

Sandvik

Sustainability Report 2012



Contents

Year in brief	2
Letter from the President and CEO	3
This is Sandvik	4
Sandvik's CSR strategy	6
Sandvik's stakeholders	8
Corporate governance	10
Risks	11
Financial position	12
Research and development	13
Anti-corruption	14
Environment	15
People	19
Suppliers	22
Community involvement	24
Reporting policies	25
Auditor's report	26



About the Sustainability Report

This is Sandvik's seventh Sustainability Report but the first year that the company is publishing an account of its CSR activities in a separate report. The aim is to more clearly show how the company addresses issues at both a strategic and operational level. In previous years, Sandvik published its Sustainability Report as part of the Annual Report. The Sustainability Report is primarily aimed at the Group's principal stakeholders, for example, shareholders, employees, customers, suppliers and society at large, and will also be published annually in the future. The report describes the Group's goals, strategy, governance, risk and opportunity assessment, and operational performance of Sandvik's business from a CSR perspective. The report also covers

the Group's results from an economic, social and environmental perspective. The Sustainability Report comprises a supplement to the financial information presented in the Annual Report. The Sustainability Report has been reviewed by an external party since 2007. Sandvik believes that creating a balance between financial, environmental and social responsibility is decisive for the creation of long-term success in efforts to maximize sustainable value for shareholders and other stakeholders.

This Sustainability Report relates to the 2012 fiscal year and contains material and business-critical CSR data. The 2011 Sustainability Report was published in March 2012. The information contained in this report conforms to GRI G3 guide-

lines, application level B+ and has been reviewed by an external party. A GRI index is published on www.sandvik.com.

For more information on CSR activities, refer to Sandvik's Annual Report, the publication *The Sandvik World* and www.sandvik.com.

Sustainability information can also be ordered from the Head of CSR via info@sandvik.com or by calling +46 (0)26 26 00 00.

Year in brief

Significant events in 2012

- Responsible for CSR (Corporate Social Responsibility) appointed in Group Executive Management
- New business strategy implemented successfully and according to plan
- Revised global policy and new targets for environment, health and safety adopted
- Injury frequency rate nearly halved in four years
- New global anti-corruption policies adopted
- Sandvik a pioneer with the Swedish “Battle of the numbers” equality initiative
- Sandvik named one of the world’s 100 most innovative companies
- 81% of the Group’s metal raw materials derived from scrap
- 143 high-risk suppliers audited
- 300 suppliers in India and Brazil trained in Sandvik’s Supplier Code of Conduct

FINANCIAL KEY FIGURES

MSEK	2012	2011	2010	2009	2008	Change 2012/2011, %
Order intake	97,948	99,078	93,285	71,285	92,610	-1*
Invoiced sales	98,529	94,084	82,654	71,937	92,654	+5*
Result after financial items	11,516	8,179	9,412	-3,472	10,577	+41
Earnings per share, SEK	6.51	4.63	5.59	-2.24	6.30	+41
Return on capital employed, %	19.8	16.0	17.4	-1.3	19.9	—
Return on shareholders’ equity, %	23.0	17.3	22.1	-7.9	24.8	—
Cash flow from operations	11,892	7,764	12,149	11,792	9,335	+53

* At fixed exchange rates for comparable units.

ENVIRONMENTAL KEY FIGURES

MSEK	2012 ⁴⁾	2011	2010	2009	2008	Change 2012/2011, %
Energy use, TJ	8,900	9,100	9,100	7,500	8,900	-2.2
Carbon emissions, thousand metric tons ¹⁾	523	538	559	479	566	-2.8
Water consumption, thousands m ³	8,500	8,400	8,900	7,100	6,600	+1.2

1) Excluding emissions from transport activities

SOCIAL KEY FIGURES

MSEK	2012 ⁴⁾	2011	2010	2009	2008	Change 2012/2011, %
Lost Time Injury Frequency Rate ²⁾	4.3	4.6	5.6	5.0	8.1	6.5
Number of employees ³⁾ , 31 December	48,742	50,030	47,064	44,355	50,028	-2.6
Number of women, %	18.5 ⁵⁾	17.9	17.6	17.2	16.9	+3.3
Personnel turnover, %	11	8	8	14	10	+37.5

2) Number of Lost Time Injuries per million work hours. 3) Total number of employees recalculated as FTEs. 4) Includes Seco Tools as of 2012. 5) The share is based on about 85% of the total number of employees (Seco Tools and a number of other units are not included).

Global responsibility is a prerequisite for future business successes

In 2012, Sandvik celebrated its 150th anniversary across the globe. This gave us many occasions to feel a sense of pride in such an outstanding journey. But it was perhaps even more important that we came together to discuss the future. Sandvik is, and will continue to be, a company that creates the best solutions of today and tomorrow, while demonstrating the greatest possible consideration for people and the world in which we live. The question is: how can we maintain our success for another 150 years?

One of the success factors is that Sandvik will become faster, more global and more customer oriented. To achieve these objectives, we are working in accordance with the One Sandvik strategy. The ambition is to ensure that all parts of the organization work together so that the Group can reach its full potential. Furthermore, I am convinced that another success factor requires that we work earnestly to contribute to sustainable development by shouldering our social and environmental responsibility and by conducting business while ensuring a high level of ethics. At present, there are many different stakeholders, aside from shareholders, who are extremely interested in monitoring our operations and performance and who also want to be able to influence our business. It is therefore important to maintain an open dialog with these stakeholders.

Moreover, Sandvik aims to be a stable and reliable company, both for customers and employees. We aim to provide our customers with added value in the form of enhanced competitiveness, higher productivity and improved profitability. And because Sandvik's success today and in the future is dependent on our employees, it is important that the Group is an attractive employer in respect of all of these considerations. We will offer stimulating development opportunities to attract and retain top talents. In 2012, we became involved in the Swedish project named "Battle of the numbers" with the aim of increasing the number of women in executive positions. I would like this initiative to yield results in 2013.



In terms of production at our own sites and those of our suppliers, the work environment must be safe and secure, with a constant endeavor to improve. To achieve this, we are working on a broad front and systematically with a large number of health and safety programs across the globe. Increased safety is by far our highest priority.

We assume responsibility

Within the scope of CSR (Corporate Social Responsibility), there are many other areas aside from safety on which we are focusing. In terms of environmental activities, we are concentrating on economizing on resources, minimizing emissions and helping customers to reduce their negative environmental footprint. Through the Group's Code of Conduct and the related follow-up tools, we want to assume responsibility for suppliers and partners.

In relation to financial sustainability and business ethics, we are doing all in our power to combat and prevent corruption. We are convinced that companies with a serious approach to CSR will be the most profitable in the future.

This year, we have decided to describe our CSR work in a separate Sustainability Report that we hope will provide our stakeholders with an even clearer understanding of our endeavors toward global sustainable development.

Olof Faxander, March 2013
President and CEO

"We are convinced that companies with a serious approach to CSR will be the most profitable in the future."

This is Sandvik

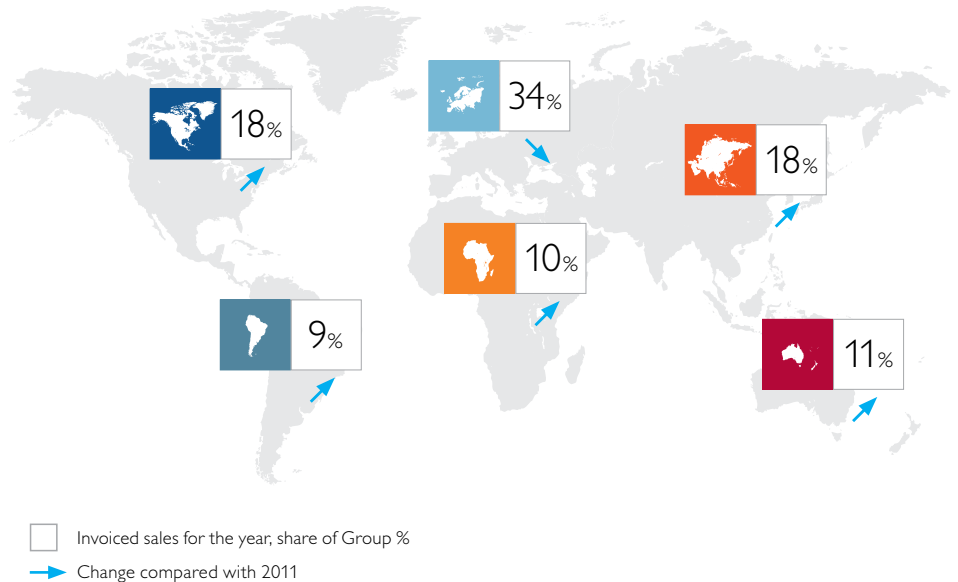
Sandvik is a global industrial Group with advanced products and world-leading positions in selected areas. In 2012, the Group had about 49,000 employees and sales of approximately 99 billion SEK in more than 130 countries. The Group takes a global perspective and has an advanced holistic approach encompassing financial, environmental and social responsibility. Since its foundation back in 1862, Sandvik has distinguished itself through high-technology development, with a focus on metallurgy and materials technology. Over the years, the direction of the company has varied depending on historical technology shifts and the needs of industry and society at various points in time.

Sandvik is focused on sustained growth and market-leading positions in selected niches. To create the basis for responsible and long-term development, operations are divided into business areas whose responsibilities include research and development, production, marketing and sales of their particular products. Group-wide processes are conducted in different key areas within the framework of Sandvik's company strategy in a bid to leverage synergies in various operations.

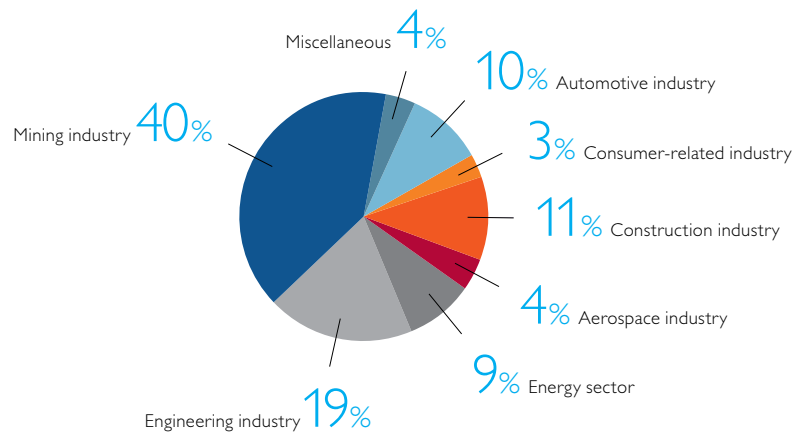
Sandvik's operations are based on unique expertise in materials technology and extensive insight into customer processes. This combination has provided world-leading positions in the following primary areas:

- Tools for metal cutting in cemented carbide and high-speed steel as well as components in cemented carbide and other hard materials.
- Equipment and tools for the mining and construction industries.
- High value-added products in advanced stainless steels, special alloys, titanium, metallic and ceramic resistance materials as well as process systems.

INVOICED SALES BY MARKET AREA



INVOICED SALES BY CUSTOMER AREA



Sandvik Mining



Sandvik Machining Solutions



Sandvik Materials Technology



Sandvik Construction



Sandvik Venture

BUSINESS AREAS

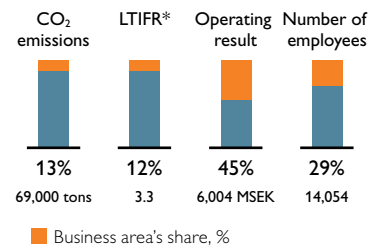
Sandvik Mining

Share of Group

Sandvik Mining is specialized in equipment, tools and service for the mining industry. The business area is active in exploration, rock drilling, rock cutting, crushing, and loading and hauling solutions for surface and underground applications.

