



Sustainability Report
UN Global Compact Communication on Progress
Advanced Level Reporting

Extracted from the 2011 Annual Report

11

Sustainable Productivity

Atlas Copco

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This report is an extract of the Annual Report, with minor modifications to the sections preceeding the sustainability report. The page numbers reflect the position of the content in the original document.

Note: The amounts are presented in MSEK unless otherwise indicated and numbers in parentheses represent comparative figures for the preceding year.

Forward-looking statements: Some statements in this report are forward-looking, and the actual outcomes could be materially different. In addition to the factors explicitly discussed, other factors could have a material effect on the actual outcomes. Such factors include, but are not limited to, general business conditions, fluctuations in exchange rates and interest rates, political developments, the impact of competing products and their pricing, product development, commercialization and technological difficulties, interruptions in supply, and major customer credit losses.

Atlas Copco AB and its subsidiaries are sometimes referred to as the Atlas Copco Group, the Group, or Atlas Copco. Atlas Copco AB is also sometimes referred to as Atlas Copco. Any mention of the Board of Directors or the Board refers to the Board of Directors of Atlas Copco AB.

Atlas



Atlas Copco is a member of the United Nations Global Compact and continues to support its 10 universal principles for business conduct, including a commitment to respect and support human rights. These principles are closely aligned with the Group's integrated business strategy and way of conducting business. Atlas Copco remains committed to the work of the United Nations Global Compact, and the contents of this Communication on Progress have been approved by Group Management.

- Ronnie Leten, CEO Atlas Copco AB

This report contains a clickable GRI index. To navigate the document, click on the highlighted page numbers in the GRI table to be directed to the content within this report. To return to the GRI table press ALT + (left arrow), if viewing the document in Adobe. Page numbers referring to the financial and corporate governance report are not currently linked in this document. For more information on these areas please visit <http://www.atlascopco.com/us/>



This symbol indicates that further information is available on Atlas Copco's website, www.atlascopco.com.

- Favorable demand development for Atlas Copco's equipment.
- Strong continuous growth in the aftermarket.
- New business area structure with four business areas and focused service divisions.
- The Group continued to invest in market presence, new products and technologies, product development and production capacity.
- Record orders received, revenues and profit.
 - Order intake increased to MSEK 86 955 (75 178), 22% organic growth.
 - Revenues increased 16% to MSEK 81 203, 22% organic growth.
 - Operating profit up 26% to MSEK 17 560, corresponding to a margin of 21.6% (19.9).
 - Profit for the year was MSEK 12 988 (9 944).
 - Basic earnings per share were SEK 10.68 (8.16).
- Operating cash flow was MSEK 6 292 (9 698).
- Proposed dividend of SEK 5.00 (4.00) per share.

Copco 2011

2011 in figures

MSEK	2011	2010	Change, %
Orders received	86 955	75 178	+16
Revenues	81 203	69 875	+16
EBITDA	20 082	16 413	+22
Operating profit	17 560	13 915	+26
– as a percentage of revenues	21.6	19.9	
Profit before tax	17 276	13 495	+28
– as a percentage of revenues	21.3	19.3	
Profit for the year	12 988	9 944	+31
Basic earnings per share, SEK	10.68	8.16	
Diluted earnings per share, SEK	10.62	8.15	
Dividend per share	5.00 ¹⁾	4.00	+25
Mandatory redemption per share	–	5.00	
Equity per share, SEK	24	24	
Operating cash flow	6 292	9 698	
Return on capital employed, %	37.2	28.6	
Return on equity, %	47.6	37.6	
Average number of employees	35 131	31 214	

¹⁾ Proposed by the Board of Directors.

For definitions, see page 103.

Atlas Copco Group

Atlas Copco is an industrial group with world-leading positions in compressors, expanders and air treatment systems, construction and mining equipment, power tools and assembly systems. With innovative products and services, Atlas Copco delivers solutions for sustainable productivity. The company was founded in 1873, is based in Stockholm, Sweden, and has a global reach spanning more than 170 countries. In 2011, Atlas Copco had 37 500 employees and revenues of BSEK 81 (BEUR 9). Learn more at www.atlascopco.com. 

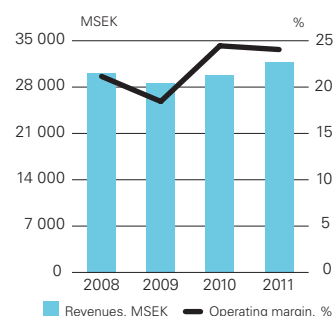
The business

Compressor Technique



The Compressor Technique business area provides industrial compressors, gas and process compressors and expanders, air and gas treatment equipment and air management systems. It has a global service network and offers specialty rental services. Compressor Technique innovates for sustainable productivity in the manufacturing, oil and gas, and process industries. Principal product development and manufacturing units are located in Belgium, Germany, the United States, China and India.

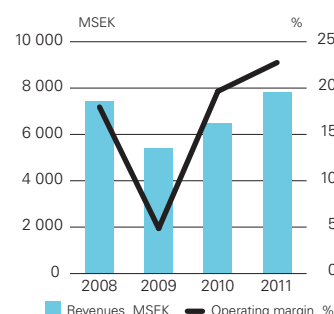
Revenues and operating margin



Industrial Technique



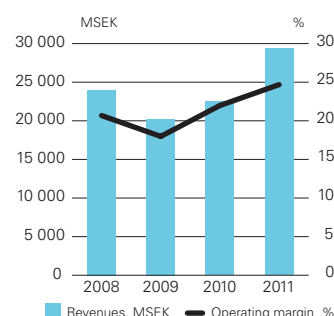
The Industrial Technique business area provides industrial power tools, assembly systems, quality assurance products, software and services through a global network. It innovates for sustainable productivity for customers in the automotive and aerospace industries, industrial manufacturing and maintenance, and in vehicle service. Principal product development and manufacturing units are located in Sweden, France, Japan and Germany.



Mining and Rock Excavation Technique



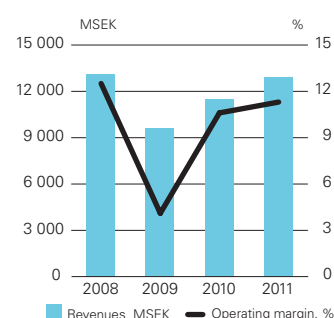
The Mining and Rock Excavation Technique business area provides equipment for drilling and rock excavation, a complete range of related consumables and service through a global network. The business area innovates for sustainable productivity in surface and underground mining, infrastructure, civil works, well drilling and geotechnical applications. Principal product development and manufacturing units are located in Sweden, the United States, Canada, China and India.



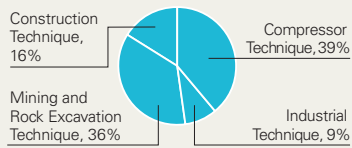
Construction Technique



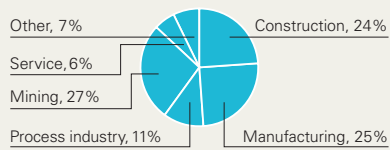
The Construction Technique business area provides construction and demolition tools, portable compressors, pumps and generators, lighting towers, and compaction and paving equipment. It offers service through a global network. Construction Technique innovates for sustainable productivity in infrastructure, civil works and road construction projects. Principal product development and manufacturing units are located in Belgium, Germany, Sweden, China and Brazil.



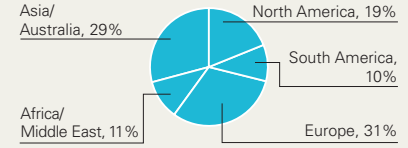
Revenues by business area



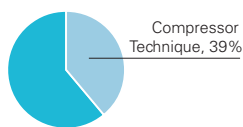
Orders received by customer category



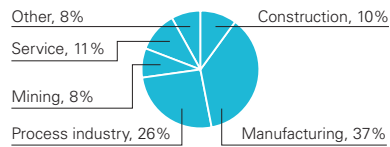
Revenues by geographic area



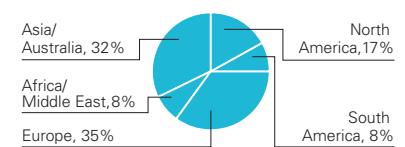
Share of Group revenues



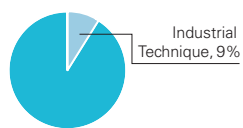
Orders received by customer category



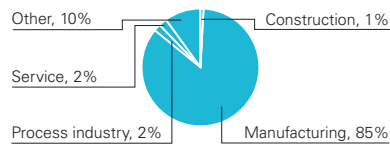
Revenues by geographic area



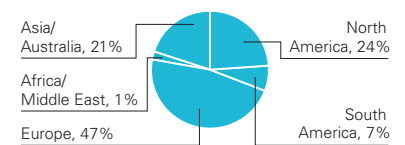
Share of Group revenues



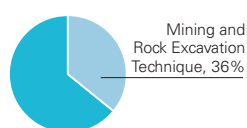
Orders received by customer category



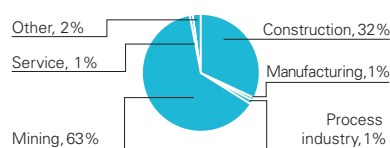
Revenues by geographic area



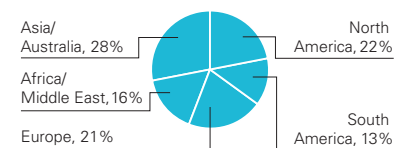
Share of Group revenues



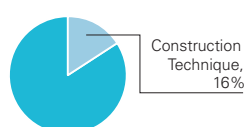
Orders received by customer category



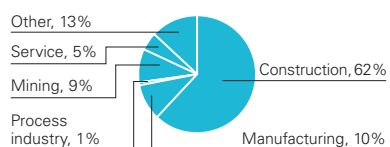
Revenues by geographic area



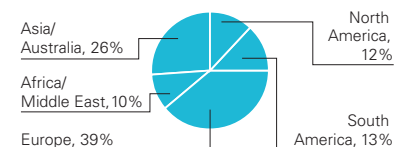
Share of Group revenues



Orders received by customer category



Revenues by geographic area





Planting new seeds for growth

The year of 2011 was fantastic for Atlas Copco, with new records for sales and profitability. We intensified relations with customers through a new structure for the organization and a stronger focus on customer service. We also made a large number of interesting acquisitions. These achievements do not mean we can settle down. We have a year of great uncertainty ahead and will strive to deliver good results while planting new seeds for Atlas Copco's sustainable, profitable development.

Summary of 2011

Demand for our products and services increased significantly in 2011, stabilizing on a high level in the second half of the year. The growth was very good for mining equipment, industrial tools and compressors. The construction-related businesses saw a somewhat weaker development, as a result of reduced spending on infrastructure and construction projects. We see that we can benefit from becoming even more customer focused, with an organization geared to give all customer segments the necessary attention.

To that end we have established a new structure for the Group, with dedicated business areas for mining and rock excavation and for construction equipment, and a sharper industrial customer focus in Compressor Technique and Industrial Technique. This new structure supports our ambition to be a product-driven, customer-focused company. Operational as of July, the new Construction Technique business area has begun to establish its own customer centers in selected markets, such as Australia, Russia, China and South Africa.

In this and other ways, the new structure will help us with the four priorities we have identified as key to Atlas Copco's long-term success: Extending our presence in growth markets, developing the service business, remaining innovative, and focusing on operational excellence.

All business areas now have their own service divisions, enabling us to further strengthen our global presence and customer relations. These divisions have a total of more than 13 000 employees, about 35% of Atlas Copco's total workforce – one indication of how important the aftermarket is for our company. The aftermarket provides a steady revenue stream that makes the company resilient in difficult times.

We are also investing to deepen our market presence and our ability to innovate. In October we inaugurated a new research and development center for mining products in Nanjing, China. During the year, we decided to build two new factories, one in India and one in China, to meet the growing demand for compressors in the region.

Developing our capacity for the future is a balancing act, as we want Atlas Copco to remain an asset-light organization without jeopardizing our future growth potential. This means investing a lot in engineering capabilities and in customer relations, but being tough on fixed asset investments and optimizing our manufacturing floor space and offices.

In line with this drive for operational excellence, we consolidated three smaller compressor manufacturing units in the United States into one. We are also adapting factories in our Construction Tools and Road Construction Equipment divisions to lower business volumes. On a global level, we have decided to outsource some of our financial processes, to leverage the competence and innovation capacity of our service partners.

Our full-year results were strong both in terms of growth and profitability. Revenues increased 16% to BSEK 81.2 and the operating profit was BSEK 17.6 (13.9), corresponding to a margin of 21.6% (19.9). The revenue level is now 10% higher than the previous peak (in 2008) and the operating profit margin is nearly two percentage points higher than the previous record. Atlas Copco's return on capital employed at 37% (29) is further proof of the efficiency of our business model.

The Board of Directors has proposed to the Annual General Meeting an ordinary dividend of SEK 5.00 per share, up 25% compared with 2010. In relation to our strong balance sheet this is a prudent dividend that maintains our capacity to finance Atlas Copco's further growth.



Seeds for growth

Will we be able to repeat these achievements in 2012? Considering the development of the past three years and the current turbulence in the global economy, the predictability of the coming year's market environment is extremely low. In the short term we might be facing a decline in the global economy, but demand could also remain on the current level or there may even be a period of renewed growth. There is no homogenous global outlook and the signs are not clear, making it more important than ever to develop the agile and resilient aspects of our organization, and keeping a steady eye on our growth opportunities.

To do this we need to keep our units working in line with Atlas Copco's most fundamental strategy for securing lasting results, which is to apply three different time horizons in developing strategies and growth plans. In the first horizon, we should attempt to extend and

defend our core business. In the second horizon, we focus on building new businesses close to the core. In the third horizon we seek to create options and look at new markets and ways of doing business. This is a well-known strategic concept that has proven useful for Atlas Copco throughout the years. It makes it possible to deliver good results today, while we at the same time plant seeds for future growth.

These "seeds" come in many shapes and forms. Looking at acquisitions, 2011 was an active year and we acquired or agreed to acquire more than 10 companies with combined revenues of almost BSEK 2. Research and development spending is another path to future growth. In 2011 the Group invested BSEK 1.8 in this area, an increase of 14% from 2010. It should be noted that most acquisitions and other activities give benefits on more than one time horizon, but here are some examples of how our strategy manifested itself last year.

Activity	Benefit	Strategic fit
Launched screw compressors targeted to Asia, certified with the new and stricter Chinese environmental standard.	Meeting official requirements, reducing customer costs and strengthening position versus local competitors.	First horizon
Acquired distributors in the U.S., Spain and Colombia.	Coming closer to customers and supporting the growth of the current business.	
Acquired Gesan, a Spanish manufacturer of generators.	Strengthening Atlas Copco's product portfolio and reaching a wider group of customers.	
Introduced service divisions in all business areas.	Improving focus on the service business and ability to respond to customer needs.	
Acquired GIA, a Swedish manufacturer of underground mining equipment.	Extending Atlas Copco's offering of underground transportation and utility equipment.	Second horizon
Acquired Houston Service Industries, a U.S. manufacturer of energy-efficient blowers.	Supporting Atlas Copco's ambition to become a leader in low-pressure compressors.	
Introduced a new business area structure.	Strengthening customer focus.	Third horizon
Acquired SCA Schucker, a German manufacturer of adhesive equipment for the automotive industry	Adding a new type of technology that will grow in importance due to increased use of lightweight materials.	
Launched a research project to develop technology for drilling deep geothermal wells.	Increasing knowledge about a potentially significant growth market for the Group.	



We also saw several promising products coming out last year. The Group's John Munck Award, which rewards important technical achievements, was in 2011 presented to the developers of a pick hammer with dramatically reduced vibration levels. Atlas Copco also, through the annual Environmental Award, recognized the developers of a drill rig system platform which reduces fuel consumption and extends the life span of the engine and consumables.

We were proud to see our efforts in innovation acknowledged externally, when Atlas Copco was included on two different

rankings of the world's 100 most innovative companies, published by Forbes and Thomson Reuters. Innovation is important because it is the key to creating value for our customers and ultimately shareholders. But it depends on one resource alone: people. We work with business partners to attract ideas and foster a culture of open innovation, and we engage in talent management to breed our next generation of leaders and innovators.

Meeting our goals

Competence development is emphasized in the goals introduced in 2011 for Atlas Copco's operations, products, services and solutions, to support the Group's sustainable, profitable development. Ranging from increased customer loyalty to improved energy efficiency of our products and a reduced number of accidents, these goals have been defined with a long-term view, but we are constantly measuring our progress.

Perhaps the most important goals relate to energy consumption – that of our own operations and of our products. The aim is to reduce carbon dioxide emissions and energy consumption by 20% by the year 2020. This focus is both good for the global environment and goes hand in hand with our business goals: Our customers benefit from lower life-cycle costs and Atlas Copco's business grows.





» We are prepared for long-term growth in an unpredictable world.

Our Group goals include a vision of zero work-related accidents and having a safe and healthy workplace for all our employees, with a sick-leave ratio below 2.5%. Supported by a company-wide campaign, the number of accidents declined by a third and we were pleased to see sick leave remain on a low level.

We still have a way to go when it comes to diversity in Atlas Copco, both related to gender and nationality among our employees. The ratio of female employees increased slightly to 17% and among our managers 67% (68) were locally employed. These figures are positive considering the significant increase in our workforce in emerging markets, but they show we can still become better at recruiting from the full pool of talent.

Partly thanks to our intensified work in these areas, we have once again been included in the Dow Jones Sustainability Indexes. In January of 2012 it was also announced that Atlas Copco has been included on the Global 100 list of the world's most sustainable companies.

