Business Principles
Progress Report 2013

Editorial comment.

Risk based approach continues.
Over the past 10 years we have been taking a risk and impact based approach to implementing our Business Principles. In each of the environment, social and business integrity principles we try to identify and focus on the highest risks and take action to mitigate them. This report highlights the key risks and impacts that we see in our business and with which we are working.

Summary highlights for 2013.

Environment Principles: At corporate level we are focusing on the 23 manufacturing sites where we have our most significant environmental impacts. This allows us to take on more ambitious projects such as the energy recovery project in Lund, Sweden, featured in this report.

Social Principles: New processes to improve safety in our workshop sites have been implemented over the past couple of years and in 2013 our efforts started to show results.
We are also changing the way we work with suppliers in China and India in order to accelerate the improvements in working conditions for workers. The USA Dodd Frank Act has brought challenging new requirements for conflict minerals due-diligence in the supply chain.

Business Integrity: We are piloting new risk based "prevent-detect-correct" processes to further reinforce our Anti-Bribery and Anti-Corruption stance.

Transparency: 2013 saw a significant rise in the number of customers requesting sustainability reports including new demands for reporting on the use of "conflict minerals". Customers are using a range of different data exchanges and reporting systems which bring considerable complexity to the challenge of sustainability reporting.

2013 was a busy year for Business Principles Implementation:
Considering all of the above, plus the normal day-to-day implementation activities, 2013 was a busy year for everyone working with Business Principles in Alfa Laval. I hope this report gives you some insight to our key activities but if you do not find the information you seek here or in our GRI report, please feel free to contact me.

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Business Principles
Progress Report 2013

1.0 About this report.

Alfa Laval's Business Principles form the basis for our work on Sustainability.

The Sustainability Report within the Alfa Laval Annual Report 2013 gives a summary of some of the sustainability highlights for the Group.

This report supplements the Annual Report with additional information about key initiatives in 2013. It should be read together with our GRI (Global Reporting Initiative) Sustainability Report. .

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

2. Environment Progress 2013

2.01 Environmental goals.

During 2012 we announced new key targets which were retained during 2013. After the first two years of the target period we are on track with energy, water and chemical targets but behind on freight emissions

Key Environmental targets for workshop units (baseline 2011, target 2015)

- Improve energy efficiency by 12%
- Reduce water consumption by 20%
- Reduce restricted "grey" chemicals usage by 50%.

In addition, Manufacturing units must:

- Reduce Greenhouse gas (GHG) from freight transportation by 12%

2.02 Summary environmental progress against the targets.

Last year we identified the 23 manufacturing ("Vital Few") sites that, combined, accounted for over 85 percent of our manufacturing energy consumption in 2011. We judge these sites to have sufficient critical mass so that their aggregated environmental performance will be only marginally influenced by production volume changes, weather and product mix changes thus giving us the best year-on-year view whether we are achieving our environmental goals. (Please note that at the end of this target period in 2016, we will define a new "Vital Few" so that significant acquired sites will be included.)

Our sharpened focus helped us to analyse environmental performance more thoroughly and during 2013 we identified a few minor errors in the data reported in the GRI report. The 2013 GRI report has corrected historical data for 2012 and 2011.

In summary, we can see that the energy consumption per million Euro of added value was reduced by 7.8% in the past 2 years which is in line with the target reduction of 12% over four years. Water consumed per million Euro of added value was reduced by approximately 10%, also in line with target. Hazardous ("Black" and "Grey") Chemicals increased significantly, but entirely due to the addition of new chemicals to the list. If we exclude the chemicals that were added to the list, our usage of such chemicals decreased by 54 percent.

In 2013 goods transportation GHG emissions per tonne kilometer was 106.9 g /tonnekm (108.2). This represents a reduction of 3.0% since the target baseline of 2011 somewhat below target.