Offering
Equipment, tools, service and technical solutions for mineral exploration, mining and processing of rock and minerals in the mining industry. The business area offers the most complete product program in the market for drilling and mechanical cutting, as well as for loading and hauling, crushing and screening, demolition, recycling and handling of rock and minerals.

Market
The products are deployed primarily in mines worldwide. In 2012, the global market was valued at approximately 185 billion SEK. Average, long-term annual growth for equipment, tools and spare parts is 4–6%, with a higher growth rate for services.



Sandvik Machining Solutions

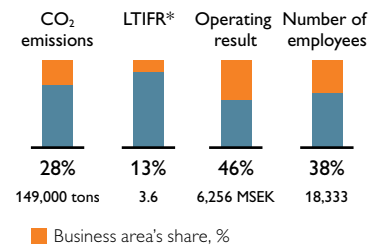
Share of Group

Sandvik Machining Solutions primarily focuses on tools and tooling systems for metal cutting. The products are sold under a number of international brands, such as Sandvik Coromant, Seco Tools, Walter, Safety, Dormer* and Carboloy*.

Offering
Market leader for advanced, productivity-enhancing products and solutions for metal cutting. The focus is on increasing customer productivity by providing products, services and applications know-how.

In 2012, the global market for metal-cutting tools as well as wear parts and components in cemented carbide and other hard materials was valued at approximately 165 billion SEK.

Given the turbulence in the market in recent years, some increased degree of uncertainty surrounds estimations of the market's size. The average annual long-term growth has been 4–5%.



* From 1 January 2013.

Market
Customers include companies in the general engineering, aerospace and automotive industries, the energy sector, as well as the electronics and medical technology industries.

Sandvik Materials Technology

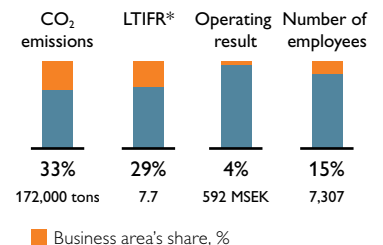
Share of Group

Sandvik Materials Technology specializes in high value-added products in advanced metallic and ceramic materials for the most demanding industries and fields of applications. Its cutting-edge expertise is based on an integrated production platform and world-leading metallurgy and R&D. Product areas: Tube, Strip, Wire and Heating Technology and Primary Products.

Offering
High value-added products based on advanced stainless steels, special alloys and titanium, furnace products, heating systems and resistance materials.

industries – industrial segments in which exacting demands are imposed on safety, productivity, cost efficiency and a long lifecycle.

In 2012, the global market was valued at more than 150 billion SEK. The underlying average annual growth is 4–6%, while growth is normally higher in such areas as the energy segment.



Market
Customers are active in, for example, the energy, aerospace, automotive and chemical and petrochemical

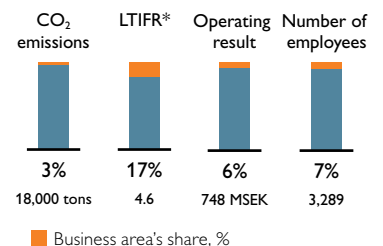
Sandvik Construction

Share of Group

Sandvik Construction is specialized in equipment, tools and service for niche applications in the construction industries.

Offering
Products and solutions for niche construction industry applications, for example, breaking contracting, crushing and screening contracting, rock-drilling contracting, tunneling and underground civil engineering, surface civil engineering, road construction, aggregates and limestone quarrying as well as demolition and recycling.

Market
The products are deployed in construction operations worldwide. In 2012, the value of the global market was estimated at about 140 billion SEK. Average, long-term annual growth for equipment, tools and spare parts is 4–6%.



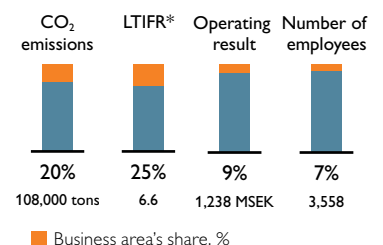
Sandvik Venture

Share of Group

Sandvik Venture develops opportunities for growth and profitability in small, attractive and fast-growing businesses

Offering
Products, solutions and materials in certain niches. Product areas include Sandvik Hard Materials, Diamond Innovations, Wolfram, Sandvik Process Systems and Dormer*.

Market
Customers are found in a range of different branches of industry and emerging markets, with highly varying development trends and relatively high dependence on the economy.



* Until 2012, thereafter Sandvik Machining Solutions.

* LTIFR = Lost Time Injury Frequency Rate

Sandvik's strategic approach to CSR

Sandvik is a global company with operations in many countries where different laws, cultures, values and traditions apply. In all areas in which the Group operates, it is aware of and respects the views of the general public and the effects of its operations, which imposes exacting demands on the way Sandvik conducts its work. At the same time as the Group strives to achieve its long-term strategy for profitable growth, it has also committed to contributing to sustainable development by assuming its social and environmental responsibility and by doing business in a highly ethical manner. This is achieved by integrating CSR into the Group's business plans and decision-making processes.

Sandvik has an explicit responsibility for the company's impact on stakeholders, society, the economy and the environment. In addition to the laws and regulations that exist in countries where the Group has operations, Sandvik respects international conventions and declarations on human rights, labor legislation, the environment and corruption adopted by the UN and the ILO.

For Sandvik, the concept of CSR encompasses responsibility for the environment, health, safety, anti-corruption and human rights. This is part of systematic work focused on risk management and the creation of new business opportunities while retaining a good reputation. This work is carried out in a decentralized manner within the business areas and is based on policies, objectives, targets and performance indicators established at Group level.

Business strategy

Sandvik's long-term strategy is based on creating interaction between the Group's strengths, such as advanced and broad-based R&D, high value-added products, a high share of in-house manufacturing, efficient logistics systems, financial strength, an integrated approach to corporate social responsibility and a strong corporate culture. Assuming an active role in addressing CSR issues also characterizes cooperation with customers and suppliers.

Sandvik's strategy is summarized in the motto "One Sandvik," the aim of which is to capitalize on the combined strength of the Group to make the company even more global, fast-paced and customer-focused. Corporate social responsibility therefore represents an integral part of Sandvik's business processes with a focus on continuous improvement in the areas of the environment, health and safety, human rights and anti-corruption. The basis for these improvement efforts is Open Mind, Fair Play and Team Spirit, which are Sandvik's three core values. The Group's ambitions in relation to its CSR activities combined with its CSR strategy demonstrates how the core values are put into practice.

Sandvik's Code of Conduct was adopted in 2004 and is part of Sandvik's shared platform, The Power of Sandvik. The Code of Conduct is based on the UN's Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, the UN's Convention Against Corruption and the OECD Guidelines for Multinational Enterprises.

The Code of Conduct, a number of governance documents and the EHS (environment, health and safety) management system represent the basis for the Group CSR work. The Code describes accountability in the areas of anti-corruption, supplier inspections, employee work

One Sandvik

The overarching strategy is to generate maximum synergies between the Group's strengths in terms of, for example, research and development, high value-added products, distinct business focus, proprietary manufacturing, efficient logistics, financial strength, a developed approach to sustainability and strong corporate and employee culture. Assuming an active role in addressing CSR issues also characterizes cooperation with customers and suppliers.

The strategy encompasses all parts and all employees of the Group. Group Executive Management holds a strong mandate to drive Group-wide issues for the various businesses with a well-defined responsibility to develop and leverage synergies.

Strategy

Ambition

- Be number one.
- Act to meet targets.

Speed

- Simplified organization.
- Faster decisions.
- Good adaptability.

Focus

- Focus on core business.
- Distinct control in line with earnings capacity.
- Structural evaluation of underperforming operations.

Globalization

- International management, global procedures and methods.
- Local adaptation of business models.

Core Values



conditions and development, human rights, the environment and community involvement. The Code has been translated into 14 languages and is available at www.sandvik.com.

Training is another key factor in Sandvik's CSR strategy. A program has been established to train all company employees in the implications of environmental and social responsibility and anti-corruption.

Management system

As part of Sandvik's work with issues relating to environment, health and safety, the Group has an objective that all major production-related units (produc-

tion, service/machinery rebuilding and distribution/warehouse) must be certified in accordance with ISO 14001 and OHSAS 18001, within two years of their acquisition or establishment. The term "major" is defined as units with 25 employees or more.

In addition, Sandvik operates about 20 maintenance workshops within customer operations (mainly mines), all of which have also been certified. The increase in the number of production units is the result of the acquisition of Seco Tools during the year. A large proportion of these units are not certified in line with OHSAS 18001, but will be in the near future.

During the year, Sandvik Mining's unit in Bergneustadt, Germany, and Sandvik Materials Technology's unit in Sandviken, Sweden, were certified in accordance with the new ISO 50001 energy management standard.

In India, a production unit is also certified in accordance with SA8000* and additional units in India will be certified in 2013.

* An international accreditation to ensure that Sandvik develops, maintains and applies rules within corporate social responsibility in the workplace. Inspections are performed on a regular basis by a third party to ensure compliance with the certification, which must be renewed every three years.

SANDVIK'S CSR AMBITIONS

Financial responsibility	Sandvik contributes to sustainable economic development by being a successful company that focuses on customer value and sound business ethics.
Environmental responsibility	Environmental consideration is an important part of the Group's operations. Sandvik always strives to prevent or minimize the detrimental effects of its operations on the environment.
Social responsibility	Social responsibility is of particular significance to Sandvik as a global company. For Sandvik, the most important aspect in this respect is to assume responsibility for its employees and their work environment, and for working conditions at suppliers.

CSR STRATEGY

Focus areas	Objectives
Employees	<ul style="list-style-type: none"> • Create a flexible and high-performing organization. • Create conditions for extensive diversity and inclusive leadership.
EHS* as a business advantage	<ul style="list-style-type: none"> • Each Business Area will develop and implement an approved plan to use EHS as a business advantage.
EHS leadership	<ul style="list-style-type: none"> • Each Manager and Supervisor will agree, publicly declare and implement 3 Personal EHS Leadership Behaviors before the end of 2015.
Environment	<ul style="list-style-type: none"> • To make significant reductions to the key environmental impacts resulting from Sandvik's activities by having Environmental Plans that are focused on the critical impacts at each location. • All major production sites will have a General Environmental Plan within their BA implemented by the end of 2015 that will ensure continuous improvement in energy usage, water consumption, discharges of wastewater, emissions of carbon dioxide and other greenhouse gases, use of hazardous chemicals and generation and management of waste.
Health	<ul style="list-style-type: none"> • To have our employees working in a culture and environment that supports their health and wellbeing.
Safety	<ul style="list-style-type: none"> • To eliminate all fatalities and permanently disabling injuries by identifying and controlling the Extreme Potential Risk situations. • To have the systems and culture to further reduce the number and severity of work related injuries, illnesses and other incidents.
Suppliers	<ul style="list-style-type: none"> • Ensure responsible purchasing.
Anti-corruption	<ul style="list-style-type: none"> • Ensure zero tolerance of corruption. • Robust processes to minimize the risk of corruption in all business processes, thus fulfilling the requirements stipulated in relevant legislation.

* EHS: Environment, Health and Safety

MANAGEMENT STANDARDS

	ISO 14001						OHSAS 18001					
	2012			2011			2012			2011		
	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified
Production units	152	145	95	137	132	96	152	127	84	137	132	96
Service, machinery rebuilding units	23	23	100	24	24	100	23	23	100	24	24	100
Distribution units	5	5	100	5	5	100	5	5	100	5	5	100
Total production-related units	180	173	96	166	161	97	180	155	86	166	161	97

Dialog with Sandvik's stakeholders

Sandvik's operations affect, and are affected by, a number of stakeholders and the company has identified five stakeholder groups of particular significance to the company:

- Shareholders
- Employees
- Customers
- Suppliers
- Society at large

Sandvik endeavors to engage in an open dialog with all of these stakeholders regarding how activities are conducted, the company's priorities, decisions and what results are achieved.

