

Atlas Copco AB (“Atlas Copco”) remuneration report 2021

Introduction

This remuneration report provides an outline of how the guidelines for executive remuneration in Atlas Copco (the “remuneration guidelines”), adopted by the annual general meeting of Atlas Copco 2020, have been implemented in 2021. The report provides details on the remuneration of Atlas Copco’s President and CEO. In addition, the report contains a summary of Atlas Copco’s outstanding share and share-price related incentive programs. The report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Swedish Corporate Governance Code and Remuneration Rules issued by the Swedish Corporate Governance Board. Information required by Chapter 5, Sections 40-44 of the Annual Accounts Act (1995:1554) is available in note 5 on p. 83-85 in the Atlas Copco Annual report 2021 (the “annual report 2021”).

Information on the work of the remuneration committee in 2021 is set out in the corporate governance report, which is available on p. 54-63 in the annual report 2021.

Remuneration of the board of directors (the “Board”) is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 5 on p. 83 in the annual report 2021.

No comments in respect of the 2020 remuneration report, which are to be taken into account, have been put forward in connection with the annual general meeting 2021.

Key Developments 2021

Overall company performance in 2021

The performance of the Atlas Copco Group in 2021 is presented in the annual report 2021 which can be accessed at www.atlascopcogroup.com.

Overview of the application of the remuneration guidelines in 2021

The remuneration guidelines have been applied without deviation.

Under the remuneration guidelines, remuneration of executive management shall be market competitive and may consist of the following components: base salary, variable compensation, pension benefits and other benefits. The remuneration guidelines, adopted by the annual general meeting 2020, can be accessed at www.atlascopcogroup.com where also the auditor’s yearly reports regarding the company’s compliance with the remuneration guidelines are available.

In addition to remuneration covered by the remuneration guidelines, the annual general meetings of Atlas Copco have for a number of years resolved to implement share and share price related programs i.e. long-term incentive programs.

Total remuneration of the President and CEO

Table 1 below sets out Atlas Copco's President and CEO's total remuneration for 2021 (KSEK).

President and CEO	Fixed remuneration		Variable remuneration	Extraordinary items	Pension fees	Total remuneration	Proportion of fixed and variable remuneration
	Base salary	Other benefits					
Mats Rahmström	16 500	445	13 200	-	5 795	35 940	63/37

Performance of the President and CEO on variable compensation

The performance criteria for the President and CEO's variable compensation have been selected to contribute to the company's long term and sustainable development. Set out in Table 2 below are the performance criteria decided by the Board in January 2021 and a description of how the criteria for payment of variable compensation have been applied during the financial year.

President and CEO	Description of the performance criteria	Relative weighting of the performance criteria ¹	a) Measured performance	
			b) Actual outcome (KSEK)	
Mats Rahmström	Group Economic Value Added (EVA) ²	80%	a)	12 090 MSEK
			b)	10 560
	Group average Net Working Capital as percentage of sales	10%	a)	20,2%
			b)	1 320
	Reduce the CO ₂ emissions in the Group	10%	a)	3.3 tonnes/MSEK of Cost of Sales
			b)	1 320

Comparative information on the change of remuneration and company performance

Year 2020 was the first reported financial year and the year over year development, over five years, will be reported and added annually as it becomes available. Table 3 below sets out actual outcome.

¹ Total variable compensation is capped at 80% of the base salary.

² Defined as the sum of adjusted operating profit and interest income less tax expenses and cost of capital.

	2020	2021
Total remuneration		
Mats Rahmström, President and CEO	27 396 KSEK	35 940 KSEK
Company's performance		
EVA	9 420 MSEK	12 090 MSEK
Profit for the period	14 783 MSEK	18 134 MSEK
Average remuneration on a full-time equivalent basis of employees		
Employees of Atlas Copco AB ³	1 083 KSEK	1 118 KSEK

Outstanding share and share-price related incentive programs

At the Atlas Copco annual general meeting 2016–2021 respectively, it was decided to implement performance-based personnel stock option programs. The decision to grant options was made in April each year and the options were issued in March the following year (issue date). The number of options issued for each program year depended on the value creation in the Atlas Copco Group, measured as EVA, for the respective program year. For the 2021 option program, the number of options varies on a linear basis within a preset EVA interval. The size of each plan and the limits of the interval have been proposed by the Board and approved by each annual general meeting and are compatible with the long-term business plan of the Atlas Copco Group.

In connection to the issue, the exercise price was calculated as 110% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. The options were issued without compensation paid by the employee and the options remain the property of the employee only to the extent that they are exercisable at the time employment is terminated. The 2016–2021 programs have a term of seven years. The options in the 2016–2021 programs are not transferable and become exercisable at 100% three years after grant.

The 2016–2021 programs include a requirement for group management and division presidents to purchase and keep Atlas Copco A shares for 10% of their gross base salary in order to be granted options. A lower amount of investment will reduce the number of options proportionately. Further, group management and division presidents who have invested in Atlas Copco A shares will have the option to purchase one matching share per each share purchased at a price equal to 75% of the average trading price for series A shares during a ten-day period following the date of the publishing of the fourth quarter report. This right applies from three years after grant until the expiration of the stock option program.

The Board had the right to decide to implement an alternative incentive solution (SARs) for key persons in such countries where the grant of personnel options was not feasible.

More information about share and share price related long-term incentive programs, outstanding and completed in 2021, can be found in the annual report 2021 note 5 on p. 84-85 and note 23 on p. 101-103.

³ Excluding the President and CEO.