Atlas Copco's vision is to be First in Mind—First in Choice® among our stakeholders, from potential employees to customers, and we have made this part of our goal structure. To measure whether we are first in mind among customers and prospects, we will conduct regular brand awareness surveys in key markets, in addition to our customer loyalty surveys. The results from our

early surveys are interesting. Among potential customers, awareness of Atlas Copco is reasonably good, but as always we need to keep a close eye on our competitors. Especially in markets like Asia, we will work hard with branding efforts in digital communications and other channels to further increase knowledge about Atlas Copco and develop our strong market position.

I would like to thank our customers, shareholders, employees, board members and partners for your business and cooperation in 2011. We can look back at a great year and forward to a year with the confidence that we have the right organization and motivated people who can meet whatever challenges we are presented with. We are prepared for long-term growth in an unpredictable world.

Ronnie Leten
President and CEO
Stockholm, January 31, 2012

Committed to sustainable productivity

Atlas Copco is an industrial group with world-leading positions in compressors, expanders and air treatment systems, construction and mining equipment, power tools and assembly systems. With innovative products and services, Atlas Copco delivers solutions for sustainable productivity.

Vision and mission

The Atlas Copco Group's vision is to become and remain First in Mind—First in Choice® of its customers and other principal stakeholders. The mission is to achieve sustainable, profitable development. In order to achieve the mission, the Board of Directors has adopted a number of goals, see page 10.

Strategy

Atlas Copco has strong positions globally in most segments where it offers products and solutions. The Group concentrates on strengthening its position within segments where it has core competence.

To reach its vision First in Mind—First in Choice®, the Group has three overall strategic directions:

Organic and acquired growth

Growth should primarily be organic, supported by selected acquisitions. Growth can be achieved by:

- geographic expansion, by opening additional customer centers
- deeper market penetration, by intensified training for service and sales personnel
- increasing the scope of supply
- improving distribution channels and brands
- continuously launching new products for existing applications
- finding new applications for existing products
- acquiring more channels to the market, for example more brands or more distributor channels
- acquiring products for existing applications
- acquiring technology/expertise in related applications.

Innovations and continuous improvements

To be a market leader demands continuous substantial investment in research and development. Customers should be offered products and solutions that increase their productivity and reduce their cost. New products and solutions should provide extra benefits for the customer compared to the existing products or to the competition.

Strengthened aftermarket

The aftermarket comprises accessories, consumables, parts, service, maintenance, and training. A strengthened aftermarket offers the Group a stable revenue stream, high growth potential, and optimized business processes. In addition, the product development organization gets a better understanding of the customers' needs and preferences.

Structure

The Group is organized in separate, focused but still integrated business areas, each operating through divisions.

The role of the business area is to develop, implement, and follow up the objectives and strategy within its business.

The divisions are separate operational units, each responsible to deliver growth and profit in line with strategies and objectives set by the business area. The divisions generally conduct business through customer centers, distribution centers, and product companies.

Common service providers – internal or external – have been established with the mission to provide services faster, to a higher quality, and at a lower cost, thus allowing the divisions to focus on their core businesses.

Processes

Group-wide strategies, processes, and shared best practices are collected in the database *The Way We Do Things*. The processes covered are governance, safety, health, environment and quality, accounting and business control, treasury, tax, audit and internal control, information technology, people management, legal, communications and branding, crisis management, administrative services, insurance, Group standards and acquisitions. The information is stored electronically and is available to all employees. Although most of the documentation is self-explanatory, training on how to implement the processes is provided to managers on a regular basis. Wherever they are located, Atlas Copco employees are expected to operate in accordance with the principles and guidelines provided.

People

Atlas Copco's growth is closely related to how the Group succeeds in being a good employer, attracting, developing, and keeping qualified and motivated people. With a global business conducted through numerous companies, Atlas Copco works with continuous competence development, knowledge sharing and in implementing the core values: interaction, commitment, and innovation. Everybody is expected to contribute by committing themselves to Group objectives and to their individual performance targets.

The Atlas Copco Group is unified and strengthened through:

- a shared vision and a common identity
- the sharing of brand names and trademarks
- the sharing of resources and infrastructure support
- common processes and shared best practices
- the use of common service providers
- financial and human resources
- a common leadership model
- the corporate culture and the core values: interaction, commitment, and innovation.

Goals

Increasing productivity is the foundation for all of Atlas Copco's business activities.

It means helping customers get more out of every investment. Be it making products faster, more energy efficient, safer or more ergonomic, the effect should be increased productivity. Atlas Copco achieves this by adhering to its core values: commitment, interaction and innovation.

Being committed to sustainable productivity includes the perspective that Atlas Copco always takes the long-term view. Customers need to know they will be productive not just today or tomorrow, but a year or even ten years from now. Atlas Copco always strives to provide the highest possible productivity, but believes doing so with a short-term view would ultimately damage both the company and its customers.

Sustainable productivity covers a range of subjects: making safe, efficient products with a minimum of environmental impact, interacting with customers, developing innovative products, having a good, diverse workplace, investing in competence development, and engaging in its local communities.

Atlas Copco's ambition for sustainable development is also manifested by goals for its operations, products, services and solutions. See the table below for a summary of all the Group goals. The achievements can be found in the sustainability report and on the next page.

Committed to sustainable productivity

is Atlas Copco's brand promise. This is a promise to ensure reliable, lasting results with a responsible use of resources – human, natural and capital.

Goals for sustainable, profitable development

Products, services and solutions	First in Mind—First in Choice® for customers and prospects for all brands.	Increase customer loyalty.	Increase customer energy efficiency by 20% by 2020*.	Offer safe and reliable products and services.
Operations	First in Mind—First in Choice® employer for current and future employees.	Competence development to achieve good results and yearly coaching/appraisals to all employees.	Increase diversity in both gender and nationality. Encourage internal mobility.	Safe and healthy working environment for all employees. Zero work-related accidents. Sick leave below 2.5%.
	No corruption or bribes.	Work with business partners committed to high ethical, environmental and social standards.	Develop new products and services with a lifecycle perspective.	Construct Atlas Copco buildings according to sustainable building standards.
	Decrease CO ₂ emissions from operations by 20% in relation to cost of sales by 2020*.	Decrease CO ₂ emissions from transport of goods by 20% in relation to cost of sales by 2020*.	Keep water consumption at current level.	Reuse or recycle waste.
Financials	Annual revenue growth of 8% over a business cycle.	Sustained high return on capital employed.	All acquired businesses to contribute to economic value added.	Annual dividend distribution about 50% of earnings per share.

* Base year 2010

Personnel

MSEK	2011	2010
Average number of employees, total	35 131	31 214
– Sweden	4 353	3 890
– Outside Sweden	30 778	27 324
Business areas		
– Compressor Technique	14 187	12 832
– Industrial Technique	3 562	3 024
– Mining and Rock Excavation Technique	10 724	9 079
– Construction Technique	5 339	5 160
– Common Group Functions	1 319	1 119

In 2011, the average number of employees in the Atlas Copco Group increased by 3 917 to 35 131. At year end, the number of employees was 37 579 (32 790) and the number of full-time consultants/external workforce was 2 198 (1 696). For comparable units, the total workforce increased by 4 520. Acquisitions added 816 employees and divestments reduced the number of employees by 45. See note 5.

Management resourcing and recruitment

Competent and committed managers are crucial for realizing the strategy of the Group. The Atlas Copco management resourcing strategy is to have a flow of potential leaders within the Group striving towards more and more challenging positions, thereby safeguarding recruitment to management positions.

Internal mobility is a way to increase efficiency and avoid stagnation in the organization. When a manager has fulfilled his/her mission, he/she will be given a new mission either in the existing position or in a new position. The target is to have 85% of the managers internally recruited, and the outcome in 2011 was 92% (96).

Atlas Copco employees are encouraged and supported to grow professionally by applying for open positions internally through the Internal Job Market, which was created in 1992. In 2011, 5 041 (3 330) positions were advertised, of which 603 (353) were international.

The Group has managers on international assignments from 55 (46) countries working in 59 (57) countries. The share of Swedish managers on international assignments has decreased from 23% in 2001 to 13% in 2011. The role of the international managers is to develop local managers and get international professional experience for even more demanding positions within the Group.

Competence mapping is done extensively to establish resource needs, particularly in core areas. External recruitment of young high-potential employees is focused through active promotion of the Atlas Copco employer brand. The Group strives to increase the proportion of female leaders and has many initiatives to facilitate this. The proportion of women in management positions increased to 14.6% (13.5) and the female proportion of recent graduate recruitments remained on a high level. The share of female employees increased to 16.8% (16.3%).

Equal opportunities, fairness, and diversity are fundamental pillars of Atlas Copco's people management process. Atlas Copco's workforce reflects the local recruitment base and comprises all cultures, religions and nationalities.

Competence development

To build and develop the leadership abilities of managers, there are many training programs available and the programs were further improved during 2011.

A significant part of the trainings that are conducted in the Group are related to products and applications. Newly appointed service technicians, product specialists and salespeople receive extensive training in this area, and trainings are then continuously held in order to keep the knowledge and competence on a high level. Product and application trainings are also offered to customers and consultants.

Another important area for competence development is value-based sales training, in which an understanding of the product and the customer's application is essential.

An important part of product and application trainings is related to safety and there have been several dedicated trainings on safety and health. This is in line with the Group's vision to eliminate work-related accidents. During the year the number of accidents decreased further compared to the previous year. This development has been supported by the implementation of the occupational health and safety standard OHSAS 18001 in more companies in the Group.

Language training, primarily English, is frequently held in order to facilitate easy communication throughout the organization. Leadership and people management trainings, including special trainings for aftermarket managers and team leaders, are continuously being conducted with the ambition to improve efficiency and processes. Specific courses are also held, for example training in lean production and lean research and development.

All employees, both newly recruited and existing employees, receive training in *The Way We Do Things*, the Group's single most important management tool. All employees should also receive training in the Business Code of Practice.

The Group measures the hours of training that each employee participates in. The ambition is to provide every employee with an average of 40 hours of training per year. In 2011, the average number of hours was 45 (40).

One of the Group's goals is that all employees shall have annual competence reviews as well as a personal development plan, which 84% (74) of all employees had in 2011.

For further information regarding the social performance in relation to the Group goals, see the sustainability report.

Diversity

There are 44 (40) nationalities among the 345 (323) most senior managers in the Group. The table below shows the share of local general managers from the region.

	2011	2010
North America	57%	43%
South America	77%	71%
Europe	94%	93%
Africa/Middle East	43%	41%
Asia	55%	59%
Australia	50%	29%

Safety, health and environmental management

Atlas Copco strives to conduct its business to ensure sustainable, profitable development with a responsible use of resources – human, natural and capital.

The Group companies comply with environmental legislation in its operations and processes worldwide and reports incidents relating to non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages, in accordance with these laws. In 2011, there were no major incidents reported concerning these aspects.

Seven Swedish companies require permits based on Swedish environmental regulations. These operations account for approximately 20% of the Group's manufacturing and mostly involve machining and assembly of components. The permits relate to areas such as emissions to water and air, as well as noise pollution. During 2011, one permit has been revised and one permit is under revision. The Group has been granted all permits needed to conduct its business. No penalties relating to environmental permits have been imposed during 2011.

Atlas Copco has a global Safety, Health and Environmental (SHE) policy to support its efforts in these areas. The Group also has established specific safety, health and environmental goals; see page 10. The related internal targets state that all product companies and major customer centers should be certified in accordance with the international standards ISO 14001 and OHSAS 18001. The product companies with ISO 14001 and OHSAS 18001 certification represented 95% (97) and 67% (61) of cost of sales, respectively.

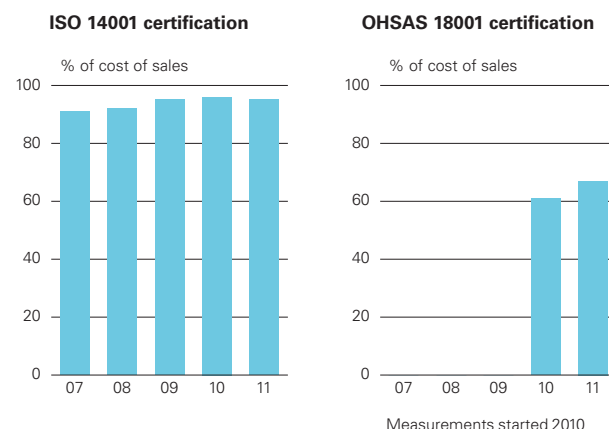
Atlas Copco aims to offer a safe and healthy working environment in all its operations, for all stakeholders. All employees shall work in a company with a SHE management system. By the end

of 2011, 55% of Atlas Copco's employees worked in a company with a SHE management system.

Atlas Copco's main environmental impact is when the products are in use. The Group focuses on developing products and solutions to increase energy efficiency. Safety, health and environmental, as well as ergonomic aspects have been integrated into Atlas Copco's product development process for many years. Compressors, construction and mining equipment and industrial tools are designed and manufactured to be increasingly more energy efficient, safe and ergonomic.

Atlas Copco also strives to decrease its environmental impact in terms of energy and water consumption, waste and carbon dioxide emissions. However, in 2011, water consumption increased both in absolute and relative numbers. The carbon dioxide emissions from product companies increased in absolute terms and decreased in relative terms.

For more information about Atlas Copco's safety, health and environmental performance, see the sustainability report.



Risk categories	Possible risks to Atlas Copco	Risk management
Market	Changes to customer investment levels, lack of funding for customers, competitor behavior	Monthly reports, diversified structure, leading market position
Product development	Lack of new products, legislation, increased energy costs	Continuous research and development
Production	Interruptions or lack of capacity at own facilities or at suppliers, quality, rising costs, pollution	Multi-purpose equipment, wide supplier network, environmental certifications
Distribution	Interruptions at delivery centers	Continuous monitoring of efficiency, training
Acquisitions and divestments	Integration problems, costs, goodwill impairments	Acquisitions Process Council supports in all acquisitions
Financial	Currency and interest rate fluctuations, credit losses, difficulties to raise funding	Financial risk exposure policy, hedging, adjustments of prices and costs, long-term loans
Reputation	Ethical and other violations internally, at suppliers or customers	Education in Atlas Copco's Business Code of Practice, supplier and customer assessments
Corruption and fraud	Fraud by internal or external parties, corruption in some markets	Internal audit function, ethical helpline, employee training, legal function
Legal	Product and patent liability claims, commercial and financial agreements and litigation in general	Monthly, quarterly and yearly legal risk exposure reviews
Insurable	Physical damage to all insurable assets and interests	Customary insurance program, extensive risk management surveys
Financial reporting	Internal and external reports could fail to give fair view of true financial position and results	Internal audits and other control procedures, external audits
Safety and health	Accidents, illness, pandemics	Implementation of OHSAS 18001 standard for occupational safety and health. Awareness programs.
Environmental (covered in sections on production and product development)	Increased energy costs, pollution	Product development, environmental certifications

Sustainability report

Sustainability plays an important role in Atlas Copco's vision to be First in Mind—First in Choice® for its stakeholders and it is an integral aspect of the Group's approach to growing the business for the long term. An integrated sustainability strategy, backed by ambitious goals, helps the company deliver greater value to all its stakeholders – employees, customers, business partners and investors – in a way that is economically, environmentally and socially responsible.

In a complex, rapidly changing world facing critical social and environmental challenges, Atlas Copco recognizes that companies must innovate to provide goods and services in ways that minimize negative impacts and seize opportunities to create a more sustainable path for the future.

As a world-leading provider of industrial productivity solutions with own operations in 86 countries around the world, and production facilities in 21 countries on five continents, Atlas Copco has a global reach that spans customers in the manufacturing, process, mining, construction and service sectors in more than 170 countries.

Given the nature of its business, the issues most relevant for Atlas Copco's operations from a sustainability perspective concern energy and water consumption, chemicals use, the health and safety of its workforce and suppliers, and human rights. The most significant long-term impact is from the total energy consumption during the life-cycle of its products. To that end, 95% of the Group's production units are certified in the ISO 14001 environmental management program, and Atlas Copco encourages all its business partners to have a program to ensure high standards in safety, health and environmental management. Atlas Copco emphasizes high standards of business ethics in its relationships with all its stakeholders and invests in developing the necessary skills and competences within its own operations to achieve this aim.

Recognizing the ripple effect of the company's actions, Atlas Copco addresses sustainability issues throughout the value chain.

This includes ensuring high standards of environmental protection and labor rights in the supply chain; reducing negative environmental impacts of Atlas Copco's products in operation and enhancing the resource efficiency of products to strengthen their value to society.

In 2011, Atlas Copco announced ambitious goals to tackle these key issues where they have the greatest impact, using the baseline of 2010 performance. In addition to existing goals on energy and safety, additional goals include diversity, energy-efficient products and solutions, and water consumption. Together, they exceed or meet best industry practice by taking an approach that leads to Atlas Copco's sustainable, profitable development.

Important events 2011

- Greater focus on human rights. Started adopting the framework based on the UN Guiding Principles on Business and Human Rights
- Safety improvements resulted in number of accidents decreasing by 33%
- Relative water increase by 14% due to new buildings
- Product launches illustrating greater energy efficiency: screw compressor with energy-saving certificate, increased energy-efficiency in battery tools and rock drills

Recognitions

- One of 100 most sustainable companies according to Global 100, www.global100.org
- Inclusion in 2011/2012 Dow Jones Sustainability World Index, www.sustainability-indexes.com and FTSE4Good, www.ftse.com
- One of 100 most innovative companies in the world, www.top100innovators.com



Delivering on commitments

Atlas Copco is committed to universal standards of ethical conduct, labor practices and high environmental standards as well as achieving its ambitious goals for greater sustainability. The Group delivers on its commitments and values related to the environment, ethics, human rights and other areas through a set of policies, principles and practices that sets the framework. This is supported by a Group-wide approach to managing and engaging its stakeholders.

