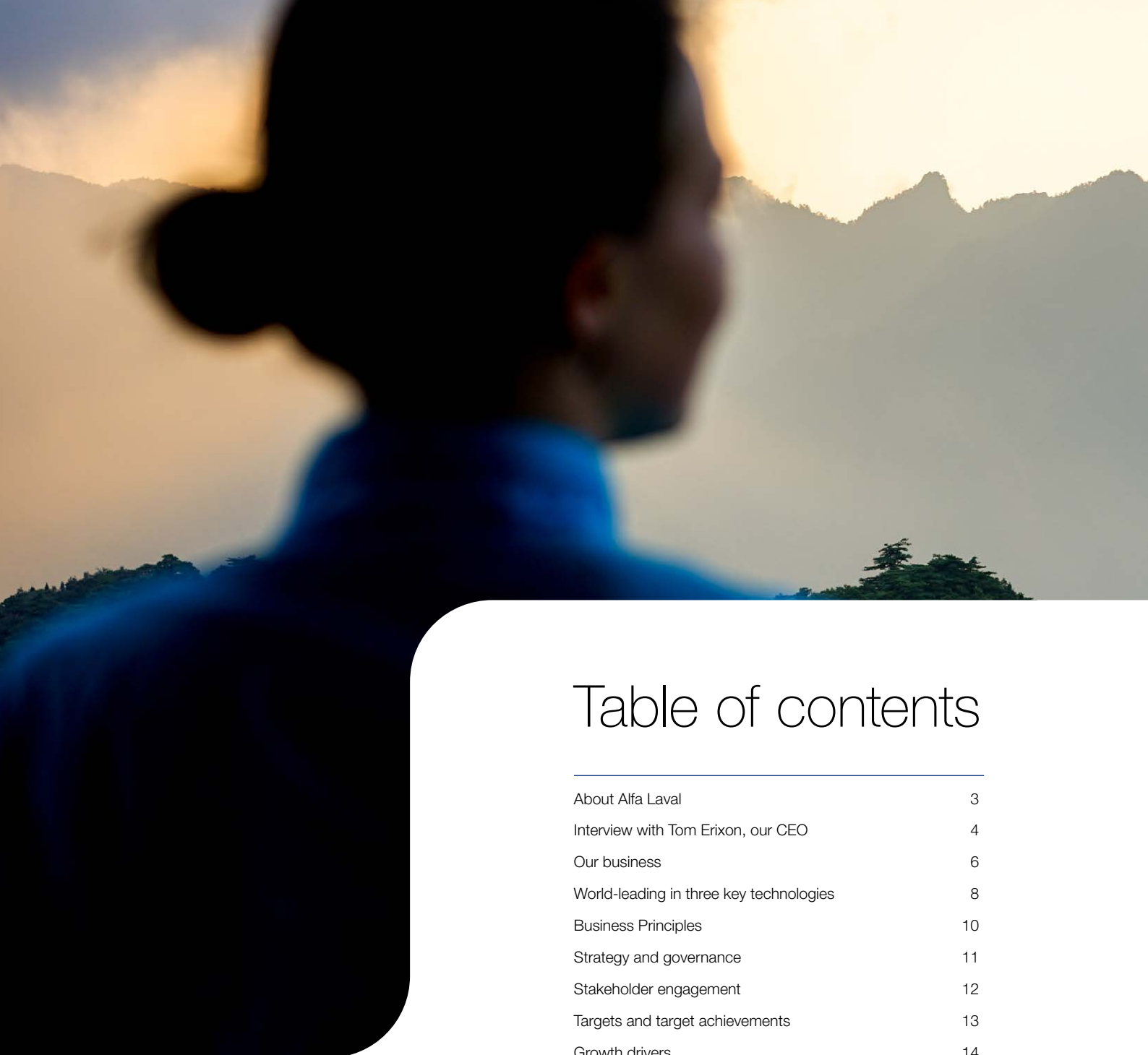


A satellite view of Earth at night, showing the illuminated continents and oceans. The image is framed by a dark, rounded border on the top and right sides.

# Sustainability Report 2020

Adding a new perspective  
to energy efficiency



# Table of contents

---

About Alfa Laval	3
Interview with Tom Erixon, our CEO	4
Our business	6
World-leading in three key technologies	8
Business Principles	10
Strategy and governance	11
Stakeholder engagement	12
Targets and target achievements	13
Growth drivers	14
Contributing to the UN Global Goals	16
How we make a difference	
Food & Water	18
Marine	20
Energy	22
Contributing to progress	
Planet	24
People	30
Business integrity	36
Responsible sourcing	38
Community involvement	40
Auditor's opinion	42
Sustainability notes	43

## About the report

The Alfa Laval Sustainability Report 2020 is the annual overview of the company's sustainability activities and performance during the fiscal year 2020. All figures relating to the previous year are included in parentheses. The report is available in English.

The Sustainability Report is Alfa Laval's annual Global Compact Communication on Progress about how we live up to, and work with, the Global Compact ten principles. The report is in accordance with the Global Reporting Initiative (GRI) Standards.

This report together with the risk section in the Alfa Laval Annual Report 2020 (pages 89–105) fulfil the requirements of the Swedish Annual Accounts Act.

## Contact

We welcome feedback, comments or questions to [sustainability@alfalaval.com](mailto:sustainability@alfalaval.com).

# Our Purpose

Our purpose is accelerating success for our customers, people and planet.

## Putting our customers first

We focus on cost effective and innovative solutions that support industries in their endeavour to purify, refine and recycle material. Our commitment is to optimize our customers' processes, creating responsible growth and driving progress. We work seamlessly together with them and are responsive to their needs – always going that extra mile to support them in achieving their business goals and sustainability targets.

## Empowering our people

Our Scandinavian origin embodies our corporate culture, which is open, supportive and informal. This creates an environment for our employees to develop their talents and excel as professionals. By giving them

responsibility, we demonstrate trust, which makes our people grow. Everyone is treated with respect and we lead by example. We are determined to attract, develop and retain the most innovative and curious people in our business.

## Making our world better, every day

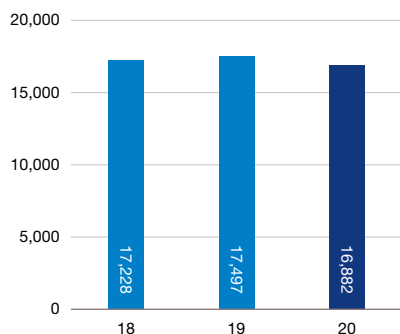
We regard sustainability both as a necessity and as a business opportunity. Our technologies promote a more responsible use of natural resources. We constantly drive progress to help reducing the environmental impact of most industrial processes through improved energy efficiency and heat recovery, better water treatment and reduced emissions. Both on land and at sea. It is all about living up to our motto Advancing better™.



## Presence in over 100 countries

Alfa Laval's sales and aftermarket organization operates in more than 100 countries – either directly or in collaboration with external partners. The company's production structure is also global, with 40 major facilities in Europe, Asia, the US and Latin America. Additionally, Alfa Laval has more than 100 service centres distributed worldwide to meet customer needs.

## Number of employees at year-end



## Ten largest markets

Order intake	MSEK	%*
United States	6,001	15.1%
China	5,900	14.8%
South Korea	3,556	8.9%
Nordic	3,514	8.8%
South East Asia	2,209	5.5%
Adriatic	2,110	5.3%
Mid Europe	1,916	4.8%
Japan	1,826	4.6%
Benelux	1,371	3.4%
France	1,114	2.8%

\* Percentage of total order intake

## Net sales, MSEK

41,468





## Interview with Tom Erixon, our CEO

### **Which were the most significant sustainability trends in 2020 and how do they affect Alfa Laval?**

The most notable environmental trend related to sustainability is the global energy transition, moving from fossil to renewable alternatives. This transition is moving at a faster pace than ever before, partly because of new technological breakthroughs and partly because of new regulations. Keeping high speed in the energy transition to reduce emissions is key in reaching the targets in the Paris agreement. Furthermore, we continue to see increased

investments in the circular economy and solutions to reduce waste, reuse water and reduce the use of raw material in industrial processes. Finally, we have also seen a continued trend in developing alternatives to traditional protein sources. It is clear that we must gradually change the way we live our lives for the sake of the planet. As part of this, we must consume less red meat-protein and shift to alternatives such as plant-based and insect-based proteins. These new sources of protein have a dramatically lower environmental impact.



**What initiatives did you launch to support this, and what improvements have they generated?**

Our heat transfer technology is critical in improving energy efficiency in a wide range of applications. In total, more than 10 new product launches were introduced in 2020 with the aim driving energy efficiency. Energy efficient solutions for heat pumps and reducing the energy consumption in energy intensive data centers are just two applications that are growing in importance and where we are increasing our efforts. Alfa Laval has continued to invest heavily in a new technology for thermal energy storage and we also increased our investments into fuel cells to take an early position in this interesting market. In Marine, we continue to see a shift from traditional diesel to other fuel types. To support this transition, we launched Alfa Laval PureCool which is a new technology to reduce the problem of methane-slip in Liquid Natural Gas (LNG) applications. Finally, we have accelerated our digitalization agenda across our entire organization during 2020. Reduced travelling, increased connected interaction with customers and partners and new digital marketing activities are all part of reducing our footprint.

**New Sustainability targets have been presented in 2021.**

**What are required from Alfa Laval to reach these targets?**

As part of our new sustainability targets, we are aiming to reach carbon neutrality by 2030. This is a major commitment that requires full dedication from the entire organization. It means that we must raise the bar in everything we do across the value chain and continue to become better every single day. It also means that we need talented employees and collaboration with all stakeholders to help both Alfa Laval and our customers to accelerate this agenda. But we believe that this is necessary to drive meaningful change and our responsibility as a global company.

**How will the world's increasing sustainability focus affect Alfa Laval's strategic initiatives in the years to come? What is required to keep up with the rapid transformation?**

Finding new and sustainable alternatives to replace many of today's solutions and processes will be the biggest and most important challenge the world has faced. Alfa Laval has a part to play here, and we are well positioned to accelerate the environmental agenda in our businesses. But to succeed, sustainability needs to be an integrated part of everything we do and with clear and measurable targets. In other words, the world's increasing sustainability focus will affect all our strategic initiatives for many years to come. This means that we need to make sure we have the knowledge, the vision and the guts to innovate, change and lead by example.

**How do you ensure your suppliers live up to your sustainability standards?**

We require all our suppliers to live up to Alfa Laval's Business Principles. It is our responsibility to be very clear with our expectations, but also to support those who fail to meet our high standards. We develop individual improvement programs to assist suppliers to get to the required level. We do not audit all our suppliers every year, but rather focus our efforts on the suppliers who need the most support because this is where we can make the biggest difference. In 2020, Alfa Laval hosted digital competence development webinars within health & safety for our suppliers to make sure that new standards and requirements are communicated and understood.

**What does sustainability mean for you as an employer?**

More so than ever before, people around the world are very well informed and employees set high demands on both the products and the companies behind them. This means that no company can afford not to integrate sustainability as part of the daily operations. At Alfa Laval, sustainability is an integral part of the long-term strategy and we continue to support the UN Global Compact. Alfa Laval has three unique traits that truly make it a fantastic place to work. Firstly, at Alfa Laval every single employee can be proud to be part of a company developing technologies that enable a more responsible use of natural resources. Secondly, we have since many years back worked to improve on diversity and inclusion. We have come a long way, but we can always become even better and that is why these areas are still part of our new sustainability targets. Finally, as a global leading company we have a responsibility to educate all parts of the value chain and raise awareness to minimize the risk of unethical behavior.

**What will be your sustainability priorities in 2021?**

One priority will be to validate the roadmap to reach our new sustainability targets. The route to carbon neutrality by 2030 needs to start now, as it a major transformation across the value chain. We must continue to improve as an employer to retain and attract required talent through diversity and inclusion initiatives. Finally, we must never forget that we are a product driven company. That means that we must secure a continued high pace in innovation – each and every new product making a contribution to a more sustainable planet.

Lund, February 2021



**Tom Erixon**  
President and CEO

“The world's increasing sustainability focus will affect all our strategic initiatives for many years to come. This means that we need to make sure we have the knowledge, the vision and the guts to innovate, change and lead by example.”

# Our business

Based on its three key technologies – heat transfer, separation and fluid handling – Alfa Laval offers products and solutions that are in line with its business concept: “To optimize the performance of our customers’ processes, time and time again.” In other words, Alfa Laval aims to help its customers become more productive, energy-efficient and competitive.

Realizing Alfa Laval’s business concept – “to optimize the performance of our customers’ processes, time and time again” – requires a solid product offering, high technological competence and a structure that is fast moving and has a high level of insight into the customers’ needs, purchasing behavior

and processes. Accordingly, Alfa Laval has established three industry-based sales divisions: Food & Water, Energy and Marine, which are supported by Operations, the Group’s shared supply organization with responsibility for procurement, manufacturing and distribution.