Key CSR issues are communicated to stakeholders primarily through the Annual Report, Sustainability Report and Sandvik's website, as well as continuously as part of the daily operations. Dialog with stakeholders is often conducted at Group level but also, to a large degree, at local level in the companies throughout the world. Stakeholder dialogs provide Group Executive Management and the Board with important information when determining the Group's key CSR issues.

Shareholders – more than 35% outside Sweden

Sandvik endeavors to establish solid relations with investors in the Sandvik share. More than 35% of shareholders are found outside Sweden. Dialogs with shareholders are primarily conducted via the Board of Directors and at the Annual General Meeting, but also through a well-developed Investor Relations function. Dialogs are conducted on a regular basis with a number of Socially Responsible Investment (SRI) analysts and other stakeholders.

Dialogs with the owner stakeholder group confirm that Sandvik works on relevant sustainability aspects in a responsible manner. In terms of improvement areas, stakeholders have indicated that they expect Sandvik to better evaluate future environmental and social risks, for example, associated with changes in legislation related to carbon dioxide emissions and risks associated with customers and suppliers.



Sandvik employees from 15 countries.

In 2012, a large number of meetings were arranged throughout the world to give Sandvik's various stakeholders in the financial markets the opportunity to have personal contact and to receive responses to questions about the Group's business and future. Much of the dialog at the beginning of the year surrounded Sandvik's new strategy and the direction it has brought about. As the year progressed, questions successively moved on to the world economy and Sandvik's position in various markets.

Customers impose CSR demands

Customer contacts are handled locally through Sandvik's worldwide sales organization. Stronger demands imposed on Sandvik's CSR programs are becoming ever-more evident as a result of customers' growing efforts in the area of CSR and thus intensified focus on supplier audits, of which Sandvik is a part.

Many of these demands relate to workplace safety and the environment. For example, customers are increasingly insistent that Sandvik have systems in place for compiling data on carbon dioxide emissions to enable them to calculate the total carbon dioxide emissions in the entire value chain. Questions related to the European Community Regulation on chemicals and their safe use (REACH) and various requirements regarding chemicals in products (such as the EU directive RoHS, WEEE, US requirements and Chinese requirements) are also common.

Many customers, notably those of Sandvik Mining and Sandvik Construction, are imposing higher demands on equipment safety. Customers also want to be assured that Sandvik complies with all international conventions with respect to, for example, human rights.

Sandvik has long pursued the strategy of offering customers products with extended service life and more effective resource utilization. These products should also contribute to reducing the environmental impact when used in customer processes and should be recyclable. Group Executive Management decided in 2009 to introduce a new long-term objective to increase the number of products that support sustainability principles.

Customers have also indicated that they expect Sandvik to develop risk management in the supply chain, particularly with respect to human rights issues.

Employees' CSR demands

Sandvik's employees are represented on the Parent Company's Board. Dialogs are also held directly with employees at local level. The trade union organizations at Sandvik in Europe work together through the European Works Council, and use the forum to discuss the company's CSR work.

It has emerged from discussions with employees and their trade unions that employees feel that the environment, health and safety, absence due to illness and discrimination are the key issues. As a result of these dialogs, a decision was taken to develop an online environment, health and safety training program.

In 2012, an employee survey (SEmp) was carried out showing, among other findings, that Sandvik's employees are loyal to their employer and enjoy their work, although there were a number of indicators suggesting that the work sometimes had a negative impact on their health. However, employees rated the company highly for its health and safety work.

Suppliers

Sandvik has developed a specific Supplier Code of Conduct in which it details the Group's expectations as regards CSR. The Supplier Code of Conduct, which is a contractual requirement, encompasses



Sandvik develops products in close collaboration with customers and has extensive know-how of their manufacturing processes.

the provisions specified in the UN Global Compact and in the OECD Guidelines for Multinational Enterprises. Sandvik engages in regular dialog with suppliers of goods and services through which it communicates the importance of compliance with the Supplier Code of Conduct and its willingness to support suppliers in efforts toward continuous improvements in the CSR area. These dialogs provide Sandvik with a good overview of the suppliers' CSR work and the challenges they face.

Society at large

In historical terms, Sandvik has demonstrated a high degree of involvement in the surrounding communities in which it conducts operations. Community involvement has manifested itself in a number of ways, for example, in the form of local club activities and cultural projects, sponsorship of sporting events and humanitarian projects, such as HIV/AIDS projects and educational projects in countries where such needs have existed.

Awards, indexes and ratings

Sandvik's sustainability work is evaluated annually by a number of SRI analysts and rating agencies. In 2012, Sandvik was included in the following indexes:

- FTSE4Good – an internationally recognized market index that measures the results and performance of companies that comply with globally recognized corporate responsibility standards.
- ECPI Ethical Index Euro – the index contains 150 European companies that are eligible investments according to ECPI SRI's screening methodology.
- Ethibel Excellence Investment Register – Ethibel assesses companies throughout the world based on financial, social and environmental aspects.
- Thompson Reuters 2012 Top 100 Global Innovators list – the list presents the 100 most innovative companies and institutions in the world.

Corporate governance

Sandvik AB is domiciled in Stockholm and is the Parent Company of the Sandvik Group, with subsidiaries in about 60 countries. Sandvik AB is a public company listed on NASDAQ OMX Stockholm (the “Stock Exchange”). Corporate governance within Sandvik comprises the Group’s control and management systems. The aim is to ensure efficient and value-creating decision-making by clearly specifying the division of roles and responsibilities among shareholders, the Board and Executive Management. Corporate governance is based on applicable legislation, the rules and regulations of the Stock Exchange, the Swedish Code of Corporate Governance (the “Code”) and internal guidelines and regulations. The Code is available from www.corporategovernanceboard.se. Sandvik applied the Code in 2012 without deviating from any of its regulations.

Governance of CSR work

CSR issues are increasingly being managed at a higher strategic level due to the clear links they have to business value. A distinct trend has also been noted in which matters relating to corruption and human rights are, to a greater degree, impacting Sandvik. In order to efficiently follow up CSR issues at a strategic level, Group Executive Management appointed a member responsible for CSR during the year.

Proceeding from Sandvik’s CSR strategy and Code of Conduct, risks and opportunities are analyzed. Objectives and targets are set as part of efforts to minimize risks and leverage the possibilities available in an effective manner. The Board adopts the Code of Conduct.



Sandvik's Group Executive Management.

Group Executive Management, supported by the Board, establishes CSR goals and performance indicators, and each business area assumes responsibility for ensuring compliance with the Code and that the goals are cascaded down in the organization. In addition, each business area is responsible for the assessment of CSR risks (environment, health and safety, anti-corruption, human rights) in its operations, and specific organizations are appointed in each business area to coordinate issues and support the local management teams.

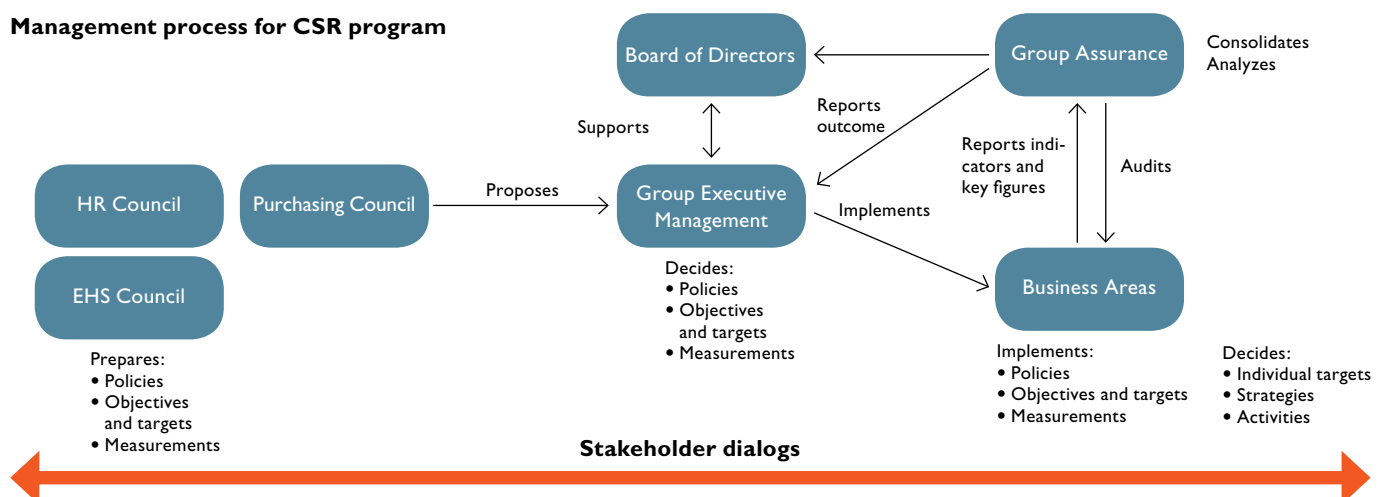
Various councils exist at Group level, for example, for HR, purchasing and EHS (Environment, Health and Safety) to coordinate the work among the business areas and to draft Group-wide policies, objectives, targets and indicators for Group Executive Management. The diagram below shows the management process for CSR activities. The various councils have

representatives from each business area and the relevant Group staff functions.

Indicators and key figures are reported on a quarterly basis to various Group functions that analyze and report to management, and annually to Group Assurance, which examines the results and presents them to Group Executive Management and the Board.

The independent Group Assurance function is also responsible for ensuring the adequate functionality of management systems, internal control and risk management as well as compliance with the Code of Conduct. This unit continuously monitors the Group’s operations, mainly by way of internal audits, and reports to the Board’s Audit Committee and Group Executive Management on a quarterly basis.

Management process for CSR program



Risks

Sandvik has an established risk-management process for evaluating both financial and non-financial risks. The evaluation process does not only encompass the company's own operations but also risks related to the geographic locations in which it conducts business and the risks associated with its suppliers.

CSR risks entail the risk of an adverse impact on the environment, health and safety, human rights and corruption due to the commercial operations conducted by Sandvik. An assessment of the risks that are deemed to be the most important is carried out every year to enhance the efficiency of the company's CSR efforts.

The risks considered to be the most important in 2012 are presented in the table below.

Other risks

Legal disputes

On occasion, Sandvik is party to litigation and administrative proceedings related to its operations, including responsibility for products, the environment, health and safety. However, Sandvik does not believe that any of these ongoing proceedings and processes will significantly affect the Sandvik Group.

Tax disputes

An area that Sandvik periodically discusses with the tax authorities is transfer pricing issues, meaning the prices applied to products and services sold between Sandvik's companies in various countries. The Group keeps detailed documentation for this pricing. If the tax authorities' opinion in a pricing matter differs from Sandvik's standpoint, it may have consequences for the Group's revenue recognition between countries.

Compliance risks

Sandvik is globally engaged in many different areas and conducts its business within the framework of rules and regulations that apply in various countries, markets and factual areas. The Group shall comply with laws governing environmental and labor issues, the operation of the business, taxation, terms of employment, marketing regulations, and so forth. In addition, the Group has internally established regulatory systems and instructions as support for management and other employees in the company.

One-off risks

Through recurring updates, specific changes in the business or in factors affecting the business are identified. These may relate to the acquisition of a new company, a major investment, new legislation, sudden changes in market conditions, technical innovation etc. whose implications must be individually assessed.

