

# **ATLAS COPCO ANNUAL REPORT SUSTAINABILITY INFORMATION 2014**

## Global Reporting Initiative (GRI) Compliance Index

GRI Sustainability Reporting Guidelines, version 3, stipulates that the Atlas Copco Group must determine which entities' performance will be reported in the sustainability information in the Annual Report. The entities included in the Atlas Copco Group's Annual Report's sustainability information 2014 are disclosed on page 126 in the Annual Report. The reporting boundary has been set in accordance with the accounting principles for the Atlas Copco Group's Annual Report 2014.

Atlas Copco reports on all GRI core and some additional indicators that are relevant to the organization. Some indicators are reported locally in Atlas Copco companies but not reported on Group level. All Atlas Copco production units and distribution centers are included in the environmental reporting. All Atlas Copco companies are included in the social/employees reporting. The scope for the reporting of Business Partners includes production units.

GRI's Sustainability Reporting Guidelines, version 3, prescribes disclosure of GRI Application Level Criteria for organizations using the Guidelines.

In the Atlas Copco's opinion, the Group's Annual Report 2014 fulfills the requirements stipulated by GRI's Sustainability Reporting Guidelines, version 3, for a report on level B. Regarding Disclosure of Management Approach, as required by GRI, the Group has chosen to report on Management Approach as an integrated part of the Annual Report 2014. The Group has self-declared the reporting to be GRI Application Level B. Sustainability information in the annual report including GRI application level has been subject to limited assurance by Deloitte AB.