## Input

60,860

Total assets, MSEK

16,882

Employees

>100

Production and service operations

1,039

R&D investments, MSEK

259,797

Energy consumption, MWh

## Energy Division

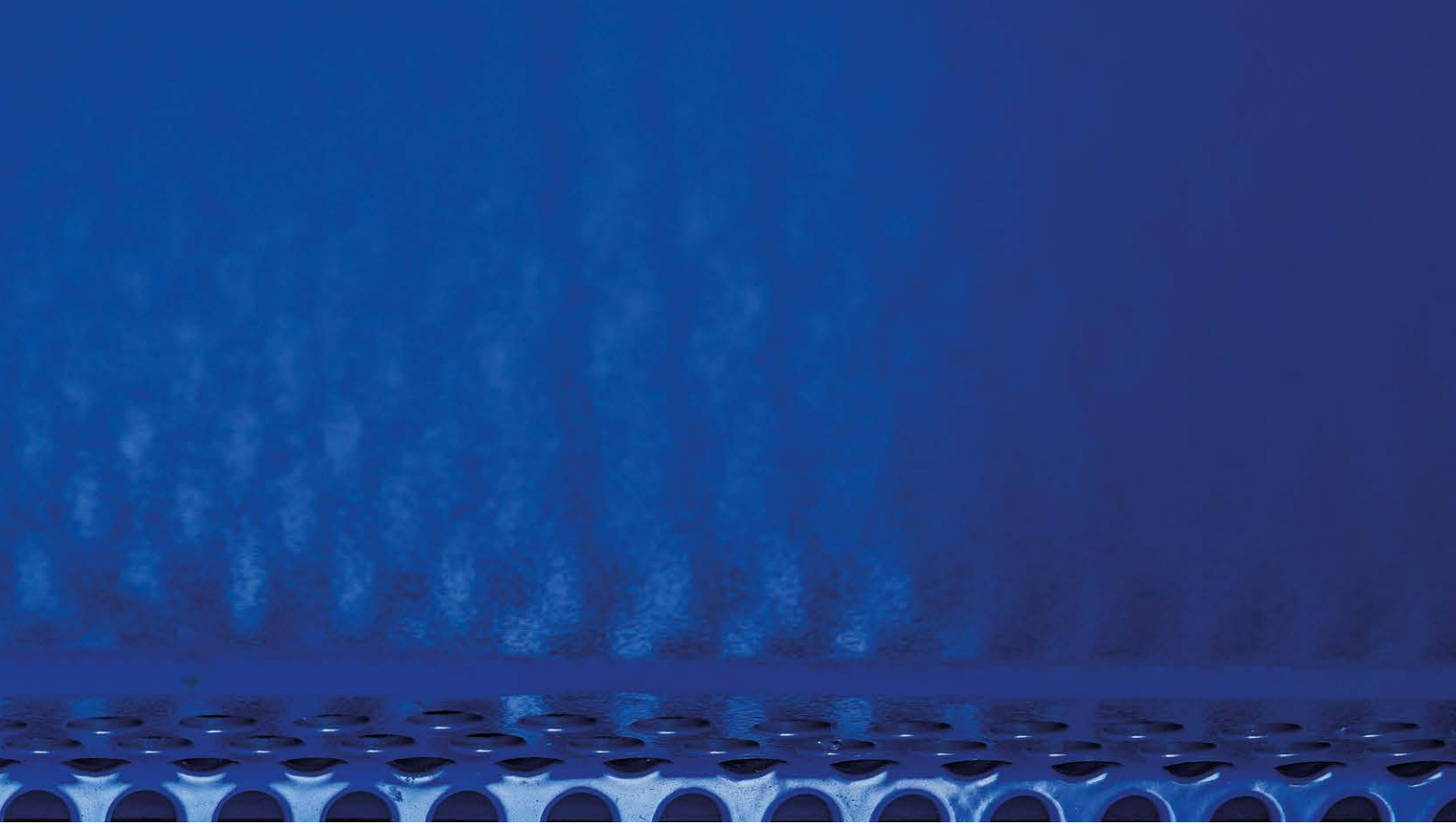
The Energy Division has customers in a range of sectors, including oil and gas extraction, processing and transportation, refinery, petrochemicals and power generation. The division’s main technology is heat transfer and Alfa Laval is heating and cooling some of the world’s tallest buildings.

## Food & Water Division

The Food & Water Division has customers in various sectors, including food, pharmaceuticals, biotech, edible oils, breweries, and dairy products. The division also specializes on water and waste treatment. The offering includes heat transfer, separation products and flow management products, such as pumps and valves.

## Marine Division

The Marine Division’s customers include ship-owners, yards, manufacturers of diesel engines, as well as companies that work with oil and gas extraction at sea. Its offering includes heat transfer equipment, high speed separators and pump systems.



## Outcomes

41,468

Net sales, MSEK

5,580

Operating income, MSEK

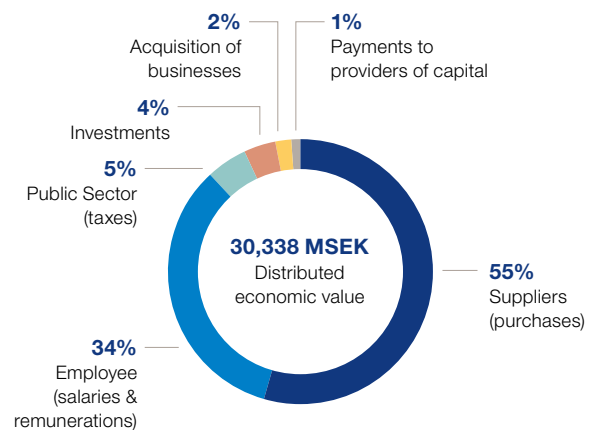
>3,700

Patents

35,465

Carbon emissions,  
tonnes CO<sub>2</sub>e

## Economic value distributed in 2020





# World-leading in three key technologies

Alfa Laval's business is based on three key technologies — heat transfer, separation and fluid handling. These technologies play a major role in a number of industrial processes and Alfa Laval commands a world-leading position in all three areas. In 2020, heat transfer products accounted for 40% of sales, separation products for 17% and fluid handling products for 22%.

## Heat transfer

Heating and cooling are basic needs for both the individual and in most industrial processes. There are a large number of industries today in which heat transfer solutions are required for heating, cooling, ventilation, evaporation or condensation. Heat transfer products from Alfa Laval are used in numerous areas — from food production and petrochemicals to the creation of a pleasant indoor climate or domestic hot water in private households, to name only a few examples.

The main product in Alfa Laval's offering — the compact plate heat exchanger — is more efficient than alternative technologies. Heat exchangers transfer heating or cooling, often from one liquid to another. Plate heat exchangers are made up of a series of plates assembled closely to each other. Between these plates run two channels containing media at different temperatures. These flow on either side of the thin plates and in opposite directions to each other, resulting in a heat transfer between the media.



**Market share:**

>30%

of the world market

**Sales:**

40%

of the company's sales

## Separation

Separation is the technology that represents the origin of the Alfa Laval brand. The business began in 1883, with a continuous separator, separating cream from milk, and this technology remains a core Alfa Laval technology to this day. Alfa Laval's offering includes separators, decanter centrifuges, filters, strainers and membranes. Separation products are used, for example, in the dewatering of sludge in wastewater treatment plants and in food and pharmaceutical processes.

Liquids, solid particles and gases can be separated from one another with precision and a high degree of reliability. The liquid with the highest density is separated naturally from the other liquid when it sinks to the bottom. By rotating the mixture, rather like what happens in a washing machine, centrifugal force can be used to speed up the process.



**Market share:**

**25–30%**

of the world market

**Sales:**

**17%**

of the company's sales

## Fluid handling

The transportation and regulation of fluids in an efficient and safe manner is crucial to many industries. Alfa Laval focuses on fluid handling products, such as pumps and valves, for industries with stringent hygiene requirements but also pumping systems for the marine industry and the offshore market. Fluid handling products fulfil an important function in, for instance, the production of mozzarella cheese, in the pharmaceutical industry, in the production of various fruit juice concentrates and in pumping/offloading oil from tanker vessels.

Pumps drive the flow of liquids, while valves are used to guide the flow by opening and closing. Alfa Laval's unique valves make it possible to handle two liquids at once — in the same valve, without the liquids coming into contact with each other. This makes it possible to create flow systems where cleaning and production take place in parallel.



**Market share:**

**10–12%**

of the world market

**Sales:**

**22%**

of the company's sales

# Business Principles

Alfa Laval's four Business Principles – Environment, Social, Business Integrity and Transparency – describe the way we must act within society whilst achieving our business goals.

Today we face several urgent global issues: combatting climate change, bribery and corruption, while protecting human rights and ensuring there is enough food and water for everyone. By following our Business Principles, we can find many opportunities to contribute to a more sustainable future and accelerate success of our customers, people and planet.

Alfa Laval's Business Principles – Environment, Social, Business Integrity and Transparency – form the basis of our sustainability work. Our approach is to focus on the areas where we have identified the highest risks and where we can have the greatest influence.

The Business Principles apply to all companies in the Alfa Laval Group.



## **Environment – Optimizing the use of natural resources**

Alfa Laval makes a significant contribution to reducing the environmental impact of industrial processes. We support a precautionary approach to environmental challenges and work to use energy and water efficiently in our production and service operations. Read more about our progress on pages 26–27. Equally important is our ability to design products and services in a way that provides our customers with an opportunity to become more resource efficient and competitive. Read more on pages 18–23.

## **Social – Respect for human rights**

Ensuring that we respect human rights, carry out due diligence and provide good working conditions is an essential part of this principle. Alfa Laval has zero tolerance towards child and forced labour and works actively to prevent workplace accidents in all our premises.

Read more about human rights in our supply chain on pages 38–39; about our work with diversity and learning on pages 30–31, with health and safety and working conditions on pages 33–35; about our community involvement on pages 40–41.

## **Business Integrity – High ethical standards**

Alfa Laval conducts its business with honesty, integrity and respect for others. Our performance is governed by high ethical standards and the principle is based on following all relevant laws where we operate. Read more about how we work with business integrity on pages 36–37.

## **Transparency – Commitment to open dialogue**

Alfa Laval believes in open communication but is careful not to reveal commercially valuable information. Our ambition is to build trust through open dialogue with our various stakeholders around sustainability

opportunities and challenges. Read more about our stakeholder dialogues and materiality assessment on page 12.

Responsible sourcing is a priority at Alfa Laval. In order to ensure compliance and high sustainability standards at our suppliers' operations, we have developed a separate supplier code of conduct – Business Principles for Suppliers – that focuses on the most important sustainability aspects in our supply chain. Read more about responsible sourcing at Alfa Laval on pages 38–39.



# Strategy and governance

Alfa Laval's Business Principles together with other policies guide our employees in their everyday work.

Sustainability is part of Alfa Laval's DNA and business model. Our Business Principles were developed to ensure we act in a way that does not infringe on human rights, the environment or our business integrity. The Business Principles are supported by a number of internal policy documents, which expand on the Principles and provide employees with more detailed information. Policies are supported by a management structure, tools, guidelines and training activities made available to managers and employees via the company intranet.

Our Business Principles and other relevant codes and policies are based on international guidelines, such as the OECD's Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights and the United Nations Global Compact.

The Alfa Laval Board is responsible for monitoring the implementation of the Business Principles. A sustainability plan with focus areas is agreed at Board level and followed up annually. Group Management is responsible for implementing the Business Principles, including setting and reviewing targets

for improvements. Managing Directors of subsidiary companies have the responsibility to translate the Principles and associated policies into local rules and procedures. Line Managers ensure that their employees understand the Principles and receive the necessary training to implement them.

An independent internal audit function provides support in monitoring compliance. Suspected breaches against the Business Principles and other relevant codes and policies can be reported to Alfa Laval's whistleblowing system (read more on page 36–37).



# Stakeholder engagement

To support our progress towards our business and sustainability goals it is of importance to listen to, and engage with our different stakeholders.

The stakeholder groups identified as priority groups for engagement on sustainability issues are our customers, shareholders and investors, employees and future employees, business partners (including suppliers, authorities, media and the communities around us. We have regular contact with our customers and we conduct a brand study, which provides us with an in-depth understanding of how our customers perceive our company. Our shareholders participate in Annual General Meetings and investors are invited to our annual capital markets days. Alfa Laval's potential to effectively respond to future sustainability challenges is one of the topics discussed at these meetings. Employees are encouraged to give feedback directly to their managers and through employee surveys. Our suppliers are important partners for our business success. Regular interaction with them results in mutual development. In addition, we regularly invite them to conferences and workshops. We have an open dialogue with the communities in which we operate, including collaboration with universities and local governments.

## Materiality assessment

Alfa Laval's carries out a materiality assessment every other year to review the sustainability topics where we can make the greatest difference. This assessment together with stakeholder interaction described above helps us identify material aspects. These are analysed from a risk, opportunity and business impact perspective and are validated by management.

The topics that are most material both internally and externally are health and safety, legal compliance, energy use, climate impact, supplier business ethics as well as anti-corruption. Moreover, Alfa Laval's products and services play a key role in enabling our customers to achieve their energy efficiency, climate and water goals. This is ranked as important, both internally and externally – internally because of the business opportunities created for the company, and externally because our products and solutions can help customers reduce their environmental impacts. Our assessment also shows that stakeholder perceptions of Alfa Laval's performance in the prioritized areas is in line with their expectations. The illustration below shows how we integrate stakeholder aspects in our strategic approach.

## Dialogue with our stakeholders

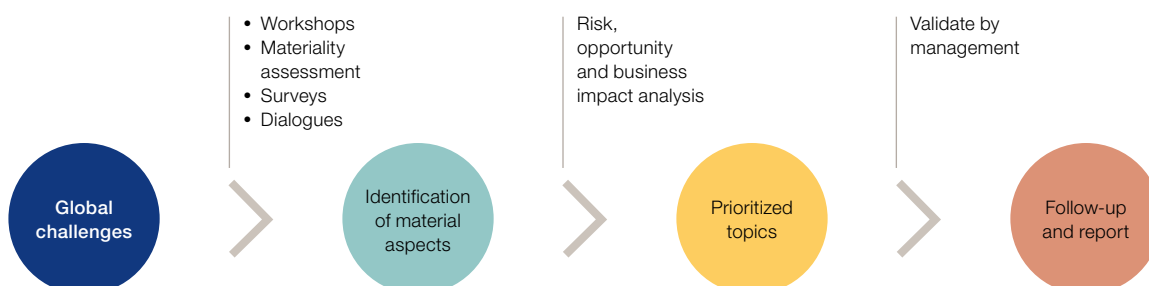
Our stakeholder engagement builds on both formal and informal dialogue. During 2020 the trend where stakeholders are more active in asking questions and opening up for dialogue around sustainability has continued to grow. Two stakeholder groups stand out in this perspective – customers and shareholders/investors. The main areas that have been addressed by investors and customers during 2020 are:

- Climate change and the responsibility the company takes for this challenge (p. 24–27)
- The impact of Covid-19 on sustainability strategy (p. 32)
- The company's role in reaching the UN Sustainable Development Goals (p. 16–17)
- The company's work with diversity and inclusion (p. 30–31)

There has also been greater interest in:

- how the company plans for sustainability risks (p. 10–12, 24–39 and annual report)
- how sustainability related products contribute to value generation (p. 16–23 and 26–27)

## Materiality assessment process



# Targets and target achievements

Alfa Laval's environmental and social targets aim to drive efficiency and behavioural change to achieve better results in the long term. The table below shows the company's sustainability targets. Progress on the targets is presented in more detail within each section of the report as well as in the detailed index on pages 43–51.

