

Atlas Copco AB (“Atlas Copco”) remuneration report 2023

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 2023. 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 4 on p. 102-104 in the Atlas Copco Annual report 2023 (the “annual report 2023”).

Information on the work of the remuneration committee in 2023 is set out in the corporate governance report, which is available on p. 74-83 in the annual report 2023.

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 4 on p. 102 in the annual report 2023.

A few comments on the remuneration report 2022 have been received. These have been reported to the Remuneration Committee and have been considered not to give rise to any changes.

Key Developments 2023

Overall company performance in 2023

The performance of the Atlas Copco Group in 2023 is presented in the annual report 2023 which can be accessed at www.atlascopcogroup.com.

Overview of the application of the remuneration guidelines in 2023

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 2023 (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	20 200	613	14 221	0	7 070	42 104	66/34

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 2023 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) 20 189 MSEK
			b) 12 928
	Group average Net Working Capital as percentage of sales	10%	a) 23,1%
			b) 0
	Reduce the Group's greenhouse gas emissions in line with the goals of the Paris Agreement, Science Based Targets: ³	8%	a) 112,6 ktCO ₂
			b) 1 293
- Scope 1 and 2 - Scope 3	2%	a) 250 528 ktCO ₂ b) 0	

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.

	2020	2021	2022	2023
Total remuneration				
Mats Rahmström, President and CEO	27 396 KSEK	35 940 KSEK	41 562 KSEK	42 104 KSEK
Company's performance				
EVA	9 420 MSEK	12 090 MSEK	15 235 MSEK	20 189 MSEK
Profit for the period	14 783 MSEK	18 134 MSEK	23 482 MSEK	28 052 MSEK
Average remuneration on a full-time equivalent basis of employees				
Employees of Atlas Copco AB ⁴	1 083 KSEK	1 118 KSEK	1 218 KSEK	1 263 KSEK

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.

³ The Science Based targets of the Group is presented in the annual report 2023.

⁴ Excluding the President and CEO.

Outstanding share and share-price related incentive programs

In 2017–2022, the Annual General Meeting decided on performance-based employee stock option plans based on a proposal from the Board for the respective years. The terms and conditions of these plans are in all material aspects similar to the terms and conditions of the performance based personnel stock option plan for 2023 in Atlas Copco Group, as described below.

At the Annual General Meeting 2023, it was decided to implement a performance based personnel stock option plan for 2023, which is similar in structure to the previous stock option plans approved by the Annual General Meeting. The plan is directed at a maximum 500 key employees in Atlas Copco Group who will have the possibility to acquire a maximum of 10 302 190 series A shares in Atlas Copco AB. The issuing of options is dependent on the value increase of the Group, measured as Economic Value Added (EVA, defined as the sum of adjusted operating profit and interest income less tax expenses and cost of capital) during 2023. In an interval of SEK 3 710 000 000 the issue varies linear from 0 to 100 % of the maximum number of options. Participation in the plan is based on position, qualifications and individual performance and the nominated employees are divided into four categories, with different amounts of maximum issues of options. The size of the plan and the limits of the interval have been established by the Board and have been approved by the Annual General Meeting and are compatible with the long-term business plan of the Group.

In connection to the issue, which will take place no later than March 20, 2024, the exercise price shall be set to an amount corresponding to 110 % of the average of the closing rates on Nasdaq Stockholm of Atlas Copco AB series A shares during a period of ten business days next following the date of the publishing of the full-year summary for 2023. Hence, there is no economic value for the key employees unless the shareholder value increases during the vesting period. The options are not transferable and they remain the property of the employee only to the extent that they are exercisable at the time employment is terminated. The term of the options shall be seven years and the options are exercisable earliest three years from granting. Exercise is only possible when the market price of the Atlas Copco AB series A share is higher than the exercise price thus promoting a focus on the Group's sustained growth. A single payment/assignment of shares under the plan can never exceed four times the value of the exercise price.

Since the Board believes that it is of particular importance to the shareholders that Group Management and division president have a long-term interest in the good value development of the share of the company, there is a requirement regarding own investment. As a prerequisite for the full participation in the performance-based employee stock option plan 2023, Group Management and division presidents have to invest 10% of their respective base salary for 2023 (20% for expatriates with net salary), before tax, in Atlas Copco AB series A shares. A lower amount of investment will reduce the number of performance stock options proportionately. Further, Group Management and division presidents who have chosen to invest in Atlas Copco AB series A shares will get, in addition to the proportional participation in the plan, the right to acquire, three years after the investment year, matching options that corresponds to the number of shares acquired under 2023 at a price of 75 % of the average of the closing rates of Atlas Copco AB series A shares during a period of ten business days next following the date of the publishing of the full-year summary for 2023, subject to continued

employment and continued ownership of the shares. If the number of acquired shares has been reduced prior to the date when matching options become exercisable, the right to matching options is reduced on a share by share basis. This right applies from three years after grant until the expiration of the stock option program.

The Board has the right to introduce an alternative incentive plan for key employees in such countries where the granting of stock options is not feasible. Such alternative incentive solutions shall, to the extent possible, have same terms and conditions corresponding to the ones applicable to the performance-based stock option plan.

More information about share and share price related long-term incentive programs, outstanding and completed in 2023, can be found in the annual report 2023 note 4 on p. 103-104 and note 22 on p. 120-123.