2.03 Our targets apply to all sites which have a workshop

Even though we focus on the "Vital Few" sites from a reporting point of view, the environmental targets apply to every site that has a workshop. Service workshops all have similar environmental impacts and we have corporate level resources to advise these small sites on how to focus and improve on the most significant impacts namely water, energy and chemical consumption.

2.04 Acquisitions are included in Table 2 "Other sites with workshops".

When we include acquisitions into our GRI report the data will appear in the Table: "Other Sites with Workshops". Acquisitions are required to report their full environmental indicators within three years of the acquisition. The number of reporting units in Table 2 increased to 115 (114) representing the addition of 14 sites to our environmental reporting system and the removal of 13 sites during 2013.

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

We report data from the 23 large "Vital Few" sites in the GRI report in one table and the 115 smaller (or recently acquired) workshops in another. Users are advised not to add the data from both tables together to compare one year with another; the data does not necessarily relate to the same organisations and so conclusions drawn are unlikely to be valid.

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

2.1 Environmental Progress in the "Vital Few" manufacturing units:

2.1.1 Focus to eliminate hazardous chemicals (M-EN1) .

All manufacturing and workshops sites in Alfa Laval are required to have careful control of all substances used in their processes and must have material safety data sheets available at the place of work. The material safety data sheets must be scrutinised to identify whether the substance appears on the prohibited or restricted materials list (So called "Black or Grey list"). This list is continuously updated and 93 changes were included in 2013 (149 in 2012) (49 in 2011). The changes in 2013 included 64 substances added to the Prohibited ("Black") list.

During 2013 the quantity of Prohibited ("Black") chemicals used appeared to increase dramatically to 20 277kg (1 070). However the increase was entirely due to additional substances added to the list during the year which contributed 19 785kg. None of the additional substances are banned by any laws applicable to the products and process of Alfa Laval. However, excluding these, we reduced the quantity used by 54%. Prohibited chemicals were present in 4 (5) out of the 23 sites in 2013.

The Alfa Laval Prohibited and Restricted substances lists are produced by our dedicated materials and chemistry centre which employs chemists, metallurgists and material scientists. This depth of competence is essential for our product and application development, particularly as our products are

used in the processing of a wide range of liquid and solid foods, pharmaceuticals and industrial oils and chemicals.

The large rise in the number of chemicals on the Prohibited list during 2013 caused us to review the way in which these were classified. Essentially, our problem was that not only does our prohibited list identify substances that are banned by law but also many others that are legally permitted but which appear on lists by such organisations as the European Chemicals Agency's (ECHA) and their procedures for identifying Substances of Very High Concern (SVHC).

When our Prohibited list was short, this was not a problem because we preferred to take a precautionary approach and prohibit some chemicals that were legally permitted. As more substances are included in the ECHA procedures, correspondingly our Prohibited list grows, causing confusion within the organisation about the legal requirements of different substances.

During 2013 we benchmarked with other companies and restructured our two level Prohibited and Restricted chemical list into a three level classification. The new lists can be found by following this link: http://www.alfalaval.com/about-us/for-suppliers/black-and-grey-list/pages/black-and-grey-list.aspx

The three levels are now:

- **Banned**: Substances which are universally prohibited.
- **Restricted**: Substances prohibited in certain applications or quantities but allowed in others.
- **Substances of Concern**: Substances of which the use shall be monitored. This includes substances currently being evaluated for regulations applicable to the Banned or Restricted categories, or substances with legal demands for monitoring.

We are committed to reduce the use of hazardous chemicals. During 2014 we will be reviewing our targets in line with the new classifications.

2.1.2 Direct and Indirect Energy Consumption: Steady improvement in energy efficiency in line with target (M-EN3 M-EN4).

Our target is to achieve an improvement of energy consumption per million Euro of Added Value of 3% per year between 2011 and 2015. In the first two years of the target period the average reduction has been 3.9% which is encouraging.