Environmental targets	2020*	Progress	2023**	Ambitions 2030	Read more
 Carbon emissions	Reduce carbon emissions by 15%		50% reduction scope 1 & 2 emissions	Carbon neutral across the value chain	p. 24–29
 Energy consumption	Reduce energy consumption by 10%		Improve energy efficiency (MWh/Direct hours) with 5%	Continuously improve energy efficiency in production, service and products	p. 24–29
 Water consumption	Reduce water consumption in water scarce areas by 10%		Reduce water consumption in water scarce areas by 5%	100% recirculation of water in all production and service sites in water scarce areas	p. 28–29
 Waste	Recycle 85% of waste		Maintain 85% recycling of waste	Zero waste to landfill	p. 28
 Chemicals	No hazardous chemicals used		No hazardous chemicals used	No hazardous chemicals used	p. 28
Social targets	2020	Progress	After 2020		Read more
 Health and safety	Reduce Lost Time Injuries by 30% (base year 2017)		2023: 30% reduction of Lost Time Injury Frequency Rate (base year 2020)		p. 33–35
 Inclusion and diversity	Increase the proportion of women in the company as a whole and also in leading positions year-on-year		Up to 2025: 35% women in the company as a whole. 25% women in leading positions. Less than 70% homogeneity (gender and nationality) in highest level leading positions		p. 30–31
Integrity targets	2020	Progress	After 2020		Read more
 Anti-bribery and Anti-corruption	100% of employees trained		100% of all employees trained in anti-bribery and anti-corruption every other year		p. 36–37

 Target achieved     Progress is done but target not achieved    \* Baseline 2015    \*\* Baseline 2020



# Growth drivers

As the world changes, new challenges but also new opportunities arise. Global trends in the areas of food, transport and energy are creating new ways for our business to grow. These structural changes include: the global response to climate change and rising temperatures; the growing demand for more sustainable methods of energy generation due to rising energy needs; the increasing demand for processed foods from the growing middle class; the rising number of water-stressed regions globally; the increasingly stringent legal requirements on emissions to air and water; and international trade creating a need for more sustainable marine transport solutions.





## Drivers

## Opportunities



### Climate

If the climate challenge is not addressed properly with new technologies, policies and behaviours, the consequences may be devastating.

We provide technology to improve energy efficiency, which is essential for reducing climate impact from industry. In addition, we provide solutions in other areas such as water, chemical and effluent management to mitigate climate change risks.



### Energy

The world's energy needs are growing. There are two ways to manage this challenge: to increase the total energy generation, and to improve efficiency or recycling of the energy generated.

Our solutions for power generation, oil and gas exploration, renewable fuels production, refinement and other industries play an important role in the transition to more energy efficient processes.



### Water

Water is becoming a scarce resource in many regions of the world. The increasing demand for fresh water together with the challenges caused by climate change will affect the global population and ecosystems.

Our solutions and technologies enable the reduction of water consumption in industrial processes and improve water quality. These solutions have the potential to significantly increase volumes of reused water.



### Food

The growing middle class and urbanization are two global trends that are evolving at an undiminished rate, resulting in a growing demand for ready-made food and supply chains with increased resource efficiency.

Alfa Laval's history began in 1883 with the development of a separator for separating cream from milk. Today, hygienic applications in the food industry include heat exchangers, pumps and valves. These products meet the strictest hygiene requirements and can help to optimize the use of raw materials.



### Environmental legislation

Human impact on the environment is driving increasingly stringent laws, while companies are encouraged to take voluntary steps that contribute to improved environmental performance.

Alfa Laval has products for managing various environmental challenges, such as energy demand and marine fuel emissions.



### World trade

International trade connects a world where raw materials are extracted in one country and processed in another, and where final products are transported to customers around the globe.

For over 100 years, Alfa Laval has provided the marine industry with equipment: engine room separators for cleaning fuel, heat exchangers for generating freshwater, loading and unloading pumping systems, systems for treating ballast water and reducing sulphur content in ship exhaust gas.

# Contributing to the UN Global Goals

Alfa Laval contributes to progress towards the UN Sustainable Development Goals for 2030. We continuously improve our own sustainability performance and enable change by supporting customers to reach their environmental targets.

## 2 Zero hunger

Alfa Laval's products and solutions improve shelf life, reduce waste and make food production hygienic and safe.

## 3 Good health and well-being

Alfa Laval delivers hygienic equipment enabling efficient and safe production in the pharmaceutical industry.

## 4 Quality education

Alfa Laval is committed to ensuring competence development in our own business. We also support charities and volunteering projects related to school education around the globe.

## 5 Gender equality

Diversity and inclusion are key priorities for Alfa Laval and the aim is to increase the proportion of female employees and managers year-on-year.

## 6 Clean water and sanitation

Alfa Laval offers a wide range of technologies to treat wastewater and generate fresh water. These solutions contribute to improved access to clean water around the globe.

## 7 Affordable and clean energy

Alfa Laval's products are involved throughout the renewable energy production process, from heating and cooling to mixing and separation.

## 8 Decent work and economic growth

Alfa Laval's Business Principles require decent working conditions. Working conditions and safety are highly prioritized areas both in our own operations and in the demands we place on our suppliers.

## 9 Industry, innovation and infrastructure

Alfa Laval invests heavily in research and development. The company launches between 30–40 new products per year and has over 3,700 patents.

## 11 Sustainable cities and communities

Alfa Laval provides solutions for energy efficient district heating and cooling — often using waste heat as well as thermal storage solutions.

## 12 Responsible consumption and production

Alfa Laval's ambition is to make every new product more efficient than its predecessor from a lifecycle perspective. Many of our products contribute to turning waste into value in different production processes.

## 13 Climate action

Alfa Laval works to minimize climate impact throughout the value chain. Our diverse products improve energy efficiency which, in turn, lowers the consumption of fossil fuels and thus reduces carbon emissions.

## 14 Life below water

Alfa Laval offers a whole range of products in the areas of energy and environment that contribute to reducing marine pollution and protecting marine biodiversity.

## 15 Life on land

Alfa Laval has provided a cooling solution that protects the world's largest seed collection stored to provide a backup if a natural catastrophe, environmental damage or war would deplete the Earth's crop diversity.

## 16 Peace, justice and strong institutions

Decent working conditions are a requirement in Alfa Laval's Business Principles. With our global reach, we can potentially make a positive impact on local societies' anti-corruption and anti-bribery activities.

## 17 Partnership for the goals

Alfa Laval has been a signatory of the UN Global Compact since 2011. We actively engage with stakeholders throughout our entire value chain to develop common solutions and create shared value.



## Enabling change



### Enabling change

Alfa Laval's products and solutions enable our customers to improve the efficiency of their production processes by, for example, improving energy efficiency, reusing water or reducing waste. Moreover, Alfa Laval supports the transition to a more sustainable future in the energy, food and marine industries. Examples of how our products and solutions create value today and enable change for tomorrow, can be found on pages 18–23.

### Contributing to progress

By implementing our Business Principles, setting measurable goals and working to continuously improve, we contribute to several of the Global Goals. Examples are improving the health and safety of our employees, reducing our carbon footprint competence development, gender equality, responsible supply chain and reducing corruption risks, see more on pages 24–41.

# How left-over noodles power electric cars in China

Food waste is becoming a significant challenge globally, specially in China, where due to the size of the population, the amount of food waste has grown significantly. This food waste is becoming an environmental problem and at the same time contains energy and residues that can be used instead of wasted. Alfa Laval is a partner in a pioneer process which turns food waste into useful energy and fertilizers. The food waste processed by Alfa Laval's decanters could already now power more than 125,000 average electrical cars for a year.

As the global population grows, we are increasingly looking to new, alternative food sources to meet the demand. Yet, approximately one-third of all food is lost or wasted in different parts of the production and supply chain. In China, we estimate that food waste from restaurants and kitchens amounted to 48 million tonnes in 2020, a figure that grows every year.

Over the last five years, Alfa Laval's decanters were used to process food waste into energy. The process begins by removing interfering materials such as metal, paper, bones, etc. The remaining waste is crushed into 10 mm particles and separated into solids and liquids, using Alfa Laval decanters. This makes it possible to separate the degradable substances which can be anaerobically fermented. This process produces biogas, which can

be converted into both heating and electric energy. The remains can be dewatered, by using Alfa Laval decanters, to become biogas slurry and biogas residue, that can be used as nutritious organic fertilizers.

Today, Alfa Laval's decanters process around 8,000 tonnes of kitchen waste every day, generating as much as 438,000 MWh of energy per year. This is approximately equivalent to the yearly energy consumption of more than 125,000 average electric cars. In China, 46 cities have begun processing their kitchen waste in this way, and in 2025, we expect that China could process up to 27.5 million tonnes. A great example of how Alfa Laval can contribute to the circular economy in the fast-growing nation.



Alfa Laval ALDEC decanter.

## Sustainable Development Goals

By enabling food waste reduction, Alfa Laval contributes to SDG 9 Industry innovation, SDG 12 Responsible consumption and production and SDG 13 Climate action.







# How marine engine cooling helps cut global warming

The International Maritime Organization (IMO) has set an ambitious target to cut greenhouse gas emissions by at least 50% by 2050. This target, together with increasing awareness about climate impact of current fuels, means that shipping companies are increasingly eyeing Liquid Natural Gas (LNG) as a transition fuel option. LNG produces less CO<sub>2</sub> than other fossil fuels when burned, but a small percentage of methane can slip through the engine without being combusted. Since methane has a higher global warming potential than CO<sub>2</sub>, this release is a concern, even in modest volumes. No regulations currently exist for methane slip, but are very possible in the future, as the industry strives to reach the 50% emission reduction target.

Alfa Laval's PureCool system efficiently addresses this issue. The product is the main component in Swiss engine developer WinGD's iCER technology which, during operation in gas mode, improves combustion by cooling and recirculating about 50% of the exhaust gas. This can reduce methane slip by 50%, while also

reducing fuel consumption by up to 3%. All in all, Alfa Laval's PureCool system is a perfect example of how Alfa Laval's innovations can help our customers meet their sustainability goals while also improving their fuel efficiency. A win-win-win – for us, our clients and the planet.



Alfa Laval PureCool with WinGD X-DF.

## Sustainable Development Goals

By enabling the shift to LNG, our solutions also contribute to SDG 13 Climate action and SDG 9 Industry innovation. The development of Alfa Laval PureCool would not have happened without the partnership with WinGD, SDG 17.











How working  
from home  
heats your house





Video meetings, streaming, social media and gaming... Our daily data weighs a ton. To make the digital world go round requires powerful servers that handle all the data. These servers are located in large data centres, which generate significant amounts of heat that must be dissipated for the servers to function optimally and without interruption. Alfa Laval's heat exchangers efficiently cool them down to the right temperature. The heat exchangers can also convert the waste heat generated into district heating which in turn can be used to heat homes. Smart and sustainable!

Today, 90% of the electricity used in data centers is converted into heat. The potential for waste heat recovery solutions is therefore enormous. Calculations show that by 2030 if all data centers would recover the waste heat from the servers we could save 3,000 TWh, which corresponds to heating 300 million European homes.

The Nordic region is well adapted for these waste heat solutions, as infrastructure in the form of an expanded district heating network is already in place. The solutions are already installed in several places. A data centre in

Denmark is one example where Alfa Laval's heat exchangers convert as much as 100,000 MWh of waste heat per year and is then used to heat 6,900 households in the region. The most sustainable heat source is the one that is already available – you just have to find the best ways to use and re-use it.



Alfa Laval heat exchangers are crucial to waste heat recovery. Above is an Alfa Laval semi-welded plate heat exchanger.

### Sustainable Development Goals

Alfa Laval's products contribute to achieving several of the UN Global Goals. Energy efficiency and reducing the use of fossil fuels are part of achieving SDGs 7, 11 and 13.








# Planet

To remain successful, we need to grow and at the same time respect the planetary boundaries. At Alfa Laval, concern for the environment and sustainability is a natural part of the way we think and act. Alfa Laval works to optimize the use of natural resources in our own and our customers' operations. As part of this commitment, we work continuously to reduce our energy and water use, decrease carbon emissions as well as improve waste management processes in our production and service operations, in accordance with the Alfa Laval Environment Policy and environmental targets that apply to the entire company. Our technologies also help to reduce the environmental impact of most industrial processes through improved energy efficiency and heat recovery, better water treatment and reduced emissions. Both on land and at sea.



During 2020 we have developed new longer-term environmental ambitions towards 2030. In order to achieve these ambitions we have set short-term targets in each area towards 2023 with baseline 2020.

Targets	Ambitions 2030	2023
 <b>Carbon emissions</b>	Our ambition is to be carbon neutral by 2030 across our value chain.	By 2023 we will have reduced our scope 1 & 2 emissions by 50% (baseline 2020) and set a baseline and pathway for scope 3 emissions. You can read more about our approach to carbon neutrality on the next page.
 <b>Energy consumption</b>	Our ambition towards 2030 is to continuously improve energy efficiency in production, service operations and from products when used at customer sites.	By 2023 we will have improved the energy efficiency from our production and service operations sites by 5% (MWh/Direct hours) compared to 2020.
 <b>Water consumption</b>	We aim towards 100% recirculation of water in all production and service sites in water scarce areas.	By 2023 we will have reduced water consumption by another 5% compared to 2020 in our production and service sites.
 <b>Waste</b>	By 2030 we will have no waste going to landfill.	To achieve this we will continue to strive towards an 85% recycling of waste and a reduction in plastics and packaging material both from our suppliers and towards our customers.
 <b>Chemicals</b>	By 2030 we aim to ensure no hazardous substances are used and that replacements to these are found with speed.	As knowledge about the impact of chemicals on health, safety and the environment is in continuous evolution, we plan to continue monitoring and implementing chemical legislation to ensure no hazardous chemicals are used.