Vision and goals

Based on its vision to become and remain First in Mind—First in Choice® for its stakeholders, Atlas Copco Group Management and the Board decided in February 2011 on revised and more ambitious goals for the Group. The goals are published on pages 10 and 131. A performance summary is reported on page 124. The analysis of the performance related to sustainability is reported in each respective stakeholder section of the sustainability report.

Governance structure

The governance approach defines goals on the Group level; business divisions are responsible for defining individual targets. Roles and responsibilities are set to ensure that sustainability is integrated throughout the Group and carried out at the most appropriate level.

Board of Directors: Formally approves the Group's Business Code of Practice. Legal, social, and environmental risk assessments are reported at board meetings.

President and CEO: Responsible for sustainability, reports directly to the Board of Directors in situations with, for example, significant environmental or social aspects.

Group functional responsible: Responsible for policies in the Business Code of Practice and principles, guidelines, processes, and instructions in *The Way We Do Things*. Establish Group goals and provides guidance, support activities, and follow-up procedures as required. Support the Group Safety, Health and Environmental (SHE) Council, and the Organizational Development and Human Resources department. The Senior Vice President Corporate Communications is the sustainability spokesperson.

Business Area Presidents: Responsible for developing, implementing, and following up on the objectives and strategy within the total business scope, including environmental and social performance.

Divisions: Responsible for implementation of sustainability policies in their area of responsibility. They also establish measurable targets for product development projects and conduct supplier evaluations as appropriate.

Group Internal Audit and Assurance: Monitors internal control routines.

Endorse and support international standards

The Business Code of Practice is based on the UN Bill of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the UN Global Compact (UNGC), and OECD's Guidelines for Multinational Enterprises. Since 2008, Atlas Copco has been a signatory to the UNGC principles on human rights, labor, the environment and anti-corruption. The Business Code of Practice, translated in 25 languages, is regularly reviewed. In 2011, the Group began the

process to adopt the UN Guiding Principles on Business and Human Rights. Atlas Copco follows both local and international rules (US OFAC, UN and EU) and regulations regarding trading in high-risk countries.



Manage and monitor commitments

The Business Code of Practice, launched in 2003 and formally approved by the Atlas Copco AB Board in 2004 and endorsed by the union, is the primary way in which Atlas Copco manages commitments to health and safety, the environment, human rights, anti-corruption and other aspects of ethical business conduct. The related principles, guidelines, processes and instructions are published and available to employees in *The Way We Do Things*. The governance structure, including its sustainability elements, is also reported in the corporate governance report.

Atlas Copco has a formal process to ensure compliance with the Business Code of Practice. Managers are asked to sign off compliance to the Code. This annual process, along with internal audits, is aimed at analyzing risks related to corruption and is developed to cover the reporting of commission payments that are commonly used in agent and distributor agreements.

Operations and the supply chain are monitored through the international environmental management system certification ISO 14001 and the Group's safety, health and environmental management systems.

Chemicals and hazardous substances are monitored through the application Substances of Concern with prohibited and restricted lists of hazardous substances. This application is available online and regularly revised with international updates, for example European Union directives such as REACH. Updates are communicated to the organization through newsletters.

A process to assess and manage the environmental and social impact of operations on communities when entering, operating and divesting is part of due diligence. If necessary, remedial steps are taken to address any problems. Atlas Copco's processes are deemed to have been sufficient to limit the impact on the environment or the local community for all acquisitions and divestments made in 2011.

Social and environmental audits are conducted by Group Internal Audit and Assurance as an integrated part of audits, see the corporate governance report.

Employee training a high priority

Guidance documents and training materials are available to help employees meet the commitments in the Business Code of Practice. All employees receive training in the Code. In 2011, approximately 90% of Atlas Copco employees had received training, mainly via the Group's internal training program at local company level. In addition, all employees receive relevant training in health and safety as part of the Group target that all employees shall work in a company with a safety, health and environmental (SHE) management system. A SHE interactive e-learning module is available to all employees; special training is offered to managers.

Atlas Copco has globally rolled out a training package on the Business Code of Practice for managers worldwide. The classroom training material includes dilemma cases on human rights, corruption, environmental concerns and business integrity in

general. One third of all managers have so far received this training. The ambition during 2012 is to continue the training roll-out but also the launch of a focused e-learning on corruption.

Materiality

Atlas Copco determines which issues are most important and relevant, to its business from a sustainability perspective through a process of internal analysis to identify priorities and key issues, and a review of stakeholder dialogue and engagement to identify areas of concern. The significance of the issue to external stakeholders is mapped against its significance to the Group internally to rate its level of importance. This exercise feeds into Atlas Copco's decision-making process in order to better inform its sustainability work.

Stakeholders' view of Atlas Copco's sustainability issues

Significance to external stakeholders	Very important	<ul style="list-style-type: none"> - Energy consumption - Work with business partners committed to high ethical, environmental and social standards - Water risk management - Climate strategy - Employer/employee relations 	<ul style="list-style-type: none"> - Safe and reliable products and quality - Marketing of sustainable products - Energy-efficient products and solutions - Reduce hazardous substances in products and components - Reduce emissions to air and water - No corruption or bribery - Safe and healthy working environment
	Important	<ul style="list-style-type: none"> - Corporate governance - Raw materials consumption - Risk and crisis management - Human rights and non-discrimination - Investments and acquisitions - Sustainable construction - Public policy and lobbying 	<ul style="list-style-type: none"> - Diversity in gender and nationality - Open and transparent communication - Talent attraction and retention - Competence development - Waste reuse and recovery
	Important	Significance to Atlas Copco	
	Very important		

Reporting of violations

The ethical helpline on Group level can be used by employees to report behavior or actions that are, or may be perceived as, violations of laws or of the Business Code of Practice. The Group ethical helpline process is used when a case cannot be solved at a local unit level. It serves as a complement to similar processes on a country level. The Group Legal department is responsible for managing the reports and it ensures that they are treated confidentially. The person reporting is guaranteed anonymity.

In 2011, a total of 25 (20) possible violations of the Business Code of Practice were reported to the Group Legal Counsel through the ethical helpline. The nature of the violations was related to organizational changes, economic issues, and personal issues. Of the reported cases, 22 were substantiated and led to actions: for example, an internal audit, a police investigation or a disciplinary action such as dismissal. One case was found to clearly involve fraud and led to dismissal. Two cases are still under investigation, including one regarding alleged corruption.

More information on sustainability

The following information is available at www.atlascopco.com/cr:

- Sustainability reports since 2001
- Energy-efficient products and solutions
- Business Code of Practice
- Sustainability scorecards
- Safety, Health and Environmental (SHE) policy
- Community engagement projects and case stories
- Substances of concern – prohibited and restricted lists
- GRI compliance index
- Sustainability reporting definitions

About this report

This report addressed the Atlas Copco's progress during 2011 according to the expectations of each stakeholder group. Since 2001, the report has been prepared yearly in accordance with the Global Reporting Initiative (GRI) guidelines. The most recent sustainability report was published in March 2011 as part of the annual report 2010. The GRI indicators reported are those considered most important and relevant to Atlas Copco and its stakeholders, and which facilitate benchmarking with other companies. The Group has self-declared the report to be GRI B-level compliant, which was confirmed by Deloitte. The report covers all Profile Disclosures, all Disclosures on Management Approach and at least 20 Performance Indicators. For more information on Atlas Copco's use of the GRI Principles, and to view its GRI Compliance Index, visit www.atlascopco.com/cr.

This report is also Atlas Copco's Communication on Progress (COP), the advanced level, a report on performance in relation to the UN Global Compact's 10 principles.

The report covers Atlas Copco's operations for the fiscal year 2011, unless otherwise stated. Operations divested during the year are excluded; units that were acquired are included. This may at times cause major changes in reported performance. Limitations and reporting principles as well as any restatement of the reporting are explained in the relevant

section of the report. The Group is a member of the Swedish Network for Transport and Environment (NTM) and closely follows its recommendations, which may impact the reporting guideline of CO₂ emissions from transport.

Due to the change of reporting system and organizational structure the environmental data for 2010 has been adjusted to reflect this.

The sustainability report and the corporate governance report are both published in the 2011 annual report. To avoid duplication of information, references are at times made to these reports, including the statement from the President and CEO. Reported facts and figures have been verified in accordance with Atlas Copco's procedures for internal control. The sustainability report has been reviewed and approved by Atlas Copco's Group Management. The sustainability report 2011 has not been subject to limited assurance by a third party.

Data collection is integrated into the Group reporting consolidation systems and collected on a quarterly basis as of quarter three 2011. Environmental data covers production units, including distribution and applications centers as well as rental operations. Employee data covers all operations. Responsibility for reporting rests with the General Manager of each company. Data is compiled by Group Controlling and Corporate Communications and is then reported to Group Management.

Stakeholder engagement

Atlas Copco is accountable to the people and organizations that are affected by its business. The Group aims to be transparent and to engage stakeholders on sustainability-related issues in areas of mutual concern, in order to find common ground and therefore arrive at better and more informed decisions. The topics that concern each stakeholder group are described in the respective chapters and are held at both the local and Group level. The ambition is three-fold: to identify opportunities to improve sustainability performance with a specific focus on safety, health and environmental aspects as well as ethical aspects, to compare performance with other leading multinational companies, and to take account of stakeholders' views and perspectives on the Group.

Atlas Copco's stakeholder model



The key stakeholder groups include customers, business partners, employees, shareholders and society and the environment. Atlas Copco addresses their concerns in the economic, social and environmental areas. The Group also values discussions with non-governmental organizations (NGOs), governmental organizations and others with whom it can have constructive dialogues. No stakeholders are excluded.

Atlas Copco replies to surveys from major rating institutes, for example Sustainable Asset Management (SAM), Eiris, and Vigeo.

Regular meetings are held with:

- Major shareholders and Socially Responsible Investors (SRI)
- NGOs such as Amnesty International and Transparency International
- Students, e.g. theses writings, internships, job fairs at universities and technical schools
- Corporate responsibility-focused networks, for example, the UN Global Compact Nordic Network, Globalt Ansvar (Global Responsibility)
- Discussion groups sponsored by trade organizations in which Atlas Copco is a member
- Industry organizations, for example Pneurop and the Committee for the European Construction Equipment Industry

In 2011, Atlas Copco conducted a formal stakeholder dialogue with major shareholders and NGOs. Many individual meetings with stakeholders also took place during the year.

Main issues raised in stakeholder/influencer dialogues

Stakeholder	Stakeholder views	Performance 2011	Comment
Society and the environment	Regularly update the Business Code of Practice and continue the work to fight corruption.	The Business Code of Practice was updated regarding corruption and human rights. 33% of Atlas Copco's managers have received an in-depth training.	The work to fight corruption was in focus and all managers will be trained. In 2012, an anti-corruption e-learning training will be mandatory for all company managers.
	Public policy	Meeting and interview with Connie Hedegaard, EU Climate Action Commissioner on energy efficiency.	Energy-efficiency was in focus and the EU Commissioner's view was communicated to 500 managers at a seminar.
Customers	Further increase the energy efficiency of products and solutions.	Launch of more ambitious goals and key performance indicators to increase customer energy-efficiency by 20% by 2020.	More energy-efficient products and solutions were developed and launched; see customer section in this report.
	Increase customer risk awareness in countries with weak governments ¹⁾ .	A tool to increase awareness of customer sustainability performance was developed and tested.	The customer sustainability assessment tool was developed and tested during the year. It will be rolled out in 2012.
Employees	Continue to offer a safe and healthy workplace in all operations. Report on incidents.	5.7 accidents/one million working hours, 2.0% sick-leave. Reporting on incidents started.	The rate of accidents has improved thanks to focused work over the last three years. Reporting on incidents will prevent accidents and continue the work towards zero accidents.
	Improve diversity in gender and nationality.	14.8% female managers and 44 nationalities among senior managers.	Several years of the female mentorship program have resulted in an increased number of female managers.
Business partners	Important to have goals on business partners and work with ensuring a sustainable supply chain.	16% of the significant suppliers have been evaluated on sustainability aspects. An e-learning for business partners was developed and launched.	The work to safeguard a sustainable supply chain was in focus. Long-term relations and close cooperation give opportunities for improvements.
Shareholders	Improve the sustainability performance and reporting by following up on goals on key performance indicators.	Launch of more ambitious goals and key performance indicators. Formal stakeholder dialogue with major shareholders.	Performance versus goals, including analysis, is reported in this report and on the Atlas Copco website. Main shareholders approved to have the report on GRI level B given the focus on Group goals.

¹⁾ OECD definition

Society and the environment

Atlas Copco, given its global reach, has an influence on the economic and social development of the countries in which it operates. The Group is expected to demonstrate that influence in a positive way. This requires careful mapping of risks in the Atlas Copco value chain so that significant issues that may arise can be effectively managed and monitored.

Companies face rising expectations to contribute to a more sustainable world, and take a broader, more inclusive and transparent role in society. As a global Group with ambitious business growth targets Atlas Copco is seizing opportunities while navigating the challenges of a diverse market where cultures, and standards for environmental and social responsibility can vary significantly.

Anti-competitive behavior and corruption

Atlas Copco's goal is that there should be no incidence of corruption or bribes within its operation globally. This is supported by a policy, procedures, training and monitoring process (see page 105). The Business Code of Practice includes zero tolerance of corruption, including facilitation payments. Firm action will be taken on a case-by-case basis. There will be no negative consequences for employees refusing to pay bribes. The company works actively to prevent, detect and respond to potential corruption cases. Internal control procedures are set up to minimize the risk of corruption and bribes, e.g. by segregation of duties. Awareness of, and compliance with, principles of integrity in all its business dealings is a priority for Atlas Copco. According to Group policy, business gifts received and given must be in accordance with local legislation and business practices, to avoid creating an unhealthy loyalty or even breaking a law.

Atlas Copco uses Transparency International's Corruption Perception Indices in employee training. Group companies are encouraged to hold workshops that cover business integrity and ethical dilemmas. Through the Group ethical helpline, employees and other stakeholders can report behavior or actions that may conflict with the Business Code of Practice. More than 90% of Atlas Copco's companies have a process in place to analyze risks related to corruption, according to the Control Self Assessment procedure. In 2012, all company managers must take an e-learning course on corruption developed by the UN Global Compact, before signing the Business Code of Practice compliance statement.

Atlas Copco will be active in Transparency International's corporate forum and network with other major corporations in 2012.

The Group supports fair competition and forbids discussions or agreements with competitors concerning pricing or market sharing. There have been no instances of anti-competitive behavior or corruption brought to the attention of Group Management in 2011. There are no pending legal actions in this area and no fines have been paid during the year, see page 106 reporting on violation.

Human rights

The Business Code of Practice supports and covers internationally recognized human rights, including freedom of association

and collective bargaining, a zero tolerance of forced and child labor, and the rights of indigenous people, and Atlas Copco respects those rights in its operations. The basic principles are promoted to business partners worldwide. In 2011, Atlas Copco strengthened this approach by starting to adopt the UN Guiding Principles on Business and Human Rights (the so-called Ruggie Principles), consisting of 31 principles.

Human rights abuse exists in markets where Atlas Copco operates. Amnesty International provides guidance to the Group to identify areas with risks related to human rights abuse, and thereby supports Group companies active in such areas. Countries such as Angola, Democratic Republic of the Congo, Iran, Uzbekistan and China meet Amnesty International's definition of a high risk of human rights abuse, including child labor or forced or compulsory labor. Atlas Copco has sales and service operations in these countries as well as extensive production in China.

Group companies in countries with a high risk of human rights abuse, such as conflict areas, are encouraged to evaluate business processes and relationships, and to act to minimize such risks, aided by a set of guidance documents from Atlas Copco. Risks are mapped along the value chain, and included in the SHE supplier evaluation checklist and in training packages.

Through the Control Self Assessment procedure (see corporate governance report), Atlas Copco ensures that Group companies have procedures in place to inform customers and business partners about its human rights policies and to assess possible reputational risks by association with customers. To date, approximately 67% of Atlas Copco's operational units have established this routine.

There have been no instances of incidents involving indigenous rights among the Group's own employees and no instances of human rights violations brought to the attention of Group Management in 2011, see page 106 reporting on violations.

