

Summary report 2003/2004



In September 2003 Alfa Laval introduced the Business Principles. Just over one year later, we summarise our progress.

Our Business Principles were launched in September 2003. Whilst most of the principles have been an integral part of Alfa Laval's culture for many years the publication of the Business Principles brought them together in one place for the first time. To achieve long term progress on the business principles Alfa Laval believes it is essential for both managers and employees to integrate them into the day-to-day activities. We therefore started an implementation process that is divided into three stages:

- Communicate,
- Educate,
- Manage and measure.

During 2004 we have focussed on communicating the Business Principles throughout the organisation.

In this report we summarise some of the actions we have taken in each stage of the implementation process. To read more detailed actions against each of our business principles please see www.alfalaval.com/businessprinciples.

Communicate:

During 2004 we have focussed on communicating the Business Principles throughout the organisation. In these discussions and communications we try to place the Business Principles and sustainability in its global context. Our goal is to improve the understanding of the roles of politics; the United Nations, NGO's, investors, multi-national enterprises and individuals in the drive for sustainable development. We emphasise that as a market leader in many of the sectors in which we operate it is Alfa Laval's responsibility to set a good example compared to the norms for our industry.

- The Business Principles, their goals and reasons were published on the Alfa Laval intranet as well as our external internet site.
- The Business Principles were the subject of a special feature in our internal employee magazine that is distributed globally.
- In the various central management teams across the organisation, we have included a discussion on the Business Principles during regular management meetings.
- In the 50 sales companies around the world, every managing director has been required to hold a discussion on the Business Principles with their management teams and lead a discussion specifically on ethics in the sales process.
- Employee representative groups including the leaders of the major trade unions in Sweden as well as the Alfa Laval European Employee Council were involved in the formulation of the Business Principles during 2003 and this involvement has continued during the implementation. The feedback from these employee representatives is extremely valuable.
- Suppliers have been in focus particularly in India and China where the risk is perceived to be high. In India, to complement communication through supplier visits; 70 of our top suppliers were invited to a meeting at which the business principles were presented by the Managing Director of Alfa Laval India Ltd and a member of the Group Management.



Educate:

During the communication phase of our implementation we identified the paradox that one of the barriers to the implementation of better sustainability management throughout Alfa Laval is the existing belief within our employees and managers that we are already good in this respect. Consequently, we are trying to challenge these perceptions to ensure that our employees have a broader understanding of sustainability management.

Specific education initiatives during 2003/4 have focussed on human rights and environmental management and include:

- ISO 14001 implementation and investigation in 5 manufacturing locations;
- The business principles have been incorporated into some of the regular training courses. These include our new adEPT2 a course for all newly recruited sales people in which they are introduced to Alfa Laval, our sales processes, the products and applications.
- Sponsoring a Masters degree thesis that studies how to incorporate ecodesign principles in our new product design processes;
- Supporting Masters Degree students analysing CSR risks in the supply chain for Swedish companies in India.
- Fact finding visits together with purchasing managers to suppliers in India and China to undertake risk assessment for human rights abuses in our supply chain.
- Participation in Human Rights conference in London,
- Dialogue with SRI (Socially Responsible Investment) analysts and NGO's about our approach to sustainability and CSR.
- We have discussed the issues facing multinational enterprises when expanding their supply chain in countries with developing economies with European Union leaders and employee representatives. Not only have these discussions generated helpful insights they offer all participants the opportunity to broaden their understanding of the dilemmas that companies face in trying to balance economic and profit considerations with sustainable development
- Experience sharing workshop with those involved in ISO14001 implementation.

Measure and Manage:

One of our goals is to be able to report our sustainability performance based on the metrics of the Global Reporting Initiative that are applicable to our risks and opportunities. We believe in the adage "What is managed is measured" but remember that the corollary "What gets measured gets managed" is not necessarily true.

Alfa Laval has approximately 9500 employees in 50 countries, which means that most of our locations have a few number of employees. Our analysis conducted during 2004 has shown that implementation of the GRI (Global Reporting Initiative) across all locations would be an extremely time consuming and costly burden for most locations as well as demotivating the employees through excessive bureaucracy. We have therefore formed a ambition that all significantly sized Alfa Laval locations should have an effective management system to help manage the risks (including environmental impacts) relevant for that site. These sites will, in the future, have to report the progress and measurements most relevant to the issues facing that site.

It is important to recognise that in most areas of sustainability management we are still in the first two stages (communicate and education) stages of our implementation process. However, during 2003/4 we have introduced several new management and measurements techniques into the organisation:



- As a part of our Environment business principle: 4 business units have been certified according to ISO14001 during 2004. Those units who are experienced with ISO14001 systems are participating in a project to develop the first Alfa Laval global environmental management reporting system.
- As a part of our Social Business Principle we have introduced a standard accident reporting methodology for our production sites.
- Our Global purchasing management team are developing and implementing a communication, education, measurement and management processes for suppliers in India and China that initially focus on our Social business principle including Human Rights. This has already produced some improvements in work environment and health and safety practices in some suppliers.
- We have implemented a global human resource database in which we can accurately track employee trends (e.g. turnover rates).
- As a part of our Business Integrity principle all sales companies have started to report the business we decline due to our compliance with the Business Principles.