In 2013 the consumption in the "Vital Few" sites was 345 MWh per million Euro in 2013 (361 in 2012).

2.1.3 Energy saving projects continue.

In our baseline year 2011, the "Vital Few" sites contribute over 85% of manufacturing energy consumption. These sites have already conducted energy saving projects in the last target period (2007 to 2011) so many "low hanging fruit" have already been harvested.

Since the start of the target period in 2012 an additional 18 energy saving projects have been run in the 23 sites of which 6 have been completed. These projects are increasingly complex requiring capital investment. To allow more projects to be considered we have extended our normal investment pay-back period for energy efficiency projects to 5 years.

2.1.4 Our site in Lund, Sweden sets a good example.

One of our largest manufacturing sites is the factory in Lund, Sweden. A project team was formed including experts from Alfa Laval's Industrial Refrigeration Market Unit to investigate the possibility of using heat recovery to reduce our energy consumption. Together they pioneered a heat pump energy recovery solution that will potentially make the entire site self-sufficient in heating for 10.5 months of the year. Using our own products at the heart of the concept, the heat recovered from the hydraulic oil cooling system for the plant's press lines, which was previously vented externally, will be used for comfort heating and for heating tap water.

The heart of the resulting system is an Alfa Laval evaporator module, an MK15-BWFGR semi-welded plate heat exchanger with a U-Turn separator attached. In a condenser, a M10-BWFT, the 65°C heating water is produced. The compact U-Turn is very efficient, both regarding separation and energy, and it features less ammonia charge. The project team decided it was crucial to have a green solution with a natural refrigerant; they decided that ammonia was the obvious choice with its high efficiency.

It is still too early to say how big the actual savings will be but today we consume 3,700 megawatt hours of district heating a year.. Our estimation is that we will cut that by 80 percent. We will reduce our carbon emissions by approximately 140 tonnes per year. The financial pay-back period is three years.

Although a solution like this is dependent on local conditions, such as the need and the weather, we are sure that a lot of companies in various industries can reach simliar energy efficiency gains, lower costs and reduced environmental impact. This installation will be used as a "showroom" for customers visiting our factory and head office in Lund.

2.1.5 Environmental impact from new products continues to be reduced. (M-EN6)

In 2013 the environmental impact of 35 (21) new product development projects were assessed using the Life Cycle Assessment (LCA) method that we have used since 2007. Of the 35 assessed, 11 (8) were replacements of existing products of which 9 (4) had a lower environmental impact than the products they replaced and none had a higher impact

The increase in number of LCAs in 2013 was mainly due to the inclusion of new product ranges from acquired companies who have now adopted the LCA methodology.

2.1.6 Water consumption reduced but too early to tell if this trend will continue (M-EN8).

Water consumption in the "Vital Few" factories increased slightly in 2013 to 351 000 m^3 (348 000). However the water per million Euro Added value has fallen by 10% since the start of the target period, half way to our target of 20% reduction.

2.1.7 Total Direct and Indirect Greenhouse Gas emissions (GHG) by weight: (M-EN16)

Nearly all the GHG from our production processes are from energy use of which roughly 80% is indirect energy (purchased electricity and district heating). The remaining 20% is direct energy (from fuels such as natural gas or oil which is burnt directly at the Alfa Laval site to produce heat). Our environmental targets focus on efficiency improvements in both direct and indirect energy which will have a consequential improvement on our related GHG emissions.

Our "Vital Few" factories account for approximately 40 000 tonnes of CO_2-e. However approximately 45% of the electricity consumption of these sites is in France and Sweden. Both these countries have globally low levels of GHG emission from electricity generation (77 and 22 grammes per kWh respectively according to the 2012 IEA emission factors).

In the future, we can expect proportionally more production to be in China and India as those (already large) markets continue to grow. These countries have globally high emissions factors for electricity generation (790 and 936 grammes per kWh respectively). Consequently we can expect our GHG emissions (from production processes) to increase. We can see this effect by comparing 2013 data with 2011 where total energy consumption fell by 9% (approx.) but GHG emissions from energy consumption dropped by only 7% (approx.).