CSR RISKS

Risk areas	Identified risks	Risk consequences
Bribery	Giving bribes to receive an order. Offering bribes via agents/distributors to receive an order. Accepting bribes before placing an order with a supplier.	Legal consequences. Tarnished reputation and weaker financial position.
Competition	Breaching local and international competition legislation.	Legal consequences. Tarnished reputation.
Labor law	Breaching local and international labor-law legislation.	Legal consequences. Negative impact on employees' health and safety. Tarnished reputation.
Fraud	Internal and external fraud.	Legal consequences. Tarnished reputation and weaker financial earnings.
Customers	Inadequacies in customers' corporate social responsibility.	Tarnished reputation. Employees put at risk if Sandvik has employees stationed with the customer.
Environment	Wastefulness of finite resources such as energy, raw materials and fresh water, and environmental damage.	Higher costs, negative effects on the environment and tarnished reputation. Reduced access to raw materials for future requirements.
Employment conditions	Discrimination and segregation of employees. Excessive and extensive working hours.	Legal consequences, negative impact on employee safety, health and well-being, and tarnished reputation.
Health and safety	Safety inadequacies.	Injuries, illness and fatalities at the workplace.
Supplier	Suppliers do not meet the requirements of the Supplier Code of Conduct.	Lower health and safety standards among suppliers' employees. Tarnished reputation and weaker financial position.

Financial position

Sandvik's financial goals are based on assessments of the company's strength and of how it is positioned for the future. The economic conditions in 2012 were mixed. The start of the year was strong with high demand for most of Sandvik's products and services, while the trend successively weakened. Accordingly, a key sub-target of the new strategy is to make Sandvik less sensitive to sudden changes in demand levels.

Financial information

Order intake amounted to 97,948 million SEK (99,078), down 1% in value and at fixed exchange rates for comparable units. The Sandvik Group's invoiced sales reached 98,529 million SEK (94,084), up 5% in value and at fixed exchange rates for comparable units.

Markets outside Sweden accounted for 96% (96) of invoiced sales. Consolidated profit after financial income and expenses totaled 11,516 million SEK (8,179). Earnings per share amounted to 6.51 SEK (4.63). Return on capital employed was 19.8% (16.0). The Board of Directors proposes a dividend of 3.50 SEK per share (3.25), corresponding to an increase of 8% from a year earlier.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

MSEK	Stakeholder	2012	2011	2010	2009
Sales	Customers	98,529	94,084	82,654	71,937
Economic value generated		98,529	94,084	82,654	71,937
Production costs	Suppliers	56,161	56,054	44,758	46,859
Employee wages and benefits ¹⁾	Employees	24,907	24,014	22,885	22,441
Payments to providers of capital	Credit providers	1,974	1,969	1,617	2,060
Payments to providers of capital	Shareholders	4,082	3,807	1,188	3,926
Payments to governments	Public sector	3,180	3,173	2,391	885
Economic value distributed		90,304	89,017	72,839	76,171
Retained in company		8,225	5,067	9,815	-4,234

1) Employee wages and benefits comprise wages to employees including amounts paid to the public sector (employer's contributions and unemployment benefit funds) on behalf of employees.

Market capitalization increased 30 billion SEK during the year to 130 billion SEK (100), placing Sandvik as the 9th (9) largest company on NASDAQ OMX Stockholm. During the year, Sandvik shares were traded for a total value of SEK 118 billion (146), making it the 5th (6) most actively traded share.

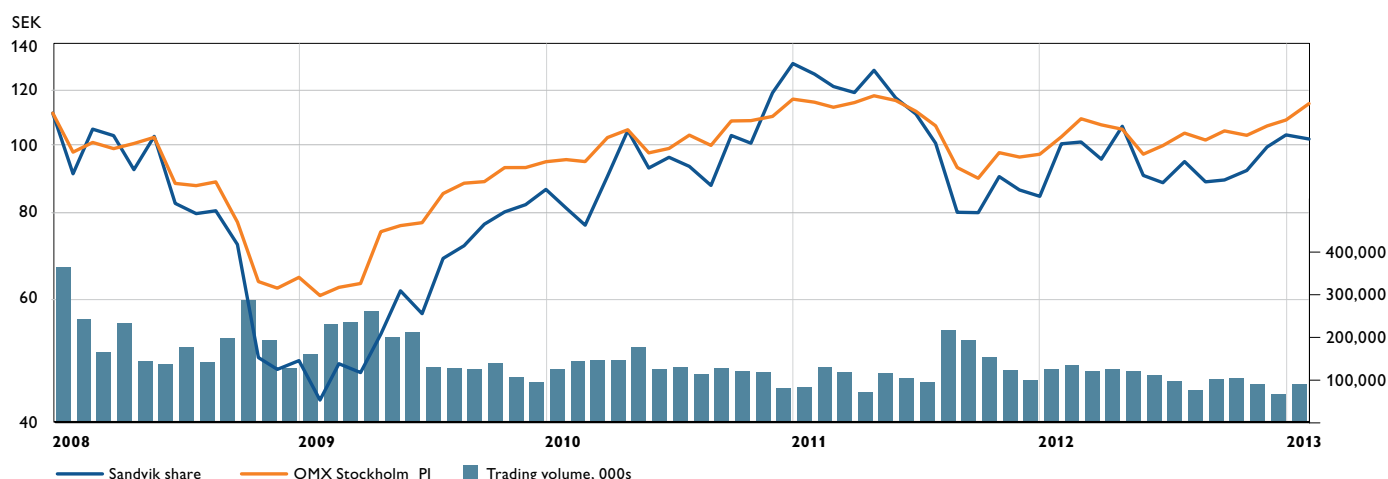
The need for financial communication increases in times of particular financial uncertainty or an economic slowdown. While Sandvik's vertically integrated business model has proven highly successful over the years, it has also shown to be slightly sensitive to economic fluctuations.

GOALS AND GOAL FULFILLMENT

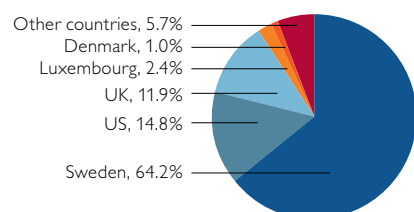
Sandvik Group	Goals	Outcome	
		2012	2003-2012
Growth, %	8	5	8
Return on capital employed, %	25	20	18
Net debt/equity ratio, times	<0,8	0,6	—
Payout ratio, % of earnings per share	50	54	61

In such times, Investor Relations (IR) invests considerable time and effort into explaining Sandvik's business model, strategy and how the company can be affected in the event of various scenarios.

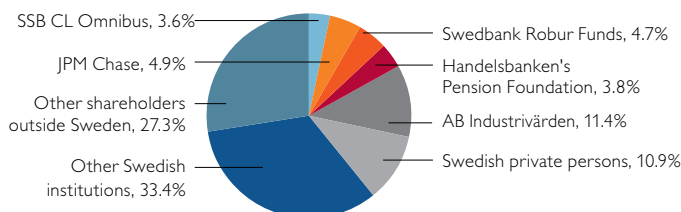
THE SANDVIK SHARE, FIVE-YEAR TREND



DISTRIBUTION OF SHAREHOLDING BY COUNTRY, 31 DECEMBER 2013



SHAREHOLDERS IN SANDVIK AB, 31 DECEMBER 2012



Research and development

Comprehensive and goal-oriented research and development is a prerequisite for growth. Each year, Sandvik invests more than 3 billion SEK in R&D. Over 2,700 employees work in the area and activities are often pursued in close cooperation with customers. The Group has about 8,000 active patents and other intellectual property rights.

The aim of Sandvik's research and development (R&D) activities is to enhance customers' productivity, reduce their environmental footprint and improve their work environment. R&D projects are assigned high priority in the Group, have a strong product focus and include metallurgical research, metal cutting and development of production equipment and technology, production processes and IT systems.

Areas that are being increasingly prioritized by Sandvik and its customers include safety, lifecycle assessment, health and the environment. This provides a strong emphasis on increased energy efficiency and product safety, reduced carbon dioxide emissions and greater use of recycled materials.

R&D activities are conducted in a decentralized manner in each of the business areas in close cooperation with customers. The largest R&D units in the Group are based in Sweden, Finland, Austria, Germany, the UK and the US.

New sites under development are situated in India and China.

Sandvik also pursues long-term research projects within the framework of various national and international research programs, thus establishing important contacts with universities, colleges and research institutes. These partnerships are ongoing worldwide and cover such research areas as metallurgy, material physics, metal cutting, rock mechanics, mining processes and production technology. The Group also engages in continuous dialog with universities to ensure that education and research match Sandvik's current and future requirements.



R&D work at Sandvik's unit in Coventry, UK.

Some of Sandvik's research projects in 2012

- Enhanced product safety through extended collaboration between Sandvik Mining and its key customers.
- Development of chlorine-free lubricants for reducing the environmental impact of cold rolling of stainless steel.
- New rock crusher that combines enhanced energy efficiency with more functions that allow for simpler and safer routine maintenance.
- Greater capacity for recycling of used cemented carbide in the Wolfram product area.
- Development of new corrosion-resistant cemented carbide with a hardened stainless-steel binding agent that can be used in subsea and erosion-corrosion environments.

EXAMPLES OF INNOVATIONS LINKED TO CSR ISSUES

	Sandvik Mining	Sandvik Machining Solutions	Sandvik Materials Technology	Sandvik Construction	Sandvik Venture
Focus	Development of solutions for automated mining operations in the areas of drilling, crushing and rock cutting. The focus is on safety, energy utilization and cost efficiency.	Development of new tool materials and products in addition to improved production methods and production equipment. Tool performance and quality are enhanced while production efficiency is streamlined for customers and Sandvik.	Development of advanced metallic and ceramic materials for demanding fields of application. The energy segment is an important market and major resources are invested in research and product development to continuously create new materials, products and production processes to meet future demands.	Product development through a combination of in-depth understanding of customer needs and an innovative work method focused on crushing, drilling, breaking and demolition.	The development of technically advanced products takes place in close collaboration with key customers. New production technology and processes are developed focusing on quality and cost efficiency as well as opportunities for improved product performance.
Desired results	Shorter product development cycle, reduced cost and energy usage, enhanced safety, environmental and health conditions, operational reliability and expanded offering to new market segments outside the premium area.	Strengthened focus on customers to increase their productivity through advanced technology, low environmental impact and favorable total production economy.	Increase customer productivity, reduce energy usage, reduce the environmental footprint and achieve a safer work environment.	Reduced production cost, increased reliability, higher performance, simplified and safer operations and maintenance, lower energy usage, and extended offering to new market segments outside the premium area.	Increase customer productivity through advanced technology, low environmental impact and favorable total production economy.

Anti-corruption

Sandvik works actively to combat corruption in all its forms, which includes bribery, unfair competition, conflicts of interest, fraud, embezzlement, unlawful kickbacks and nepotism. This means having policies and processes to identify risks, train personnel, manage suppliers and implement adequate measures for when violations of Sandvik's policies have been confirmed. Corruption in the various countries in which Sandvik is active is continually monitored via, for example, Transparency International's website (www.transparency.org).

The activities carried out by Sandvik throughout 2012 represent a continuation of the work performed in previous years to ensure that Sandvik fulfills the requirements of the anti-bribery legislation to which it is subject. During the year, Sandvik renewed its risk assessment findings in a number of higher risk jurisdictions through a combination of site visits and desktop due diligence of data from the local subsidiaries. The results of these studies help the Group to better understand the risks it faces in the many countries in which the company operates and enables it to maintain effective controls and procedures, thus minimizing the risk of bribery and corruption.

