# This is what we call sustainable productivity



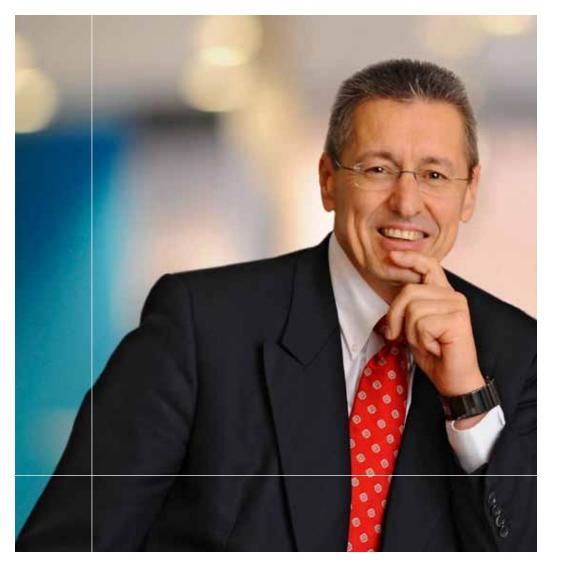


## Commitment Solution Creating value Ergonomics Quality Availability Ergonomics Creating value Competence development Reliability Innovation Business models Corporate culture Cost of ownership Reliability Innovation Long-term Quality of life Cost of ownership Health teraction Brands

### Committed to sustainable productivity

When a company is as diversified as Atlas Copco, in terms of activities, people and geography, it can sometimes be difficult to see at first glance what the unifying factor is. That is why we have produced this booklet. On their own, the stories here are quite simple. Taken together, however, they form a story about something that lies at the heart of Atlas Copco's company culture. This is the story about sustainable productivity.

Committed to sustainable productivity means that we do everything we can to ensure reliable, lasting results with responsible use of resources; human, natural, and capital.





#### Our commitment to sustainable productivity

Increasing productivity is the foundation for all of Atlas Copco's business activities. It means helping our customers get more out of every investment. Be it making our products faster, more energy efficient, safer or more ergonomic, the effect should be increased productivity. We achieve this by adhering to a few core values: Commitment, interaction and innovation.

When we say that we are providing sustainable productivity, it includes the perspective that we always take the long-term view in everything we do. Our customers need to know they will be productive not just today or tomorrow, but a year or even ten years from now. Of course, we always strive to provide the highest possible productivity, but we believe doing so at the expense of certain values would ultimately damage both Atlas Copco and our customers.

Sustainability is not about being 'green,' although that is one of many important ingredients. For us, being committed to

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

We believe our company culture makes us stand out amongst competitors, through its strength and through the way it has been shared among our people since 1873. Within Atlas Copco, one of the most commonly said phrases is that 'there is always a

better way.' We hope these stories will give you some idea of how sustainable productivity offers a better way forward. If you want to know more, ask anyone who works for Atlas Copco.

Ronnie Leten President and CEO February 2010

#### Silenced drill keeps the peace as new railway cuts through suburbs

Mining, construction and manufacturing can be dirty and noisy affairs, but they are also essential for the growth of a society. Atlas Copco is working hard to minimize the negative impact its equipment may have on the surrounding environment.

As South Africa prepared for the 2010 World Cup soccer championship, Atlas Copco's silenced drill rigs helped to smooth the process.

A new, 80-kilometer high-speed, mass transit rail system is under construction in South Africa's Gauteng Province. The system will ultimately link Johannesburg and Pretoria and will help to relieve the traffic congestion on the roads between the two cities, in time for the World Cup.

Along part of the route, the challenge is to minimize the noise as it runs through busy suburban and industrial areas, where the constant sound of rock drilling would be unacceptable. The answer? Atlas Copco's Silenced SmartRig, a drill rig with a rock drill encased in a sound-dampening hood.