However, increased production emissions in India and China will be partially offset by a reduction of emissions from transporting imported goods into these countries.

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

The most significant environmental impact from goods transportation is Carbon Dioxide and other climate changing gases.

The impact comes from three factors: the weight of the shipment, the distance travelled and the means of transportation. To set goals for this activity we consider the aggregated emissions per tonne kilometer transported. Whilst the total emissions will depend on sales volume (in weight of product sold), the manufacturing location and the customer location the value of carbon emissions per tonne kilometer gives us a normalized measure of how effective we are; at reducing the environmental impact of goods transportation.

To do this, we monitor the weight and distance and method of transportation for 19 major product lines. In 2013 air freight was only 6% (approx.) of total tonne km shipped but contributed over 80% of the carbon emissions from goods transportation.

Thus, our main challenge is to change the transportation method from air to land and sea. To drive the change, each product group has the responsibility to run projects to eliminate air transport for regular production and logistic distribution. Results are reviewed every month. During the last couple of years we realized that the improved result from these projects was being negated by occasional unscheduled air shipments of considerable weight. These shipments were very frequently due to customer demands on large projects where the cost of the air freight was insignificant compared with the order value or the customers' project value. To gain focus on this issue, advanced approval for all shipments over 5 tonnes is now required even if this is requested/demanded by customers. A root cause analysis of these shipments is conducted monthly.

Our goal is to reduce the annualised Carbon Dioxide equivalent emission per tonne kilometer of goods by 12% during the target period from 2011 to 2015.

In 2013 emissions per tonne kilometer travelled was 106.9 g /tonnekm (108.2). This represents a reduction of 3.0% since the target baseline of 2011 against our target of 12% between 2011 and 2015. (When we started to focus on this issue in 2007 the rate was 115,8 g/tonnekm)

2.2 Environmental Management Progress in "Other Sites with Workshops":

2.2.1 Energy consumption from these sites is very fragmented and difficult to target.

The data from 115 (114) workshop sites is consolidated in the "Other Sites with Workshops" GRI report. However, because several of the sites will be different from year to year (acquisitions; closures; mergers, changes of function) it is not particularly useful to compare the aggregated data year-on-year. In 2013; 14 of these sites were added to our environmental reporting system and 13 sites removed in 2013.

74 sites are service and repair workshops. Typically they employ 15 or fewer people and their most significant potential negative environmental risks are ground and water pollution. Therefore, our focus is to help them protect themselves and the environment from pollution risks and those in water shortage environments to cut water consumption.

The 115 sites aggregate energy consumption is approx. 80% of the 23 "Vital Few" manufacturing sites, and so it is tempting to consider them a target to reduce energy and thus carbon emissions. However, the few people employed in each site means that to run energy reduction projects is impractical, as would be the co-ordination of such projects. For example if one global environment manager had to make an airplane flight to visit one of these sites to train staff on how to reduce energy, the carbon impact of the return flights is extremely unlikely to be offset by the savings. Having said this, employees are expected to conserve energy by good housekeeping (turning off lights, controlling heating and air-conditioning etc.

3.0 Social Progress 2012

3.1 Significant suppliers have undergone screening on human rights but change is taking too long. (HR 2).

One of our highest priorities is to improve the health and safety, labour conditions and the working environment of our suppliers' employees in countries and industries of high risk. Where standards need to be improved we are committed to influence the supplier to make changes.

Due to the scale of our markets and production facilities in China and India these countries are our focus for eliminating unacceptable labour conditions in suppliers. We started this in 2004 and by 2011 we felt we were making reasonable progress with over 200 suppliers in India and China included in regular social audits and improvement projects. Many suppliers have improved working conditions for their employees as a result of Alfa Laval's initiatives.