# ATLAS COPCO GRI COMPLIANCE INDEX

## KEY TO COMPLIANCE INDEX

**Bold text:** Core indicator

Regular text: Additional indicator

## STATUS OF DISCLOSURE

● Reported

● Not reported

● Partially reported

● Not applicable

| INDICATOR AND GRI NUMBER  | PAGES IN THE ANNUAL REPORT                | REPORT STATUS | COMMENTS   |
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| <b>STRATEGY AND ANALYSIS</b>  |   |               |  |
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| <b>1.1 Statement from the President and CEO on sustainability</b>   | 3-5                                       |               |  |
| <b>1.2 Sustainability-related impacts, risks and opportunities</b>  | 36-39                                     |               |  |
| <b>Organizational profile</b>   |   |               |  |
| <b>2.1 Name of the organization</b>   | Inside cover                              |               |  |
| <b>2.2 Primary brands, products and/or services</b>   | Inside cover, 20-35                       |               |  |
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| <b>2.4 Location of headquarter</b>  | Inside cover                              |               |  |
| <b>2.5 Countries where the Group operates</b>   | Inside cover, 14, 21, 25, 29, 33, 118-121 |               |  |
| <b>2.6 Nature of ownership, legal form</b>  | 55-57                                     |               |  |
| <b>2.7 Markets served</b>   | inside cover, 22, 26, 30, 34              |               |  |
| <b>2.8 Scale of the reporting organization</b>  | Inside cover, 15-18, 20-35, 81            |               |  |
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| <b>3.3 Reporting cycle</b>  | 126                                       |               |  |
| <b>3.4 Contact point for questions regarding the report or its contents</b>   | Front page (table of contents)            |               |  |
| <b>Report scope and boundary</b>  |   |               |  |
| <b>3.5 Process for defining report content</b>  | 12-13, 126-127                            |               | Atlas Copco has an integrated report and has discussed how its business model works with the different forms of capital on pages 12-13. These pages also highlight the priority areas for different stakeholders (society, employees, investors, business partners and customers) as well as explains the basis for selecting them as stakeholders to engage with. |
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| <b>3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.</b> | 126                        |               |   |
| <b>3.10 Explanation of the effect of any re-statement of information provided in earlier reports</b>  | 126                        |               |   |
| <b>3.11 Significant changes from previous reporting period in the scope, boundary or measurement methods</b>  | 126                        |               |   |
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| <b>3.12 Table illustrating the location of the Standard Disclosures in the report</b>   | 126                        |               | See this document.  |
| <b>Assurance</b>  |                            |               |   |
| <b>3.13 Policy and current practice with regard to seeking external assurance for the report</b>  | 126                        |               |   |
| <b>Governance, commitments and engagements</b>  |                            |               |   |
| <b>Governance</b>   |                            |               |   |
| <b>4.1 Governance structure of the organization</b>   | 6-9, 56-63                 |               |   |
| <b>4.2 Indicate whether the Chair of the highest governance body is also an executive officer</b>   | 60                         |               |   |
| <b>4.3 For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members</b>                                      | 58, 60-61                  |               |   |
| <b>4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body</b>   | 56-59                      |               | The annual meeting is the main mechanism for primarily shareholders to provide recommendations or direction to the Board of Directors, which is described on page 57. The Atlas Copco Group has union representatives on the Board as described on page 58, 60-63 Atlas Copco companies aim to have an open culture so employees can directly contact the highest governance body. However, local management and/or divisions are responsible for operations and can assist in this regard. |
| <b>4.5 Linkage between compensation for members of the highest governance body, senior managers and executives and the organization's performance.</b>  | 58-59, 84-85               |               | Atlas Copco's remuneration of highest governance body, senior managers and executives consists mainly of a fixed part and a variable part which is linked to individual targets and their fulfilment. These targets are confidential and may relate to environmental, social and economic targets.  |
| <b>4.6 Process in place for the highest governance body to ensure conflicts of interest are avoided</b>   | 58                         |               |   |
| <b>4.7 Process for determining the qualifications and expertise of the members of the highest governance body</b>   | 56-58                      |               | In order to determine the qualifications and expertise of the Board members, the Chairman of the board performs annual evaluations of the Board members in which environmental and social topics might be included, but this is not public information.   |
| <b>4.8 Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance</b>   | 6-9, 11, 64-65             |               |   |
| <b>4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance</b>  | 6-9                        |               |   |
| <b>4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance</b>   | 58                         |               | In the annual evaluation of the Board members performed by the Chairman of the Board, environmental and social topics are included, if relevant.  |

| INDICATOR AND GRI NUMBER  | PAGES IN THE ANNUAL REPORT         | REPORT STATUS | COMMENTS   |
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| <b>Commitments to external initiatives</b>  |                                    |               |  |
| 4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization  | 36-39, 41-43                       |               |  |
| 4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.  | 126                                |               |  |
| 4.13 Memberships in associations or national/international advocacy organizations   | 129                                |               |  |
| <b>Stakeholder engagement</b>   |                                    |               |  |
| 4.14 List of stakeholder groups engaged by the organization   | 6,12-13, 126                       |               |  |
| 4.15 Basis for identification and selection of stakeholders to whom to engage   | 6, 12, 126                         |               | Atlas Copco has an integrated report and has discussed how its business model works with the different forms of capital on pages 12-13. These pages also highlight the priority areas for different stakeholders (society, employees, investors, business partners and customers) as well as explains the basis for selecting them as stakeholders to engage with. |
| 4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group   | 10, 12-13, 43, 47-48, 51, 126, 130 |               |  |
| 4.17 Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topic   | 12, 126-127, 130-131               |               |  |
| <b>Management approach and Performance Indicators</b>   |                                    |               |  |
| <b>Economic Indicators</b>  |                                    |               |  |
| Approach to management disclosure – Economic Responsibility   | Inside cover, 6-19, 51, 125-126    |               |  |
| <b>Economic performance</b>   |                                    |               |  |
| EC1. Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | Inside cover, 2, 51, 80-82, 125    |               | Economic value is reported on Group level, not by region. Revenue is reported by geographic area and by customer segment. Segment information is also reported.  |
| EC3. Coverage of the organization's defined benefit plan obligations.   | 96-100                             |               | The Atlas Copco Group applies IFRS and discloses employee benefits in accordance with IAS 19.  |
| <b>Market presence</b>  |                                    |               |  |
| EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.  | 45-46, 85, 125                     |               |  |
| <b>Environmental Indicators</b>   |                                    |               |  |
| Approach to Management Disclosure – Environmental Responsibility  | 6-9, 20-35, 41-42, 52-53, 126-128  |               |  |
| <b>Materials</b>  |                                    |               |  |
| EN1. Materials used by weight or volume.  | 125, 128                           |               |  |
| EN2. Percentage of materials used that are recycled input materials.  | 13, 52, 125                        |               |  |
| <b>Energy</b>   |                                    |               |  |
| EN3. Direct energy consumption by primary energy source.  | 52, 125, 128                       |               | The Atlas Copco Group reports and follows-up on direct energy use in GWh.  |
| EN4. Indirect energy consumption by primary source.   | 52, 125, 128                       |               | The Atlas Copco Group reports and follows-up on indirect energy use in GWh.  |