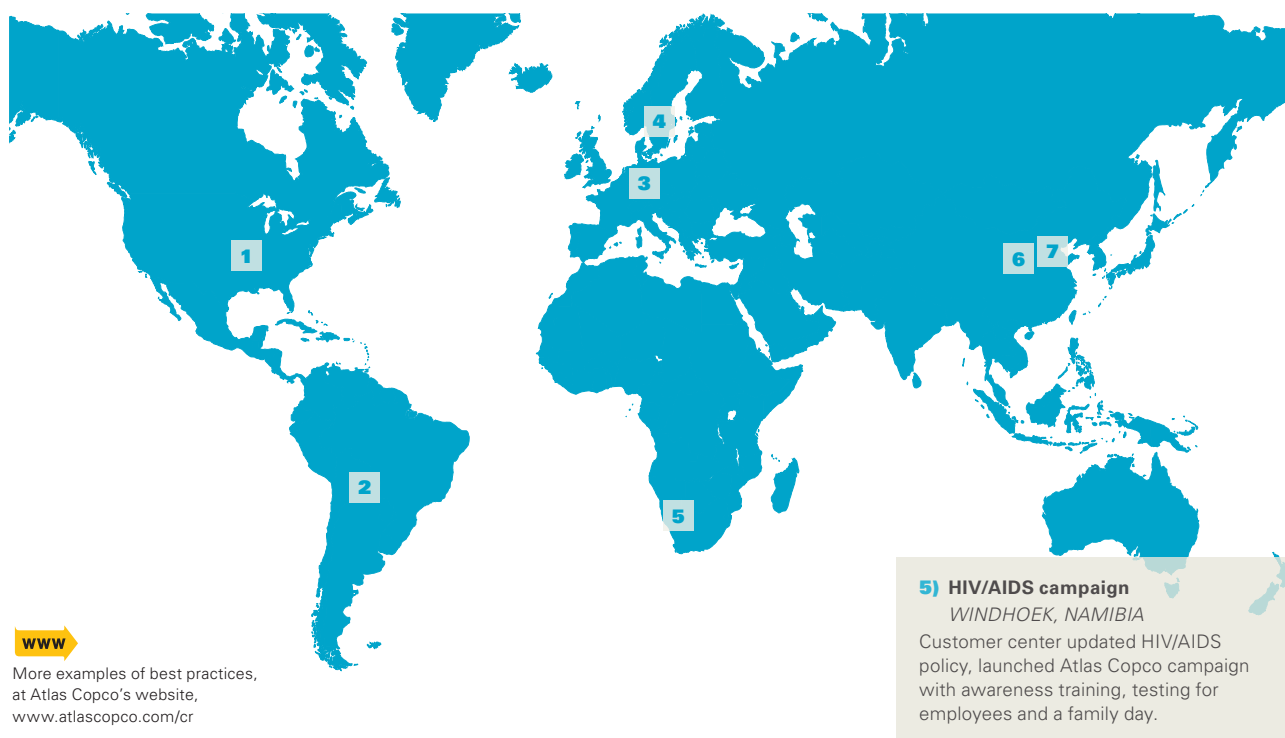
Atlas Copco's business partners are expected to observe the same high standards regarding human rights as Atlas Copco does, see page 121 Business Partners.

Due diligence

Human rights considerations are integrated in the acquisition process. When an acquisition is completed, Atlas Copco guidelines and policies are applied to assess and manage the environmental and social impact of operations in the affected communities. In 2011, Atlas Copco conducted human rights impact assessments in Ghana and Kazakhstan. In Ghana, Atlas Copco has discussed human rights with different stakeholders over the years. In Kazakhstan, transparency is an issue but the local company uses and discusses the Business Code of Practice along the value chain.

A process to assess and manage the environmental and social impact of operations on communities when entering, operating and divesting is part of Atlas Copco's due diligence process. If necessary, remedial steps are taken to address any problems, sometimes assisted by a third party. Atlas Copco's processes are deemed to have been sufficient to limit the impact on the environment or the local community for all acquisitions and divestments made in 2011.

Examples of best practices



1) Solar panels installed

AUBURN HILLS, UNITED STATES

Customer center installed a nine-panel solar array on the roof of the building. It generates 8.8 MWh of power annually and reduces carbon dioxide emissions by 9 tons/year.

3) Water performance

COLOGNE, GERMANY

Product company in Cologne connected new test bed to water cooling tower, creating a cooling-water cycle. Water use decreased by 30% in one year.

6) LEED (Gold) building

NANJING, CHINA

Product company in Nanjing is the first Atlas Copco construction with LEED (Gold) certification. More sustainable construction offers better working environment, less environmental impact.

2) Health and safety program

SANTIAGO, CHILE

Customer center set up daily safety procedure with awareness training, which has resulted in 50% reduction of accidents, vital for engineers working in mines.

4) Atlas Copco Environmental Award

ÖREBRO, SWEDEN

Product company received the Atlas Copco Environmental Award 2011 for its new uniform control system platform, which improves the energy efficiency of the system and reduces the number of components.

7) Metalworkers' training

CHINA

The Swedish Metal Workers' Union and Atlas Copco's Swedish union representatives trained employees at product companies in China on employer-employee relations, and workers' rights.

Community engagement and charity

Atlas Copco has long engaged in the societies where it operates. The Group's community initiatives, selected and supported by local companies, focus on providing education, a safe upbringing for children, and fighting diseases. This includes support to schools or universities to raise the educational level and to orphanages that provide children a safe childhood. Besides supporting local charity projects, the Group's Community Engagement Policy also encourages companies to give support in the case of natural and humanitarian disasters. Employee-led initiatives are supported by a financial 'matching' principle in which Group companies match employee financial donations with company funds.

Group companies make a local community needs assessment to determine how they can best contribute to the local society.

However, *Water for All* is recognized as the main initiative of this type of engagement.

Since 1984, Atlas Copco has supported the voluntary, employee-managed organization *Water for All*, which raises funds to finance water well drilling activities and equipment in order to supply clean drinking water to villages and communities. As of 2011, Atlas Copco doubles employee contributions to *Water for All*. The water supply is normally achieved through drilling or digging and installing hand pumps or through protection of natural springs. To date, *Water for All* has provided access to clean well water to more than 1 200 000 people. The initiative is established in 12 countries, with more underway. Visit www.water4all.org for more information.

All local charity activities should provide medium- to long-term support. With natural and humanitarian disasters, support

may be provided on a short-term basis, either in the form of products, for example generators and breakers, or via employee contributions, matched by Atlas Copco. In 2011, the Group gave food and medication to flood victims in Brazil and supported employees and their families in Japan recovering from the earthquake and tsunami.

The community engagement and charity spent during 2011 was distributed accordingly: cash donations 91%, in kind 3%, and time value 6%. Atlas Copco in Sweden donated SEK 1 300 000 to the Swedish *Water for All* organization.

Public policy

Atlas Copco belongs to trade organizations such as The Association of Swedish Engineering Industries, the Federation for the Technology Industry in Belgium, the Compressed Air and Gas Institute in the US, the German Engineering Federation, and many others. Since 1959, Atlas Copco has been actively involved in Pneurop, the European committee of manufacturers of compressors, vacuum pumps, pneumatic tools and allied equipment. It acts on behalf of members in European and international forums regarding the harmonization of technical, normative and legislative development of construction equipment.

Atlas Copco is a member of the Committee for the European Construction Equipment Industry (CECE) which works, for example, in removing technical barriers and improving safety standards and environmental aspects of construction equipment. In addition, the company participates in ongoing development of international standards, including the ISO committee ISO/TC 118 and the CEN committee CEN 232.

The Atlas Copco Group does not take political stands and does not use Group funds or assets to support political campaigns or candidates, or otherwise provides services to political endeavors.



Impact on the environment

With global environmental challenges growing in urgency, and issues like climate change high on the political agenda, business is expected to play its part in reducing its environmental impact on society. Atlas Copco seeks to meet stakeholders' expectations for energy-efficient, sound environmental management of its operations and products, and follows applicable environmental laws in all countries where the Group operates. This responsibility extends to restoring the environment when leaving a site, if needed.

Atlas Copco's greatest environmental impact occurs during the use of its products. Therefore, incorporating environmental considerations into new product design, and continuous product development, is a high priority, not only for Atlas Copco but also for its customers, who are also seeking ways to minimize their environmental footprint.

Goals:

- Increase customer energy efficiency by 20% by 2020
- Construct Atlas Copco buildings according to sustainable building standards
- Keep water consumption at current level in relation to cost of sales
- Decrease CO₂ emissions from operations by 20% in relation to cost of sales by 2020
- Decrease CO₂ emissions from transport of goods by 20% in relation to cost of sales by 2020
- Reuse or recycle waste

Environmental management systems

To help minimize the environmental impact and to secure that the precautionary approach is applied, Atlas Copco has a target to implement environmental management systems (EMS) in all operations. In 2011, the number of employees working in an EMS-verified environment was 55%.

All product companies shall be certified according to the international standard ISO 14001. Acquired product companies are normally certified within a two-year period. Product companies with ISO 14001 certification represent 95% of cost of sales. The number of certifications has remained steady in the last five years.

Life cycle analysis shows that Atlas Copco's most significant environmental impact is related to CO₂ emissions during the use of the products and to a lesser degree, during transport and in production. Energy consumption and emissions of CO₂ are therefore the most significant indicators, but Atlas Copco also tracks and reports performance on water consumption, packaging material, waste, and other emissions to air.

Construction

Atlas Copco has a goal to construct its buildings, both new and reconstructed, according to a sustainable building standard, such as LEED. A Sustainable Construction Manual supports Group companies when new production sites are built; in which climate risks and the risk of natural disaster are considered. A facility in Nanjing, China, is the first Atlas Copco building with a LEED (Gold) certification and more buildings will go for this standard in the future.

Resource use

The transformation of raw materials and purchased components into finished products is fundamental to the Atlas Copco business, and substantial amounts of material, energy and water are consumed in this process. The Group works continuously to improve the resource efficiency in the manufacturing process. The most important raw materials for Atlas Copco are steel, rubber and plastics. In terms of weight, steel represents more than 90% of the raw material used in production. It is to a great extent recycled steel.

Energy

Atlas Copco reports its energy consumption in terms of direct and indirect energy as well as in renewable and non-renewable energy. Direct energy is defined as purchased and consumed fuel for own production; this includes oil, coal, natural gas, gasoline and diesel. Indirect energy is defined as energy from external sources, for example energy required to produce and deliver purchased electricity and district heating. Renewable energy includes electricity and heat generated from solar, wind, ocean, hydro-power, geothermal resources, bio fuels, and hydrogen derived from renewable resources.

In 2011, the total energy used in production decreased by 8% in relation to cost of sales. These reductions were achieved in part through energy-efficiency measures, such as improved lighting in several production units and the change to more energy-efficient energy sources.

In 2011, 21% of the energy consumption came from renewable resources such as wind energy and solar panels. The latter was invested in and installed by an Atlas Copco company in the United States, see best practices on page 109.

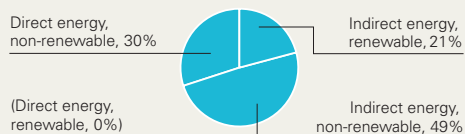
The Group goal of increased customer energy efficiency of 20% by 2020 relates to energy efficiency for major product categories. Achievements for energy-efficient products launched during 2011 are reported on page 116 in the customer section.

Water

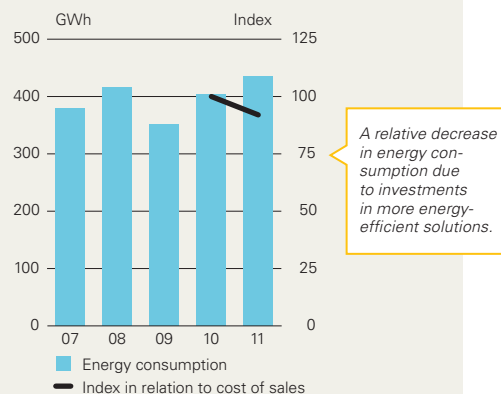
With operations in several countries facing water scarcity, Atlas Copco understands the importance of water and has started to use water index maps to identify operations located in water-risk areas. While not among the most significant environmental impacts of Atlas Copco's operations, it is of great importance to the company's stakeholders. One way in which the Group responds to this concern is through the employee-led organization *Water for All*. See page 109. Innovative product design also aims to reduce water use when drilling to explore for minerals, for example.

The Group goal on water supports companies' efforts to keep water consumption at the current level. The water withdrawal is disclosed as a total figure. It is normally purchased and connected to municipal water systems. The water usage is to a great extent related to the non-production process. The production water is reused, and cleaned before dispatch. Water consumption increased by 14% in relation to cost of sales. The relative increase is primarily explained by business increase, new reporting companies (acquisitions), water leakages in two factories and new construction or reconstruction of product companies.

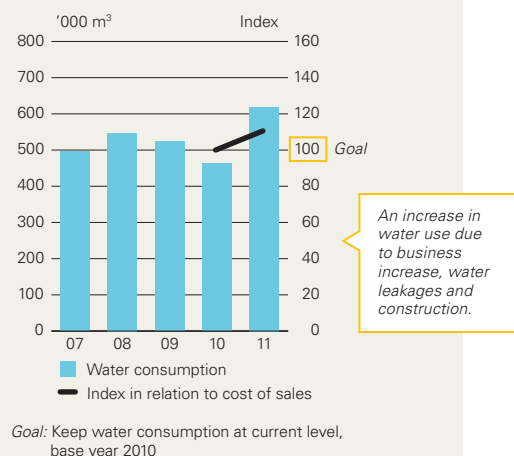
Proportion of energy consumption



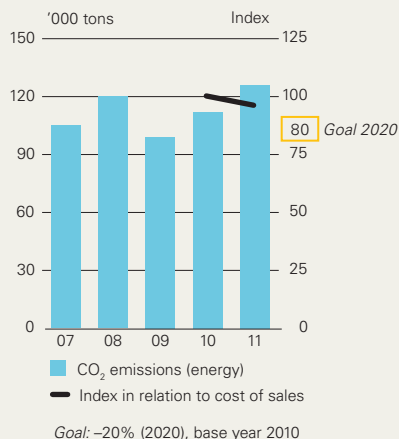
Energy consumption



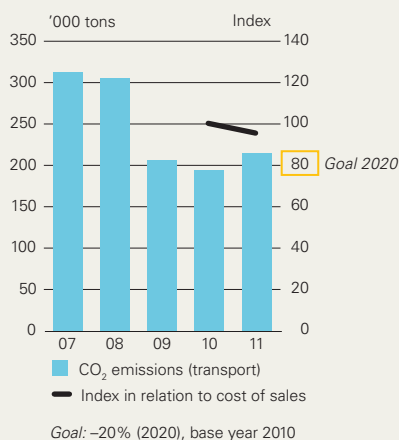
Water consumption



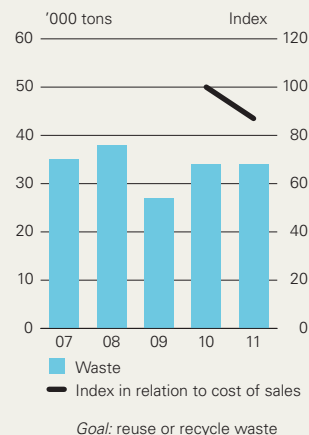
A detailed overview of direct and indirect energy consumption by primary source, for renewable and non-renewable energy, is available on the Atlas Copco website, www.atlascopco.com

CO₂ emissions from energy

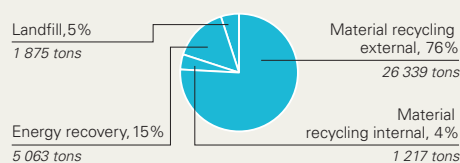
A relative decrease in CO₂ emissions from energy consumption due to the use of more renewable energy.

CO₂ emissions from transport

A relative decrease in CO₂ emissions due to the use of more boat transport and shorter distances.

Waste

A relative decrease in waste.

Waste disposal*

*of which regulated waste 2 170 tons

Materials

Atlas Copco tracks materials used in the production process and for packing of finished products or parts. By far the most significant direct material used in the production process is steel, either as raw steel, or as part of components that are machined in-house or by sub-suppliers. In terms of weight, steel represents more than 90% of the raw material used in production.

Steel and other major direct materials are reported at the Group level. Other materials used in the production process include: aluminum, copper and brass, plastics, rubber, oils and lubricants, and natural gas. The finished products include parts or components which are not accounted for. There are initiatives in the companies to change to more environmentally sound materials, such as plastics. A detailed overview is available on the Atlas Copco website. [www](http://www.atlascopco.com)

Emissions and waste

Atlas Copco reports CO₂ emissions from direct and indirect energy used in production, and from transport to and from production sites. Standardized conversion factors published by the Greenhouse Gas Protocol Initiative are used to calculate CO₂ emissions, see www.ghgprotocol.org.

The Group's goal is to reduce the CO₂ emissions from the energy used in production by 20% by 2020 in relation to cost of sales. The Group goal is aligned to EU 2020 goals and is ambitious, since the reduction is based on 2010 performance, i.e. when many big production units had invested in renewable energy use.

In 2011, CO₂ emissions from energy at production sites decreased by 4% in relation to cost of sales. The decrease is primarily due to the increased use of renewable energy in some product companies. In absolute numbers the increase in CO₂ emissions was 12%, which is less than the increase in business.

Emissions to air

The rental operations continued the work to switch its rental fleet to more environmentally sound equipment to reduce its carbon footprint. The target is to increase the share of variable speed drive compressors in the rental fleet.

The Atlas Copco Chemical and Gas Manual is a guiding document available to operations globally. The use of chemicals is monitored in the Group global database, which is used by the majority of the product companies.

Atlas Copco is using cooling agents in some products (air dryers) and processes (cooling installations). For products, all cooling agents used have a zero ozone-depleting impact, and the aim is to continue to introduce cooling agents with lower Global Warming Potential (GWP). The majority of the cooling agents is in closed-loop systems in the products and therefore not released during the operational life of the products.

Other emissions to air such as sulfur dioxide and nitrogen oxides are reported on the Atlas Copco website. [www](http://www.atlascopco.com)

Hazardous waste

Hazardous waste in Atlas Copco's operations includes primarily cadmium, beryllium and lead. Atlas Copco tracks various categories of waste from the production process, including regulated (sometimes referred to as hazardous) waste. Restricted substances

are not yet legally excluded from use but should be replaced according to a plan that takes into account technical and financial aspects. Prohibited substances are not allowed in the Group's products or processes. Group companies monitor the handling of hazardous waste by its business partners. See page 122.

The goal is to avoid creation of waste and that all waste is reused or recycled. As the main raw material going into the process is steel, metal scrap represents the most significant fraction of waste coming out of the process, and practically all of this scrap is reused or recycled. Other waste categories are various oils and solvents, as well as wood and paper from incoming packaging material and for office use.