However, following our own critical review in 2012-13, in both China and India we came to a disappointing realization that the improvements are not happening fast enough. In both countries, we still find suppliers whose management or owners have an unacceptably low respect for their workers' rights to a fair wage or a clean and safe working environment even after repeated audits and reminders.

3.2 The problem:

The root causes of this problem in countries with developing industrial economies are clearly related with the lack of enforcement of employment laws. Lack of education and ineffective enforcement agencies are contributing factors which represent significant barriers to improvement.

This is a "chicken-and-egg" problem. These societies need economic activity to be able to afford to develop mature enforced regulation, but the lack of enforcement can be a barrier to investment by international companies.

Alfa Laval regards its economic engagement in these societies as an essential ingredient for social development. Our main contribution is our products which are used for the efficient production of food, energy and clean water. However, where we directly impact on the society through our suppliers we strive to use our commercial influence to bring improvements for the people working in our supply chain.

3.3 Our new initiatives:

During 2013 we have taken time to reassess our approach to responsible sourcing in India and China. In both countries new initiatives are taking shape. At the same time, we have been reviewing our global supplier selection and due diligence processes so that Business Principles compliance takes a higher profile world-wide.

By the end of 2013 the best way forward is still not fully clear but we have reasonable confidence that these new initiatives will bring improvements to our supplier management processes and thus more rapid improvements in the social conditions for workers in suppliers in high risk environments.

In 2013 we added resources at group level and a full-time social auditor in China to speed up the process. We know that repeated supplier social auditing is not the solution in itself but having accurate information from qualified observations and employee interviews is essential if we are to uncover the truth of the non-compliances.

A summary of our new approach in China can be found in the 2013 GRI report in section HR2

3.4 Human Rights abuses in the DRC has extended the scope of our supplier due diligence.

The Dodd Frank Act in the USA requires companies to conduct due-diligence to ensure that the minerals used in its products are not sourced from mines financing armed groups that are guilty of some of the worst human rights violations in the Democratic Republic of Congo. Correspondingly, Alfa Laval published its own policy on this issue during 2103 (http://www.alfalaval.com/about-us/sustainability/social/conflict-minerals/pages/conflict-minerals.aspx) and has been running projects to comply with the OECD due diligence guidelines and to support our customers who have similar policies or an SEC reporting requirement in the USA.

This requirement considerably extends the accepted scope of where a company's risk of complicity in the supply chain may lie.

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

- Total number of reportable accidents (including travel accidents): 208 (205)
- The number of accidents per million working hours: 7,8 (7,6)
- Days lost per million working hours due to accidents: 186 (196)
- Days lost through any form of illness as % working days: 1,44 (1,83)

Work-place health and Safety is overviewed by the Health and Safety Council chaired by the Senior Vice President for Human Resources and comprising Other Group Management members and senior line managers. Their prime role is to make sure adequate policies are in place and that health and safety is a key improvement criterion at both local and central level.

During 2013 a new project called Behaviour Based Safety (BBS) was piloted in all Alfa Laval's Indian factories. This methodology ensures all workshop workers are trained to avoid behaviours that can contribute to accidents. They are also trained in observing unsafe behaviors in the workplace and how to correct them. Each working cell has regular co-worker observation periods and score cards. Even though our Indian factories already had some of the lowest accident rates in the Group, this project has brought the prospect of accident free workplace closer to reality.

We have noticed that many more accidents occur in acquired companies than other entities. Acquired companies are in focus to adopt the full Alfa Laval health and safety regime as soon as possible. Our experience tells us that there are few "quick fixes" for these companies because safe working requires a safety-first culture and cultural change takes time.

4.0 Business Integrity Progress 2013.

4.1 Anti-Bribery and Anti-Corruption (ABAC) initiatives come to the agenda.

We have conducted global Business ethics training in previous years (see Progress report 2008) which has been followed up by local training iniatives and annual reporting of selected indicators.

