

Evaluation of Atlas Copco AB's remuneration to Group Management 2016 with respect to points 10.3 and 9.1 in the Swedish Corporate Governance Code

Remuneration to Senior Executives

The Basic Principles for salary and other remuneration to Senior Executives are proposed to and approved by the Annual General Meeting and the full content of those principles are published in the Annual Report.

The elements of the remuneration are designed to successfully attract and retain high quality and competent members of Group Executive Management in order to create long lasting value for the corporation and its stakeholders. Therefore, the remuneration principles for the Senior Executives should contain a well balanced mix of fixed salary, variable compensation and long term incentive program, pension benefits, other benefits and principles for termination and severance pay.

Remuneration Committee

The Board's Remuneration Committee, which during the year 2016/17 has consisted of the Chair of the Board, Hans Stråberg, who also was Chair of the Remuneration Committee, Peter Wallenberg Jr and Anders Ullberg has had five meetings during 2016/17.

The Remuneration Committee has prepared issues concerning the Long Term Incentive Plans and other remuneration matters that have been brought to the Board for decision. The Remuneration Committee has handled the annual salary review process for the CEO in the same way and guided in the remuneration review of the other Senior Executives.

Evaluation and Conclusion

In line with the Code and using the long term goals and strategy of the Group and external benchmarks as a basis, the Remuneration Committee has evaluated how the remuneration principles are applicable as well as how they have been applied and followed for the Senior Executives during 2016.

The Remuneration Committee concludes that the remuneration policy is fully in force and that it has been applied and followed in compliance with the established and approved principles that were adopted by the Annual General Meeting 2016.

The Remuneration Committee also concludes that the variable compensation both for the cash element and the share related element has been an incentive for the participants as well as having contributed to the value creation.

During the year the Committee has also evaluated the long term incentive program and in 2016, there were three performance stock option plans (2011-2013) with

exercisable options and two stock option plans (2014-2015) with options not yet exercisable. The exercise price for the 2016 plan was established early 2017. The costs for the plans are hedged through the purchase of own shares and mandate for such purchase is granted by the Annual General Meeting each year.

Nacka, March 2017

Remuneration Committee of the Atlas Copco AB Board