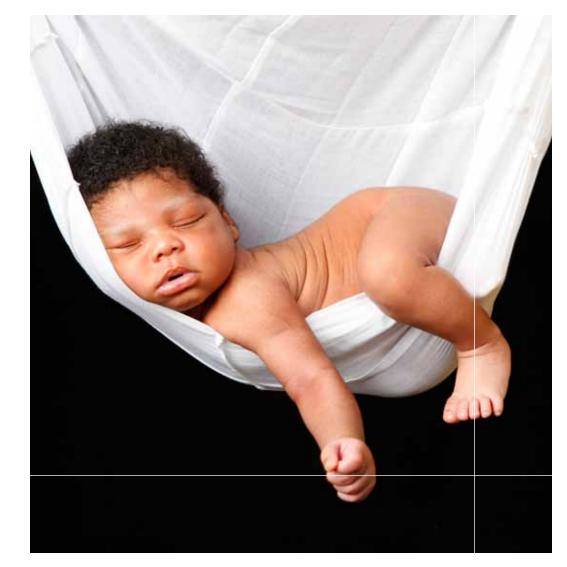
South African drill-and-blast specialist Eire Contractors took delivery of the rig in August 2008, after which it has been used daily in a demanding work cycle, often during hours when the permitted noise levels are limited.

"With the silenced version of SmartRig, the surrounding community is not aware of any noise when we are working. So far, I have been very happy with it," says Eire's contract manager Rajen Govender.

The advanced silencing system consists of several components which work to reduce the overall noise level. In operation, the silenced rig emits a noise level approximately 10 dB below that of other rigs on the market, making the Silenced SmartRig one of the world's quietest running

rigs. Additionally, computerized features for hole navigation and planning of the drilling and blasting make the rig more productive.







#### Atlas Copco improves career opportunities for female talents

For Atlas Copco to remain a global leader in its selected markets, the company needs to ensure a continuous supply of competent people at all levels of the Group. Coupled with a target to recruit 85% of all managers internally, this means the issue of leadership development has high priority for Atlas Copco.

Recognizing the need to develop more female managers, and ultimately recruit from the full base of talent within Atlas Copco, the first high-level female mentorship program was launched in 2009. Fifteen highly qualified applicants were paired with mentors including division presidents as well as general and holding managers.

"This is an initiative because we need to grow more female managers into top positions within the company. We believe that if we are going to be an attractive employer, we must have diversity at the higher levels," says Kristina Ahlbom, Project Manager at the Atlas Copco Group's Human Resources function.

While 36% of recent graduates recruited by Atlas Copco are

women, only 13% of the managers are female. To make female managers with a high potential better known among the Group's decision makers, the program only has male mentors.

"The aim is to get these women into networks, making them known to the managers who sooner or later will be recruiting for high-level positions. We hope to see at least a few of them become general managers within three years," Kristina Ahlbom says.

And the participants of the program see other benefits as well: "I applied to the program because of the networking. My first thought was that the men always go for a beer together, but not the women," says Elke Van Overbeke. Team Leader

Engineering at the Compressor Technique Service division in Antwerp, Belgium. "Maybe this can be a push for us in the right direction."



#### Energy efficient compressor cuts costs and CO<sub>2</sub> emissions at L'Oreal

The need to improve energy efficiency is one of the most important drivers in Atlas Copco's product development, especially of compressed air equipment. It's a trend that's good both for business and the environment, as customers like French cosmetics group L'Oreal seek to reduce costs and carbon dioxide emissions.

L'Oreal's production site in Vichy, where the company manufactures its range of Active Cosmetics, is one of its most advanced in terms of 'eco-responsible' production. The target for 2009 was to reduce carbon dioxide emissions by more than 50%. Several activities are in place, and Atlas Copco plays an important role.

One of these activities is to reduce the carbon footprint from heating washing water. In order to heat the 100 m³ of water needed daily for cleaning production facilities, a new water system recovers energy at three levels: liquids, compressed air, and from the fumes of the steam boilers. This provides a saving of more than 2 000 MWh of natural gas, of which one third is due to recovery from the Atlas Copco compressor.

"Recovering the heat energy from air compression is a very interesting way for us to go when it comes to reducing the impact of energy consumption," says Luis Salgado, responsible for compressed air systems at the Vichy facility.