During the year, Sandvik established a department dedicated to overseeing regulatory compliance with corruption legislation at a global level by employing robust processes. This department provides assistance to the local compliance officers who are increasingly being deployed on the ground in the countries in which the Group is based. Sandvik updated and strengthened a number of Group policies, such as policies governing gifts and entertainment, customer visits and purchases of services. These measures are aimed at creating a strong anti-corruption framework and a pervasive ethical business culture throughout the Sandvik Group.



Deviations from Sandvik's Code of Conduct

Sandvik has a Code of Conduct that includes anti-corruption regulations. The Code describes the process for the reporting and monitoring of divergences from the Code. Employees are encouraged to report behavior that departs from the Code to their immediate supervisor in the respective unit or, if there is a feeling that such action will not have any effect, to a more senior manager, the company's human resources department or the Group's General Counsel. Notifications that are received centrally in the Group are investigated by the head of Group Assurance and the Group's General Counsel.

Environment

Sandvik's operations have a significant impact on the environment. This ranges from the manner in which the raw materials are selected and processed and how energy is used in production, heating and transportation, to the way chemicals and waste are handled and how Sandvik's products are used by customers.

The Sandvik Group's environmental footprint is broken down into two parts: its direct impact, from its own operations, and its indirect impact. The direct environmental impact is primarily the result of the Group's production in various countries. The key environmental aspects are summarized below:

- Use/consumption of energy, input materials, fresh water and hazardous chemicals.
- Generation of emissions and waste from production.
- Old industrial sites and waste landfills.
- Environmental liabilities in conjunction with company acquisitions.

Sandvik's own environmental effects associated with emissions to air primarily relate to emissions of carbon dioxide and acid gases to the atmosphere. These emissions are mainly caused by the company's use of fossil fuels in conjunction with production, heating and transportation, and indirectly from purchases of electricity produced by combustion of fossil fuel. Environmental effects related to water concern, in part, the use of fresh water in water-stressed regions and, in part, discharges of treated wastewater from processes containing, for example, residues of nutrients, metals and oxygen-consuming substances.

GROUP ENVIRONMENTAL OBJECTIVES AND TARGETS 2008–2012

Objective	Target
More efficient use of energy and input materials.	<ul style="list-style-type: none"> • Reduce the use of energy in relation to sales volume by 10% before year-end 2012 (base year: 2008). • Reduce consumption of fresh water in relation to sales volume by 10% before year-end 2012 (base year: 2008).
Reduced emissions to air and water.	<ul style="list-style-type: none"> • All major production, service and distribution units shall report waste water discharged from sites before year-end 2012. • Reduce carbon dioxide emissions from internal use of fossil fuels and electricity by 10% in relation to sales volume before year-end 2012 (base year: 2008). • All carbon dioxide emissions from transportation shall be reported before year-end 2012.
Increased recovery of materials and by-products.	
Increased number of products that support sustainability principles.	
Reduced environmental impact from the use of hazardous chemicals.	
All major production, service and distribution units shall be certified in accordance with ISO 14001 within two years of acquisition or establishment.	



Eco Park in Pune, India.

Sandvik's indirect environmental footprint consists of the environmental impact that occurs in the parts of the value chain that are not owned by Sandvik, meaning in the supply chain, in its distribution, customer user stage and in connection with the phasing out or recycling of the Group's products. It is therefore vital to take the entire value chain into account in order to describe the actual changes that take place with respect to the Group's environmental footprint.

Environmental permits

Sandvik owns 180 production-related units worldwide that hold various types of environmental permits depending on the legislation. Sandvik is entirely dependent on the environmental permits granted for these sites.

Basic environmental principles

Sandvik respects and complies with the relevant legislation in all of the countries it conducts operations. Moreover, the following four basic environmental principles that are detailed in the UN Global Compact, the OECD's Guidelines for Multinational Enterprises and ISO 26000 are fully integrated into Sandvik's work procedures:

- **Environmental responsibility:** Involves assuming responsibility for the negative environmental impact by actively working to improve the environmental performance of its own operations, and the operations of others, in areas where Sandvik has the opportunity to exert an influence.
- **Precautionary approach:** Meaning that precautionary measures are taken as soon as there is reason to believe that an action can harm the environment or human health.
- **Environmental risk management:** Requires the introduction of a program derived from a risk-based and sustainable perspective to reduce or minimize the environmental impact from Sandvik's activities, products and services.
- **Polluter Pays Principle:** Meaning that the entity that causes the damage to the environment must pay the social economic cost that arises.

The environmental permits relate to such activities as the manufacturing of steel and ingots/CC-blooms/CC-billets, and the further processing of steel for bar, tube, strip and wire products, rock-drilling products and the manufacture of ceramics, metal powder, cemented-carbide products, castings and various equipment and tools. All units have the environmental permits that are required for their operations. The main environmental impacts are emissions to air and water, energy use, waste production, older contaminated land areas and noise. During the year, Sandvik Construction's unit in Svedala, Sweden, renewed its operating license. The production permit for Seco Tools' facility in Fagersta, Sweden, needs to be renewed due to the expansion of powder production and the application process for this has been initiated. The Environmental Court of Appeal has directed Sandvik in Sandviken, Sweden, to carry out investigations into mercury emissions and a report on this must be submitted by 1 September 2013. These investigations will analyze the possibility of reducing mercury emissions to air from the steelworks using technology to clean flue gases.

No breaches of permissible manufacturing volumes or limit values within the parameters of the terms and conditions of permits occurred during the year. A number of guideline values were exceeded for noise and emissions to air and water at the Swedish sites in Hallstahammar, Västberga and Sandviken. Actions are being taken to comply with these target values, often in consultation with the relevant supervisory authority. Noise-reducing measures were taken in Västberga aimed at complying with the noise limit values exceeded in 2011. Both environmental cases at Sandvik Materials Technology that were handed over to the public prosecution office in 2011 for examination were dropped in 2012. For the units subject to environmental permits in Sweden, public environmental reports are submitted each year to the supervisory authority. In other countries, results from production facilities are reported to environmental and safety authorities in accordance with national legislation.

Land contamination

Within the Sandvik Group, operations are conducted in many different locations and in various countries. Many of the production facilities date back many years and in some of these, chemicals were used and waste was disposed of in a manner that is not common practice today. In accordance with the fundamental environmental principles stated on the preceding page, Sandvik always works systematically and in an environmentally efficient manner on the matter of land contamination.

One example is the use of trichloroethylene (TCE) as a degreasing agent, which was widely used in the engineering industry in the 1960s, 70s, 80s and 90s. However, Sandvik has purposefully discontinued its use of the solvent and has changed to different types of degreasing agents. Many production sites have recorded the location of various contaminated land areas often in consultation with environmental agencies. Remediation efforts are planned and completed to fulfill the expectations of the environmental agencies and to reduce the environmental risk to the surrounding area. In Sweden, surveys are underway in Gimo and Hallstahammar, among other areas.

In Clark Summit, outside Scranton in the US, advanced remediation actions were carried out during 2012 to prevent the spread of chlorinated solvents that were identified in the site area. Planning

also commenced for the installation of a drinking water system for residents of the area surrounding the site. All property owners with private wells that are situated within the affected area are already offered the opportunity of installing a filter system.

In connection with divestments and acquisitions, an environmental audit is always carried out to identify possible land contamination issues.

Environmental requirements

The Group's plants in Sandviken and Hallstahammar are covered by the EU trading system in carbon dioxide emission allowances. In 2012, the Group was allocated emission allowances corresponding to 109,727 tons of carbon dioxide. For the period, carbon emissions totaling approximately 113,000 tons will be declared. To cover the deficit in 2011 and 2012, 20,000 emission allowances were purchased in 2012. Sandvik has submitted an application for a new permit and monitoring plan for its Sandviken and Hallstahammar sites in accordance with the new legislation that came into effect on 1 January 2013.

While the REACH chemical legislation and similar legislation involve costs for processing of applications and registration of chemical substances, they also represent an advantage for Sandvik's businesses.



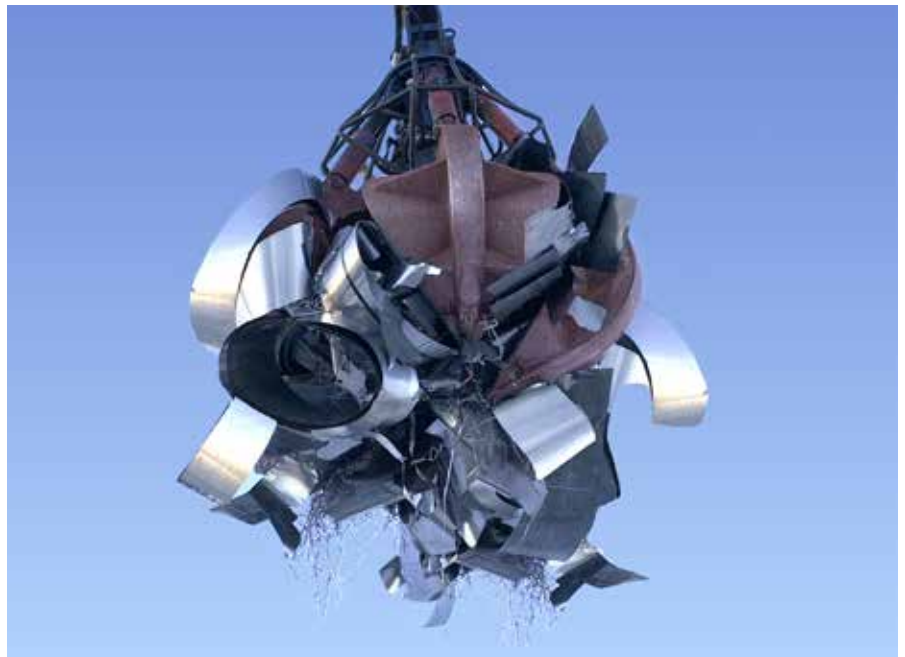
Recycling of cemented-carbide inserts at Sandvik's unit in Chiplun, India.

Lifecycle analyses

Sandvik has long had the strategy of offering customers products with extended service life and more effective resource utilization. In addition, where possible, these products will have a minimal environmental impact when used in customer processes and be recyclable. During 2011–2012, for example, a lifecycle project was conducted at Sandvik Materials Technology. The project covered different steel grades in the Strip product area and the study encompassed LCAs (lifecycle analyses) and examined the significance of scrap balances and the environmental value of scrap and virgin alloy metals for the analyses. The Swedish Steel Producers’ Association also completed an LCA project relating to high-strength steel. Sandvik Materials Technology participated in a case study of a tube application for the urea industry in which a comparison of two steel grades and their environmental footprint throughout their lifecycles was analyzed. The study verified that high-strength steel yields a lower environmental impact than more conventional steels over the entire lifecycle of their application. A study in the LCA area was also launched at Sandvik Mining and aims to examine whether it is possible to develop a simplified LCA model to analyze the energy needs for other Sandvik Mining products during the use phase and the significance such a model would have in terms of the value for customers, Sandvik and other stakeholders.

Use of raw materials and water

Sandvik has the objective of enhancing the efficiency of its use of input materials. The input materials deemed to be most relevant to Sandvik are various types of metallic raw materials, water and purchased components. Sandvik Materials Technology’s sites in Sandviken and Hallstahammar are the major users of raw materials in the Group. The raw materials most important to Sandvik Materials



More than 80% of the Group’s metallic raw materials comes from scrap.

Technology are iron, nickel, chromium, manganese and molybdenum, either in alloys or as part of scrap metal. The key metallic raw materials for Sandvik Machining Solutions and Sandvik Venture are tungsten, tungsten carbide and cobalt, but more unusual elements such as tantalum are also used. Sandvik Construction uses iron and manganese raw material for the manufacture of castings. In total for the Group, about 81% (80) of metallic raw materials is derived from scrap.

