoking.

3.5 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities. (LA7)

- Number of Full Time equivalent employees covered by health and safety statistics in 2011: 15171 (7191) (Please note that the scope of this measurement has been increased significantly during 2011 and therefore the analysis of accident data with previous years has to be conducted with care).
- Total number of reportable accidents (including travel accidents): 237 (160)
- The number of accidents per million working hours: 9,93 (9,69)
- Days lost per million working hours due to accidents: 146 (357)
- Days lost through any form of illness as % working days: 1,77 (0,58)

Unfortunately we suffered one fatal accident in 2011 when an employee of a roofing contractor in India fell through a roof. Safety regulations for building and other contractors were in place but now stronger enforcement practices have been implemented.

3.6 When people grow, the company grows - Training and Education. (LA10)

An integral part of the company's growth strategy involves people development. The company has a strong focus on training and development. At the core of the development process is the Alfa Laval Academy which can be accessed by all employees through the internal intranet.

An essential step in the development process is the performance review dialogue between the individual and their manager. Alfa Laval uses a standard process for these discussions world-wide which is supported by information and tools on the Academy intranet site.

The Academy has four faculties offering Management and Leadership; Sales and marketing (including product and service training); Strategic programmes which focus of specific skills and knowledge connected with the company strategy; Generic programmes such as Project management, Lean six sigma.

4.0 Business Integrity Progress 2011

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.

During 2011 the focus was on recent acquisitions. Each company managing director has to acknowledge their understanding of the Group Corporate Governance Policies, and sign-off that they and their company are compliant. If they have any grounds for concern, particularly if their previous owners were not so focused on these issues, they should identify areas that need developing and form an action plan to ensure compliance. 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 was to tighten the local policy and training so that employees clearly understand how our Business Principles should be applied in practice.

To support this work managing directors of sales entities across the whole group (acquisitions and existing companies) are reminded of a number of the most critical issues in an annual questionnaire which focuses on how the policies are implemented in their organization. Some indicators are tracked in this questionnaire (e.g. for employee discrimination: how many legal cases are brought against the company in the past year, and how many of these cases are subsequently found for the employee or the company). .

5.0 Transparency Progress 2011

5.1 We are introducing a new CSR report and presentation for our customers and sales channels.

Reflecting the increased awareness of sustainability issues along the supply chain; we receive more requests from customers for sustainability /CSR information. In response, we are producing a new shortened version of this Progress Report, together with a powerpoint presentation through which we hope to help our customers and our own sales teams to find the information they require.

5.2 We continue our policy towards SRI Questionnaires.

From January 2011, Alfa Laval adopted a policy of no longer populating external databases nor completing other types of questionnaire about these matters (except customer questionnaires) and instead, refer people to this, our Annual Report and the GRI report.

Since adopting this policy in 2011 we have not received any adverse reactions, and we thank agencies for their understanding.

We are very pleased to comment on any draft reports that analysts produce based on our published information. Whilst we will not check these reports in detail, we will have the opportunity to point out any obvious factual errors, or obviously misunderstood qualitative information. Some analysts routinely send us a draft report prior to publishing.

We have noticed a recent trend of some rating agencies to prepare reports based on our public sustainability information but do not allow us to review or comment on the reports unless we subscribe to them. In line with our Transparency Business Principle we have adopted a policy of not subscribing to these agencies. Investors who rely on subscription-only sustainability rating reports are asked to note that Alfa Laval has not checked any of the content or conclusions drawn in them.

5.3 We continue to meet interested external parties

Meetings with SRI analysts have continued in 2011 as in previous years. We are very pleased to meet SRI analysts: please contact david.ford@alfalaval.com or gabriella.grotte@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 2011. Students can contact david.ford@alfalaval.com to arrange a meeting.

5.4 We will review our Business Principles (Code of Conduct) during 2012 – Please give your opinions to us

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