L'Oreal chose an oil-free variable speed drive compressor from Atlas Copco, which adapts to the compressed air needs of the factory in a more efficient way than other compressors. This lowered the energy consumption for the plant's compressed air by 23.5%, equivalent to a reduction of 40 tons of CO<sub>2</sub> emitted. The heat recovery kit installed on the compressor supplies water at 65°C, reducing the CO<sub>2</sub> emissions by another 145 tons.

Besides energy recovery equipment, Atlas Copco constantly

innovates to reduce the life-cycle cost of its products and offer sustainable solutions for increased productivity. Within the Compressor Technique business area, the offering includes Air Scan audits, which generate recommendations on how to improve costumers' compressed air systems, and intelligent control system Air Optimizer.







#### Chinese components supplier safeguards chemical handling

When Atlas Copco evaluates its suppliers, many more factors are considered than the quality of the products and the ability to deliver a stable supply of components. Having a long-term perspective on productivity means taking responsibility for the potential impact of our business, throughout the supply chain.

One such way of taking responsibility is supporting suppliers in implementing best practices from Atlas Copco, on issues such as quality, environment, health and safety. At HGL, a Chinese supplier of small to medium sized components in steel and aluminium for Atlas Copco's Tooltec division, Atlas Copco found an improvement potential in the chemical handling and waste handling.

Drawing from the Group's existing chemical and waste guidelines, Atlas Copco's supplier evaluation team presented HGL with a range of suggestions, from creating a separate chemical storage area to having a color identification scheme for different waste categories and putting up signs for first aid stations. HGL responded by drafting an action plan, with concrete improvement details and a plan for completion.

"We are thankful that Atlas Copco audited HGL and brought us so many good suggestions," says Daniel Chan, manager of the factory. "HGL's management team takes these issues seriously and wants to continuously improve on weaknesses, to eliminate and prevent risks and threats in the areas of safety, environment, and health."

HGL is a subsidiary of Sweden's Hammar Group, employing around 160 people at its factory in Donguan, China. The company already had a quality system certified according to ISO 9001, one of the standards Atlas Copco encourages suppliers to adhere to. "This, together with the engagement from management, is a good start for the supplier to expand its management system to also cover environmental aspects,"

says Anna Gejke, responsible for management of safety, health and environment issues at Atlas Copco's business area Industrial Technique.

Atlas Copco evaluates suppliers according to a checklist based on the UN Global Compact and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. In 2009, about a third of the Group's suppliers were evaluated, either at their own sites or through verification of the suppliers' own reports.



#### Rental generators to the rescue

Any company can deliver on its promises some of the time. Delivering when a product or service is at its most needed is what creates real customer satisfaction. When GALP Energia's refinery in Sines, Portugal, suffered an incident in a power station, the manager in charge called nearly every electrical power supplier in the country. Then he heard of Atlas Copco's rental fleet...

"I said that we needed 20 units from 600 kVA or 800 kVA, without much hope of obtaining them," recalls Paulo Ferreira, responsible for Electrical and Instrumentation Maintenance at the refinery. "Fortunately, I was wrong."

GALP Energia's Sines Refinery is located in south-central Portugal, where it produces gasoline, diesel, jet fuel, and liquid petroleum gas. An extended interruption of production would have been very negative both for the company and its customers.

"Two days later, the first batch of 1000 kVA generators supplied by Atlas Copco Portugal arrived, together with technicians and cables to make all the necessary connections to our substations," Ferreira says. "In less than a week we had all our 17 substations fed in low voltage installation with a total of 39 generators. Of these, 27 were supplied by Atlas Copco Portugal."

In addition to Atlas Copco Compressor Technique's wide range of compressed air and gas equipment, the Group has a Specialty Rental division, focused on high-pressure oil-free air applications. It also offers temporary power solutions.

"Atlas Copco was already a familiar name in our facility, because we have used its compressors for many years. But it never occurred to me that they could solve such a complicated situation of power supply," Ferreira says. "We are now about to restore the power supply to the new switchboards. We did

it with a great effort from our electrical maintenance team, but also with the optimal service provided by Atlas Copco."