Waste management

There are initiatives to reduce the waste to landfill, through an increased separation of waste in cooperation with recycling handling companies, for example. Another initiative involves the separation of metal scrap from oil before sending it to external recycling. The Atlas Copco Waste Manual is a guiding document describing strict procedures and required documents regarding waste handling. It is available to all companies in the internal database *The Way We Do Things* and on the Atlas Copco website. [www](#)

Electronic equipment such as computers and mobile phones are leased or purchased. Leased equipment is returned to the provider and the purchased equipment is donated to schools and hospitals, or is sent to waste handling.

In 2011, the amount of waste in relation to cost of sales decreased by 13% and the proportion of reused or recycled waste was 95%.

Transport

Transport of goods to and from production is purchased (i.e. Scope 3 emissions as defined in the GHG protocol). The Group goal is to reduce its CO₂ emissions from transport by 20% by 2020 in relation to cost of sales. In 2011, the CO₂ emissions from transport decreased by 6% in relation to cost of sales. The reduction is primarily explained by the improved reporting from transport companies, but also by an active choice of some companies to replace air freight by other means of transportation, for example by ship. Other initiatives to reduce transport were to make better use of each transport, to lower its weight and to start sending spare parts directly to customers instead of via customer centers.

The Group continues its efforts to monitor emissions caused by business-related travel. The use of internet-based meetings, and telephone and video conferences were used to a high extent. A number of companies in the Group have invested in video conference units.

Compliance

Atlas Copco follows applicable environmental laws in all countries where the Group operates and reports incidents or fines for non-compliance with environmental legislation, as well as incidents involving chemical, oil or fuel spillages, in accordance with these laws. No major incidents have been reported in 2011 and no major fines have been paid.

Economy

Social and environmental responsibility is key to Atlas Copco's approach to long-term financial and economic growth, adding value to both local and global economies. Some benefits of this approach are: healthier employees, a more reliable supply chain, and energy-efficient products and solutions. Atlas Copco has its most significant economic impacts through the payment of taxes, employee wages, the use of local and global suppliers, and indirectly, through training and education of engineers and other competencies.

Atlas Copco assesses its economic sustainability in terms of the economic value generated by the Group's own operations. The economic value generated by selling products and services to customers is distributed to various stakeholders and/or retained in the business.

The Group's goals for sustainable, profitable development are reported in the annual report, see page 10. For sales development in different regions, see page 12.

Development and distribution of economic value

Through subcontracting manufacturing and other activities, Atlas Copco generated further employment and financial stability. Operating costs including payments to suppliers for goods and services, functional costs, and employee wages and benefits deductions, amounted to MSEK 48 032 (41 466).

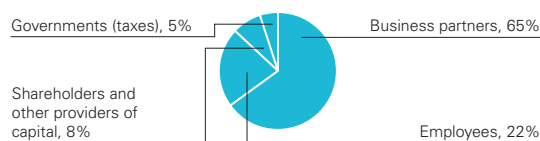
Employee wages and benefits paid by the Group increased by 8% to MSEK 15 910 (14 699).

Atlas Copco's providers of capital, for example shareholders and creditors, provide funds to finance the asset base that is used to create economic value. In turn, these stakeholders receive annual dividend and interest payments. The payments to providers of capital increased by 32% to MSEK 5 913 (4 489).

The Group contributes to economic development within the regions where it operates, through payments to pension funds and social security, and payments of taxes, social costs and other duties. In 2011, payments to governments through direct tax was up 8% to MSEK 3 902 (3 619). Community investments amounted to MSEK 17.5.

The economic value retained increased by 37% to MSEK 8 517 (6 217), as a result of increased business demand in 2011. In 2011, MSEK 6 067 was distributed to the shareholders through a mandatory redemption of shares. Further details are reported in the annual report and on page 124.

Distribution of direct economic value



Customers

From a product life cycle perspective, the customers hold the key to reducing Atlas Copco's total environmental footprint. By developing, manufacturing and delivering quality products and solutions that help deliver sustainable productivity, the Group strives to meet customer's expectations for energy-efficiency, safety, reliability, ergonomics and use of resources. At the same time, this approach contributes to Atlas Copco's own sustainability goals to reduce its environmental impact, a win-win situation.

Goals:

- First in Mind—First in Choice® for customers and prospects for all brands
- Increase customer loyalty
- Develop new products and services with a life-cycle perspective
- Increase customer energy efficiency by 20% by 2020
- Offer safe and reliable products and services

Atlas Copco's customers require sustainable products and solutions to increase their productivity. By providing high-quality products and services, which meet or exceed customer requirements, the Group adds value to its customers' own operations and business objectives. The focus is on quality, cost and efficiency as well as ergonomics, safety and health and environmental aspects of Atlas Copco products.

By using electric tools, which are more precise than pneumatic tools, a bolt can be tightened so that the clamp load capability of the bolt is used to maximum. On average, a weight reduction of 20 kg per car can be achieved if lighter screws are used. This could reduce global fuel consumption by twelve billion liters per year, equal to four maximum capacity oil tankers.

Customer centricity is a guiding principle for Atlas Copco. Customer centers track their performance in terms of customer share. Furthermore, in accordance with the Group's quality policy, all units conduct customer satisfaction surveys.

In 2011, the Group set a goal to increase customer loyalty. Customer loyalty programs were enhanced and closely linked to sustainability and profitable growth targets. The programs reached more than 50 markets and included 13 brands, bringing valuable feedback on the Group's product performance in product innovation, performance, operational excellence and customer support.

The Group recognizes the importance of safeguarding its reputation by working with customers who observe the same high standards for environmental, ethical and social responsibility. In countries defined to be high-risk areas or at risk, Atlas Copco seeks to minimize these risks by ensuring that its own commitments are met regarding its business practices and the safety and technological leadership of its products and services. In some cases there will be no deal due to reputational risk. In addition, Atlas Copco strives to build awareness for the Group's ethical

guidelines and at times is invited by customers to support them in raising their awareness. During 2011, the internal customer sustainability assessment tool was developed and tested. Training will be conducted during 2012. This tool will in particular be used in cases of financing by credit export agencies.

Products and solutions

Seen over the entire product life cycle, from product development, manufacturing, usage to discards, the largest portion of Atlas Copco's environmental footprint is in the use of its products, with energy consumption making the most significant environmental impact. Therefore, the Group aims to reduce the environmental impact and improve the performance of every product and solution to meet customer requirements. As a minimum, the Group complies with laws and regulations regarding the environmental impact of its products.

Atlas Copco assesses relevant aspects of ergonomics, safety and health not only in its product development process but also in all life-cycle stages of the product. Environmental declarations are provided with sold products in some divisions and the practice is increasing. Significant product or service categories are all covered by and assessed in terms of safety, health and reliability impacts.

The Group is organized in four business areas. Each business area operates globally. Depending on the nature of the products and solutions offered, the focus and priorities vary. It is therefore difficult to report a consolidated figure on environmental impact. Increased customer energy efficiency is reported as examples of sustainable product launches, see below. The percentage increase will be reported on a business area level as from 2012.

Compressor Technique

Compressed air is a crucial component in all manufacturing industries. Up to 10% of the total energy consumption worldwide comes from compressed air systems. Atlas Copco is strongly committed to continuously improving energy efficiency for its customers. A good example of this is the advanced variable speed technology, which has achieved average energy savings of 25% for customers. All oil-free compressors are now certified to deliver air with no trace of oil.

In 2011, the Compressor Technique business area continued to deliver products and services with the objective of reducing customers' energy consumption and increase their capacity. Examples include energy-efficient oil-free centrifugal compressors, water-cooled piston compressors for marine applications, and energy-efficient deep dew point rotary drum dryers. Other examples of improvements are impeller design for turbo expander generators, screw compressors with energy-saving certificates, a new oil-free range of centrifugal air blowers with variable speed drive, and state-of-the-art air foil bearing technology ensuring high energy efficiency. There is also a new controller offering software that monitors up to six compressors simultaneously and selects the right compressor at any moment in production.

Industrial Technique

The Industrial Technique business area's product development focus includes reducing energy consumption during the use of the tools, from a life-cycle cost perspective while increasing the customers' productivity.

More energy-efficient tools reduce both energy cost and carbon dioxide emissions. New electric tools with a modular design are flexible, lighter and easier to disassemble. Electric tools vibrate less and make less noise than pneumatic tools. The optimized design of the tools improves ergonomic aspects, increases efficiency, consumes less energy and reduces waste. Atlas Copco's latest contribution to raising accuracy and productivity in assembly plants is the tool positioning system, which together with a torque arm and a tool controller ensures that joints are tightened in the correct sequence and position.

In 2011 the Asia Center of Excellence was set up in China to increase competence and come closer to the customer. In Sweden a partnership between Atlas Copco and ABB was established to improve the working environment in the production of an ABB factory. It resulted in increased productivity by an improved compressed air system and logistics, as well as improved safety and ergonomics for operators.

Mining and Rock Excavation Technique

The Mining and Rock Excavation Technique business area's strategy is to develop new products and offer services to reduce the environmental impact and customer's total cost of ownership, by enhancing performance and reducing costs, as well as ensuring a safe working environment.

A new range of surface drill rigs is the most fuel efficient yet. Field tests have demonstrated a reduction of up to 50% in fuel consumption. All surface drilling equipment has an environ-

mental declaration. A new high-speed, hydraulic rock drill for long-hole drilling is more efficient and has less environmental impact. Within core drilling new, improved drill bits and a smarter control system result in faster drilling requiring less power. This results in energy-efficient core drilling and decreased water consumption.

In the United States, geothermal drilling technology will be developed together with a business partner in a joint research project. The aim is to increase the speed and reduce the investment cost when drilling for geothermal energy.

Construction Technique

The Construction Technique business area develops new products and offers services to reduce the environmental impact by increasing energy efficiency, enhancing performance and reducing costs, such as those for fuel, labor and parts.

The rotary screw portable compressor range has been redesigned to meet new emission standards and is Tier 4 compliant. The road construction equipment division has developed environmental declarations for all its products. New road construction machines and systems were developed such as the compact asphalt paving system, which has two layers in one process, significantly increases quality and lowers life-cycle costs by saving time and material during paving and offering increased durability. Asphalt tandem rollers have an ECO-mode, which resulted in reduced noise and fuel consumption by 10%, meaning reduced CO₂ emissions.

A newly developed range of breakers is saving both money and the environment. The innovative design uses less material, gives high performance and is produced of up to 99% recycled material. With improved energy efficiency, the breaker reduces the hydrocarbon emissions from the carrier.



Compact asphalt paving system saves resources

The compact asphalt paving system reduces time and material by having two layers in one process. It significantly increases quality and reduces CO₂ emissions. The life-cycle costs decrease by saving time and material during paving and offering increased durability.

Sustainable products launched in 2011

New Power Focus controller

Atlas Copco takes yet another step in offering more energy-efficient equipment. The new Power Focus controller, powering and controlling electric nutrunners, provides an energy consumption that is 40% lower compared to the previous version. On an annual basis this is a reduction of 100 kWh per system.



Energy-efficient hammer

A new hydraulic hammer is 20% more energy efficient than its earlier version. The innovative design uses less material, gives high performance and is produced of up to 99% recycled material.



Energy-efficient rock drill

A new high-speed, hydraulic rock drill for long-hole drilling has an improved efficiency and environmental impact, with 17% energy-efficiency improvement.



Innovative surface drill rig

New surface drill rigs have demonstrated a reduction of up to 50% in fuel consumption. Each drill rig reduces its carbon dioxide emissions by 53.5 tons per year. The new drill rig silenced kit reduces noise by another 2dB, setting a new standard in the market.



Innovative centrifugal compressor

Atlas Copco's oil-free high-speed drive centrifugal compressor is designed specifically for the pharmaceutical and electronics industry customers, which require the highest compressor performance in terms of energy efficiency and reliability. This medium-pressure industrial three-stage centrifugal compressor is 4% more energy efficient compared to the previous version of turbo compressors.

Product take-back and smart packaging

Atlas Copco has initiatives to reduce its use of resources. Products such as stationary compressors, drill rigs, hydraulic breakers and industrial tools are taken back from customers, refurbished and resold as used equipment. The requirements to be met in terms of quality, performance and reliability are the same as those to be met by new units.

Optimizing packaging material is important to the Group's companies. The consumption increased by 1% in relation to cost of sales primarily due to the change in product mix.

Product responsibility

Atlas Copco strives to consistently deliver high-quality products and services that contribute to its customers' productivity and business growth. All products and services are intended to meet or exceed quality, functionality, safety, and environmental expectations.

The Group's total quality concept is a combination of different factors, such as availability, ergonomics, durability, performance, profitability, reliability, safety, and serviceability. Additionally, during the design stage, products are evaluated from a safety and health perspective, including ergonomics. Further, all Atlas Copco products and services come with relevant product, service and safety information. The product and service information required by the companies' procedures for product and service information and labeling covers aspects such as sourcing of

components, content such as substances of concern, safe use and disposal of the product or service. Customer training is included when relevant, to secure safe handling of the products.

Atlas Copco is in general not directly covered by the EU Waste Electrical and Electronic Equipment (WEEE) Directive. However, handheld electric tools and monitoring control instruments are defined to be within the scope. For those products Atlas Copco has a responsibility for the disposed products. The Group handles the EU WEEE Directive globally.

The Group strives to follow laws and regulations regarding safety, health and environmental aspects or product information and labeling. In 2011, no fines were paid for non-compliance with laws and regulations concerning the provision and use of products and services.

Sales and marketing communication

Atlas Copco's products and services are marketed and sold on the basis of their quality, productivity, price and service level and other legitimate attributes. The Group companies are responsible for the marketing activities and for communications as well as training of personnel within the area of customer safety and health, product and service labeling, marketing communications, customer privacy and compliance.

Communications professionals are employed in the local markets. In addition to the competence that they bring, they are offered internal training through the Atlas Copco Communications Academy, on legal aspects of communication or how to write for the website, for example.



Battery powered tightening tool

Atlas Copco developed a tool specifically for the aerospace industry with the aim to decrease energy consumption while increasing tightening quality. The battery-powered tool replaces pneumatic versions and is more energy efficient than comparable corded electric versions. The annual saving in energy versus the pneumatic version is 225 kWh per system, given a typical use pattern in aerospace industry.

Screw compressor with energy-saving certificate

This new compressor range is designed for the Asian market, bringing the power and reliability of an industrial screw compressor to any type of small and medium-sized industry. It utilizes state of the art compressor elements and is certified with Green Label Level 2 efficiency, which is a Chinese standard.



Geographical spread of employees**Professional category spread of employees****Gender distribution of employees****Gender distribution of managers****Gender distribution recent graduates recruited in the year****Geographical spread of accidents**

Employees

Atlas Copco's current and potential employees expect a working environment that sets a high standard for leadership and provides opportunities for each individual to develop professionally. Offering a diverse workplace with good health, safety and labor practices is an important part of Atlas Copco's brand as an employer, and thereby a key success factor for the Group.

Goals:

- First in Mind—First in Choice® employer for today's and future employees
- Safe and healthy working environment for all employees
 - zero work-related accidents
- Sick leave below 2.5%
- Increase the diversity both in terms of nationality and gender
- Encourage internal mobility
- Ensure competence development and yearly coaching

Atlas Copco's people management strategy is to attract, develop and keep motivated people, while expecting managers to take responsibility for developing their employees, their organizations and themselves. A key success factor of this strategy is to encourage diversity and to integrate the Group's basic beliefs and values with local culture. Greater diversity fosters an international mindset, stimulates innovation, the ability to work cross culturally and expand into new markets, and gives a better understanding of the societies in which Atlas Copco operates. Diversity remains a challenge which the Group is addressing through initiatives such as the launch of a program with short-term assignments abroad to increase both competence development and diversity. Mentorship programs, a global network, and policies aim to increase the number of women in management positions. Read more on page 18 in the annual report and on page 124.

Employee surveys

Atlas Copco conducts a Group employee survey at least every second year; next time in 2012. During the year companies worked with the result from the 2010 survey including launching on-the-job training, internships and coaching programs. Local management follows up areas needing attention and improvement and hold employee workshops on how to improve where there are weaknesses and capitalize on strengths.

Employer/employee relations

The Way We Do Things gives employees information on the Group's people management process, including guidance on recruitment, compensation, performance reviews, and competence development.

The non-discrimination policy covers all employees. Labor practices such as the right to collective bargaining are included in the Business Code of Practice; see page 105. In 2011, 41% of all employees were covered by collective bargaining agreements. The Business Code of Practice covers employee rights and is regularly updated. In countries where no independent labor union may exist, Atlas Copco has taken measures to establish forums for employer/employee relations, as in China for example, through environment and safety committees.

Wages and benefits

Atlas Copco's aim is to provide wages and benefits that are fair, consistent and competitive, and in line with industry standards, in order to attract and retain the best people. A fair salary structure is determined through a classification system based on a specific compensation level for each position, and is benchmarked against similar companies using the same system. For temporary employees, benefits provided are in line with national laws and regulations. This is also valid regarding minimum wages and the minimum notice period in cases of operational changes.

Mobility and employee turnover

Atlas Copco encourages mobility across geographical, organizational and cultural boundaries. This is important for developing competence, but also for successful integration of newly acquired companies. Experienced managers in senior positions lead the integration process and make it possible to establish the Group's business code, values and vision in an efficient and pragmatic manner.

In 2011, internal mobility among employees was 9%, which means that 3 250 people moved to new positions. Overall external recruitment reached 21%, which means that it totaled 7 270 people excluding acquisitions. Employee turnover was 8%. The increase in internal mobility, external recruitment and employee turnover are explained by the business increase.

Safety and health

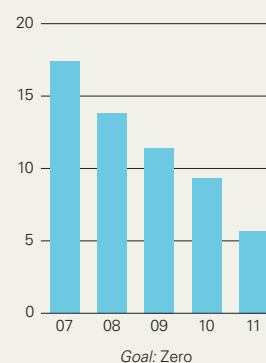
Continued focus on safety and health in 2011 resulted in an increased number of companies with OHSAS 18001 certification (Occupational Health and Safety Accounting Standard) and a decrease in work-related accidents. The target is that all employees work in an environment with a health and safety management system. As of this year 55% of the employees work in a company that has implemented this system.