In 2013 we started to develop a revised ABAC programme to be implemented throughout the whole Group. This requires management of all companies to conduct a standard risk assessment and analysis of their processes to mitigate the risks. A risk and mitigation scorecard was piloted in all sales companies during 2013 to help them develop further adequate procedures to "prevent-detect-correct" bribery and corruption.

The world-wide scope of Alfa Laval sales means we are active in many countries with high bribery risks (geographic bribery risk). The risk scorecard uses Transparency International Bribery Risk Perception Index as the basis for Alfa Laval's geographic bribery risk assessment.

Selling through multiple sales channels is an important part of Alfa Laval's sales strategy. The ABAC scorecard helps managers to quantify bribery risk of different channels. Of these, commission-based agents represent the highest risk.

Bribery risk also exists in corrupt government officials attempting to extort money for permits, licenses etcetera. Purchasing staff also face pressure to receive kickbacks or inappropriate gifts and bribes in various countries. These risks are also included in the scorecard.

The pilot implementation showed our highest risks to be in Colombia, Russia, China and the Philippines.

Management of Alfa Laval companies sign a statement annually that the company for which they are responsible complies with all corporate governance policies. The risk and mitigation scorecard helps them to identify where they need to focus their attention to ensure that all employees understand and follow the company policies and that corrective measures are taken when needed

New ABAC training material is being developed centrally during 2014 to replace the existing material. To make sure the material is relevant to "real-life" ABAC issues, the development project is involving management, sales and purchasing employees in Alfa Laval in Russia, India and central market units. One result of this project is expected to be a suite of e-learning and conventional classroom training materials for individuals and groups that will be rolled out towards the end of 2014. The training will form a part of the continued development of adequate procedures in our ABAC processes.

5.0 Transparency Progress 2013.

5.1 Customer communication is still our key.

Issue 31 of our customer magazine Here was published during 2012. It highlights several of Alfa Laval's recent product developments and customer projects that have a specific focus on environmental protection and energy savings.

During 2013 issue 32 was published, which featured our contribution to the exploitation of natural gas, a key ingredient to global reduction of carbon emissions in the next few years.

This issue also looks at how we contribute to:

- More efficient and lower environmental risk sea freight,
- Lower energy consumption in wine making,
- Oil recycling in trains,
- Lowering the energy consumption of skyscapers,
- Reducing energy consumption in data centres,
- Heat recovery in the paper industry,
- Cleaning wastewater,
- Heat recovery in diesel power plants
- Reducing the sulphur dioxide emission from ships.

The Product Responsibility section (PRA1) of the GRI report classifies all articles in Here that are related to sustainability issues and provides links to the magazines or articles.

5.2 We continue our policy towards SRI Questionnaires.

Social responsible investment (SRI) funds evaluate us based on a set of sustainability criteria and we are pleased to be listed in several indexes of "most sustainable" companies. We enjoy the recognition, and encouragement that these listings give us, but our work on sustainability is motivated by our Business Principles and not to win awards.

From January 2011, Alfa Laval adopted a policy of no longer populating external databases nor completing other types of questionnaire about these matters (except customer questionnaires) and instead, refer people to this report, our Annual Report and the GRI report. Therefore, we do not participate in any indexes that require us to answer questionnaires.

5.3 SRI analysts kept us on our toes in 2013.

We are grateful to receive draft reports from analysts each year for our comments. Sometimes these comments identify aspects that we have either omitted from our reporting or perhaps we have not considered enough. Reports are increasingly thought provoking and, in some cases, impressively thorough which represents the growing importance of sustainability to the investment community.

During 2013 we were asked some searching questions about our GRI data which helped us to identify some minor inconsistencies and reporting errors. Although the errors are not (in our opinion) material, these observations means we have dedicated more resources to check the data for the past 3 years once again. The 2013 GRI report identifies the data that has been corrected.