#### From Chile and onwards; service technicians get a competence boost

Competence development is a crucial factor for Atlas Copco to continually support customers in boosting their productivity. The Group's business area Construction and Mining Technique is in the process of introducing a uniform high standard of training that will lead to a common certification for all its service technicians.

With mining and construction equipment becoming increasingly advanced, the demand for highly skilled mechanics and technicians has never been so high. When it comes to training however, some countries are more advanced than others and standards often differ.

First launched in South America, this global certification program for service and maintenance technicians is being gradually introduced across the Atlas Copco world, most recently in North America and Africa. The program, which combines classroom sessions and e-learning with practical workshop and on-the-job training, covers hydraulics, electrics, and the Atlas Copco Rig Control System.

Sergio King, a Chilean sales support specialist with 19 years of

experience with Atlas Copco, was the first in the world to graduate from the program and gain his certification. He comments: "This is a very comprehensive program and covers all the skills a technician needs to have. I believe that by gaining the certification, Atlas Copco technicians will bring more value to the worksite."

For equipment owners and operators, the implication is twofold. Firstly, the competence of local, on-site service technicians will be assured. Secondly, as technicians become internationally certified, they will be able to operate anywhere in the world, ensuring optimum support at all mining and construction worksites where Atlas Copco equipment is used. "We are investing heavily in training and support in the same way as we invest in product develop-

ment," says Patrik Rylander, Atlas Copco area manager for parts and services in the Americas

"We have great products, and it is important that our service is equally good because that's what our customers expect and require. By certifying our technicians, we can be sure that we have an effective and relevant knowledge base all over the world."



#### Atlas Copco ergonomics experts support health and safety at SKF

Improved working conditions are a key factor for manufacturing companies in keeping productivity and quality on a high level, and reducing the direct cost for health and safety related disorders to a minimum. Atlas Copco's leading position in the power tool ergonomics field has helped many customers minimize health and safety problems which can be related to industrial power tools, providing solutions for improved workplace ergonomics and reduced vibrations.

When a new European Union directive with regulations for vibration risk management was implemented, Atlas Copco organized seminars on the subject in many of its markets across Europe. SKF Mekan, a subsidiary of world-leading bearings maker AB SKF, decided to contact Atlas Copco for a review of the new rules. Atlas Copco was also tasked with organizing theoretical and practical training on safety in handling tools.

"Everybody has to take responsibility for safety, and it is up to us to make that clear," says Tomas Tegerstrand, Working Environment Engineer at SKF Mekan AB. "People responded very positively to receiving this training."

SKF Mekan manufactures bearing housings at a facility in Katrineholm, Sweden, using Atlas Copco tools such as grinders. In total, 60-70 people at SKF Mekan participated in the training sessions, learning about equipment safety and regulations, the new vibration directive and ergonomic issues in handling material removal tools. The training also included a test, and only employees who passed are allowed to use handheld tools.

Atlas Copco has developed ergonomics since the 1950s, when legendary industrial designer Rune Zernell worked to develop a drill handle better adapted to the human hand. Today, Atlas Copco's latest handheld drills have the same basic design, but

have been further developed with improved flexibility and new coatings. Power tool ergonomics include much more: external loads on the operator, weight, temperature, shock reaction, vibration, noise, dust and oil. The aim is to find an optimal combination of ergonomic parameters.





#### **Milestones**

With a corporate history of almost 140 years, Atlas Copco's commitment to delivering productivity to customers is clearly long-term. What could be more sustainable?

#### 1873



AB Atlas is founded with the objective to manufacture and sell all types of materials for the construction and operation of railways.

#### 1917



First sales operation outside Sweden is established in Russia. The company is providing diesel engines, compressors and construction tools, but has a short life because of the coming revolution.



A Belgian compressor manufacturer is acquired and the Group takes a giant step towards its future position as a world leader in the compressor market. The Group changes name to Atlas Copco.

#### 1960



A range of hand-held power tools with considerably improved ergonomically designed handles is launched. This new range is developed in close collaboration with medical experts.

#### 1946



Atlas begins marketing the 'Swedish method.' Using a one-man pneumatic rock drill, that is light, strong and efficient, becomes known world-wide as the superior productivity solution in rock drilling technology.