The Atlas Copco Safety and Health Award 2011 recognized four companies in the Group with a long-term commitment and a structured approach to safety and health, leading to a strong performance over the years that also benefits customers. Business areas have taken long-term initiatives to improve safety and health performance. The Safety First campaign promotes safety among employees at Compressor Technique, and Industrial Technique runs a wellness initiative among employees, which has proven successful with increased health and wellness. The goal is zero work-related accidents.

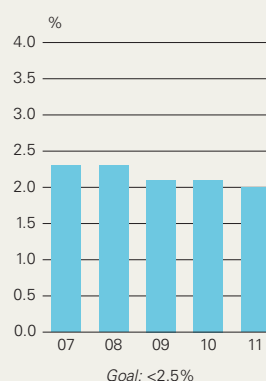
The number of accidents per million hours worked was 5.7 (9.3), in 2011. This corresponds to 370 (561) accidents during the year. This substantial improvement is partly explained by increased awareness through implementation of the OHSAS 18001 standard in more companies. Safety training, for example, is included in the new employee induction program and reporting of near-accidents or incidents also helps prevent accidents. The total number of incidents was 1 490. The lost time due to accidents was 6 599 days. The rate of companies having achieved the OHSAS 18001 certification represents 67% (61) of cost of sales. Employees that work in an environment with an OHSAS 18001 are represented in formal joint management-worker health and safety committees.

In 2011, there was 1 (0) work-related fatality in Atlas Copco's operations which involved a car accident. This tragedy was

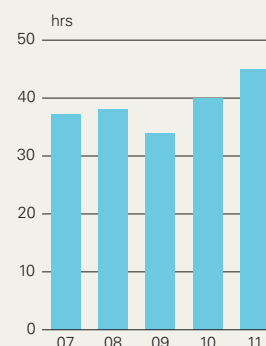
No. of accidents per million of hours worked



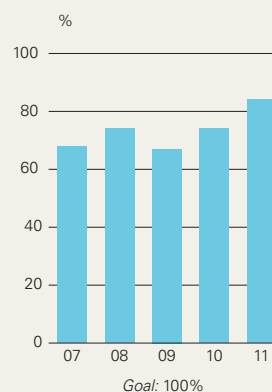
% of sick-leave



Average hours of training per employee



Proportion of appraisals among employees



reported to Group Management and action was taken to improve the road safety policy, now included in the updated global Group travel policy.

The goal on sick-leave is to keep it below 2.5%. In 2011, it was kept at a low level of 2.0% (2.1). Regional data is available on the Atlas Copco website. [www](http://www.atlascopco.com)

Addressing diseases

The HIV/AIDS pandemic is a major concern in some countries where Atlas Copco operates. The Group has HIV/AIDS or wellness programs in countries where important diseases such as HIV/AIDS have an impact on its employees, the business and the local community.

In 2002, Atlas Copco introduced an HIV/AIDS program in its operations in South Africa, including testing, awareness training, and consultation and treatment for those who are diagnosed HIV positive. Today, Atlas Copco's HIV/AIDS program spans nine countries in Africa. No Atlas Copco employee who joined the program with a negative test result has later been tested positive for HIV/AIDS.

During the year, Atlas Copco in South Africa and Zimbabwe addressed their business partners to support and help with their experience and knowledge on how to conduct HIV/AIDS programs. See case study on page 109.

Employees and family members in India and the United States where diabetes is a concern are offered wellness programs including counseling and medication to address the disease.

Competence development

Competence development is part of attracting and keeping satisfied employees. The goal is that employees should receive the training and coaching needed to achieve good results and an appraisal each year, regardless of professional category, including on-the-job training. In 2011, the total number of training hours was 1 583 557; the average number of training hours per employee was 45 (40). The increase is primarily explained by business growth and an increase in new employees. Some training initiatives include local Atlas Copco Academy training in Russia, China, India and South Africa, management training, sales and service training.

Workshops and seminars help implement Group policies and processes. Business areas provide targeted skill-based training in

accordance with the organization's needs. While seminars and workshops are the most popular forms of training within Atlas Copco, the Group also focuses on e-learning courses and webinars, for example. An introductory Atlas Copco Circles course which includes the Business Code of Practice, and safety, health and environmental awareness training, available in ten languages are mandatory for all employees.

One measure of success of the focus on competence building within Atlas Copco is the percentage of employees with a university degree or higher. In 2011, 51% of the white-collar employees had a university degree or higher. During the year, 84% (74) of all employees had an appraisal, an annual performance and career development review. See page 18 in the annual report.

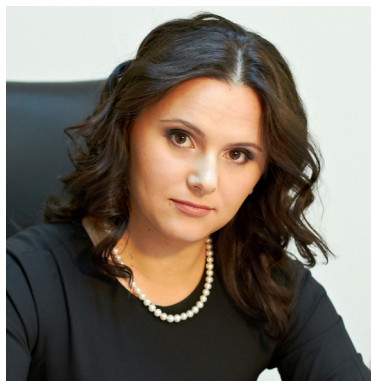
Equality, fairness and diversity

Atlas Copco companies establish a local diversity policy and guideline aligned with local laws and regulations, Group policy and local ambitions. This can include options regarding a reduction of working time for childcare or educational leave. The goal is to increase diversity in both nationality and gender.

The Group mainly recruits managers and employees from local communities where it operates. As such, Atlas Copco's workforce reflects the local recruitment base and comprises all cultures, religions and nationalities. The long-term ambition is to develop local leaders. A total of 67% (68) of all senior managers are locally employed.

The ratio of female employees was 17% (16). The proportion of women in management positions was 15% (14). The small increases are explained by focused activities to increase the number of females in all positions. Even though the absolute number of female recent graduates increased, the proportion decreased to 31% (32).

To increase the proportion of female leaders, Group policy states that recruiting managers must always have at least one female candidate when recruiting external candidates to positions where a university degree is needed. The high-level female mentorship program is in the third consecutive year, aimed at women with ambition and potential to become general managers. The global female managers' network *The Pleiades* supports participants during and after the program has ended.



Big region, big goals

Marina Krassyuk, General Manager of Atlas Copco Compressor Technique Central Asia, is from Kazakhstan and responsible for her native country and five other countries in the region, an area the size of Europe. She reflects on a career at Atlas Copco that has offered many opportunities for growth and development since she joined in 2001.

"If you do a good job and ask for new challenges at Atlas Copco you will receive them. The corporate culture is friendly.

I travel frequently and I always feel like I'm visiting family or relatives in every office in every country. It has been an exciting journey for me; ten years ago, we were only five people in the office and today we are over 200," she says.

Her chief concern, however, is on the home front: "There is enormous potential here. We need to expand our business and I have already posted some vacant positions. To be honest, I never thought that I would work in this area but I have never regretted my decision to join Atlas Copco."

Business partners

When products carry an Atlas Copco brand, the same high standards for the environment, labor and human rights must be consistently met at Atlas Copco or its business partners such as suppliers, sub-contractors and joint venture partners. Atlas Copco therefore has a process in place for managing and monitoring its supply chain, recognizing that business partners play an integral role in achieving the Group's sustainability goals.

Goal:

- Work with business partners committed to high ethical, environmental and social standards

The Group goal is to work with business partners committed to high ethical, environmental and social standards. Working with suppliers plays a crucial role in safeguarding the reputation and brand for Atlas Copco.

There are three focus areas for evaluating suppliers' performance on social and environmental responsibility:

- Business partners' adherence to a 10-point checklist/letter that Atlas Copco has developed, based on the UN Global Compact and on the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and published on the Atlas Copco website. The checklist requires that the business partner takes responsibility for sub-suppliers' business conduct. However, Atlas Copco has the right to evaluate further down the supply chain when deemed necessary. The checklist forms the basis of the supplier evaluation guideline and includes human rights, labor practices, environment and corruption. Business partners are asked to sign the letter. [www](#)
- The use of Atlas Copco lists of substances of concern.
- Atlas Copco encourages all business partners to implement a safety, health and environmental management system.

The Group's purchasing process is decentralized and managed in the divisions. However, local purchasing (non-core) is mostly carried out by individual companies. Atlas Copco promotes local purchasing since it benefits the region where the Group operates and also facilitates close relationships with local partners to capitalize on opportunities to further improve quality and efficiency, and decrease environmental impact, particularly at the start-up

phase of projects and with new suppliers. Training and resources are a focus in new sourcing projects.

Group companies select and evaluate business partners partly on the basis of their commitment to social and environmental performance. The environmental commitment includes environmental management system, policy, targets, etc. The potential risk of violations of the Atlas Copco Business Code of Practice is very important and minimizing this risk is in focus when selecting and evaluating a business partner.

Business partners are evaluated during, and after selection, for example when quality issues arise in sourced components or depending on aspects such as geographical location, purchase volume, or type of component. The supplier evaluation process includes for example the business partner's use of energy and related CO₂ emissions, water use, respect of human rights and labor practices. At times self-assessment checklists are sent to suppliers and on-site evaluations are conducted either at regular intervals or when deemed necessary. The on-site visit results in a report with concrete suggestions for improvement to be followed up on at an agreed time. Where business partners' operations indicate a potential conflict to the Business Code of Practice, improvement plans can be agreed upon and Atlas Copco can provide experience and know-how.

The internal training on supplier evaluations is published in the internal database *The Way We Do Things*, which is available to all employees. Training is given on a worldwide basis.

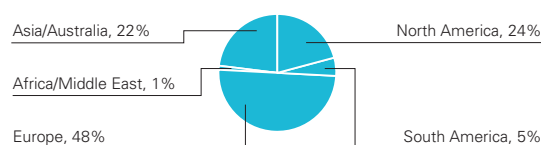
During the year an e-learning for business partners was developed and launched on the Atlas Copco website. The aim is to raise awareness of Atlas Copco's Business Code of Practice. Business partners such as significant suppliers of direct material are encouraged to take the training either online or during visits.

Performance from supplier evaluations

Group companies report quantitative data on evaluated, approved and rejected suppliers and those requiring further improvement in their practices. The companies report in which regions their suppliers are located and the status of environmental and social evaluations.

A supplier is considered approved if Atlas Copco has performed an assessment at the supplier site and reported that there is no risk of violating the Business Code of Practice, or that the supplier has acted on all development suggestions from a previous evaluation.

Geographical spread of suppliers




Activities on supplier evaluations take place primarily in the product companies. In some places suppliers were invited to Suppliers' Day, during which they were informed and trained in the supplier evaluation procedure. The activities have in many cases resulted in business ethics, safety, health and environmental improvements.

Significant suppliers are defined as direct material suppliers and indirect material suppliers where relevant. In 2011, 3 242 suppliers, representing 16% of the total number of significant suppliers (20 306), were evaluated on environmental performance by teams directly at the suppliers' sites, or through verification of the suppliers' own reports. A total of 93% of the suppliers evaluated from an environmental perspective were approved and need not be followed up. A total of 6% of the suppliers were conditionally approved and will be monitored. The same figures related to social evaluations, including business ethics and human rights, in which 2 835 suppliers were evaluated, out of which 87% were approved and 12% conditionally approved. Approximately 1% of the suppliers were rejected.

Approximately 78% of the significant suppliers who were queried confirmed commitment to the Business Code of Practice or the 10-point letter.

In 2011, 17 suppliers were rejected for environmental reasons and 16 for social, safety and health reasons. The suppliers were rejected, or not approved, because they were deemed to not live up to Atlas Copco requirements and were not willing to improve. Some of the issues that resulted in the decision concerned, for example, safety in the workplace, personal protection for workers and no fulfillment of environmental laws. The Group does not keep any black lists of business partners.

Prohibited or restricted substances

Atlas Copco maintains lists of substances which are either prohibited or restricted due to their potential negative impact on health or the environment. Restricted substances are not yet legally excluded for use but should be replaced according to a plan that takes into account technical and financial aspects. Prohibited substances are not allowed in the Group's products or processes. Suppliers' use of such substances is regularly checked, and if prohibited substances should be found, they must immediately be replaced with approved alternatives. The lists are continuously revised according to applicable legislation, including REACH. The lists on prohibited and restricted substances are published on the Atlas Copco website. 

Supplier evaluations safeguard a sustainable supply chain

As suppliers of components to the Group's production plants, business partners constitute an important part of the value chain. Many of these business partners are active in countries where ethical, social, and environmental standards are different from those described in voluntary ethical guidelines.

Atlas Copco strives to have a capable and competitive supplier base by seeking business opportunities and mitigating risks. The suppliers are selected and evaluated on the basis of objective factors including quality, delivery, price, and reliability, but also on their commitment to environmental and social performance including human rights and business ethics, and development towards further improving their performance in those areas.

Steps in a supplier evaluation

1. The evaluation begins with an interview with managers about the safety, health and environmental management system, laws and regulations, site permits, emergency preparedness training, maintenance, terms of employment, working hours, etc.
2. The next step is a tour of the production area, where the focus is on health and safety-related aspects: maintenance of machinery, ventilation, handling of hazardous waste, oil spills, risk for contamination, access to fire extinguishers, use of chemical products, and access to personal protection equipment, toilets, drinking water, lighting, and first aid, as well as local legislation compliance.
3. The evaluation is concluded with improvement suggestions. The team goes through the assessment checklist together with the suppliers and provides direct feedback on needed improvements.

In cases of potential violations to the Atlas Copco Business Code of Practice, efforts are made to assist suppliers who show a willingness to improve. However, if there is no demonstrated improvement, Atlas Copco will discontinue the business relationship.

Shareholders

For Atlas Copco, sustainability is the pathway to long-term value creation. Investors, particularly ethical funds, are increasingly incorporating social, environmental and ethical parameters into their traditional financial analysis of a company's management quality prospects for growth. Investors are looking for companies that demonstrate transparency and openness, innovation in product development, can attract and retain a talented and dedicated workforce, and are considered a preferred partner for their customers. Sustainability underpins many of these qualities and is a way to both minimize risk and capture new opportunities.

Assessing risks

Atlas Copco's approach to assessing and managing risks, including those related to the Group's corporate responsibility work, is described in the annual report, section Risk factors and risk management.

Climate change is considered a significant source of potential risk as well as an opportunity by Atlas Copco. Governments and authorities all around the world are gradually increasing regulations and requirements related to carbon dioxide emissions from products and industrial processes. Atlas Copco has consistently developed products with improved energy efficiency and reduced emissions. At present none of the Group's operations are subject to any emission allowance trading schemes or similar systems. Atlas Copco continues to monitor and support government initiatives to combat climate change.

Atlas Copco is a minor consumer of energy in its own operations and as such only to a small degree subject to changes in energy costs. However, extreme weather conditions, natural disasters, or other events could cause a shortage of resources such as water and energy, and thus affect the operations.

Atlas Copco's insurance company assesses the exposure to property risks as a result of extreme weather conditions and the danger of natural disasters. Preventive measures are taken to reduce the risk levels wherever necessary. In general, Atlas Copco's exposure to this type of risk is perceived as low, hence potential financial implications have not been quantified.

Carbon Disclosure Project

Atlas Copco is listed in the Carbon Disclosure Project's (CDP) annual reporting of climate impact in 2011 scored 72 out of a maximum 100. Atlas Copco also participated in the CDP's first Water Disclosure Global Report in 2011. The CDP is a non-profit organization that serves as the largest database on corporate climate change information, acting on behalf of 655 institutional investors holding USD 78 trillion in assets under management. For more, see www.cdproject.net.

Sustainability ratings

Atlas Copco seeks opportunities to measure its sustainability policies and performance against peer companies and external standards to inspire learning, and set more challenging goals. In addition to the reporting on key performance indicators, which in part have been defined based on Global Reporting Initiative's reporting guidelines, Atlas Copco reports annually on its sustainability performance to a number of companies involved in sustainability ratings.

Global 100

Atlas Copco was ranked number 10 in the world at the 8th Annual Global 100 Most Sustainable Corporations list released at the World Economic Forum in Davos, Switzerland. Led by Corporate Knights, the Global 100 is a well known corporate sustainability assessment. For more, see www.global100.org.

Dow Jones Sustainability Indexes

In 2011, Atlas Copco was included in the Dow Jones Sustainability Indexes, which lists the world's leading sustainability driven companies. For asset managers focused on investing in sustainable companies, the indexes provide a benchmark to measure the performance of their investments. Atlas Copco was previously included in the indexes in 2007/2008. Membership in the sustainability indexes is based on an annual assessment and comparison between industry peers. The assessment focuses on management of opportunities and risks deriving from economic, environmental and social developments. Aspects such as corporate governance and strategy are taken into account, as well as key performance indicators such as emissions and waste. Atlas Copco's introduction of new goals in 2011 for sustainable, profitable development is believed to have contributed to its inclusion once again, and confirms Atlas Copco's profile for investors with a focus on these issues. For more, see www.sustainability-indexes.com.

Other sustainability ratings which listed Atlas Copco are:

- FTSE4Good Global Index, www.ftse.com
- Atlas Copco A has been selected for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers, www.ethibel.org
- STOXX® Global ESG Leaders indexes STOXX, www.stoxx.com
- OMX GES Sustainability Nordic index by NASDAQ OMX Stockholm and GES Investments Services, indexes.nasdaqomx.com
- GS SUSTAIN focus list by Goldman Sachs, www.gs.com
- Folksam Environmental Index (4.1) and Folksam Human Rights Index (4.0), www.folksam.se

The Group received its most recent recognition in January 2012 from Global 100.