# Carbon neutrality is on top of our agenda

Climate change has been an area of high focus and importance to Alfa Laval's agenda for many years. We sell technical solutions to enable our customers to reduce their emissions primarily through energy efficiency. In addition, we have worked to achieve our own emission targets for 2020. Alfa Laval's target for 2020 has been to reduce carbon emissions by 15% and reduce energy use by 10% compared with base year 2015. The CO<sub>2</sub> emissions that have been encompassed in this target are the direct emissions caused by energy produced internally and by company cars (Scope 1) and the indirect emissions caused by energy purchased for own consumption such as electricity and steam (Scope 2) as well as global transport of goods and employees (scope 3). The new target is to become carbon neutral by 2030 across the value chain. To achieve this ambition, we will set up targets on a three-year basis to align with our business targets. The targets for 2023 are to reduce Scope 1 and Scope 2 emissions by 50% with baseline 2020. In addition to focusing on energy efficiency to reduce emissions continuously, Alfa Laval aims to reduce CO<sub>2</sub> emissions by transitioning to renewable energy from sources such as wind and solar over time. To do this we will consider investments, technical innovations

and other factors that may influence the reduction of carbon emissions.

### Strategy and governance

The organization and governance of climate issues is the same as for other sustainability issues. The Board – which regularly includes sustainability/climate on its agenda is the highest governing body and Group Management is responsible for implementing the strategy including setting and reviewing targets for improvements.

### Indirect emissions along the value chain

During 2020, Alfa Laval has started an analysis of all emissions across the value chain. The result shows that scope 3 emissions represent a significant portion of the carbon emissions and thus our focus will shift more towards these emissions and how to reduce them going forward. The first steps in the process have been to analyse goods transport, scope 3 upstream emissions and starting to quantify impact of the use of our products.

### Risk and opportunities

Alfa Laval monitors carbon emissions and energy use on quarterly basis and reports these externally on annual basis in our Sustainability report. The data includes

direct (Scope 1), indirect (Scope 2) CO<sub>2</sub> emissions and emission from transportation of goods and global business travel.

### Climate risks

Alfa Laval faces risks driven by climate change such as changes in regulation, availability of resources and changing customer behavior. Such risks are mainly assessed and addressed within the risk-management assessments done at business unit level. Among the risks are also increased energy prices and taxes, and regulations related to CO<sub>2</sub> emissions. Alfa Laval sees energy efficiency as one of the main ways to mitigate these risks and also represents a business opportunity.

Changing weather patterns may pose a physical risk to operational units or suppliers in areas in risk of raising sea levels, water scarcity or violent storms. Market shifts toward a low-carbon economy may impact the viability of certain sectors and at the same time give rise to new businesses and business models which Alfa Laval works to adapt its products towards.

### Opportunities

Energy efficiency is one of the main contributors to reaching the Paris Agreement. Energy efficiency can deliver more than 40 percent of the greenhouse gas emissions savings over the next 20 years according to IEA, whereof 50 percent of the energy efficiency saving comes from the industry sector and 30 percent from buildings. Efficiency can either be achieved by implementing innovative technology that reduces the energy consumption compared to existing/traditional solutions– or by adding technology to existing processes that capture and reuse waste heat for other purposes. Alfa Laval has solutions for both. Alfa Laval heat exchangers are 20 to 50 percent more efficient than traditional (shell&tube) technology. Every year, Alfa Laval heat exchangers installed in energy efficiency applications save 50GW which corresponds to the energy needed to heat up 10 million homes in Europe. And the energy savings also reduce the carbon emissions by 25 million tons (yearly) which is just as much as the emissions from the city of Greater London.

## Alfa Laval value chain

Alfa Laval aims to become carbon neutral across the value chain. This will require resources, investments and partnerships.





There is still a significant untapped potential in energy efficiency to save energy and reduce carbon emissions. Alfa Laval has the technologies to improve energy efficiency in various industrial processes. The technologies and solutions are proven, affordable and available.

#### **Collaboration is key**

Achieving carbon neutrality across the value chain will require partnerships. One example is to ensure reduction of emissions from steel production, where Alfa Laval will have to partner with suppliers and other industries to speed up the transition to low emitting production processes.

Alfa Laval therefore decided to join the 1.5°C Business Playbook during 2020. Alfa Laval will continue to expand collaboration with other companies, customers and partners, in society and business to support the implementation of energy efficient solutions – and thereby contribute to reaching the 1.5°C scenario set in the Paris Agreement.

### CDP Climate reporting and meeting TCFD recommendations

Alfa Laval has participated in the CDP's (formerly referred to as the Carbon Disclosure Project) voluntary reporting of greenhouse gas emissions both for the reporting year 2016, 2018 and for 2019. The reporting involves relevant key figures and data, measures to prevent negative climate impacts, and products, solutions and initiatives which contribute to reducing emissions.

In the Annual CDP Report for 2019 on climate issues, Alfa Laval received a score of A- (2018: C), which entails that the company has managed to demonstrate the highest level (Leadership) and shows both commitment and leadership in the working with carbon emissions. This is higher than Europe's regional average. A company's path towards a high level of environmental protection/administration is described by CDP using a process in four scoring levels that begin with Level D (Transparency), continues with C (Awareness), followed by B (Governance), and finally A (Leadership).

The Task Force on Climate-related Financial Disclosures (TCFD) is a call for climate action from the financial markets. It describes how companies should handle their climate-related information, including risks and opportunities. Alfa Laval aims to meet the recommendations from TCFD in showing how Alfa Laval's climate work is organized, how our products and services help reduce carbon emissions, risks/opportunities and goals and metrics. We will continue developing this type of reporting during the years to come.



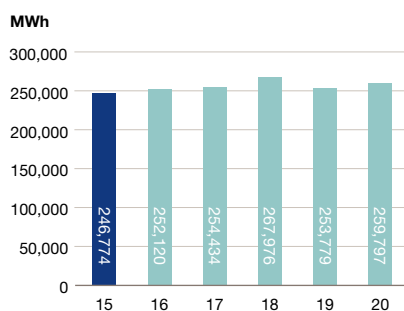
#### **Sustainable Development Goals**

Our work to become carbon neutral is driven by our ambition to contribute to SDG 13 but it will not be possible without energy efficiency, shifting to renewable fuels and partnerships. Thus we will contribute to SDG 7 and SDG 17 as we make progress.



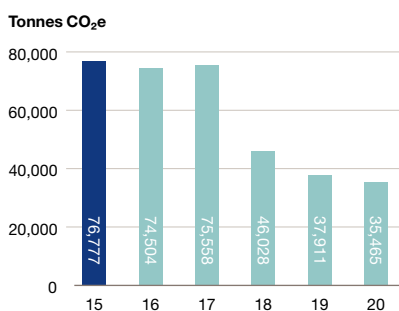
The year 2020 marks the end of our current strategy period (2016–2020) for the carbon, energy, water, waste and chemical targets. The base year for the targets was 2015. Below you can read about the progress we have made on the targets.

 Reduce energy consumption by 10%



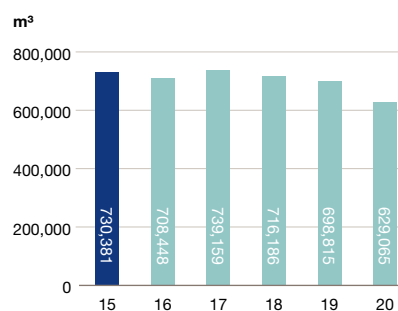
The energy consumption target was set in absolute terms. We have not met the target of reducing our energy consumption in total. Instead we saw an increase of 5.2% compared to base year 2015. The reason for the gradual increase in energy use is partially due to growth in output from energy intensive sites. The increase in energy consumption in 2020 is partially due to a new factory in China which has operated in parallel to the one it will replace.

 Reduce carbon emissions by 15%




Carbon emissions from energy consumption (energy and electricity) decreased by 54% compared to 2015. The decrease is attributable to both changed electricity agreements, from fossil based to renewable sources but also to a shift to renewable energy (photovoltaic) in two major sites. In 2020, 78% of the electricity came from renewable sources compared with 27% in 2015.

 Reduce water consumption by 10%



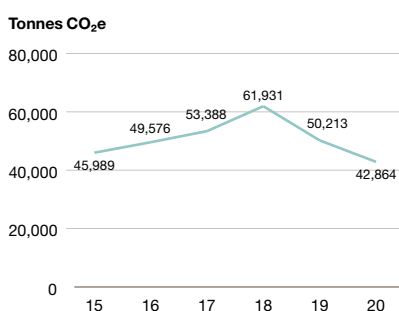
Water consumption decreased by 14% compared to 2015. Most of the water consumed in the company is used in the testing of our products and in service procedures. The decrease in water consumption is attributable to both reduction projects in sites located in water-stressed areas and to the Covid-19 situation.

 No banned chemicals

The use of hazardous chemicals has increased three-fold compared to 2017. This large increase is due to the use of a specific type of paint in the manufacturing of our products in two of our sites. We have worked on finding a substitute for this paint during the year and this substitute product will be used starting 2021.

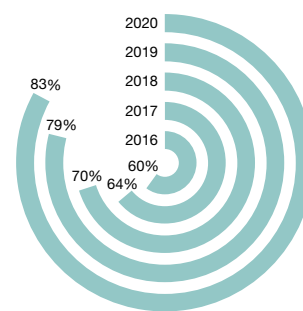
Alfa Laval has a robust material and chemical selection process for its products and we work to reduce the use of substances of very high concern and the chemicals listed as banned in our so-called “black and grey list of chemicals” that can be found in our website.

 Emissions from goods transportation



During the year emissions from goods transport amounted to 42,864 tonnes of CO<sub>2</sub>, a 7% reduction compared to baseline 2015. Goods transport emissions per tonne kilometre were 93 gram/tkm which is an increase compared to baseline level of 92g/tonkm. The main reason for high carbon emissions from transport is air freight.

 Recycling 85% of waste



We have had the ambition of recycling 85% of our waste by 2020. Although we recycle the majority of the metals from our production sites we are not fully satisfied with our results. We aim to continue our work both to reduce the amount of waste generated, to continue recycling and to minimize waste going to landfill. More on page 48.



## What gets measured gets done!

In 2019, Alfa Laval initiated a global project to measure and analyse energy and water consumption. During 2020 this project has expanded in the organization to include 13 of our sites. Over time, the data gathered through the project will help us decide where the company should direct its energy and water efficiency investments.

The project will cover several crucial steps. Firstly, energy consumption data will be collected for further analysis, and the most energy intense facilities, premises and processes will be identified. Secondly, energy efficiency action plans will be applied accordingly. The data collection and analysis will be performed through a digital platform.

We cannot rely only on technology in the transition to a more energy efficient business. A change in behaviour can effectively replace costly technical solutions, and therefore we will continue to strengthen competence and knowledge sharing in this area.



In picture from left to right: Sara Billo (QHSE Manager BHE&FHE PG), Massimo Balestrini (Vice President Operations, Product Group President BHE/FHE & WHE), Leonardo Chiecchi (Factory Manager BHE San Bonifacio), Riccardo Marchetti (Senior Manager, Operations Development BHE), Mauro Rodella (Site Services Manager, Shared Service Adriatic Region), Alberto Bergamin (Site Services Manager Alonte/San Bonifacio, Shared Service Adriatic Region).



Bian Jizhou, technician Kunshan factory, China.

## A pure idea in China

During 2020 we have installed a new waste-water treatment system in our Jiangyin factory in China. Due to the process in this site, discharge water is contaminated with several metals and ammonia. By installing a new waste water treatment plant that includes an evaporator, the waste water is treated so that we can eliminate the impurities and send them for disposal while the purified water is reused in the process water of the plant. This enables the reuse of about 1,250m<sup>3</sup> of water per year.

## A star is born in Italy

In September 2020, Alfa Laval opened a new manufacturing facility in San Bonifacio (Italy), where 6% of the energy supply is generated by the solar panels on the factory roof. The installation with 2,600 solar panels covers 4,368 m<sup>2</sup> of the roof with a peak power of 858 kWh and an annual energy production of one million kWh. The photovoltaic plant will help reduce around 530 tons of CO<sub>2</sub>.

The San Bonifacio plant will produce mainly Brazed Heat Exchangers and is thus one of the most energy intense facilities in the company. Sustainability has been in focus when the factory was designed and constructed and it has been certified according to ISO 5001 which means that energy has been in focus both in terms of implementing energy efficiency projects, measuring processes, evaluating legislation, in developing training and communication plans.

## Sustainable Development Goals

Alfa Laval works to optimize the use of natural resources. This involves reducing carbon emissions by improving energy efficiency and increasing the proportion of renewable electricity. We also work to reduce water consumption and improve our waste management processes. Alfa Laval contributes to SDG 6 Clean water and sanitation, SDG 12 Responsible production and consumption and SDG 13 Climate Action.





# People

At Alfa Laval, we always go that extra mile to overcome the toughest challenges. Our driving force is to accelerate success for our customers, people and planet. You can only achieve that by having dedicated people with a curious mind. Curiosity is the spark behind great ideas. And great ideas drive progress. Alfa Laval strives to be a truly diverse and inclusive workplace based on care and empowerment. We provide a supportive and international environment where our employees can develop and excel.

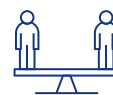
## Inclusion and diversity

During 2019 we have reviewed Alfa Laval's vision with the ambition to be recognized as an inclusive workplace where diversity is essential to achieving the company's objectives. We believe that inclusiveness through diversity maximizes the potential of individuals and of the organization as a whole. A culture where everyone is encouraged to "be themselves" and bring the different aspects of diversity to the work environment we think will have a great impact on our innovation and business results.

Our 2025 goals are 35% females in our total workforce, 25% female leaders and less than 70% homogeneity (gender & nationalities) in our senior management teams.