Atlas Copco appoints the first female member of Group Management, in charge of management resources and organizational development.

#### 1984



Atlas Copco employees in Sweden found Water for All, a non-profit organization helping to provide clean drinking water for life.

#### 1987



A high-precision electrical nutrunner is launched. It quickly gains market share among car manufacturers around the world that put safety first.





The Groups' vision,
First in Mind—First in
Choice®, is established,
leading the way to profitable
growth during many years
to come.

2000



Atlas Copco awards a team that has developed a variable speed drive compressor with a potential energy saving of up to 35%.



First voluntary HIV/AIDS program in place in South Africa to ensure a healthy workplace and workforce.



The Business Code of Practice, summarizing all internal policies related to business ethics and social and environmental performance, is launched with mandatory training for all employees.

#### 2005



A silent surface drill rig is launched, perfect for use around the clock at construction work in densely populated areas.

#### 2007



All operations in the Group start using the Net Promoter Score methodology to measure customer satisfaction and loyalty. Action programs are developed to further improve customer satisfaction and loyalty.



Each operational unit and each new product development project establishes a target to further reduce energy consumption and emissions.



Ask someone at Atlas Copco what it means for him or her to be committed to sustainable productivity.

#### 2009



Atlas Copco's water-cooled oil-free air compressors; with built-in energy recovery systems, are the first in the world to be TÜV certified for net zero energy consumption. The concept is called Carbon Zero.



#### HIV/AIDS workplace program helps restore quality of life

A company committed to delivering sustainable productivity has to act ethically and with a long-term perspective towards all of its stakeholders. This is as much about corporate responsibility as it is about ensuring business continuity. There are few places where this is more obvious than in southern Africa, where Atlas Copco companies now are running programs to minimize the impact of HIV/AIDS.

More than 33 million people are living with HIV/AIDS, and two thirds of these people live in sub-Saharan Africa. The pandemic has had severe humanitarian consequences and can cause huge costs to individual companies in terms of increased staff turnover, sick-leave costs, accidents, and increased death and disability insurance.

In South Africa, Atlas Copco has conducted a successful HIV/ AIDS program since 2003. Today, there are policies including non-discrimination of HIV infected employees and comprehensive programs in place in many companies. Atlas Copco's programs include testing, counseling and doctor visits, and offer antiretroviral drugs and vitamins for both the employee and his or her spouse.

"The program has helped me a lot, it restored my life," says Sipho Ramatsane, who works for Atlas Copco Secoroc in South Africa. Sipho discovered that he was infected with HIV following a test in the workplace. "Those who have assisted me have helped me to work, now I can raise my children and send them to school. My wife and I are leading a happy life. We look after ourselves and are disciplined. We are in a position to help others too, by sharing our knowledge and giving them information"

Since the launch of the program, no one who was first tested negative for HIV/AIDS has later been tested positive. Atlas Copco South Africa's program was recognized with the Swed-

ish Workplace HIV and AIDS Programme (SWHAP) Achievement Award for 2009.

"We are very proud of this acknowledgement that our efforts have made a difference in helping people live a better life," says Wendy Buffa-Pace, Human Resources Manager for Atlas Copco in South Africa. "We want our programs to contribute to raising awareness of HIV among employees, their families and communities, reducing the stigma of infection and reinstalling hope."



#### Atlas Copco takes Indian hydropower project toward completion

Productivity is not only about having the fastest or strongest equipment. If there is a breakdown, none of that matters. At the Chamera III hydropower project in India, Atlas Copco has an on-site presence in the form of a mechanic and an engineer, who supervise maintenance, troubleshoot and coordinate spare parts. The result – equipment available to work more than 95% of the time, and a project on track for completion.

The project in the Indian state of Himachal Pradesh includes the construction of a dam, several kilometers of tunnels and underground spaces. More than 1.3 million m<sup>3</sup> of rock are being excavated.

When the project is completed in 2010, three turbines will supply power to the northern sector of India's national power grid.

The Hindustan Construction Company (HCC) was contracted to carry out the rock excavation. The company's relationship with Atlas Copco dates back to the early 1980s.