To further increase the proportion of recovered raw materials in order to secure sustainable utilization of materials and to reduce the environmental impact, used products are repurchased and waste products from the Group’s own manufacturing sites are recycled. Sandvik Machining Solutions is continuously increasing its recycling of cemented carbide by buying back products from customers. This resulted in a reduced need for material purchases from mines. Sandvik Coromant’s and Seco Tools’ program for recycling of sold cemented-carbide inserts represents an integral part of this sustainability effort. Buy-backs of cemented-carbide products from customers have also been introduced in other product areas, further reducing the need for primary material.

Water is a valuable resource, with shortages affecting many parts of the world, and therefore its efficient use is crucial. Sandvik continuously endeavors to reduce consumption of fresh water (purchased water).

In 2012, Sandvik’s purchased fresh water consumption was on a par with the preceding year. Groundwater and surface water is harvested at some 30 production units. One country with very limited access to water, and where Sandvik’s water consumption is significant, is India. All production sites in India have introduced systems for the treatment of wastewater, which is subsequently re-used in their operations. Seco Tools is also currently building a new water-treatment facility in India. High-technology treatment will enable the re-use of water for cleaning purposes and a reduction of groundwater usage by more than 25,000 m³ annually. In Sandviken, a new biological treatment system for sanitary wastewater was put into operation.

New targets relating to water usage in the Group were established in 2012. Action plans will be developed for the unit in Sandviken, which uses considerable volumes of various types of water, and for units in locations defined by

WATER CONSUMPTION

Thousand m ³	2012	2011	2010	2009	2008
Water consumption	8.4	8.4	8.9	7.1	6.6
of which purchased fresh water	3.2	3.4	3.4	3.2	3.6
of which groundwater	0.7	0.6	0.6	0.6	0.5
of which harvested surface water	4.5	4.4	4.9	3.3	2.5

RAW MATERIALS CONSUMPTION

Thousand metric ton	2012	2011	2010	2009	2008
Consumption of metallic raw materials	318	352	359	252	350
of which recovered	257	281	289	196	278
Recovered (%)	81	80	81	78	79

Sandvik as water-stressed areas. Work is under way to record the locations of the units in relation to various water-related stress factors with the aim of defining the units that are affected by this water-risk-related environmental target in the first quarter of 2013.

Use of energy

Sandvik’s objective is to reduce its energy use in relation to sales volume. Sandvik’s target for the period 2008 through 2012 was to reduce total energy use (electricity and fossil fuels) by 10% in relation to sales volume. The outcome for the period was 2%. The absolute energy use during the period was unchanged despite a slight increase in sales volumes.

Energy-enhancement activities are continuing. At Sandvik Materials Technology in Sandviken, which accounts for a large share of the Group’s energy use, an energy-enhancement project has been carried out since 2009. The aim of the project is to identify and implement energy-enhancement activities. Effects of measures are verified by performing measurements before and after implementation.

Many other Group entities are working on similar programs, such as Walter in Germany, which intends to certify its operations in line with ISO 51000.

Solar energy installations have been operational at Seco Tools UK and Seco Tools USA since 2011. Seco Tools is collaborating with VB Värme in Fagersta and, since October 2011, the product area has received cold process water and delivered 8,100 MWh of energy to the district heating grid in Fagersta, thus reducing carbon dioxide emissions by 645 tons per year.

Impact on climate change

Sandvik’s impact on climate change primarily arises from emissions of carbon dioxide. The Group’s objective is to reduce carbon dioxide emissions from the internal use of fossil fuels and electricity.

Emissions declined slightly despite higher sales volumes and, thus, higher production volumes.

Sandvik also generates carbon dioxide emissions from the transport of materials and products as well as from passenger transportation. The predominant portion is derived from air freight. During the year, work continued to establish procedures to measure these emissions.

Other emissions and waste

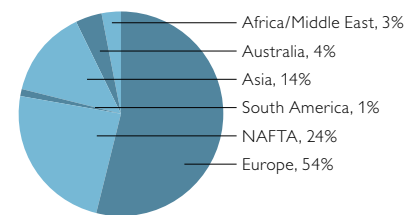
In addition to emissions of carbon dioxide to air, Sandvik has significant emissions of such acid gases as sulfur dioxide (SO₂) and

various forms of nitrogen oxides (NOX). Sulfur dioxide mainly originates from the combustion of oils and coke. Emissions of NOX are derived from the smelting processes in Sandviken and Hallstahammar, and from plants for the pickling and cleaning of metal surfaces, and the combustion of fossil fuels.

Reported emissions of NOX derive from the combustion of fossil fuels. In addition, emissions of NOX are generated from pickling plants and smelting processes.

Emissions to water comprise another environmental effect in the Group. Emissions mainly consist of fertilizers, such as phosphorous and nitrogen, in addition to metals from pickling plants. To monitor total emissions to water, the volume of process water discharged following treatment is also measured.

CARBON DIOXIDE EMISSIONS BY MARKET AREA



ENERGY USE

TJ	2012	2011	2010	2009	2008
Total energy	8 900	9 100	9 100	7 500	8 900
of which fossil fuels.					
Direct energy	3 400	3 700	3 900	3 000	3 400
of which electricity.					
Indirect energy ¹⁾	5 500	5 400	5 200	4 600	5 500

1) Use of energy does not include the energy used by electricity producers to generate the electricity.

CARBON DIOXIDE EMISSIONS

Thousand metric tons	2012	2011	2010	2009	2008
Carbon dioxide emissions ¹⁾	523	538	559	479	566
of which from combustion of fossil fuels. Direct	220	242	260	195	224
of which use of electrical energy. Indirect ²⁾	303	296	299	284	342

1) Excluding emissions from the transport of raw materials and finished products as well as travel.
2) The calculation of carbon dioxide emissions related to electricity energy generation includes, in most cases, factors for calculating carbon dioxide emissions from the electricity suppliers to the plant. In other cases, factors from the International Energy Agency Data Services have been used.

EMISSIONS OF PROCESS WATER

Thousand m ³	2012	2011	2010	2009
Volume of process water discharged	2 000	2 300	2 200	1 400

EMISSIONS TO WATER AND AIR

Emissions to water (kg)	2012	2011
Nitrogen	285 000	329 000
Phosphorous	20 700	12 400
COD	259 000	170 000
Nickel	280	210
Chromium	140	80

Emissions to air (kg)	2012	2011
NM VOC ¹⁾	66 000	61 000
SO ₂ ²⁾	42 000	71 000
NOX ³⁾	354 000	380 000

1) Non-Methane Volatile Organic Compounds. Only from combustion of fossil fuels.
2) SO₂ emissions are calculated based on the amount of combusted oils and coke.
3) From the combustion of fossil fuels and calculated using factors from the Swedish Environmental Protection Agency.

PRODUCED WASTE

Thousand metric tons	2012	2011	2010	2009	2008
Waste ¹⁾	352	433	417	280	166
of which hazardous waste	35	36	34	27	32
of which to landfill	366	358	231	109	

1) Excluding scrap metal that has been internally or externally recycled.

People

The Group's highest priority is to provide a safe working environment and to achieve its vision of "Zero Harm". Sandvik continued its strong focus aimed at reducing the frequency of occupational injuries, illnesses and incidents, and at improving the health and well-being of its employees.

A change process is under way at Sandvik and, for the Group's employees, 2012 was a challenging year. As a result of the new Sandvik business strategy, three business areas became five on 1 January 2012. In parallel with this change, delayering of the organization took place aimed at shortening decision-making

paths and speeding up processes. The changes in 2012 were largely structural and their purpose was exclusively to strengthen the Group for the future. Leadership development, performance management and diversity and inclusion comprise integral parts of Sandvik's continued work.

The Group completed the structural downsizing initiated in the fourth quarter of 2012 that was required under the new strategy. These cutbacks were the result of redefined operations and new working procedures, rather than volume adaptations. Sandvik has always endeavored to handle workforce cutbacks in the most responsible and efficient manner possible, with voluntary solutions being the method most commonly deployed.

The number of employees at the end of 2012 was 48,742 (restated to FTEs), a decrease for comparable operations of 1,288 during the year.

Sandvik employees are trained in CSR issues at a large number of seminars, known as Fair Play courses. Managers and senior executives from all markets and business areas around the world discuss Sandvik's core values, the content of the Group's Code of Conduct, and how employees are expected to work with CSR issues.

The issue of diversity has become increasingly central to Sandvik, which works with diversity in the broadest sense of the word, namely gender, background, nationality, competencies, professional experience and people with disabilities. Sandvik's global presence, with only about 20% of employees located in Sweden, means that diversity and inclusion are considered key competitive advantages and are highly prioritized by company management.

Sandvik People Strategy

The Group-wide Sandvik People Strategy applicable to all employees was presented in conjunction with the new business strategy. The People Strategy supports the Sandvik strategy by enabling a flexible, high-performing organization with empowered employees based on the Sandvik core values of Open Mind, Fair Play and Team Spirit. The following areas have been identified as focus areas in 2012 and subsequent years.

GROUP HEALTH AND SAFETY OBJECTIVES AND TARGETS 2008-2012

Objective	Target
Further reduce the frequency of occupational injuries, illnesses and incidents.	Reduce the Lost Time Injury Frequency Rate by 50% before year-end 2012 (base year: 2008).
Improve health and well-being among employees.	All units will introduce a health and well-being program before year-end 2012.

All major production, service, and distribution units shall be certified in accordance with OHSAS 18001 (or an equivalent standard) within two years of acquisition or establishment.

WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL COSTS

	Group		Parent Company	
	2012	2011	2012	2011
Wages, salaries and other remuneration*	19,346	18,860	3,819	3,896
Social costs	5,311	4,938	1,789	2,142
Employee profit sharing	250	216	212	183
Total	24,907	24,014	5,820	6,221
Of which, pension costs recognized in social costs	1,739	1,747	569	938

* In MSEK

HEALTH AND SAFETY

	2012	2011	2010	2009	2008
Number of fatalities due to work-related injuries	1	4	0	0	2
Number of Lost Time Injuries ¹⁾	422	392	459	425	717
Lost Time Injury Frequency Rate ²⁾	4,3	4,6	5,6	5,0	8,1
Number of reported Near Misses	17,593	15,767	11,649	10,556	6,346
Number of Near Misses per Lost Time Injury	42	40	25	25	9
Lost days due to Lost Time Injuries	7,091	6,524	8,789	8,523	11,286
Average number of Working Days Lost per Lost Time Injury	17	17	19	20	16

1) Work-related injury (own employees) resulting in minimum one day's absence from work.

2) Lost Time Injury Frequency Rate is defined as the number of Lost Time Injuries per million work hours.
Assumption: Employees are assumed to work 2,000 hours a year.

AVERAGE NUMBER OF EMPLOYEES

	Group			
	2012		2011	
	Number	Women, %	Number	Women, %
Sweden	11,251	24	11,293	23
Rest of Europe	15,695	19	15,433	19
Total Europe	26,946	21	26,726	21
NAFTA	5,551	17	5,741	17
South America	3,259	13	3,169	12
Africa, Middle East	3,107	20	3,046	18
Asia	8,227	16	7,529	16
Australia	2,295	15	2,336	15
Total	49,385	19	48,547	18

Safety First

Sandvik is continuing its strong focus aimed at reducing the frequency of occupational injuries, illnesses and incidents, and at improving the health and well-being of its employees.

Sandvik’s various production-related units present potential risks for occupational illnesses and injuries. The risk of injury is also significant for employees involved in sales, for example, in conjunction with travel to and from customers’ plants or facilities. One work-related fatality occurred in Sweden in conjunction with a business trip in 2012.