Our ambition is to recognize women with executive potential at an early stage. The proportion of female employees in the company was 20.9% (20.3%), the proportion of female managers was 18.8% (18.0%) and the proportion of female managers in top management was 33% (22%). We have

### Targets up to 2025



35%

women in the company as a whole

25%

women in leading positions

<70%

homogeneity (gender and nationality) in highest level leading positions



during 2020 42% females totally as new hires (white collar positions) and we will continue to work with, amongst other, recruitment to achieve our goals.

One initiative within this strategy is the development and mentorship programme – “Impact”. The purpose of the programme is to identify, retain and develop emerging female leaders within Alfa Laval in order to increase the number of management positions held by women. Since the first program in 2009, 43 participants have completed the programme.

We have also started management team workshops to focus more on inclusion and how unconscious bias can be avoided, building an inclusive culture. The purpose is to have all senior management team participate in such a workshop. In addition, all managers will receive inclusive leadership training by the end of 2021.

### Learning and development

For Alfa Laval it is important to provide all employees with training in several different areas to be able to meet today’s and future challenges. During the Spring of 2020, the company launched a new digital training portal enabling to plan and follow-up of different training modules at individual level.

The portal also makes it possible to provide training for customers and business partners. The training platform includes a broad range of courses from basic training to advanced programmes in areas such as leadership and project management. Many of the company’s courses are internet based (e-learning). They can be carried out in real time in groups or individually when it suits the employee.

During 2020 employees have been given the opportunity to participate in an e-learning to improve basic knowledge about digitalization and its consequences. A common understanding and knowledge will ensure continued progress in the digitalization journey the company has initiated. Compliance training is also included in this training including training on Alfa Laval’s Business Principles, anti-bribery and anti-corruption and intellectual property training. For more information, see pages 10 and 36–37.

### Employee satisfaction

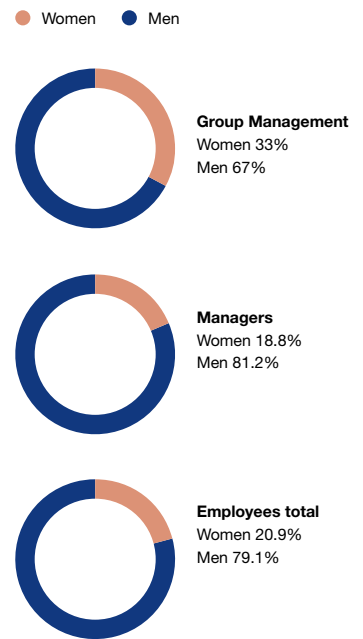
High engagement among our employees contributes to a better place to work and better business result. At Alfa Laval we are always curious and listen to each other. We have a continuous dialogue and value an open culture where everyone has the possibility to contribute and influence.

Empowerment drives action that creates engagement. Research shows that engaged employees improve customer satisfaction, increase profitability & sales and boost productivity while reducing employee turnover.

By active listening we care and create mutual trust in an inclusive workplace with engaged employees who go the extra mile.

Alfa Laval conducts an employee survey periodically. During 2020 we did not have a survey as a new structure for the survey has been developed to be carried out in 2021. The 2019 employee survey showed that our employees are highly motivated and confident about the future success of Alfa Laval. The results highlighted that 82% of all employees feel engaged. This figure was more than 14%-points higher than the benchmark within our industry. The survey also indicates that employees are motivated by being part of our company purpose “accelerating success for our customers, people and planet”.

### Gender balance in 2020



The charts present the proportion of men and women within different roles in Alfa Laval.

### Training

Providing employees with learning opportunities is an important tool to ensure continuous development.

1,329

number of courses in the global programme

7,871

number of employees who took part in trainings

5.5

average hours of training per employee



## Meeting the challenge of a lifetime head on

When the first reports about a new fast-spreading virus started coming from China, Alfa Laval reacted quickly, and put together a global crisis management group, headed by Rikard Egeriis, Vice President Group Risk Management.

Rikard tells us about the process: "Early in the year, it was clear to us that Covid-19 could have major global impact. February 4th, we formed the Crisis Management Team, with global responsibility to guide local crisis management." The most important aspect is of course to keep everyone safe by limiting risks of infections, but almost equally important is to protect the business and consider the external impact.



The fact that we make a difference for society and people, since we produce equipment for critical functions in society meant that we had to continue operations throughout the pandemic. Building on this, while also making sure that all employees have correct information to limit feelings of fear or panic, we tried to create a positive team spirit. Since the pandemic, employees have been working from home whenever possible, and all non-critical business travel has been suspended. For employees working in production or other necessary on-site roles, we have altered teams and shifts, to minimize the risk of contact. Face masks are strongly recommended or mandatory, when we cannot keep social distance.

Working from home has been successful initially. The long-term effects on health and psychological impact are still to be seen. Many enjoy less time spent commuting and a more flexible daily life, but we all miss our colleagues. Those "meetings between the meetings" that are so important for our work life quality.

When we leave the pandemic behind us, our crisis management will have made critical learnings that we can benefit from going forward. We have also opened interesting possibilities in how we can benefit from remote working to some extent also in the future. The most important lesson, however, is that our people are the most important resource of our company and that we work best when we work tightly together, even if our meetings may not always be physical.

### Three desired end states were defined early, for Alfa Laval's People, Business and External relations:



#### People

Alfa Laval employees and customers felt safe and felt that Alfa Laval was in control of the situation.



#### Business

Business has continued, with minimum disruptions. Necessary adaptations were made to stay in control of the situation and enabled a swift and flexible ramp up.



#### External

Each situation was treated as unique and coordinated in accordance to the prevailing external circumstances at the time.

## Sustainable Development Goals

Alfa Laval has almost 17,000 employees globally. As a large employer, we contribute to SDG 4 Quality education and SDG 5 Gender equality. Our employee philosophy includes four important components:

- We provide safe and healthy working conditions
- We continually develop employee competence and flexibility
- There shall be no direct or indirect discrimination on the grounds of race, colour, sex, religion, political opinion, national extraction or social origin
- We recognize the right of employees to freedom of association and collective bargaining





# Health and safety

Alfa Laval's safety vision "We return home safely. Every day!" means that our ambition is to have a workplace that is free from accidents and work-related illnesses.

At Alfa Laval, we work to continuously improve our health and safety (H&S) performance. Our global H&S Policy requires that our workplaces have high standards of safety and well-being. The Alfa Laval Global H&S Manual underlines the accountability of our managers to fulfill and uphold this policy. The work is supported by local H&S management systems. Additionally, all Alfa Laval's facilities are expected to comply with local legislation and regulations.

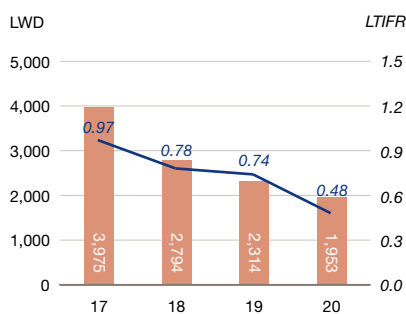
## Targets and progress

Alfa Laval's key target in the H&S area for 2020 has been to reduce lost time injuries (LTIs) by 30% compared with 2017. Alfa Laval managed to achieve a reduction of LTIs by 51% compared with base year 2017 which means we have managed to perform better than our target. In 2020, the total number of LTIs was reduced to 75 (119). The total number of lost working days decreased to 1,953 (2,314). In addition, we have an

annual target to reduce absenteeism by 2%. Absence among Alfa Laval's employees due to illness or work-related accidents reduced to 1.84% (1.91%).

A process for setting new targets for the coming 3 years period was also initiated during the year. The new target is a 30% reduction of Lost time injury frequency rate by 2023 vs base year 2020.

## Injuries



■ LWD (Lost working days)  
■ LTIFR (Lost time injury frequency rate)

## Health and safety indicators

	2017	2018	2019	2020
Lost Time Injury <sup>1)</sup>	152	122	119	75
Lost Time Injury Frequency <sup>2)</sup>	0.97	0.78	0.74	0.48
Lost Working Days <sup>3)</sup>	3,975	2,794	2,314	1,953
Absenteeism (%) <sup>4)</sup>	2.12	2.08	1.91	1.84

<sup>1)</sup> Number of reported accidents including travel accidents  
<sup>2)</sup> Number of accidents per 200,000 working hours

<sup>3)</sup> Days lost due to accidents  
<sup>4)</sup> Days lost due to any form of illness (including LTIs)



## Health and Safety priorities

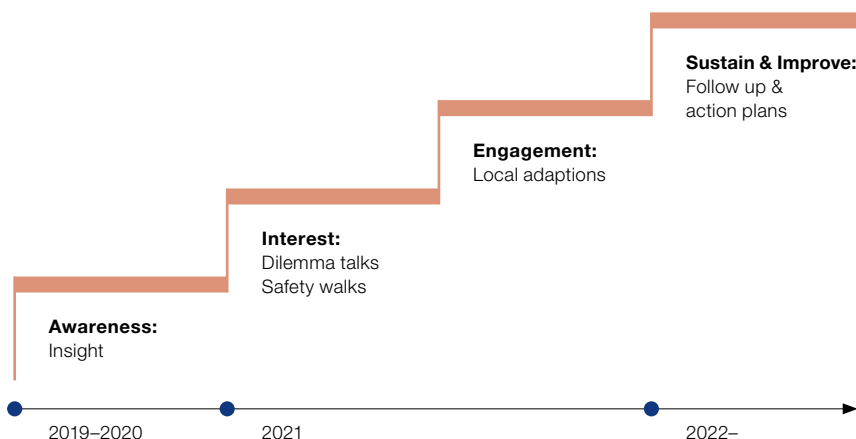
During 2020, the focus remained on enhancing H&S performance in three main areas: safe culture, safe technology and safe systems. Good progress in all three areas is a prerequisite to achieve our targets and vision. All areas are equally important but the main focus from the group during 2020 was to develop our Safety Culture even further.

### Safe Culture

Promoting behavioural change is necessary to create a culture focused on safety in the workplace and this is something that concerns all employees. Our managers have an important role to demonstrate leadership and lead the development. Alfa Laval's methods to raise awareness, "Stop-Think-Act" and 3PR (three prioritized risks), applied during 2020, gave positive results and significantly improved the safety culture in the company.

During 2019, we launched the company-wide initiative "I care" with the purpose of promoting safe attitudes and behaviours and that work continued during 2020. The initiative builds on four crucial steps: Awareness, Interest, Engagement and Sustain & Improve. The implementation of the first step was slightly adjusted during 2020 due to Covid-19. This meant that

## Milestones in the "I care" initiative



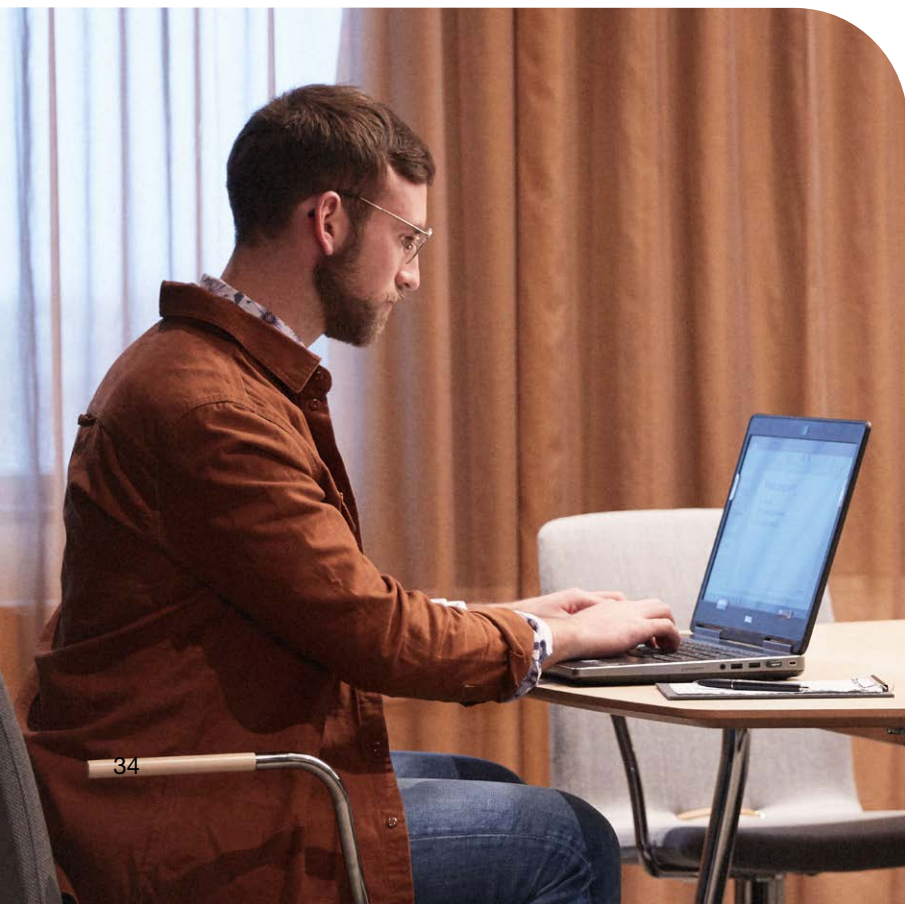
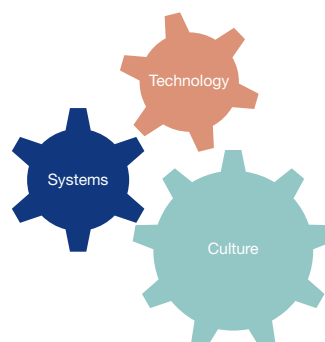
office based departments have carried out workshops via video meetings instead of F2F meetings to keep momentum in the safety work and ensure that we continue our work also during these challenging times. The second step of the "I care" initiative which is about improving employee interest in safe culture, was launched late 2020 and will remain in focus for the coming years. The main tool used in step 2 is dilemma talks. Dilemma talks will help managers to facilitate discussions of

everyday situations where Alfa Laval's employees health or safety can be compromised, and by doing so we improve risk awareness and understanding of what behavioural changes are required in different situations. The dilemma talk will also train all employees to choose the safe alternative when facing a dilemma in daily work situations.