For this project, it was the location of the site, coupled with the time schedule, that convinced HCC that Atlas Copco was the

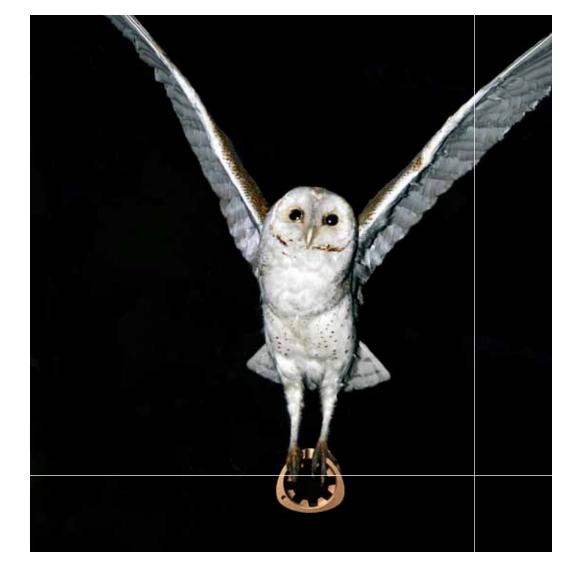
right choice, says H. S. Dhillon, Deputy Project Controller.

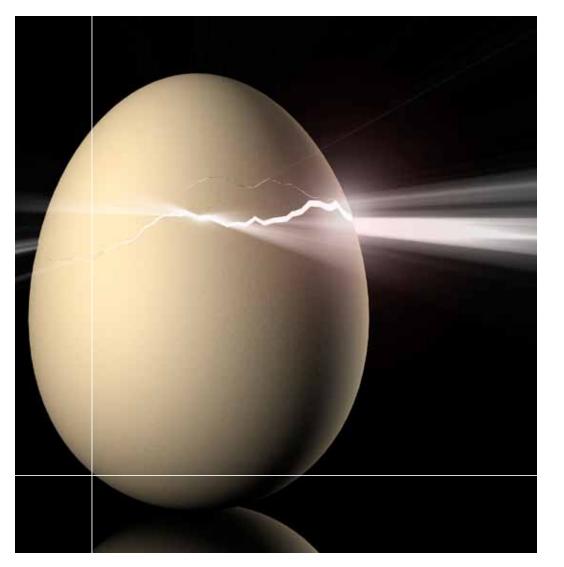
"To complete the tunnelling in 52 months is a challenge," adds Dhillon. "We planned well ahead in terms of the equipment we would need before we arrived on the site. The performance of the equipment, supply of spares, maintenance and back-up are all crucial elements on a remote site like Chamera III. That is why we chose Atlas Copco."

Namden Dalvi, rig operator for HCC, says that the Atlas Copco drill rig with which he works is more productive and suffers from less mechanical downtime than other rigs he has operated. He adds: "Regular maintenance has helped keep the rig drilling,

and the nice thing about it is that it is pretty easy to access the parts for servicing."







#### Innovative tools boost quality and efficiency at Siemens facility

Atlas Copco has always taken pride in a strong culture of innovation, with constant developments to increase productivity. Atlas Copco's first electric tool, Tensor, was launched in 1987, but it was only the beginning. With the 1994 introduction of the Tensor S, Atlas Copco revolutionized the manufacturing industry, offering the first large-scale alternative to pneumatic assembly tools.

A decade and half later, the Tensor family is still being improved upon, for instance with added software and ergonomic features. Upgrading to controlled Tensor screwdrivers helped Siemens Gerätewerk Erlangen, part of the German industrial group's Motion Control Systems division, improve its competitiveness through reduced waste and fewer production errors. In 2007, the facility achieved an independent Factory of the Year Award in Germany.

Gerätewerk Erlangen introduced Tensor tools at 14 workstations, where the new tools have been able to replace as many as six pneumatic screwdrivers each, thanks to the feature of being able to program each Tensor with ten different tightening parameters. The facility also procured Tensor screwdrivers, which can manage as many as 250 sets of parameters.