Performance summary¹⁾

GRI*	Economic ⁴⁾	2007	2008	2009	2010	2011	
EC1	Direct economic value						
EC1	Revenues	64 391	77 370	65 374	70 490	82 274	
EC1	Economic value distributed						
EC1	Operating costs ²⁾	38 888	46 084	41 593	41 466	48 032	
EC1	Employee wages and benefits	12 696	14 555	13 339	14 699	15 910	
EC1	Payments to providers of capital ³⁾	5 119	7 097	5 819	4 489	5 913	
EC1	Payments to governments (tax)	3 434	3 194	2 095	3 619	3 902	
EC1	Economic value retained	4 254	6 440	2 528	6 217	8 517	
EC1	– Redemption of shares	24 416	–	–	–	6 067	
EC1	– Repurchase of own shares	–	–	–	–	–	
GRI*	Social/employees ⁴⁾	2007	2008	2009	2010	2011	Goal ⁵⁾
LA1	Proportion of white-collar employees, %	66	68	67	61	62	
LA1	Proportion of blue-collar employees, %	34	32	33	39	38	
LA2	Employee turnover white-collar employees, %			10.0	7.0	7.4	
LA2	Employee turnover blue-collar employees, %					7.7	
LA7	Number of accidents	911	881	652	561	370	0
LA7	Number of accidents per million hours worked	17.4	13.8	11.4	9.3	5.7	0
LA7	Lost days due to accidents per million hours worked					101	
LA7	Number of incidents per million hours worked					22.8	
LA7	Sick-leave due to diseases, %	2.3	2.3	2.1	2.1	2.0	<2,5
LA7	Sick-leave rate due to diseases and accidents, %					2.1	
LA10	Average training hours per employee	37	38	34	40	45	
LA10	Average training hours, white-collar employees	39	39	36	44	48	
LA10	Average training hours, blue-collar employees	35	36	30	34	41	
LA12	Proportion of appraisals, % employees	68	74	67	74	84	100
LA13	Proportion of women, % employees	16.4	16.6	17.7	16.3	16.8	
LA13	Proportion of women in management positions, % managers	12.0	12.9	13.6	13.5	14.6	
LA13	Number of nationalities, senior managers			39	40	44	
GRI*	Environmental (production units) ⁴⁾	2007	2008	2009	2010 ⁶⁾	2011	Goal ⁵⁾
EN1	Material use in '000 tons (iron and steel)	143	138	104	141	135	
EN1	Packaging material in '000 tons	35	34	26	30	35	
EN3	Direct energy use in GWh ⁷⁾	122	140	101	116	132	
EN4	Indirect energy use in GWh ⁷⁾	258	276	251	287	305	
EN3+EN4	Energy use in GWh	380	416	352	403	437	
EN8	Water consumption in '000 m ³	497	547	523	464	619	keep at current level/COS
EN16	CO ₂ emissions '000 tons (direct energy)	25	30	32	24	28	–20%/COS (2020)
EN16	CO ₂ emissions '000 tons (indirect energy)	80	90	78	88	98	–20%/COS (2020)
EN16	CO ₂ emissions '000 tons (total energy)	105	120	99	112	126	–20%/COS (2020)
EN17	CO ₂ emissions '000 tons (transports)	312	305	206	194	214	–20%/COS (2020)
EN22	Waste in '000 tons	35	38	27	34	34	reuse or recycle
EN22	Rate of reused or recycled waste, %	88	88	87	88	95	100%
GRI*	Environmental (specialty rental) ⁴⁾	2007	2008	2009	2010 ⁶⁾	2011	Goal ⁵⁾
EN3 + EN4	Energy consumption in GWh	65	27	17	9	38	
EN8	Water consumption in '000 m ³	19	23	16	15	12	keep at current level/COS
EN16	CO ₂ emissions in '000 tons (energy)	17	7	5	3	10	–20%/COS (2020)
EN17	CO ₂ emissions in '000 tons (transports)	9	4	3	5	8	–20%/COS (2020)

* Calculations according to GRI guidelines, www.globalreporting.org

¹⁾ Changes reflect both changes in volume, consumption and an increase in the number of reporting units.

²⁾ In operating costs, cost of sales also includes taxes paid to local governments.

³⁾ Payments to providers of capital include financial costs and dividend, but exclude redemption of shares and repurchase of own shares.

⁴⁾ Reported values are not corrected retroactively.

⁵⁾ Goal base year is 2010.

⁶⁾ Updated values in italic, according to the new organizational structure and reporting system.

⁷⁾ Direct and indirect energy is reported in detail on the web: <http://www.atlascopco.com/corporateresponsibility/CRAtlas/environment/useofresources/>



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 Report. The entities included in the Atlas Copco Group's Sustainability Report 2011 are disclosed in the section About this report on page 106 in the Annual Report. The reporting boundary has been set in accordance with the accounting principles for the Atlas Copco Group's Annual Report 2011.

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 rental operations are included in the environmental reporting. All Atlas Copco companies are included in the social/employees reporting. In the reporting of Business Partners, companies with more than 70 employees are included.

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

In the Atlas Copco Group's opinion, the Group's Annual Report and Sustainability Report 2011 fulfills the requirements stipulated by GRI's Sustainability Reporting Guidelines, version 3, for a sustainability 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 and Sustainability Report 2011. The Group has self-declared the reporting to be GRI Application Level B, which has been confirmed by Deloitte AB.

Global Reporting Initiative (GRI) Compliance Index

Key	
Reported indicator	✓
Partially reported indicator	✓
Core indicator (Bold)	
<i>Additional Indicator (Italic)</i>	

Indicator and GRI number	Page reference in Annual Report	Report status	Comments
Strategy and analysis			
Profile			
1.1 Statement from the President and CEO on sustainability	4-7	✓	
1.2 Sustainability-related impacts, risks and opportunities	19-22, 104-123	✓	
Organizational profile			
2.1 Name of the organization	Back cover	✓	
2.2 Primary brands, products and/or services	2, 24-39	✓	
2.3 Operational structure	8-9, 24-39, 98-100, 130-134	✓	
2.4 Location of headquarter	145	✓	
2.5 Countries where the Group operates	2-3, 26, 30, 34, 38, 98-100, 145	✓	
2.6 Nature of ownership, legal form	125, 140-141	✓	
2.7 Markets served	2-3, 26, 30, 34, 38	✓	
2.8 Scale of the reporting organization	1, 14-16, 18, 24-39, 58	✓	
2.9 Significant changes during the reporting period	12-13	✓	
2.10 Awards received during the reporting period	104, 123	✓	
Report parameters			
Report profile			
3.1 Reporting period	106	✓	
3.2 Date of most recent previous report	106	✓	
3.3 Reporting cycle	106	✓	
3.4 Contact point for questions regarding the report or its contents	144	✓	
Report scope and boundary			
3.5 Process for defining report content	105-107	✓	
3.6 Boundary of the report	106	✓	
3.7 State any specific limitations on the scope or boundary of the report	106	✓	
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	46, 106	✓	
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.	106, 124	✓	See also Atlas Copco's sustainability reporting definitions on www.atlascopco.com/cr .
3.10 Explanation of the effect of any re-statement of information provided in earlier reports	106	✓	
3.11 Significant changes from previous reporting period in the scope, boundary or measurement methods	106, 124	✓	
GRI Content index			
3.12 Table illustrating the location of the Standard Disclosures in the report	106	✓	See this document.
Assurance			
3.13 Policy and current practice with regard to seeking external assurance for the report	106	✓	

Indicator and GRI number	Page reference in Annual Report	Report status	Comments
Governance, commitments and engagements			
Governance			
4.1 Governance structure of the organization	105, 125-134	✓	
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	128	✓	
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	128-129	✓	
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	125, 128-129, 144	✓	<p>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 125 and 144.</p> <p>The Atlas Copco Group has union representatives on the Board as described on page 129.</p> <p>Atlas Copco companies 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.</p>
4.5 Linkage between compensation for members of the highest governance body, senior managers and executives and the organization's performance.	59-60, 127	✓	<p>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.</p>
4.6 Process in place for the highest governance body to ensure conflicts of interest are avoided	128	✓	
4.7 Process for determining the qualifications and expertise of the members of the highest governance body	125	✓	<p>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.</p>
4.8 Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance	105, 130-131, 135-137	✓	
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	105, 131	✓	
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	125	✓	

Indicator and GRI number	Page reference in Annual Report	Report status	Comments
Commitments to external initiatives			
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization	110	✓	
4.12 Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.	105	✓	
4.13 Memberships in associations or national/ international advocacy organizations	106, 108, 110	✓	
Stakeholder engagement			
4.14 List of stakeholder groups engaged by the organization	105, 107	✓	
4.15 Basis for identification and selection of stakeholders to whom to engage	107	✓	
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	107	✓	
4.17 Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topic	107	✓	

GRI number	Indicator	Page reference in Annual Report	Report status	Comments
Management approach and Performance Indicators				
Economic Indicators				
	Approach to management disclosure – Economic Responsibility	8-9, 12-18, 113, 130-131	✓	
Economic performance				
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.	2-3, 57, 113, 124	✓	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.	72-75	✓	The Atlas Copco Group applies IFRS and discloses employee benefits in accordance with IAS 19.
Market presence				
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	18, 120	✓	
Environmental Indicators				
	Approach to Management Disclosure – Environmental Responsibility	19, 104-107, 110-113, 114-117, 123-124, 130-131	✓	
Materials				
EN1	Materials used by weight or volume.	111-112, 124	✓	
EN2	Percentage of materials used that are recycled input materials.	111	✓	

GRI number	Indicator	Page reference in Annual Report	Report status	Comments
Energy				
EN3	Direct energy consumption by primary energy source.	11, 124	✓	The Atlas Copco Group reports and follows-up on direct energy use in GWh. A detailed overview is available on the web: www.atlascopco.com/corporateresponsibility/CRatlas/environment/useofresources .
EN4	Indirect energy consumption by primary source.	111, 124	✓	The Atlas Copco Group reports and follows-up on indirect energy use in GWh. A detailed overview is available on the web: www.atlascopco.com/CRatlas/environment/useofresources .
EN6	<i>Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.</i>	104, 110-112	✓	
Water				
EN8	Total water withdrawal by source.	111, 124	✓	
Emissions, effluents, and waste				
EN16	Total direct and indirect greenhouse gas emissions by weight.	112-113, 124	✓	Atlas Copco reports on CO2 emissions since it is the major greenhouse gas.
EN17	Other relevant indirect greenhouse gas emissions by weight.	112-113, 124	✓	Atlas Copco reports on CO2 emissions since it is the major greenhouse gas.
EN18	<i>Initiatives to reduce greenhouse gas emissions and reductions achieved.</i>	110, 112-113	✓	
EN22	Total weight of waste by type and disposal method.	112-113, 124	✓	
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	104, 114-117	✓	
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	113	✓	
Transport				
EN29	<i>Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.</i>	112, 124	⚠	
Social: Labor practices and decent work Indicators				
	Approach to Management Disclosure – Social Responsibility (Labor practices and decent work)	18, 104-106, 118-120, 130-131	✓	

GRI number	Indicator	Page reference in Annual Report	Report status	Comments
Employment indicators				
LA1	Total workforce by employment type, employment contract, and region.	18, 59, 118, 120, 124	✓	<p>The workforce is reported per region in the Annual Report, Note 5 Employees and personal expenses, based on average number of employees.</p> <p>In the Sustainability report the workforce is reported per region and year-end figures.</p> <p>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.</p>
LA2	Total number and rate of employee turnover by age group, gender, and region.	118-119, 124	✓	With reference to legislative reasons employee turnover is not reported by age group or gender.
Labor/Management relations				
LA4	Percentage of employees covered by collective bargaining agreements.	118	✓	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	119	✓	
Occupational health and safety				
LA6	<i>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.</i>	119	✓	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	107, 118-119, 124	✓	Atlas Copco reports sick leave, number of fatalities and accidents 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.	120	✓	
Training and education				
LA10	Average hours of training per year per employee by employee category.	119-120, 124	✓	
LA12	<i>Percentage of employees receiving regular performance and career development reviews.</i>	119-120, 124	✓	
Diversity and equal opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	59, 118, 120, 124, 128-129, 132-134	✓	Age group is not disclosed at Group level. Minority group membership is not reported on in the Group.

GRI number	Indicator	Page reference in Annual Report	Report status	Comments
Social: Human rights Indicators				
	Approach to management disclosure – Social Responsibility (Human Rights)	104-106, 108-110, 121-122, 130-131	✓	
Investment and procurement practices				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	108	✓	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	122	✓	
HR3	<i>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.</i>	106	✓	
Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken.	106, 108	✓	
Freedom of association and collective bargaining				
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.	108, 119	✓	
Child labor				
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	108	✓	
Forced and compulsory labor				
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.	108	✓	
Social: Society Indicators				
	Approach to management disclosure – Social Responsibility (Society)	104-106, 108-110, 131	✓	
Corruption				
SO2	Percentage and total number of business units analyzed for risks related to corruption.	106, 108	✓	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	106-107	✓	Data is not collected divided on management and non-management employees since the training is mandatory for all employees.
SO4	Actions taken in response to incidents of corruption.	106, 108	✓	

GRI number	Indicator	Page reference in Annual Report	Report status	Comments
Public policy				
SO5	Public policy positions and participation in public policy development and lobbying.	110	✓	
SO6	<i>Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.</i>	110	✓	
Anti-competitive behavior				
SO7	<i>Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.</i>	108	✓	
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	106, 108	✓	
Social: Product responsibility Indicators				
	Approach to management disclosure – Social Responsibility (Product responsibility)	114-117	✓	
Customer health and safety				
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.	114	✓	
Products and service labeling				
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	117	✓	
PR4	<i>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.</i>	117	✓	
PR5	<i>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</i>	114	✓	
Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	117	✓	

Atlas Copco AB, Corporate Communications, March 2011

www.atlascopco.com/cr



Atlas Copco AB

UN Global Compact Communication on Progress 2011
Advanced level reporting

Atlas Copco has been a member of the UN Global Compact (UNGC) since 2008 and is committed to aligning its business, operations and impacts on society to the UNGC's ten principles of business conduct that relate to environmental and labor practices, protection of human rights and anti-corruption work.

Every year, Atlas Copco reports to the UNGC on its priorities, progress and best practices regarding this commitment. This 2011 Communication on Progress reflects the UNGC's Advanced level reporting guidelines and indicates how Atlas Copco meets or plans to meet the 24 advanced criteria, in the following areas:

- strategy, governance and engagement
- UN goals and issues
- implementation of Global Compact principles
- value chain implementation
- verification and disclosure

The index below lists the 24 criteria required of the guidelines and directs readers to where Atlas Copco addresses them in this Sustainability Report, Annual Report and on-line at its corporate website, www.atlascopco.com. In its self-assessment of its COP, Atlas Copco reports on at least one of each of the relevant topics addressed in the 24 criteria. The topics marked in grey text are areas that are not addressed in this report.

Strategy, Governance and Engagement

Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 1: Key aspects of Atlas Copco's high-level sustainability strategy in line with Global Compact principles.	<ol style="list-style-type: none"> 1. Impact of broader sustainability trends on the long-term prospects and financial performance of the organization 2. Major sustainability risks and opportunities in the near to medium term (3-5 years) 3. Social and environmental impact of the organization's activities 4. Overall strategy to manage sustainability impacts, risks and opportunities in the near to medium term (3-5 years) 5. Key performance indicators to measure progress 6. Major successes and failures during the reporting period 	<p>2011 Sustainability Report & COP:</p> <p>CEO statement, "Meeting our goals," p. 6, (Topics 4 and 6)</p> <p>Committed to sustainable productivity, p. 8 (Topic 1)</p> <p>Goals, p. 11 (Topics 1 and 5)</p> <p>Safety, health and environmental management, risks chart, p. 19 (Topics 3 and 4)</p> <p>Performance summary, p. 104 (Topic 4)</p> <p>Shareholders/assessing risks, p. 123, (Topic 2)</p> <p>Performance summary, p. 124 (Topic 5)</p>
Criterion 2: Decision-making processes and systems of governance for corporate sustainability.	<ol style="list-style-type: none"> 1. Involvement and accountability of management (C-suite) in developing corporate sustainability strategy in line with Global Compact principles and overseeing its implementation 2. Corporate governance structure (Board of Directors or equivalent) and its role in oversight of long-term corporate sustainability strategy and implementation in line with Global Compact principles 3. Goals and incentive schemes for management (C-suite) to promote sustainability strategy in line with Global Compact principles 	<p>2011 Sustainability Report & COP:</p> <p>Contents page, CEO endorsement (Topic 1)</p> <p>Committed to sustainable productivity, p. 8 (Topic 1)</p> <p>Delivering on commitments, "Governance structure", p. 105 (Topics 1 and 2)</p>
Criterion 3: Engagement with all important stakeholders.	<ol style="list-style-type: none"> 1. Regular stakeholder consultations in the area of human rights, labor, environment and anti-corruption , i.e.: <ul style="list-style-type: none"> - Consultation of stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance; - Establishment channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect "whistle-blowers" 2. List of stakeholder groups engaged by the organization 3. Process for stakeholder identification and engagement 	<p>2011 Sustainability Report & COP:</p> <p>Delivering on commitments, p. 105 (Topic 4)</p> <p>Delivering on commitments, p. 106</p> <ul style="list-style-type: none"> - "Materiality", (Topics 2 and 4) - "Reporting of violations" (Group ethical helpline), (Topic 1) <p>Stakeholder engagement, p. 107 (Topics 1, 2, 3, 4 and 5)</p>

Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 3: Engagement with all important stakeholders. (continued)	<ol style="list-style-type: none"> Outcome of stakeholder involvement Process of incorporating stakeholder input into corporate strategy and business decision making 	<ul style="list-style-type: none"> - "Stakeholder engagement", chart, Main issues raised (Topic 4) - Community engagement, "Water for All", p. 109 (Topic 1)