### Safe technology and equipment

An important part of Alfa Laval's safety work is to ensure safe machines and equipment. Risk assessments are therefore done to identify hazards on a regular basis. Risks related to machine safety often result in an investment request that when implemented will eliminate or reduce the risk to an acceptable level. Safety investments are given priority.

### Main areas to improve health and safety



### Supporting systems for increased safety

A strong safety culture must be supported by robust safety systems. Alfa Laval's safety system consists of a number of policy documents and standards e.g. risk assessments and heavy lifting. These policies and procedures support the organization to identify and establish appropriate controls for each of these key hazards. By way of example, a global standard for safe handling of equipment containing hazardous substances in our service centers was developed and rolled-out worldwide in 2020. The standard is expected to reduce incidents and injuries. The group standards are regulated in the The Alfa Laval Global Health & Safety Manual.

### Good health and well-being

Due to Covid-19, year 2020 put additional focus on health and well-being and Alfa Laval took a number of actions to minimize the spread of the virus among our employees, ensure well-being and safeguard the business.

At Alfa Laval, ensuring good health is both about concern for the individual as well as promoting Alfa Laval's continued business success. Local conditions determine the nature of the actions implemented to improve health and well-being. Many employees have worked from home during the year which has made it necessary to put additional focus on health and well-being. To reduce the risk of ergonomic problems is it possible for employees to borrow office equipment and use it in their home office environments. Certain countries have also provided employees with temporary tables that enable employees to have a standing desk thus reducing strains on the body from sitting down longer period of time.

The pandemic has also had an impact on the possibility of having an active lifestyle and thus the company has run information campaigns to support physical activity and healthier diets.



In picture from left to right: Sanjay Marne, HSE Region India, Mahesh Haridas, Safety Manager and Basawraj Sakhare, Safety Manager.

### How a strong safety culture reduced injuries in India by 90%

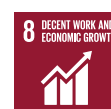
India operations have reduced 90% of injuries over the past three years. The key reason has been the focus on behavioural safety leadership, which in turn has resulted in strong safety culture. Employees are actively engaged in daily conversations on improving safety with risk-based safety management. In the process, the focus has been on behaviours – positive and negative. The discussions have empowered employees to focus on their own health and safety, and their colleagues as well.

The engagement in safe behaviour and daily conversations has led to reduced serious and minor injuries and good safety compliance. Significant improvements have been achieved in key risk areas such as hand safety, working at heights, electrical safety, confined spaces, machine safety, supplier and project safety.

“The awareness of unsafe situations across the organisation has increased significantly in the past years. Empowering our employees to report potential safety hazards along with the growing ability to challenge any unsafe practice is showing results. We will continue to drive improvement through leadership and recognition” – Sanjay Marne, HSE Manager India Operations.

### Sustainable Development Goal

SDG 8 is intended to promote decent work for all. This means protecting labour rights and promoting safe working environments for all workers. Working conditions and safety are highly prioritized areas for Alfa Laval.







# Business integrity

Operating our business with integrity is essential to ensure that we live up to the expectations of our stakeholders. We should be able to guarantee that we conduct our business in a responsible and fair manner.

## Compliance with laws, regulations and Business Principles

It is important for Alfa Laval to conduct its business with honesty, integrity and respect for others. This means that we not just follow the Business Principles of Alfa Laval and applicable laws and regulations in the countries where we operate but are also determined to follow highest ethical standards of business conduct. We carefully monitor the development of international legislation, social standards and voluntary initiatives, including anti-bribery, anti-corruption and conflict of interest. During 2020, the focus has been on a stronger business integrity culture and increased transparency, where the updated whistleblowing system is a key component.

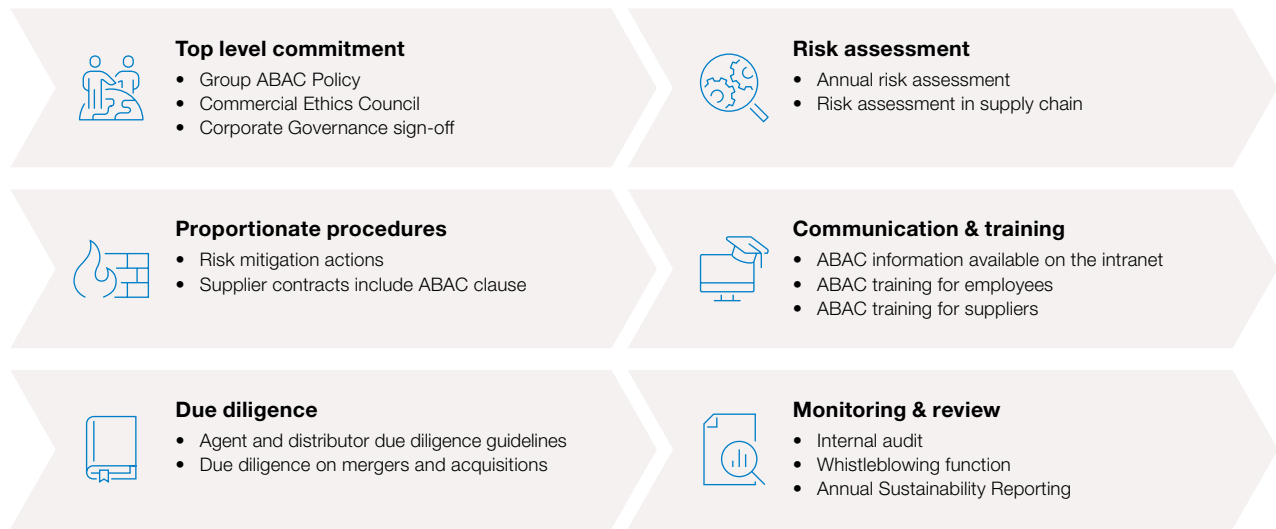
## Anti-bribery and anti-corruption

Alfa Laval has a zero-tolerance approach towards any form of bribery and corruption. The international scope of Alfa Laval's sales organization means that we are active in several countries where there is a high risk of corruption. One of many tools used by Alfa Laval in assessing risk is Transparency International's Corruption Perception Index. Alfa Laval's Anti-Bribery and Anti-Corruption (ABAC) Policy outlines the expectations the company has on all employees. Alfa Laval has built its work with anti-bribery and anti-corruption on the six steps outlined in the UK Bribery Act, and is based on the "prevent, detect and correct" methodology. Risk assessments are made on a global level. More than 80% of Alfa Laval's sales companies have been evaluated for risks related to corruption and

## Proportion of employees trained in anti-corruption in 2020



## Anti-bribery and anti-corruption process



the highest exposure was found connected to the use of agents and distributors.

No public legal cases regarding corruption have been brought against the organization or its employees during the reporting period.

### Governance

The Commercial Ethics Council, chaired by the CEO, is responsible for ensuring that we have the appropriate policies and processes in place. All managers are responsible for ensuring compliance with our policies, including the ABAC Policy and the implementation of local guidelines.

Line managers are continuously trained to keep up their awareness of the latest developments in Alfa Laval corporate policies and global compliance trends.

Line managers are reminded about their responsibility to implement all Alfa Laval corporate policies each year through previously and this year, an internal control self-assessment was rolled out for sign-off and submission with a focus on policies and internal controls.

Internal audits are conducted regularly and are intended to ensure that appropriate processes are in place and function properly.

### Reporting breaches

We encourage our employees to resolve work-related issues and disagreements through an open dialogue. If this is not possible, a company-wide whistleblowing system enables both internal and external stakeholders to report suspected breaches anonymously. Alfa Laval's whistleblowing system is a secure and efficient tool that enables Alfa Laval employees to combat fraud and uphold the good reputation of the company. The system complies with the EU data privacy regulation (GDPR) as well as upcoming EU-wide standards to protect whistleblowers. Each report is encrypted and password-protected and can only be decrypted by designated individuals within Alfa Laval Group Legal who decide if and how whistleblowing messages shall be escalated.



### ABAC Policy

Employees have received information on Alfa Laval's policies and procedures regarding anti-corruption.



### Whistleblowing system

A group-wide whistleblowing system enables stakeholders to report suspected breaches of our Business Principles anonymously.

## Sustainable Development Goals

SDG 16 is intended to substantially reduce corruption and bribery in all its forms. We cannot achieve sustainable development without tackling corruption and Alfa Laval continuously works to eliminate all forms of unethical behaviour.





# Responsible sourcing

Responsible sourcing is a prioritized area for Alfa Laval. Our ambition is that all Alfa Laval suppliers live up to our Business Principles.

## Compliance at global level

The purchasing organization within Alfa Laval handles the total needs of material to all production and distribution sites. The organisation handles many diverse purchases including raw materials such as steel, aluminium, titanium, castings, forgings, machines, electrical instruments and fasteners to give some examples.

As the company is present with more than 40 production sites and distribution centres in Europe, Asia and America so is our supply chain. We expect our suppliers in all these regions to act ethically and in full compliance with the applicable local regulation. Furthermore, Alfa Laval's direct suppliers are to comply with sustainability requirements in our Business Principles, which enables us to monitor and assess their capacity to meet stricter demands and to improve their overall operations. We work continuously to make this process more effective. However, we can never be completely satisfied with our progress.

## Sourcing organization

Alfa Laval's global sourcing organization defines the strategy for supply and supplier management, while the responsibility for

the sourcing of products and services is allocated locally. The Alfa Laval Supplier Risk and Compliance Council, with representatives from the Business Units and the global sourcing organization, ensures that suppliers follow our Business Principles and set annual improvement plans. Alfa Laval's Regional Risk & Compliance leads manage supplier audits and support suppliers when there is a need for improvement due to non-compliance.

Risk & Compliance leads are also responsible for training and certifying internal auditors. Supplier managers are in charge of the ongoing dialogue with our suppliers. They implement Alfa Laval's Business Principles and follow up to enable continuous improvement.

## Business Principles training for sourcing organization

The Alfa Laval Business Principles are the foundation of our sourcing process. All employees in the global sourcing organization are required to undergo mandatory training on the Business Principles. During 2020 we have had to reduce the number of trainings carried out due to the Covid-19 pandemic but

## Assessing supplier risk

The following three areas guide our risk assessment of suppliers



### Country risk

Risk related to human rights breaches or bribery/corruption in the country where the supplier is based.



### Product & production process risk

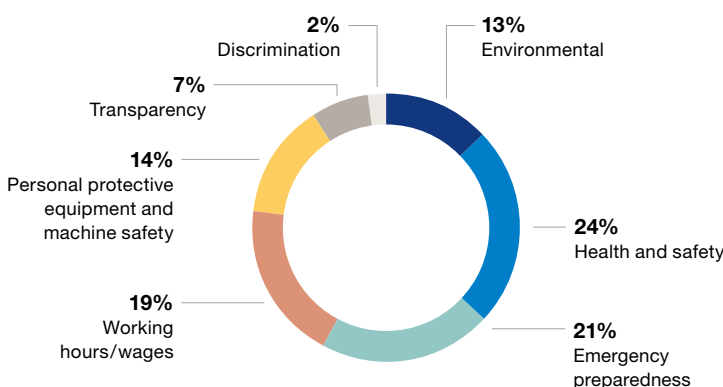
Risk related to occupational health and safety or environmental impacts associated with supplier production processes.



### Governance & policies

Risk based on analyses and screenings of the supplier's available documentation of policies and governance.

## Most common deviations in supplier audits 2019–2020



materials are available through our intranet and our Risk & Compliance leads. In total we have trained more than 400 employees within the sourcing organization on Business Principles implementation in the supply community.

### Supplier risk assessment

The sourcing organization collects data using a scorecard of critical indicators such as anti-corruption, environmental issues and working conditions. The supplier risk assessment (see figure page 38) includes an initial screening to ensure that we prioritize the suppliers with the highest risk of breaches of our Business Principles.

### Supplier audits and action plans

During the year, internally certified auditors and third-party auditors conducted 40 audits in China to assess suppliers' social and environmental performance and compliance with our Business Principles. On-site audits in other countries were hindered by the Covid-19 pandemic.

We follow up all cases of identified potential or actual negative impacts with an improvement action plan. Our audit platform highlights six critical areas: child labour, young labour, forced labour, freedom of association, health and safety, fire protection and environment. Deviations in any of these areas require immediate correction, both from new and established suppliers.

Alfa Laval's main objective is to drive progress throughout the supply chain, which is why we focus on suppliers with significant deviations and high risks. Suppliers with serious breaches get a limited time to implement the necessary improvements with the support of an effective supplier development programme. If the follow-up audit shows insufficient progress, Alfa Laval has an escalation process to terminate the supplier relationship as a final resort. The most common deviations have the past years been in the areas of health and safety, emergency preparedness, working



hours and wages (see the diagram on page 38). During 2020, Alfa Laval phased out six suppliers due to Business Principles breaches or other major deviations.

### Progress on sustainability focus

In 2019, Alfa Laval's global sourcing organization revised its strategic focus and identified three areas of particular importance. Health and safety is vital both for Alfa Laval's sourcing organization and for our suppliers' operations. During 2020, we have developed a program to increase supplier competence on the importance of safety culture and prepared a pamphlet including a supplier diagnostic form as well as best practice in 6 languages. We also did a virtual training of dilemmas in the safety area in both India and China. During 2020 we also started working on a baseline for scope 3 emissions upstream which involves our supply chain. The third area we have made progress on is on packaging and reducing the amount of plastics used by developing a supplier packaging guideline and also interviewing more than 1,000 suppliers on how they package materials sent to us in order to find activities to reduce both plastic and packaging materials.

### Conflict minerals

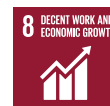
The Dodd-Frank Act requires companies to conduct due diligence to ensure that the minerals used in their products are not sourced from mines that finance armed groups guilty of human rights violations. Since 2013, Alfa Laval has been following the company-wide policy on conflict minerals available on [www.alfalaval.com](http://www.alfalaval.com). A supplier assessment platform is used to increase transparency and visibility in order to identify suppliers that require an assessment. In 2020, Alfa Laval assessed and initiated dialogue with 620 suppliers to ensure compliance.