Since 2008, Sandvik’s Lost Time Injury Frequency Rate (LTIFR) has improved significantly (47%) to 4.3 (compared with the target of a 50% reduction to 4.0). However, the 2012 LTIFR results plateaued and demonstrated only a marginal improvement during the latter part of the year. Benchmarking with industry and customer peers indicated that a plateau should be interpreted as a signal that the Group must now focus more directly on activities that would improve the safety and health culture. Meanwhile, the drive to implement strong systems and processes is continuing.

Diversity and inclusion

Diversity and inclusion represent key conditions for Sandvik’s strategy. Priorities for 2012 were to deliver a global strategy and roadmap and to increase knowledge and awareness of the importance of diversity and inclusion in top management.

During the year, a global diversity and inclusion plan was developed in line with Sandvik’s strategy and involved representatives from all parts of the business and from many countries. The following long-term objectives were established:

- Workplace. A culture of inclusion.
- Workforce. A diverse workforce at all levels and in all functions.
- Market place. A high-performing organization, capitalizing on diversity and inclusion to remain competitive in the global market.

Sandvik’s 380 top managers were trained in line with this strategy and action plans for each business were established.

A priority area in Sandvik’s diversity and inclusion strategy is to increase the number of women in the company, particularly in operational management positions. The “Battle of the numbers” is a

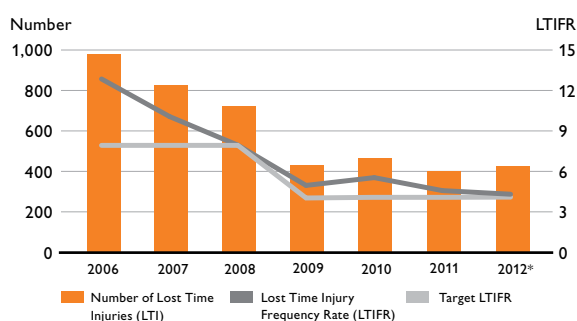
project that Sandvik is participating in with nine other large Swedish companies that have the same goal. The aim of the project is to produce specific proposals and factors for success for increasing the number of women in executive positions and be able to produce results already in 2013. In the new business area management teams, the share of women has increased from 9% to 18% since 2011. Sandvik also succeeded in increasing diversity in terms of nationality and age spread in these management teams. In total, the share of women in the company is 19% and share of women in managerial positions is 16%. In Sweden, the share of women in managerial positions equals the share of women in total in the company, which was at 24% at year-end 2012.

DISTRIBUTION OF WOMEN/MEN

	2012	2011
No. of employees 31 December*	48,742	50,030
Average number of employees		
Women	9,223	8,978
Men	40,152	39,569
Total	49,375	48,547

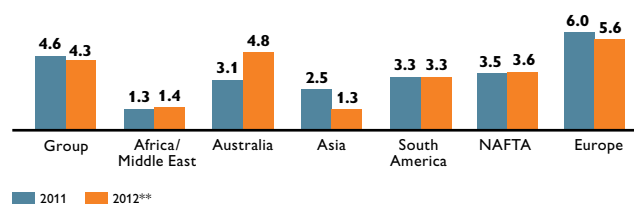
* Recalculated as FTEs

LTI AND LTIFR



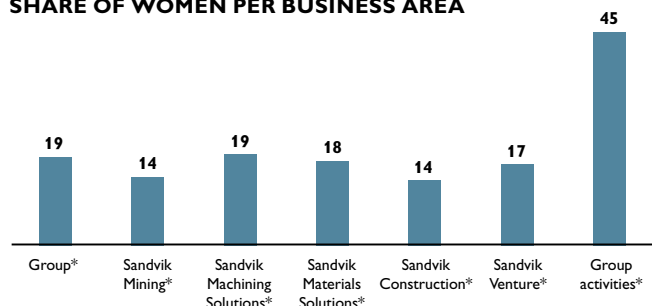
* Seco Tools is included as of 2012.

LOST TIME INJURY FREQUENCY RATE BY MARKET AREA



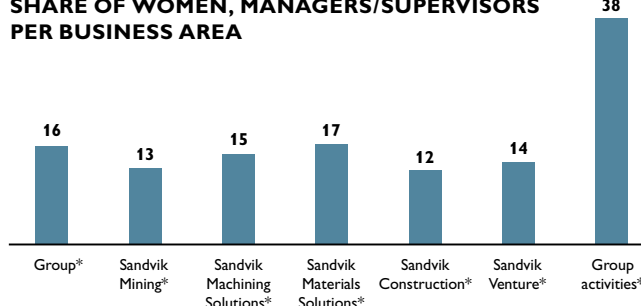
* The number of Lost Time Injuries per million work hours.
** Seco Tools is included as of 2012.

SHARE OF WOMEN PER BUSINESS AREA



* The share is based on about 85% of the total number of employees (Seco Tools and a number of other units are not included).

SHARE OF WOMEN, MANAGERS/SUPERVISORS PER BUSINESS AREA



* The share is based on about 85% of the total number of employees (Seco Tools and a number of other units are not included).

Empowered employees

Sandvik’s employees will be given more responsibility and freedom to act, which will both empower employees and increase speed in the organization. A Group-wide employee empowerment survey, SEmp, was conducted and the results will serve as a base for improving the Group’s human capital and driving continuous improvements. The employee empowerment survey will be conducted annually. The survey questions were translated into 25 different languages.

Innovation

Long-term global success, innovation and growth will require change and adaption. Sandvik can only achieve these goals by living up to the values that are the soul of the company and that make the company unique. This is essential as Sandvik’s employees and operations become increasingly geographically diverse. During the year, a revision of the core values was carried out involving representatives from all businesses and regions.

Talent Management

To become a leader in terms of attracting, developing and retaining the best people, Sandvik will deploy a clear strategy to strengthen the Sandvik brand and become the employer of choice in prioritized markets. ONE Sandvik and internal mobility will form a key theme and tool to position the Sandvik employer brand. A joint approach to attracting future employees will be implemented, which will support the extensive recruitment needs in emerging markets.

The focus in 2012 was on identifying, developing and retaining candidates to fill the key positions for Sandvik in the future. The aim was to identify “high potentials” as early as possible in their career and to motivate and support these individuals to ensure that they reach their full potential. Succession planning was carried out for all managerial and expert positions that directly impact business goals and are therefore critical for Sandvik.

Performance Management

Performance management is fundamental in following-up the business and individuals at all levels. Sandvik’s managers are responsible for conducting annual performance dialogs, including preparing individual objectives for the year and development plans. The performance dialog is fundamental in driving and following-up the business and employees’ goals and linking these to individual development plans. It aligns employee contribution with business strategy to improve productivity and business performance. Performance dialogs benefit both the employee and Sandvik as a group. Sandvik has organizational objectives that are broken down into individual targets for managers in the areas of safety, diversity and inclusion.

Excellent leaders

The Sandvik Leadership Model was launched in 2012 for the purpose of ensuring the implementation of Sandvik’s strategy. The Leadership Model provides

clear expectations and forms the basis to identify, appoint, develop and, occasionally, dismiss managers. The model will form the basis for annual reviews of managers and also includes clear expectations on diversity and inclusion. Sandvik’s Leadership Model also serves as a foundation for leadership development at all levels, with safety, diversity and inclusion also integrated.

Sandvik’s employment conditions are based on the UN’s Universal Declaration of Human Rights and the ILO’s Declaration on Fundamental Principles and Rights at Work, which are regularly examined by the Group’s internal audit function. All employees are allowed and can, if they choose, join any trade union and a collective agreement. The Group has several trade unions represented in various countries. In countries where trade-union rights are limited in national legislation, the company endeavors to support alternative means for employees to influence their employment conditions.



Jennifer Addo, HR employee at Sandvik Mining in Ghana.

Suppliers

A significant portion of the added value of Sandvik's products and services arises from external suppliers, thus making the company increasingly dependent on the way the supply chain performs. Accordingly, Sandvik needs, and is obliged to, ensure that the company's suppliers comply with international standards and Sandvik's own policies.

Responsibility for the supply chain

When purchasing raw materials, components and services, there is an awareness of and respect for the various stakeholders' obligations regarding the economic, social and environment effects of Sandvik's business operations. While the Group endeavors to meet its long-term strategy for profitable growth, the company has also undertaken to contribute to global sustainable development. Accordingly, CSR issues are integrated components of the management of the supply chain.

Sandvik's Supplier Code of Conduct

Sandvik has established a Supplier Code of Conduct that requires, for example, that suppliers ensure favorable employment conditions, that employees are treated with respect and dignity, that manufacturing processes are environmentally friendly and that the operations are conducted without any form of corruption. Sandvik expects companies in its supply chain to comply with all applicable laws, rules and ordinances, and strives to exceed minimum good practice standards both internationally and within the industry. The Code of Conduct details the minimum require-

ments for being approved as a Sandvik supplier. There is also an expectation for suppliers to continuously improve in CSR issues and thus attain the status of a qualified supplier. A project to review Sandvik's Supplier Code of Conduct was initiated in 2012, with the new version expected to be approved by Group Executive Management in 2013. Sandvik's Supplier Code of Conduct is available at www.sandvik.com.

Supplier evaluations

Sandvik has a Group-wide process for supplier evaluations in connection with purchasing. The evaluation comprises two components: Supplier Approval and Supplier Qualification. Supplier Approval includes the Group-wide mandatory minimum requirements, including the minimum requirements of the Code of Conduct, that apply to all companies that want to become Sandvik suppliers. Supplier Qualification involves an evaluation of the supplier based on the Code of Conduct's qualification criteria. Suppliers are evaluated at this stage using three processes with varying degrees of detail, depending on the estimated risk of non-compliance with the Code. These three levels are: full evaluation – high-risk suppliers, partial evaluation – medium and low-risk suppliers and basic evaluation – minor-risk suppliers. The risk assessment is based on three factors: the country in which the company conducts its operations, the category of goods or services and Sandvik's knowledge of suppliers. The responsibility for carrying out these supplier evaluations rests with each Sandvik business area.

Key activities in 2012

In 2012, Sandvik's continued its work on implementing the new supplier evaluation process and following up deviations against the Code.

Sandvik's process demands that all high-risk suppliers are examined by qualified internal and external auditors. This work first began in 2008 when Sandvik employed its first supplier auditor to focus on high-risk countries. The Group currently has six qualified supplier auditors in four different regions: Eastern Asia, Southern Asia, EMEA (Europe, Middle East and Africa) and Latin America. The auditors are part of Group Assurance and their task is to ensure that the audits are conducted independently.

During 2012, 13 part-time auditors from various Sandvik units were trained and certified, and who, in the future, will serve as a valuable resource in conjunction with auditing the high-risk suppliers in the regions stated above. In addition, third-party companies in Latin America were engaged to perform some 20 audits of identified high-risk suppliers.

A total of 143 (111) high-risk suppliers mainly from India, China and Brazil were audited in 2012.

Summary of deviations

A number of deviations from Sandvik's Code of Conduct and/or local legislation were identified, particularly in India and China. Certain supplier categories are particularly critical, such as foundries and staffing companies. The deviations mainly relate to basic legal requirements in the respective countries, for example,

EXAMPLES OF SUPPLIER EVALUATIONS

Supplier	Deviation	Action
Forge, China	Employment of minors	Sandvik demanded that if the supplier employs minors (16 to 18 years old), Chinese legislation governing the employment of minors must be strictly followed. The supplier must ensure that minors are protected from hazardous work environments, heavy work, overtime and any other factors that could negatively impact the education of minors.
Distributor of sheet aluminum, China	Discrimination	Sandvik demanded that the supplier apply a zero-tolerance approach to any form of discrimination in connection with employment.
Freight and security company, China	Minimum wages	Sandvik demanded that the supplier pay reasonable wages to employees and ensure that wages are not below the minimum level according to local legislation.
Foundry, China	Health and safety	Sandvik demanded that the supplier improve health controls for employees with hazardous work assignments and that the legislation governing the control of occupational diseases be followed. All employees who are suspected of being affected shall be entitled to hospital care at the expense of the supplier.
Sawmill, India	Child labor	Sandvik demanded that the supplier establish a system to control and verify the age of employees and contracted staff and to maintain a register of persons. The supplier was also instructed to establish a program to take care of child workers in the event any should be discovered.
Manufacturers of molds and mandrels, India	Working hours and pay	Sandvik ordered the suppliers to ensure that unreasonable working hours did not occur. Working hours must be below 60 hours a week. Compensation for overtime must also be paid in accordance with Indian law.

minimum ages, minimum wages, working hours, environmental issues and employee health and safety. Problems related to corruption, such as bribes, also occur.