| INDICATOR AND GRI NUMBER  | PAGES IN THE ANNUAL REPORT                    | REPORT STATUS | COMMENTS  |
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| EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.             | 12-13, 20-22, 24-26, 28-30, 32-34, 41-43, 131 |               |   |
| <b>Water</b>  |   |               |   |
| EN8. Total water withdrawal by source.  | 2, 125,128                                    |               | All of Atlas Copco's water supply comes from municipal sources. In rare cases rain water is harvested, but this is used for minor applications such as lawn maintenance.  |
| <b>Emissions, effluents, and waste</b>  |   |               |   |
| EN16. Total direct and indirect greenhouse gas emissions by weight.   | 2, 52-53, 125, 128                            |               | Atlas Copco reports on CO <sub>2</sub> emissions since it is the major greenhouse gas.  |
| EN17. Other relevant indirect greenhouse gas emissions by weight.   | 53, 125                                       |               | Atlas Copco reports on CO <sub>2</sub> emissions since it is the major greenhouse gas.  |
| EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.   | 52-53, 128                                    |               |   |
| EN22. Total weight of waste by type and disposal method.  | 125, 128                                      |               |   |
| <b>Products and services</b>  |   |               |   |
| EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.  | 12-13, 20-22, 24-26, 28-30, 32-34, 41-43, 131 |               |   |
| <b>Compliance</b>   |   |               |   |
| EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.                                  | 128   |               |   |
| <b>Transport</b>  |   |               |   |
| EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | 53, 125, 128                                  |               |   |
| <b>Social: Labor practices and decent work Indicators</b>   |   |               |   |
| <b>Approach to Management Disclosure – Social Responsibility (Labor practices and decent work)</b>  |   |               |   |
| 6-9, 45-47, 96, 126-130   |   |               |   |
| <b>Employment indicators</b>  |   |               |   |
| LA1. Total workforce by employment type, employment contract, and region.   | 2, 18, 45, 82, 85, 125                        |               | The workforce is reported per region in the Annual Report, Note 5 Employees and personal expenses, based on average number of employees. The workforce is also reported per region based on number of employees at year-end. The Group reports the workforce as full time employees (FTE) per geographical spread and per professional category, as well as divided between white-collar and blue-collar employees. |
| LA2. Total number and rate of employee turnover by age group, gender, and region.   | 125   |               | With reference to legislative reasons employee turnover is not reported by age group or gender.   |
| <b>Labor/Management relations</b>   |   |               |   |
| LA4. Percentage of employees covered by collective bargaining agreements.   | 47  |               |   |
| LA5. Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.  | 10, 96, 128                                   |               | Atlas Copco complies with local labor regulations as well as agreements made with local unions  |
| <b>Occupational health and safety</b>   |   |               |   |