UN Goals and Issues

Criterion 4: Actions taken in support of broader UN goals and issues	<ol style="list-style-type: none"> Adoption or modification of business strategy and operating procedures to maximize contribution to UN goals and issues Development of products, services and business models that contribute to UN goals and issues Social investments and philanthropic contributions that tie in with the organization's core competencies, operating context and sustainability strategy Public advocacy on the importance of one or more UN goals and issues Partnership projects and collective actions in support of UN goals and issues 	<p>2011 Sustainability Report & COP:</p> <p>Delivering on commitments, "Endorse and support international standards", p. 105 (Topic 5)</p> <p>Stakeholder engagement, p.107</p> <p>Public policy, p.110</p> <p>Society and Environment, "Human rights", (re. adoption of the UN Guiding principles on business and human rights) p. 108 (Topic 1), "Environmental award"-product innovation on energy-efficiency, p.109</p> <p>Community engagement and charity, incl. Water for All and HIV/AIDS programs, p. 109 (Topics 3 and 5)</p> <p>Customers, "Products and solutions" (environmental precaution), p.114-117</p>
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Human Rights Implementation

Criterion 5: Commitments, strategies or policies in the area of human rights	<ol style="list-style-type: none"> Commitment to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates. Statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company Statement of policy stipulating human rights expectations of personnel, business partners and other parties directly linked to operations, products or services Statement of policy publicly available and communicated internally and externally to all personnel, business partners and other relevant parties 	<p>2011 Sustainability Report & COP:</p> <p>Contents page, CEO endorsement (Topic 2)</p> <p>Delivering on commitments, p. 105 (Topic 1)</p> <p>Society and Environment, "Human rights", p. 108 (Topic 1)</p> <p>- Business Code of Practice (p.5), www.atlascopco.com/cr</p> <p>Business Partners, p. 121 (Topic 4)</p>
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Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 6: Management systems to integrate the human rights principles	<ol style="list-style-type: none"> 1. On-going due diligence process that includes an assessment of actual and potential human rights impacts 2. Internal awareness-raising and training on human rights for management and employees 3. Operational-level grievance mechanisms for those potentially impacted by the company's activities 4. Allocation of responsibilities and accountability for addressing human rights impacts 5. Internal decision-making, budget and oversight for effective responses to human rights impacts 6. Processes to provide for or cooperate in the remediation of adverse human rights impacts that the company has caused or contributed to 	<p>2011 Sustainability Report & COP:</p> <p>Delivering on commitments, p. 105 (Topics 2, 3, 4, 5)</p> <p>Reporting of violations (Group ethical helpline), p. 106 (Topic 3)</p> <p>Society and the environment, Due diligence, p. 108 (Topics 1 thru 6)</p>
Criterion 7: Effective monitoring and evaluation mechanisms of human rights integration	<ol style="list-style-type: none"> 1. System to monitor the effectiveness of human rights policies and implementation, including in the supply chain 2. Monitoring drawing from internal and external feedback, including affected stakeholders 3. Leadership review of monitoring and improvement results 4. Process to deal with incidents 	<p>2011 Sustainability Report & COP:</p> <p>Delivering on commitments, p. 105 (Topic 1)</p> <p>Society and the environment, "Due diligence", p. 108 (Topics 1 thru 4)</p> <p>Customers, p. 114 (Topics 1 and 2)</p> <p>Corporate governance report 11, "Internal control" and The Way We Do Things, p.135 and p.137, see www.atlascopco.com/ir</p>
Criterion 8: Key outcomes of human rights integration	<ol style="list-style-type: none"> 1. Outcomes of due diligence process 2. External and formal reporting of operations or operating contexts that pose risks of severe human rights impacts 3. Disclosure of main incidents involving the company 4. Outcomes of processes of remediation of adverse human rights impacts 	<p>2011 Sustainability Report & COP:</p> <p>Delivering on commitments, "Reporting of violations", p. 106 (Topic 1)</p> <p>Human rights, p. 108 (Topics 1, 2, 3, 4)</p> <p>- Performance from supplier evaluations, p. 122 (Topic 1)</p> <p>Global Reporting Initiative (GRI) Compliance Index HR2 and 10</p>

Labor Principles Implementation

Criterion 9: Commitments, strategies or policies in the area of labor	<ol style="list-style-type: none"> 1. Reference to relevant international conventions and other international instruments (e.g. ILO Core Conventions) 	<p>2011 Sustainability Report & COP:</p> <p>Personnel, p. 18 (Topic 2, 3 and 5)</p> <p>Delivering on commitments, "Endorse and support international standards", p. 105 (Topic 1, 3)</p>
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Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 9: Commitments, strategies or policies in the area of labor (continued)	<ol style="list-style-type: none"> Reflection on the relevance of the labor principles for the company Written company policy (e.g., in code of conduct) on labor Inclusion of minimum labor standards in contracts with suppliers and other relevant business partners Specific commitments and goals for specified years 	<p>2011 Sustainability Report & COP:</p> <p>Society and Environment, "Human rights", p. 108 (Topic 3)</p> <p>Employees, p. 118 (Topics 2, 3, 4, 5)</p> <p>Business partners, p. 121 (Topic 4)</p> <p>Business Code of Practice, www.atlascopco.com/cr</p>
Criterion 10: Management systems to integrate the labor principles	<ol style="list-style-type: none"> Risk and impact assessments in the area of labor Allocation of responsibilities and accountability within the organization Internal awareness-raising and training on the labor principles for management and employees Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice 	<p>2011 Sustainability Report & COP:</p> <p>Delivering on commitments, "Governance structure", p. 105</p> <p>(Topic 2, 3 and 4) and "Reporting of violations", p.106 (Topic 1)</p> <p>Society and Environment, Human rights, "Due diligence", p. 108 (Topic 1)</p> <p>Employees, p. 118 (Topic 3)</p>
Criterion 11: Monitoring and evaluation mechanisms of labor principles integration	<ol style="list-style-type: none"> System to track and measure performance based on standardized performance metrics Audits or other steps to monitor and improve the labor performance of companies in the supply chain Leadership review of monitoring and improvement results Process to deal with incidents 	<p>2011 Sustainability Report & COP:</p> <p>Goals, p. 11 (Topic 1)</p> <p>Personnel, p. 18 (Topic 1)</p> <p>Delivering on commitments, "Governance structure", p. 105 (Topics 2 and 4) and Employees, p. 118 (Topic 2)</p> <p>Corporate governance report (part of the Annual Report), "Internal control" and The Way We Do Things, p.135 and p.137, see www.atlascopco.com/ir</p>
Criterion 12: Outcomes of integration of the labor principles	<ol style="list-style-type: none"> Outcome of due diligence and follow-up efforts to uphold the freedom of association right to collective bargaining Outcome of due diligence and follow-up efforts to eliminate forced labor Outcome of due diligence and follow-up efforts to abolish child labor Outcome of due diligence and follow-up efforts to eliminate discrimination Disclosure of main incidents involving the company 	<p>2011 Sustainability Report & COP:</p> <p>Personnel, p. 18 (Topic 1)</p> <p>Delivering on commitments, "Reporting of violations", p. 106 (Topics 2 and 5)</p> <p>Society and Environment/Human rights, "Due diligence", p. 108 (Topics 2, 3 and 4)</p> <p>Employees", p. 118 (Topic 1)</p> <p>Business partners, p. 121 (Topics 1 and 2)</p> <p>GRI Index LA4, HR4, 5, 6 and 7</p>

Environmental Stewardship Implementation

Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 13: Commitments, strategies or policies in the area of environmental stewardship	<ol style="list-style-type: none"> 1. Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development) 2. Reflection on the relevance of environmental stewardship for the company 3. Written company policy on environmental stewardship 4. Inclusion of minimum environmental standards in contracts with suppliers and other relevant business partners 5. Specific commitments and goals for specified years 	<p>2011 Sustainability Report & COP:</p> <p>Safety, health and environmental management, "Impact on the environment", p. 19 (Topics 2 and 3)</p> <p>Delivering on commitments, "Endorse and support international standards", p. 105 (Topic 1, 3)</p> <p>Society and the environment, "Impact on the environment", p. 110 (Topics 2 and 3)</p> <p>Business partners, p. 121 (Topic 4)</p>
Criterion 14: Management systems to integrate the environmental principles	<ol style="list-style-type: none"> 1. Environmental risk and impact assessments 2. Assessments of lifecycle impact of products, ensuring environmentally sound end-of-life management policies 3. Allocation of responsibilities and accountability within the organization 4. Internal awareness-raising and training on environmental stewardship for management and employees 5. Grievance mechanisms, communication channels and other procedures (e.g. whistleblower mechanisms) for reporting concerns or seeking advice regarding environmental impacts 	<p>2011 Sustainability Report & COP:</p> <p>Safety, health and environmental management," p. 19 (Topic 1)</p> <p>Delivering on commitments, "Governance structure", p.105 (Topic 3) - "Employee training", p. 105 (Topic 4) - "Reporting of violations", p. 106 (Topic 5)</p> <p>Society and the environment, "Impact on environment", p. 110, (Topic 2)</p> <p>Products and solutions, p. 114 (Topic 2)</p>
Criterion 15: Monitoring and evaluation mechanisms for environmental stewardship	<ol style="list-style-type: none"> 1. System to track and measure performance based on standardized performance metrics 2. Leadership review of monitoring and improvement results 3. Process to deal with incidents 4. Audits or other steps to monitor and improve the environmental performance of companies in the supply chain 	<p>2011 Sustainability Report & COP:</p> <p>Safety, health and environmental management, p. 19 (Topics 1 and 4)</p> <p>Delivering on commitments, p.105 (Topic 3) Society and the environment, "Impact on environment", p. 110, (Topics 3 and 4)</p> <p>Business partners, p. 121 (Topic 4) Corporate governance report (part of the Annual Report), "Internal control" and The Way We Do Things, p.135 and p.137, see www.atlascopco.com/ir</p>

Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 16: Key outcomes of integration of the environmental principles	<ol style="list-style-type: none"> 1. Indicators on uses of materials and energy 2. Indicators on emissions, effluents, and waste 3. Indicators on the company's initiatives to promote greater environmental responsibility 4. Indicators on the development and diffusion of environmentally friendly technologies 5. Disclosure of main incidents involving the company 	<p>2011 Sustainability Report & COP:</p> <p>Goals, p. 11 (Topic 3)</p> <p>Safety, health and environmental management, p. 19 (Topic 5)</p> <p>Stakeholder engagement, "Main issues" table, public policy, p. 107 (Topic 5)</p> <p>Society and the environment, "Public policy", p. 110, (Topic 5)</p> <p>Performance Summary, p. 124 (Topics 1 and 2)</p> <p>Society and the environment, "Impact on environment", p. 110 (Topics 2 and 3)</p> <p>Customers, "Products and solutions", p. 114 (Topics 3 and 4)</p> <p>GRI Index EN1, 2, 3, 4, 6, 8, 16, 17, 18, 22, 26 and 29</p>

Anti-Corruption Implementation

Criterion 17: Commitments, strategies or policies in the area of anti-corruption	<ol style="list-style-type: none"> 1. Publicly stated formal policy of zero-tolerance of corruption 2. Commitment to be in compliance with all relevant anti-corruption laws, including the implementation of procedures to know the law and monitor changes 3. Statement of support for international and regional legal frameworks, such as the UN Convention against Corruption 4. Carrying out risk assessment of potential areas of corruption 5. Detailed policies for high-risk areas of corruption 6. Policy on anti-corruption regarding business partners 	<p>2011 Sustainability Report & COP:</p> <p>Society and the Environment, "Anti-competitive behavior and corruption", p. 108, (Topic 1)</p> <p>Delivering on commitments, "Manage and monitor commitments", p. 108 (Topic 2)</p> <p>Society and the Environment, "Anti-competitive behavior and corruption." p. 108 (Topics 1, 2, 4 and 5)</p> <p>Customers, p. 114 (Topic 4)</p> <p>Business Partners, p. 121 (Topics 4 and 6)</p>
Criterion 18: Management systems to integrate the anti-corruption principle	<ol style="list-style-type: none"> 1. Support by the organization's leadership for anti-corruption 2. Human Resources procedures supporting the anti-corruption commitment or policy, including communication to and training for all employees 3. Internal checks and balances to ensure consistency with the anti-corruption commitment 	<p>2011 Sustainability Report & COP:</p> <p>"Risks of corruption and fraud", p.19</p> <p>Stakeholder engagement, "Main issues raised" chart, p. 107</p> <p>Delivering on commitments, "Manage and monitor commitments", p. 108 (Topic 5)</p> <p>- "Reporting on violations" (Topic 6)</p> <p>Society and the environment, "Anti-competitive behavior and corruption." p. 108 (Topics 2, 3, 5 and 7)</p>

Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 18: Management systems to integrate the anti-corruption principle (continued)	<ol style="list-style-type: none"> 4. Actions taken to encourage business partners to implement anti-corruption commitments 5. Management responsibility and accountability for implementation of the anti-corruption commitment or policy 6. Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice 7. Internal accounting and auditing procedures related to anti-corruption 	Business Partners, p. 121 (Topics 4)
Criterion 19: Monitoring and evaluation mechanisms for the integration of anti-corruption	<ol style="list-style-type: none"> 1. Leadership review of monitoring and improvement results 2. Process to deal with incidents 3. Public legal cases regarding corruption 4. Use of independent external assurance of anti-corruption programs 	<p>2011 Sustainability Report & COP:</p> <p>Society and the environment, "Anti-competitive behavior and corruption." p. 108 (Topic 1, 2, 3)</p>
Criterion 20: Key outcomes of integration of the anti-corruption principle	<ol style="list-style-type: none"> 1. Outcomes of assessments of potential areas of corruption, where appropriate 2. Outcomes of mechanisms for reporting concerns or seeking advice 3. Indicators Human Resources procedures supporting the anti-corruption commitment or policy 4. Disclosure of main incidents involving the company 	<p>2011 Sustainability Report & COP:</p> <p>Delivering on commitments, "Reporting of violations", p. 106 (Topics 2 and 4)</p> <p>Society and the environment, "Anti-competitive behavior and corruption." p. 108 (Topics 1, 2, 3 and 4)</p> <p>GRI Index SO2, 3 and 4</p>

Value Chain Implementation

Criterion 21: The COP describes implementation of the Global Compact principles in the value chain	<p>Suggested best practices:</p> <ol style="list-style-type: none"> 1. Analysis of sustainability risk, opportunity and impact in the value chain, both upstream and downstream 2. Policy on value chain, including a policy for suppliers and subcontractors 3. Communication of policies and expectations to suppliers and other business partners 4. Monitoring and assurance mechanisms (e.g. audits/screenings) for compliance in the value chain 5. Awareness-raising, training and other types of capacity building with suppliers and other business partners 	<p>2011 Sustainability Report & COP:</p> <p>Committed to sustainable productivity, p. 8 (Topic 1)</p> <p>Goals, p. 11 (Topic 1)</p> <p>Customers, p. 114 (Topics 1 and 4)</p> <p>Business Partners, p. 121-122 (Topics 1, 2, 3 and 4)</p> <p>- "Supplier evaluations safeguard a sustainable supply chain", (Topic 5)</p> <p>Business Code of Practice covers Business Partners, www.atlascopco.com/cr</p>
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Transparency and Verification

Advanced level criteria	Topics addressed in Atlas Copco's reporting	Related references in Atlas Copco reporting
Criterion 22: Information on the company's profile and context of operation	<ol style="list-style-type: none"> 1. Legal structure, including any group structure and ownership 2. Countries where the organization operates, with either major operations or operations that are specifically relevant to sustainability 3. Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) 4. Primary brands, products, and/or services 5. Direct and indirect economic value generated for various stakeholders (employees, owners, government, lenders, etc.) 	<p>2011 Sustainability Report & COP:</p> <p>2011 in Figures, p. 1 (Topic 5) Atlas Copco Group, p. 2 -“The business” (Topics 2, 3 and 4) -“Economy” (Topic 5)</p> <p>Committed to sustainable productivity, “Structure”, p. 8 (Topic 1) Economy, “development distribution of economic value”, p.113 (Topic 2) and 124 2011 Annual report, www.atlascopco.com/ir: Countries of operation, Note A21, p.98 Markets served, primary brands, products served and/or services, p.24-39, 114-117</p>
Criterion 23: The COP incorporates high standards of transparency and disclosure	<ol style="list-style-type: none"> 1. COP uses the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2. COP qualifies for Level B or higher of the GRI application levels 3. COP includes comparison of key performance indicators for the previous 2-3 years 4. Board, where permissible, approves COP and other formal reporting on corporate sustainability 5. Relevant sustainability information from COP is included in annual financial report and filings 	<p>2011 Sustainability Report & COP:</p> <p>Contents (Topic 5)</p> <p>Delivering on commitments, “Governance structure”, p. 105 (Topic 1)</p> <p>About this report, p. 106, (Topics 1, 2, 3 and 5)</p> <p>Performance summary, p. 124 (Topic 3) GRI Index, p. i (Topic 1)</p>
Criterion 24: The COP is independently verified by a credible third-party	<ol style="list-style-type: none"> 1. Accuracy of information in COP is verified against assurance standard (e.g. AA1000, ISAE 3000) 2. Accuracy of information in COP is verified by independent auditors (e.g. accounting firm) 3. Content of COP is independently verified against content standards (e.g. GRI Check) 4. COP is reviewed by a multi-stakeholder panel or by peers (e.g. Global Compact Local Network) 	<p>2011 Sustainability Report & COP:</p> <p>About this Report, p. 106 (Topic 3)</p>