When deviations are confirmed, suppliers are instructed to prepare and implement a plan of corrective measures within a specified timeframe. Sandvik provides support and training for suppliers to assist in planning and carrying out the improvements required. As a final resort, if the supplier is unable or unwilling to improve, the partnership with the supplier is discontinued.

Follow-up of deviations from 2011

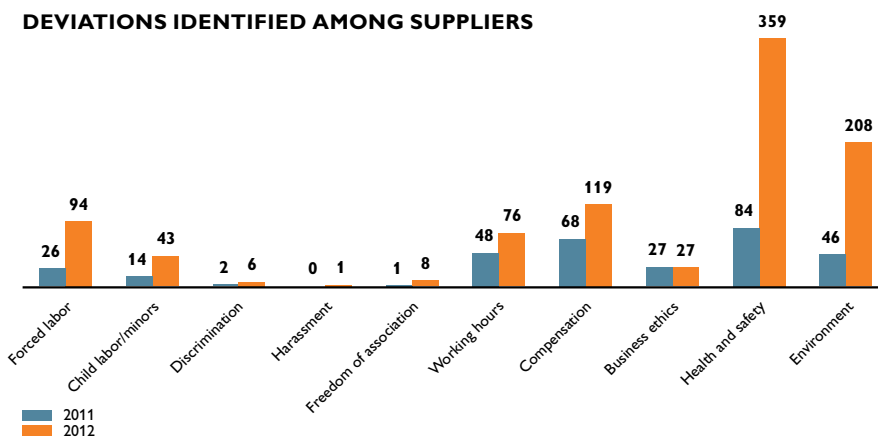
In 2012, a follow up was carried out of the deviations identified in the 2011 supplier audits. In that year, deviations were identified among suppliers in India, China, Malaysia and Brazil. Of these, many took corrective action to remedy all of their deviations, while some suppliers were phased out or are in the process of being phased out. Sandvik is continuing to work together with the remaining suppliers with the intention of supporting them in efforts to take corrective action

to remedy all identified deviations or, alternatively, is phasing the suppliers out. Of the total of number of deviations identified, about 20% remain to be corrected.

Training of suppliers and Sandvik employees

A common observation is that suppliers are not sufficiently aware of basic legal requirements in their own countries. For this reason, the Group has established the practice of training suppliers in Sandvik's Supplier Code of Conduct and in relevant national laws. In 2012, 150 suppliers were trained in India and about 150 suppliers and 40 distributors were trained in Brazil. Furthermore, specific training courses were offered to certain suppliers in such areas as work environment and labor-law matters. A pilot program was also launched in China in 2012 to enhance auditors' expertise in corruption issues. In addition to the part-time auditors trained in 2012, courses were also held in China, among other countries, for Sandvik personnel from various business areas, including the purchasing organization.

DEVIATIONS IDENTIFIED AMONG SUPPLIERS



The reason for the increase in deviations is that the number of audits has risen. Regarding the figures for forced labor, all deviations are related to financial penalties imposed on employees of suppliers in China, which are forbidden and classified as forced labor.

Community involvement

With its global coverage, Sandvik impacts a large number of stakeholders and local communities.

Sandvik’s contribution to global sustainable development is mainly in its capacity as an employer, skills developer and taxpayer in the countries in which it conducts operations. This provides the Group with the opportunity to positively influence not only the standard of life of employees, but also the surrounding communities. With its advanced products, Sandvik can also contribute to technological advances, lower environmental impact and a greater level of safety at various workplaces.

Sandvik’s approach to community involvement is that each Sandvik company must strive to be a good corporate citizen, make a contribution to local matters and promote development of the region. Sandvik encourages all employees to participate in local club activities and initiatives that are beneficial for the communities in which the Group has operations.

Sandvik has initiated a project aimed at creating new global policies for the company’s community involvement. The purpose is to provide Sandvik companies with a more cohesive view of how the Group can and should become involved and which commitments yield the best effect for the company and for relevant stakeholders and communities.



Planting trees in Mexico.

There are numerous reasons for why it is important for Sandvik to become involved in global and local projects. Firstly, the Group often plays a major role in a community, secondly, the company’s actions impact a number of stakeholders in various ways and, finally, it represents a commercial investment for the creation

of a long-term sustainable company. The better the prevailing situation in the surrounding communities, the better the operating environment and recruitment base for Sandvik.

The Group has become involved in a range of community projects that vary between each Sandvik company and country of business. However, it is possible to distinguish shared priorities. These issues are connected to global development matters and the Millennium Development Goals (MDG) – eight internationally agreed measurable goals that should be achieved by 2015 – which form a solid and measurable base for Sandvik’s contribution to global sustainable development.

Sandvik and HIV/AIDS

HIV/AIDS has a major impact on Sandvik, particularly in the southern regions of Africa. The Sandvik Group has thus initiated extensive HIV/AIDS programs in South Africa, Zimbabwe, Tanzania, Zambia, and Malawi and, to some extent, in Ghana and the Democratic Republic of Congo. The programs aim to educate and counsel employees and their families and, in some cases, the community near to Sandvik’s operations, about HIV/AIDS.

GENERAL EXEMPLIFICATION OF SANDVIK’S COMMUNITY INVOLVEMENT (NOT EXHAUSTIVE)

Examples of involvement	Millennium Development Goals ¹	Africa & Middle East	North and South America	Asia & Australia	Europe
Higher education (e.g. network for degree projects)	8		X	X	X
Children’s education	4	X	X	X	X
Children’s development and rights	1, 4	X	X	X	X
Health project, incl. cancer project and blood donation	6	X	X		X
HIV/AIDS project	3, 4, 5, 6	X			
Support to the poor	1, 8	X	X	X	X
Women’s rights	1, 3	X			
Rights of individuals with functional disabilities	1, 8				X
Natural disasters	8	X	X	X	X
Local sports clubs	8	X	X	X	X

1) Millennium Development Goals

1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development (Including partnerships through business)

Many of the categories include contributions from the company and private contributions from employees

Reporting policies

The reporting of Sandvik's corporate social responsibility is based on the Swedish Annual Accounts Act, the Swedish Society of Financial Analysts' recommendations relating to Corporate Responsibility and the third generation of guidelines (G3) issued by the internationally recognized organization Global Reporting Initiative (GRI). Further information regarding GRI is available on the organization's website www.globalreporting.org. The report corresponds with the GRI level B+, which means that at least 20 indicators are presented and that the report has been subjected to external review. Sandvik has adopted AccountAbility's AA1000APS

(2008) principles for accountability. In addition, this requires involving stakeholders in identifying and understanding sustainability issues and assuming responsibility for, reporting on and explaining decisions, actions and results.

The Sustainability Report has been examined by external auditors in accordance with RevR 6 *Assurance of Sustainability Reports* issued by Far and AccountAbility's AA1000AS (2008). The latter is an internationally recognized standard that outlines the process used to assure sustainability reports. More information is provided at www.accountability.org.

Scope and limitations of the report

This Sustainability Report refers to the 2012 fiscal year and covers all operations of the Group, including subsidiaries, but excluding associated companies and joint ventures. Seco Tools is included in the Group's reporting as of 2012. Where Seco Tools is not included in the reported data, this will be indicated in the report. Specific methods of measurement and assumptions are presented in connection with the respective indicators in the report and on the Group's website, www.sandvik.com.

The Group's results in relation to its objectives are measured using relevant performance indicators and key figures. The figures presented are the accumulated figures for 2012 for all active reporting units, unless otherwise stated.

Auditor's Review Report on Sandvik's Sustainability Report 2012

This is the translation of the auditor's report in Swedish.

To the readers of Sandvik's Sustainability Report 2012:

Introduction

We have been engaged by Sandvik's Executive Management to review the content of Sandvik's Sustainability Report 2012 and the documents GRI Index 2012 and AA1000APS 2012 which can be found on Sandvik's website. It is Sandvik's Executive Management that is responsible for the ongoing activities regarding sustainable development from the perspectives of financial, environmental and social responsibility, and for the presentation of the Sustainability Report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

The Scope of the Review

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR (the institute for the accountancy profession in Sweden) and AA1000 AS, type 2, issued by AccountAbility. A review¹ consists of making inquiries, primarily of persons responsible for preparing the Sustainability Report, and for performing analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. The procedures performed in the review consequently do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our assurance does not comprise the assumptions used by Sandvik or whether or not it is possible for Sandvik to reach certain future targets described in the report (e.g. goals, expectations and ambitions).

The criteria on which our review are based on are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the specific measurement and reporting principles, Fair Play reporting, that Sandvik has developed and disclosed on Sandvik's website. We consider these criteria suitable for the preparation of the Sustainability Report.

FAR require us to act in accordance with FAR Code of Ethics for professional accountants. In accordance with AA1000AS (2008), we confirm that we are independent of Sandvik AB. Our review has been performed by a multidisciplinary team specialized in reviewing economic, environmental and social issues in sustainability reports, and with experience from the industry Sandvik operates within.

Our review has, based on an assessment of materiality and risk, among other things included the following procedures:

- An update of our knowledge and understanding of Sandvik's organisation and activities.
- Assessment of suitability and application of criteria in respect to the internal and external stakeholders' need of information.
- Interviews with responsible management, at group level, business area level and business unit level as well as review of internal and external documents with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient.
- Review of underlying documentation, on a test basis, to assess whether the information and data in the sustainability report is based on that documentation.
- Pre-announced visits to Sandvik's facilities located in Brazil, UK, China, Sweden and Germany.

- Review of qualitative information and statements, as well as the report on compliance with legislation, permits and conditions related to sustainability.
- Assessment of Sandvik's stated application level according to the GRI guidelines.
- Reconciliation of financial information to Sandvik's 2012 Annual Report.
- Overall impression of the sustainability report, and its format, considering the information's mutual correctness with applicable criteria.

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria and that Sandvik has not adhered to the principles inclusivity, materiality and responsiveness to the extent reported in the document AA1000APS 2012 on Sandvik's website.

Other information

The following is other information that has not affected our conclusion above. The principles of inclusivity, materiality and responsiveness apply to the extent reported in the description on Sandvik's website in the document AA1000APS 2012 which includes the following points that require further attention:

- In relation to inclusivity, focus will be on a more systematic approach to both the local and the global stakeholder dialogue.
- In relation to materiality, activities concerning sustainability as part of R&D, safety, follow-up of suppliers and combating anti-corruption will be developed further.
- In relation to responsiveness processes for internal and external communication on sustainability performance will be developed at all levels.

Stockholm, March 25, 2013

KPMG AB

George Pettersson
Authorized Public Accountant

Åse Bäckström
Expert member of FAR

¹ A review provides a limited level of assurance which is deemed as being equal to a moderate level of assurance as defined by AA1000AS



SANDVIK AB WWW.SANDVIK.COM
VISITING ADDRESS: KUNGSBRON 1, SECTION G, LEVEL 6, SE-111 22 STOCKHOLM, SWEDEN
POSTAL ADDRESS: BOX 510, SE-101 30 STOCKHOLM, SWEDEN