| INDICATOR AND GRI NUMBER   | PAGES IN THE ANNUAL REPORT          | REPORT STATUS | COMMENTS  |
|--|-------------------------------------|---------------|---|
| LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs. | 47                                  |               |   |
| LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.  | 2, 13, 46-47, 125, 129              |               | Atlas Copco reports sick leave and number of fatalities on total level and not by region. Sick leave includes occupational diseases and own diseases. |
| LA8. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.    | 13, 45-47, 51                       |               |   |
| <b>Training and education</b>  |                                     |               |   |
| LA10. Average hours of training per year per employee by employee category.  | 2, 46, 125                          |               |   |
| LA12. Percentage of employees receiving regular performance and career development reviews.  | 2, 46-47, 125                       |               |   |
| <b>Diversity and equal opportunity</b>   |                                     |               |   |
| LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.           | 2, 45-46, 60-63, 82-85, 125         |               | Age group is not disclosed at Group level. Minority group membership is not reported on in the Group.   |
| <b>Social: Human rights Indicators</b>   |                                     |               |   |
| Approach to management disclosure – Social Responsibility (Human Rights)   | 6-9, 45-51, 126-130                 |               |   |
| <b>Investment and procurement practices</b>  |                                     |               |   |
| HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.                                 | 45, 48, 51, 130                     |               |   |
| HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.  | 2, 125, 129 - 30                    |               |   |
| HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.    | 46, 50-51, 130                      |               | Training hours are reported, but not split by individual training category  |
| <b>Non-discrimination</b>  |                                     |               |   |
| HR4. Total number of incidents of discrimination and actions taken.  | 129, 130                            |               |   |
| <b>Freedom of association and collective bargaining</b>  |                                     |               |   |
| HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.      | 39, 47, 50                          |               |   |
| <b>Child labor</b>   |                                     |               |   |
| HR6. Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.                                | 39, 48, 50-51, 129-130              |               |   |
| <b>Forced and compulsory labor</b>   |                                     |               |   |
| HR7. Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.        | 39, 48, 50-51, 129-130              |               |   |
| <b>Social: Society Indicators</b>  |                                     |               |   |
| Approach to management disclosure – Social Responsibility (Society)  | 6-9, 45-47, 50-51, 126-127, 129-131 |               |   |
| <b>Corruption</b>  |                                     |               |   |
| SO2. Percentage and total number of business units analyzed for risks related to corruption.   | 38-39, 50-51, 129                   |               |   |

| INDICATOR AND GRI NUMBER   | PAGES IN THE ANNUAL REPORT | REPORT STATUS | COMMENTS  |
|--|----------------------------|---------------|---|
| <b>SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.</b>   | 50-51                      |               | Data is not collected divided on management and non-management employees since the training is mandatory for all employees. Business Code Training figures are not externally disclosed for 2014. |
| <b>SO4. Actions taken in response to incidents of corruption.</b>  | 50, 129                    |               |   |
| <b>Public policy</b>   |                            |               |   |
| <b>SO5. Public policy positions and participation in public policy development and lobbying.</b>   | 129-130                    |               |   |
| SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.  | 130                        |               |   |
| <b>Anti-competitive behavior</b>   |                            |               |   |
| SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.   | 130                        |               |   |
| <b>Compliance</b>  |                            |               |   |
| <b>SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</b>   | 129                        |               |   |
| <b>Social: Product responsibility Indicators</b>   |                            |               |   |
| <b>Approach to management disclosure – Social Responsibility (Product responsibility)</b>  | 6-13, 40-43, 131           |               |   |
| <b>Customer health and safety</b>  |                            |               |   |
| <b>PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.</b> | 43                         |               |   |
| <b>Products and service labeling</b>   |                            |               |   |
| <b>PR3. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.</b>   | 42-43, 128                 |               |   |
| PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.  | 128                        |               |   |
| PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.   | 10                         |               |   |
| <b>Compliance</b>  |                            |               |   |
| <b>PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</b>  | 129                        |               |   |