### Modern Slavery Act

Forced labour and human trafficking are severe global issues with significant negative impact. Alfa Laval has zero tolerance to these issues within its organization and supply chain. Modern Slavery is included in training programmes for employees and suppliers, as well as in the monitoring, auditing and follow-up activities with suppliers. Read more in Alfa Laval's Modern Slavery Act Statement, available on our website.

## Sustainable Development Goals

The core of SDG 8 is to promote decent work for all. This involves protecting labour rights and promoting safe working environments for all workers, both in our own operations and through the demands we place on our suppliers. With our zero-tolerance approach to bribery and corruption that applies to the entire supply chain, we contribute to the progress towards SDG 16.





# Community involvement

Alfa Laval strives to be a good corporate citizen, positively impacting the communities where we work. We support local charities and volunteering projects in many countries where we operate. This year's report highlights two projects as examples of how we have managed to continue this work during the global pandemic.

## Kids Haven in South Africa

Kids haven is an organization in Johannesburg aiming to reach children in need, especially those without parental care, to provide shelter, protection, education, training and therapy. The goal is to help neglected and abused children to turn their lives around.

All of the work at Kids Haven focuses on supporting behaviour change and providing the foundation for good social development. This means having a safe place to live with committed, loving and attentive adults who model the right behaviour and care. The model also focuses on childhood activities of education, sport, and fun, which develops character.

Alfa Laval has supported Kids Haven since 2016 and has arranged various initiatives, including a tree planting day, Easter and Christmas celebrations. Due to Covid-19, they were unable to arrange any such functions this year. Instead, we have donated desktop computers with monitors and keypads to support the children's education and learning.







### Digital education in India

Alfa Laval supports the Pratham organization in India, an innovative learning organization working to improve education quality. As one of the largest non-governmental organizations in the country, Pratham focuses on high-quality, low-cost and replicable interventions to address gaps in the education system.

Alfa Laval supports the organization in several projects, and the most critical challenge in 2020 has been the transition to digital learning, as schools have mainly been closed under the year. The goal has been to ensure that children can continue to learn and play during this challenging period. School assignments, reading materials and games have been sent out via text message and Whatsapp, with follow-up conversations over the phone or written communication.

Alfa Laval supports these remote education projects in Assam and West Bengal, where we estimate that we have managed to reach close to 75% of the children we would have supported in a normal year – just under 22,500 children.

In addition to educational activities, Alfa Laval has collaborated with local authorities to plan for the schools' opening. The goal is to identify children at risk of dropping out of school and to train regular teachers to be aware of possible knowledge losses caused by school closures.

### Sustainable Development Goals

In addition to the above mentioned community projects, Alfa Laval supports local charities and volunteering projects in many countries where we are present. Some examples are clean drinkin water projects in India, an on-site school for children from poor families in Brazil, ocean cleaning initiatives in Norway and cooperation with NGOs and academia in Holland and Russia. More information about these initiatives can be found on [www.alfalaval.com](http://www.alfalaval.com). The two projects described above contribute to SDG 4 Quality Education and SDG 17 Partnerships.



# Auditor's opinion

Auditor's report on the statutory sustainability statement.

To the general meeting of the shareholders of Alfa Laval AB, corporate identity number 556587-8054.

## Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's (institute for the

accountancy profession in Sweden) auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinions

A statutory sustainability statement has been prepared.

Lund 9 March 2021

Ernst & Young AB

Staffan Landén  
Authorised Public Accountant

Karoline Tedevall  
Authorised Public Accountant

# Global Compact Index

Global Compact Index	Principle	Page
<b>Human rights</b>		
Businesses should support and respect the protection of internationally proclaimed human rights	Principle 1	10, 12, 30-41, 43-51
Businesses should make sure that they are not complicit in human rights abuses	Principle 2	10, 12, 30-41, 43-51
<b>Labour</b>		
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Principle 3	10, 44, 51
Businesses should uphold the elimination of all forms of forced and compulsory labour	Principle 4	10, 51
Businesses should uphold the effective abolition of child labour	Principle 5	10, 12, 51
Businesses should uphold the elimination of discrimination in respect of employment and occupation	Principle 6	10, 12-13, 30-31, 50
<b>Environment</b>		
Businesses should support a precautionary approach to environmental challenges	Principles 7	10, 12-13, 24-29, 45-48
Businesses should undertake initiatives to promote greater environmental responsibility	Principles 8	10, 12-13, 24-29, 45-48
Businesses should encourage the development and diffusion of environmentally friendly technologies	Principles 9	10, 12-13, 24-29, 45-48
<b>Anti-corruption</b>		
Businesses should work against corruption in all its forms, including extortion and bribery	Principle 10	10, 12-13, 36-37, 45





# Sustainability notes

The report covers the 2020 calendar year and focuses on material topics and activities in line with stakeholder concerns. The table below contains our GRI disclosures. Data and sustainability information for previous years are available at [www.alfalaval.com/about-us/sustainability/](http://www.alfalaval.com/about-us/sustainability/).

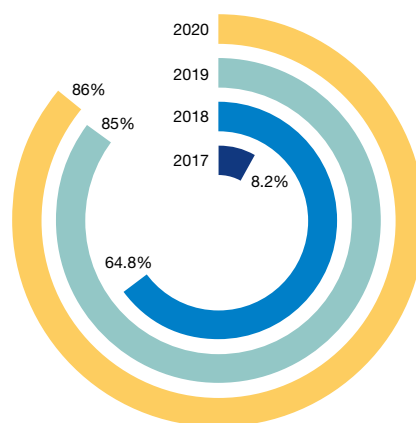
GRI Standards	Disclosures, comments and omissions	Page
<b>General Standard Disclosures</b>		
<b>Organizational profile</b>		
102-1	Name of the organization	Alfa Laval AB (publ), corporate identity number 556587-8054
102-2	Activities, brands, products, and services	SR 3, 6-9, 14-15, 18-23
102-3	Location of headquarters	Lund, Sweden
102-4	Location of operations	SR 3
102-5	Ownership and legal form	Alfa Laval AB is a publicly owned company listed on Nasdaq Stockholm. Three largest shareholders are Tetra Laval International SA, Alecta and AMF Insurance and Funds.
102-6	Markets served	SR 3, 6-7, 14-15, 18-23
102-7	Scale of the organization	SR 3, 6-7
102-8	Information on employees and other workers	Unless stated otherwise, all information in this report concerning the number of employees refers to data from the actual number of employees on 31 December for each year. The total number of employees amounted to 16,882 (17,497), of which 20.9% (20.3%) are women. The number of employees (excluding non-Alfa Laval branded acquisitions) was 15,181 (15,571) employees.
102-9	Supply chain	SR 38-39
102-10	Significant changes to the organization and its supply chain	SR 4-5, 13, 38-39
102-11	Precautionary Principle or approach	According to Alfa Laval's Business Principles and the corporate Environment Policy, we support a precautionary approach and establish measurable objectives for improved environmental performance and resource utilisation in order for our own operations to become as efficient as possible.
102-12	External initiatives	SR 3, 16-17, 42-43
102-13	Membership of associations	SR 42-43
<b>Strategy</b>		
102-14	Statement from senior decision-maker	SR 4-5
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	SR 3, 6, 10-12, 28, 30-41
<b>Governance</b>		
102-18	Governance structure	SR 11

GRI Standards		Disclosures, comments and omissions	Page
<b>General Standard Disclosures</b>			
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups		SR 12
102-41	Collective bargaining agreements	Our Business Principles stipulate that all employees shall be free to form and to join trade unions or similar external representative organizations and to bargain collectively. The coverage varies from country to country. Globally, approximately 49% of employees are covered by collective bargaining agreements.	
102-42	Identifying and selecting stakeholders		SR 12
102-43	Approach to stakeholder engagement		SR 12
102-44	Key topics and concerns raised		SR 12
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	Entities included in Alfa Laval's consolidated financial statements can be found in the Annual Report. The entities are also covered by this report. However, the reporting on our progress towards the environmental targets includes the sites that were part of the Alfa Laval Group during the baseline year 2015.	AR 126-130
102-46	Defining report content and topic boundaries	The Sustainability Report covers the sustainability topics that are material both for the company and for our key stakeholders.	SR 12
102-47	List of material topics		SR 12
102-48	Restatement of information	No restatements of information provided in the previous reports.	
102-49	Changes in reporting	No changes in the reporting scope or method.	
102-50	Reporting period	1 January 2020 – 31 December 2020	
102-51	Date of most recent report	9 March 2020	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	sustainability@alfalaval.com	SR 2
102-54	Claims of reporting in accordance with the GRI Standards	Alfa Laval reports in accordance with the Global Reporting Initiative (GRI) Standards: Core option. All reported GRI-Standard modules refer to version 2016, unless specified otherwise.	
102-55	GRI Content Index		SR 43-51
102-56	External Assurance	No external assurance has been undertaken.	SR 42
<b>Specific Standard Disclosures</b>			
<b>GRI 200: Economic standard series</b>			
<b>Economic performance</b>			
103	Management Approach <sup>1</sup>	We create wealth for our stakeholders by providing our customers with innovative products and solutions. Economic value generated is distributed among a number of stakeholder groups thus benefiting the societies where we operate. Alfa Laval's annual financial reporting reflects the company's current value generation progress.	SR 6-7
201-1	Direct economic value generated and distributed		SR 7

<sup>1)</sup> Includes 103-1 Explanation of the material topic and its boundaries, 103-2 The management approach and its components, 103-3 Evaluation of the management approach.

GRI Standards		Disclosures, comments and omissions	Page
<b>Specific Standard Disclosures</b>			
GRI 200: Economic standard series			
<b>Anti-corruption</b>			
103	Management Approach <sup>1</sup>	Alfa Laval's work with anti-bribery and anti-corruption is a cornerstone of our business integrity. The work is defined by our Business Principles and local laws and regulations and is regularly monitored by the global compliance function.	SR 10, 12, 36-37
205-1	Operations assessed for risks related to corruption		SR 36-37
205-2	Communication and training on anti-corruption policies and procedures	Mandatory anti-corruption training for white-collar employees, held on a biennial basis, includes different scenarios with examples of dilemmas that various roles within the company may encounter.	SR 36-37

#### Training in anti-corruption policies and procedures for white-collar employees



GRI 300: Environmental standard series			
103	Management Approach <sup>1</sup>	<p>The following information refers to the entire section (GRI 300: Environmental standards).</p> <p>The environment is a highly prioritized area at Alfa Laval regulated by the Group's Environmental Policy and Business Principles. The strategy towards 2020 refers to Alfa Laval's operations and includes targets for carbon emissions, energy and water consumption, waste recycling and the use of chemicals. The environment is also part of the supplier assessment process. The environmental impact of Alfa Laval's products is one of the most material areas for internal and external stakeholders. We report on our environmental performance in the annual Sustainability Report. The carbon emissions data and factors are in accordance with the GHG Protocol.</p>	SR 10, 12-13, 24-29

<sup>1</sup> Includes 103-1 Explanation of the material topic and its boundaries, 103-2 The management approach and its components, 103-3 Evaluation of the management approach.



Specific Standard Disclosures

GRI 300: Environmental standard series

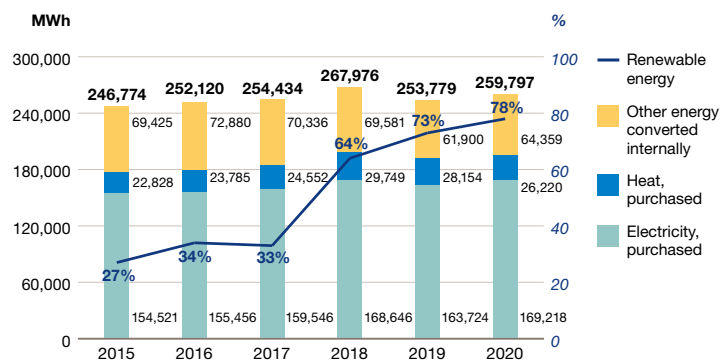
Energy

302-1 Energy consumption within the organization

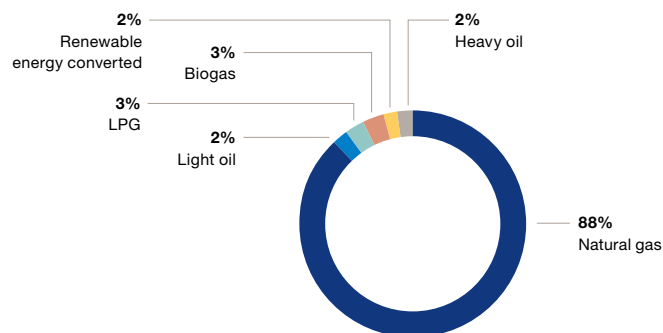
In 2020, the normalized energy consumption for comparable sites increased by 5.2% compared with the baseline year 2015. Energy converted internally accounted for one quarter of Alfa Laval's energy consumption. Renewable energy includes biogas and renewable energy converted, which includes energy from photovoltaic systems. All other energy sources are fossil-based (non-renewable).

SR 13, 24-29

Direct energy consumption within the organization (MWh)



Energy converted internally in 2020



302-4 Reduction of energy consumption

SR 13, 24-29

Water

303-1 Interactions with water as a shared resource

Alfa Laval's main production processes do not require significant amounts of water. Most of the water consumed is used in the testing of our products and in service procedures. We use the World Resources Institute 'Aqueduct Water Risk Atlas' tool in our assessments of water-related impacts.

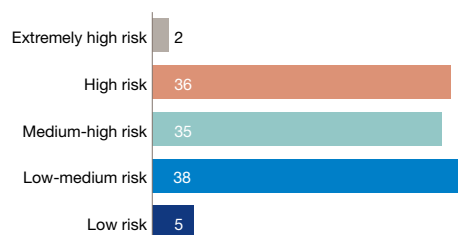
SR 13, 25, 28

The global water action group initiated in 2018 that consists of Alfa Laval sites with the highest water consumption in water stressed areas continued its work in 2020.