5.4 New customer sustainability demands bring new reporting challenges.

In 2013 we received a significant number of sustainability reporting requirements from the procurement departments of some of our largest customers. These requests were mainly from companies with recognized brand names and is indicative of the growing trend for multi-national companies to conduct more rigorous due diligence in their supply chains in line with responsible-sourcing initiatives.

However, customer sustainability information requests bring complexity. Whilst SRI information requests relate to the whole organization, customers are interested in the sustainability information that relates to their scope of supply. They will also direct their request to the sales organization that is serving them. In response, Alfa Laval has decided to appoint one CSR or Sustainability information co-ordinator in each division to help guide the sales organization on how to handle these requests and, when necessary engage customers in dialogue to ensure we meet their needs in the most efficient way possible.

5.5 Shared information in customer industry sectors grew in 2013.

Some of Alfa Laval's customer sectors are taking steps to encourage standardization in the way suppliers should report sustainability data and provide exchanges through which supplier sustainability information can be shared.

AIM-PROGRESS is a forum of consumer goods manufacturers and suppliers assembled to enable and promote responsible sourcing practices and sustainable production systems. It is a global initiative supported and sponsored by AIM in Europe and GMA in North America.

AIM-PROGRESS members use specific data sharing platforms ("systems"), either external or internal. As it happens, about 70 % of AIM–PROGRESS members use the services of Sedex, a collaborative platform for sharing ethical supply chain data. However, AIM-PROGRESS does not mandate its members to use any specific platform. Some FMCG manufacturers, for example, prefer to use Ecovadis.

Similarly several customers in the Chemical industry have a collaboration called Together for Sustainability using the Ecovadis for data exchange.

Alfa Laval have responded to both Sedex and Ecovadis information requests during 2013. The advantage of both of these data exchange systems is that when we respond to one customer the information can be shared with other customers who have adopted the same protocol.

The most recent initiative is IMPA ACT. This is being run by the International Marine Purchasing Association to drive responsible sourcing in the marine supply industry. This is led by some major ship-owners and was launched in 2013.

Alfa Laval was selected to test the IMPA ACT methodology and our colleagues in the Nordic area and the Alfa Laval factory in Søborg, Denmark (which produces water desalination systems for ships) was selected for evaluation. With a combined input from both the Alfa Laval sales staff and the factory management, the test was successful to such an extent that we were honoured to be invited to join the IMPAACT Advisory Board to help guide the development of the initiative and share our experience within the industry.

5.6 Industry standardization is the way forward.

Alfa Laval welcomes sustainability data exchange because it helps place sustainability as an integral part of business and decision making. Standardising the structure of sustainability data and exchanging this data within industrial sectors has the potential to cut complexity. It also provides a platform around which companies can meet to discuss the development of responsible supply chains.

5.7 Our risk based focus means we cannot always answer every question.

Each SRI stakeholder has its own scope and areas of particular concern. Our risk based approach means that we collect key data at a corporate level on aspects of sustainability that are relevant to the management of the risk. Consequently, we recognize that our published sustainability reports do not always provide all the detailed information that some analysts require.

5.8 We continue to meet interested external parties

Meetings with SRI analysts have continued in 2013 as in previous years. We are very pleased to meet SRI analysts: please contact david.ford@alfalaval.com or gabriella.grotte@alfalaval.com to arrange a meeting.

Students show a great interest in our Business Principles activities and there have been a number of student visits and discussions during 2013. Students can contact david.ford@alfalaval.com to arrange a meeting either by telephone or face-to-face.

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CEO Statement of continued commitment to the Global Compact:

I am pleased to submit this Progress report and the associated sustainability report and GRI report as Alfa Laval's Annual Communication on Progress.

Alfa Laval is committed to continuing to make the UN Global Compact and its Principles an integral part of business strategy, day-to-day operations, and organizational culture.

Lars Renström
March 28th, 2014