Reducing the number of pneumatic tools was a "gratifying side effect," says Klaus Rascher, in charge of production preparation at Gerätewerk Erlangen. "It reduces costs, not least thanks to the reduced calibration work." But the investment in Tensor screwdrivers was above all based on improved quality and process safety, Rascher says, because they offered "a far higher value in terms of tightening quality."

Each Tensor screwdriver is equipped with a handling system to assist operation, consisting of a carbon-fibre telescope arm and a balancer. The telescope arm absorbs rebound, which would otherwise strain the wrist, while the balancer makes the screwdriver practically weightless. These ergonomic improvements eliminated occasional health problems related to handling of the pneumatic screwdrivers, such as wrist problems and tendon inflammations.

The development continues. In 2008, cordless Tensor tools were introduced. Battery powered and equipped with industrial radio communication, they provide the manufacturer with full control over the production process.



#### Atlas Copco and employees fund clean drinking water across the world

Atlas Copco strives to be a good and responsible corporate citizen, recognizing that a real long-term commitment to the customer also means taking care of the surrounding society. To this end, the Group encourages its employees to engage in philanthropy; supporting orphanages, helping victims of natural disasters or working for a better environment.

The most widespread activity is Water for All, a non-profit organization managed by Atlas Copco employees. Operating under the motto 'Clean drinking water is a human right,' Water for All seeks to alleviate the severe problems caused by water shortages and deficient sanitation. More than 1 billion people lack access to safe drinking water and millions — many of them children — die each year from water-related diseases.

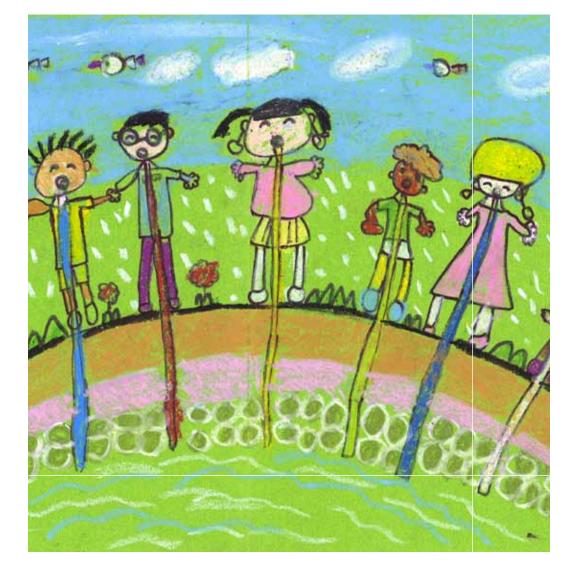
Founded in 1984 by Atlas Copco employees in Sweden, Water for All has funded projects across the world, in countries ranging from Peru to Malawi and Afghanistan. Through installing water pumps in schools and villages and protecting natural springs, sustainable water supplies have been created for more than one million people. The funds are raised through monthly member donations, which are matched by Atlas Copco.

Following an expanded commitment by the Atlas Copco Group to support employees in any country wishing to establish local Water for All organizations, the concept has been adopted in several places. Water for All organizations now exist, besides Sweden, in Belgium, China, Germany, India, Italy, the UK, the U.S, South Africa, and Spain.

The project in China was established in 2009, quickly gaining a large group of members. Nearly

2 600 employees joined, which together with contributions from Atlas Copco and the partnering aid organization PLAN International created a project fund expected to grow to roughly SEK 2.4 million. The money will allow 15 000 villagers, including over 3 000 children, in ten villages to benefit from improvements in clean water supply and sanitation, before the middle of 2011.





## Summing it up, what does it mean to be committed to sustainable productivity?

It's reducing the impact of production on the environment...

It's having diversity among employees and management...

It's improving energy efficiency and reducing the cost of ownership...

It's supporting suppliers in implementing best practices...

It's having the most reliable products and services...

It's ensuring a consistently high competence level...

It's boosting health and productivity through better ergonomics...

It's focusing on health and safety in the workplace...

It's offering services that secure maximum availability...

It's innovating for continuous product development...

It's acting for a better society around us...

... and much more.

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