GRI Standards	Disclosures, comments and omissions	Page
<b>Specific Standard Disclosures</b>		
GRI 300: Environmental standard series		
<b>Water</b>		

303-3	Water withdrawal	<p>In 2020, Alfa Laval's total water withdrawal equalled 629,065 m<sup>3</sup>, a 14% decrease compared with 2015.</p> <p>We have sites in 10 water-stressed regions, see the chart below. The water consumption from these sites represents 15% of the company's total water consumption.</p>	SR 13, 25, 28
-------	------------------	--	---------------

**Water stress**

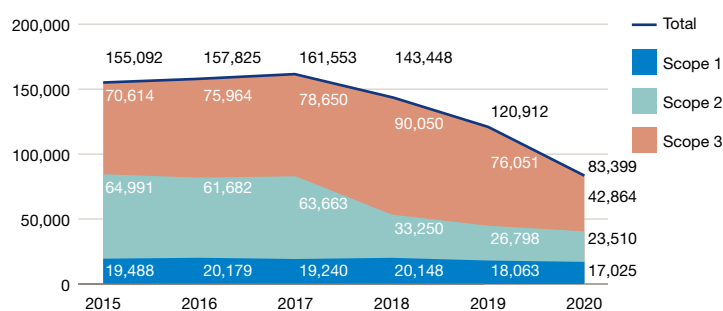


**Emissions**

305-1	Direct (Scope 1) GHG emissions	Direct (Scope 1) emissions include energy consumption within the organization and company cars. Scope 1 emissions equalled 17,025 tonnes CO <sub>2</sub> e.	SR 13, 24-29
305-2	Energy indirect (Scope 2) GHG emissions	Indirect (Scope 2) emissions include indirect market-based emissions. Scope 2 emissions equalled 23,510 tonnes CO <sub>2</sub> e.	SR 13, 24-29
305-3	Other indirect (Scope 3) GHG emissions	<p>Other indirect (Scope 3) emissions only include goods transportation for 2020 due to the fact that the Covid-19 situation minimized business travel significantly and is incomparable with previous years. Scope 3 emissions equalled 42,864 tonnes CO<sub>2</sub>e.</p> <p>69% of goods were transported by road, 23% were shipped by sea, 7% were transported by air and 1% by rail.</p>	SR 13, 24-29

305-5	Reduction of GHG emissions	<p>Alfa Laval works to reduce carbon emissions in all three scopes. Our work in scope 1 &amp; 2 is further explained on page 28. Regarding the transportation of goods, our main challenge is to increase the share of transport by land and sea while reducing air freight. However, there are occasions when we have limited opportunity to influence the choice of transport means (e.g. an urgent customer request). Alfa Laval has an important role in providing customers with details on the environmental impacts of various transport choices.</p> <p>The table below presents Alfa Laval's Scope 1–3 emissions from the baseline year 2015 till 2020. Please observe that scope 3 emissions for 2020 do not include business travel:</p>	SR 13, 24-29
-------	----------------------------	---	--------------

**Carbon dioxide emissions (tonnes CO<sub>2</sub>e)**

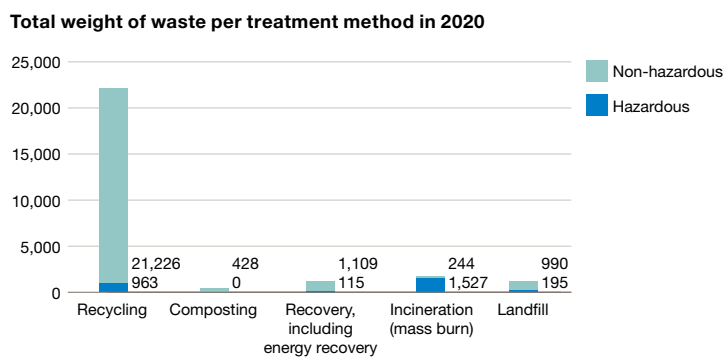


**Specific Standard Disclosures**

**GRI 300: Environmental standard series**

**Effluents and waste**

306-2	Waste by type and disposal method	<p>During 2020, Alfa Laval generated 26,884 (21,603) tonnes of waste. 12% of the waste was hazardous. Most of the waste is generated by Alfa Laval's operations.</p> <p>See the figure below for waste treatment methods used during the year:</p>	SR 13, 25, 28
-------	-----------------------------------	--	---------------



306-3	Significant spills	<p>In 2020, Alfa Laval recorded no significant spills. There were two larger spills reported in 2017, that occurred in Sweden and Norway. Investigations have been conducted in conjunction with both the incidents in order to ascertain the causes of the spills and, wherever possible, to institute measures that will prevent similar spills from happening again.</p>	
-------	--------------------	---	--

**Environmental compliance**

307-1	Non-compliance with environmental laws and regulations	<p>Legislative compliance ensures our business legitimacy. No significant fines or non-monetary sanctions regarding environmental or socioeconomic performance have come to Alfa Laval's attention during 2020.</p>	
-------	--	---	--

**Supplier environmental assessment**

308-1	New suppliers that were screened using environmental criteria	<p>All new suppliers in the identified risk countries were screened using environmental criteria.</p>	SR 38-39
-------	---	---	----------

**GRI 400: Social standards**

103	Management Approach <sup>1</sup>	<p>The following information refers to the entire section (GRI 400: Social standards).</p> <p>Alfa Laval's social targets include the increase of the proportion of female employees and a reduction of LTIs and absenteeism with targets set for 2020 based on 2017 figures. The Alfa Laval Business Principles, Global Health and Safety Policy and related documents define how we work with health &amp; safety, training, development and human rights. All legal entities must secure the necessary competence and shall identify specific training needs based on country legislation or other requirements, as well as training in the different tools such as Hazard Identification and Risk Assessment, Injury Analysis and Job Safety Analysis. The method for calculating health and safety data was recently updated. Frequency rate data is now calculated based on 200,000 worked hours.</p>	SR 10, 12-13, 30-41
-----	----------------------------------	---	---------------------

<sup>1</sup> Includes 103-1 Explanation of the material topic and its boundaries, 103-2 The management approach and its components, 103-3 Evaluation of the management approach.



**Specific Standard Disclosures**

**GRI 400: Social standards**

**Employment**

401-1 New employee hires and employee turnover 1,462 (2,037) employees were hired in 2020. Employee turnover was 13% (13%).

**New employee hires and employee turnover**

	2018		2019		2020	
	Number	Percent	Number	Percent	Number	Percent
Total number and rate of new employee hires	2,006	13%	2,037	13%	1,462	9%
– of whom are women	453	23%	512	25%	421	29%
Total number and rate of employee turnover	1,795	12%	1,957	13%	2,055	13%
– of whom are women	349	19%	427	22%	442	21%

This table does not include non-Alfa Laval branded acquisitions.

**Occupational Health and Safety**

403-2 Types of injury and rates of injury, occupational diseases, lost days, absenteeism, and work-related fatalities SR 33-35

403-8 (2018) Workers covered by an occupational health and safety management system SR 33-35

403-9 Work-related injuries Total figures include all Alfa Laval entities and like-for-like figures include sites in the 2017 baseline. SR 33-35

	2017	2018	2019	2020
LTI	152	122	119	75
LTI Frequency	0.97	0.78	0.74	0.48
LWD	3,975	2,794	2,314	1,953
Absenteeism (%)	2.12	2.08	1.91	1.84

Specific Standard Disclosures

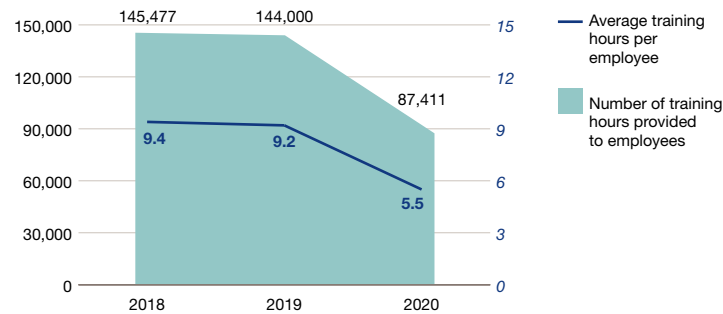
GRI 400: Social standards

Training and education

404-1 Average hours of training per year per employee

Training hours per employee

SR 31



This table does not include non-Alfa Laval branded acquisitions. The number of training hours decreased significantly during 2020 due to Covid-19 pandemic impact.

404-2 Programs for upgrading employee skills and transition assistance programs

During 2020 the company launched a digital portal enabling to plan and follow-up of different training modules at individual level. The portal also makes it possible to provide training for customers and business partners. The training platform, the Alfa Laval Academy, includes a broad range of courses from basic training to advanced programmes in areas such as leadership and project management. Many of the company's courses are internet based (e-learning). They can be carried out in real time in groups or individually when it suits the employee.

SR 31

404-3 Percentage of employees receiving regular performance and career development reviews

At Alfa Laval, every employee is entitled to a performance and career development review with their manager at least once a year.

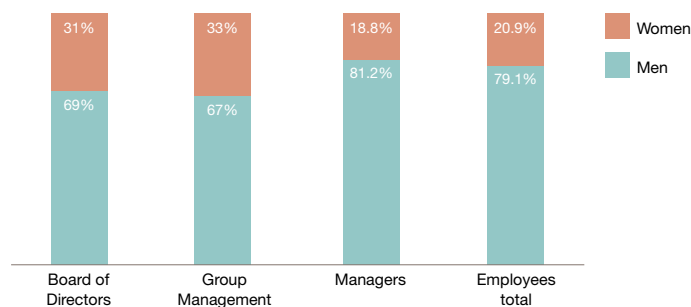
Diversity and equal opportunity

405-1 Diversity of governance bodies and employees

Alfa Laval works to increase the proportion of women in the company. Our 2025 goals are 35% females in our total workforce, 25% female leaders and less than 70% homogeneity (gender & nationalities) in our senior management teams.

SR 13, 30-31

Diversity of governance bodies and employees in 2020



The data for the Board of Directors is excl. employee representatives.

Non-discrimination

406-1 Incidents of discrimination and corrective actions taken

In the recent employee survey, 86% of the participants responded that their working group is free from any kind of discrimination and harassment. In 2020, 44% (34%) of the legal entities had projects or initiatives in place to prevent discrimination or harassment. There have not been any court cases regarding discrimination or harassment during 2020.

GRI Standards	Disclosures, comments and omissions	Page	
<b>Specific Standard Disclosures</b>			
<b>GRI 400: Social standards</b>			
<b>Freedom of Association and Collective Bargaining</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	The risk of Alfa Laval's suppliers violating worker rights to exercise freedom of association or collective bargaining is greatest in our defined high-risk countries. Three of the identified countries are China, Russia and Mexico where Alfa Laval focuses on training to create awareness.	SR 36-39
<b>Child labour</b>			
408-1	Operations and suppliers at significant risk for incidents of child labour		SR 36-39
<b>Forced or compulsory labour</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour		SR 36-39
<b>Human Rights Assessment</b>			
412-2	Employee training on human rights policies or procedures		SR 36-39
<b>Local Communities</b>			
413-1	Operations with local community engagement, impact assessments, and development programs		SR 40-41
<b>Supplier social assessment</b>			
414-1	New suppliers that were screened using social criteria	All new suppliers in the identified risk countries were screened using social criteria.	SR 38-39
414-2	Negative social impacts in the supply chain and actions taken		SR 38-39
<b>Customer privacy</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<p>Alfa Laval handles the personal data of our customers and employees with due care. The main policies covering data privacy are the Alfa Laval Privacy Policy supported by guidelines related to the GDPR, and local and global HR policies. The Group Privacy Responsible works on the highest level and persons responsible for data privacy have been appointed at all Alfa Laval legal entities. They are in turn supported by each corporate function. Alfa Laval has also appointed a Data Privacy Board consisting of the Chief Information Officer, Senior Vice President and Group General Counsel, Chief Financial Officer and Senior Vice President Human Resources.</p> <p>Alfa Laval has a structured approach to handling potential breaches of personal data with processes in place for reporting to the authorities and individuals involved in a breach of personal data. The organization regularly audits how personal data is processed or stored to assess the need for changes. In 2020, Alfa Laval did not receive any substantiated complaints concerning breaches of customer privacy or identified leaks or losses of customer data.</p>	
<b>Socio-economic compliance</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	Legislative compliance ensures our business legitimacy. No significant fines or non-monetary sanctions regarding socioeconomic performance have come to Alfa Laval's attention during 2020.	





### **The Paris challenge**

Our energy demand continues to grow, causing increased emissions of greenhouse gases. So how do we balance our need for energy with the quest to reduce our impact on the climate? There is, of course, no single solution.

Energy efficiency is one of the main contributors to reaching the Paris Agreement. Energy efficiency can deliver more than 40 percent of the required reduction in greenhouse-gas emissions over the next 20 years, according to IEA; with half of these energy-efficiency savings coming from the industry sector and a third from buildings.

### **Mission: fewer emissions**

Alfa Laval's leading-edge plate heat exchangers are up to 50 percent more efficient than conventional technology. In fact, our annual installations support our customers in saving as much as 50GW. Year in. Year out.

To put this in perspective, 50GW is enough to heat 10 million European homes every year. More importantly, our installations cut annual carbon emissions by 25 million tonnes, which is equivalent to the French capital's yearly CO<sub>2</sub> emissions. Talk about climate compensation!

### **This is Alfa Laval**

Alfa Laval is active in the areas of Energy, Food, Water and Marine, offering its expertise, products and service to a wide range of industries in some 100 countries. The company is committed to optimizing processes and creating responsible growth. We drive progress, always going the extra mile to support customers in achieving their business goals and sustainability targets.

Alfa Laval's innovative technologies are dedicated to purifying, refining and recycling material. They contribute to enhanced energy efficiency, improved heat recovery, responsible use of natural resources, better water treatment, and reduced emissions. Thereby not only accelerating success for our customers, but also for people and our planet. Making the world better, every day. It's all about *Advancing better™*.

### **How to get in touch Alfa Laval**

Contact details for all countries are continually updated on our website. Please visit [www.alfalaval.com](http://www.alfalaval.com) to access the information