

## **Guidelines for executive remuneration in Atlas Copco**

The CEO and the other members of the Group Executive Management fall within the provisions of these guidelines. These guidelines do not apply to any remuneration decided by the general meeting.

*The guidelines' promotion of the company's business strategy, long-term interests and sustainability*

The Atlas Copco Group's business strategy is available in the annual report which can be accessed at [www.atlascopcogroup.com](http://www.atlascopcogroup.com).

The successful implementation of the company's business strategy and its sustainable long-term interests requires that the company can offer market competitive salaries to recruit and retain employees with the right competence.

*Salary and employment conditions for employees*

The total remuneration to employees shall be market competitive. The remuneration components, increase and growth rate over time shall be considered by the remuneration committee and the Board when the guidelines are decided.

*Types of remuneration, etc.*

The remuneration shall consist of: a base salary, variable compensation (excluding such decided by the general meeting), pension benefits and other benefits. The general meeting may, and has over a number of years, irrespective and independent of these and previous guidelines resolved on share and share price related remuneration i.e. long term incentive.

### (i) Base salary

The base salary for the CEO and other members of the Group Executive Management will be based on competence, area of responsibility, experience and performance. The Group uses an international reputable assessment system for the annual salary review.

### (ii) Variable compensation

The variable compensation shall be measured over a period of one year and may amount to not more than 100 percent of the annual base salary. In addition further variable compensation may be awarded in extraordinary circumstances, provided such arrangements are limited in time and is only made on an individual basis either for the purpose to recruiting or retaining executives, or as remuneration for performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 percent of the annual base salary. Any resolution on such remuneration shall be made by the Board based on a proposal from the remuneration committee.

The variable compensation shall be linked to predetermined and measurable criteria which can be financial or non-financial and which shall contribute to the company's long-term and sustainable development.

The Board shall make an assessment, on the proposal from the remuneration committee, how well the CEO has met the criteria of variable compensation once the measurement period has expired. The CEO is responsible for the corresponding evaluation regarding the other executives.

(iii) Pension benefits

For the CEO and other members of the Group Executive Management, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. Premiums may amount to not more than 35 percent of the base salary.

(iv) Other benefits

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company car. Costs for such benefits may not amount to more than 10 percent of the base salary.

*Mandatory law, other regulations and expatriate terms*

Nothing in these guidelines can restrict the application of any mandatory law and other regulations. For employment relations governed by rules other than Swedish due adjustment may be made taking into account, to the extent possible, the overall purpose of these guidelines.

*Termination of employment*

A member of the Group Executive Management may terminate its employment with a six month notice period. When a termination is made by the company the employee shall be entitled to severance pay, based on number of years served with the company and age up to not more than two times the base salary.

*The decision-making process to determine, review and implement the guidelines*

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting for decision. The remuneration committee established by the Board shall continuously review and assess the guidelines as well as the implementation of such. A member of the Group Executive Management shall not attend the process of or decision which may affect such member.

*Deviations from the guidelines*

The Board may resolve to deviate from the guidelines, in whole or in part, if in a specific case there are special reasons for the deviation and the board deems a deviation is needed to serve the company's long-term interests or to ensure the company's financial viability. As set out above, the remuneration committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to deviate from these guidelines.