

Sustainability Report

Sustainability is an important feature of the company's business activities. Sandvik has been conducting extensive sustainability efforts for many years and reports the results of its work in this Sustainability Report. The concept of sustainable development encompasses responsibility, risk management and improvement initiatives in the areas of environment, health and safety, business ethics and human rights. A Code of Conduct and environmental, health and safety management systems form the foundation of the Group's sustainability activities. This work is carried out on a decentralized basis within the business areas and is based on policies, objectives, targets, strategies and performance indicators established at Group level.

Significant events during the year:

- The number of Lost Time Injuries was reduced 41% and the Lost Time Injury Frequency Rate was reduced 39% compared with 2008.
- No work-related fatalities occurred.
- The number of major production, service, machinery rebuilding and distribution units certified in accordance with ISO 14001 is 158 (95%), with 155 (93%) certified in accordance with OHSAS 18001.
- A new supplier Code of Conduct was adopted.
- Organizations established in India and China for auditing and training of suppliers. The principal focus has been on auditing suppliers in relation to Sandvik's new Code of Conduct for suppliers.
- For the second consecutive year, Sandvik was included in both of the Dow Jones' sustainability indexes: the Dow Jones World Sustainability Index and the Dow Jones STOXX Sustainability Index.
- The strong downturn in business volumes had a negative impact on environmental performance indicators, environmental investments and certifications, while energy-saving programs continued on schedule.
- Increase noted in the number of non-compliances with Sandvik's Code of Conduct.

Sustainability Report

This is the fourth year that Sandvik has published a Sustainability Report. This report describes the Group's objectives/targets, strategies, controls, responsibilities, risks and opportunities from a sustainability perspective and also presents the Group's results from a financial, environmental and social perspective. The Sustainability Report has been independently reviewed in accordance with FAR SRS' standard "RevR 6 Assurance of Sustainability Reporting" and AccountAbility's "AA1000AS (2008)." AA1000AS

(2008) is an internationally accepted standard that provides the requirements for conducting sustainability assurance. It requires that the auditor provide assurance on the nature and extent of adherence to AccountAbility's three principles. Information regarding AccountAbility is available on the organizations website (www.accountability21.net).

The sustainability report comprises information sourced from the following locations:

- The Report of the Directors (Human Resources and Sandvik's responsibility) covering requirements pertaining to non-financial performance indicators and environmental information in line with the Swedish Annual Accounts Act.
- The report in this section that summarizes objectives/targets, strategies, controls, responsibilities, risks, opportunities and results from a sustainability perspective.
- *The Sandvik World* publication that presents a number of examples concerning projects that have been completed to achieve the Group's environmental and social targets.
- Sandvik's website (www.sandvik.com), which contains further information relating to the sustainability work being conducted in each of the business areas.
- Sandvik's website also includes complete references to Global Reporting Initiative's (GRI) G3 guidelines, which were applied when preparing this Sustainability Report.

Content, scope and limitations of the report

This Sustainability Report refers to the 2009 fiscal year. Unless otherwise stated, the same accounting policies are applied in the Sustainability Report as in the rest of the Annual Report, and the report covers the entire operations of the Group, but excludes

Seco Tools, associated companies and joint ventures. Specific methods of measurement and assumptions are presented in connection with the respective indicators in the report. Data from units acquired during the year is included only in the indicators for 2009.

Application of laws and recommendations

This Sustainability Report 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 verification.

Sandvik has adopted AccountAbility's AA1000APS (2008) principles for accountability. AccountAbility requires that Sandvik clearly acknowledges, assumes responsibility for and endeavors to be transparent with respect to the sustainability-related effects caused by its operations. This also involves working internally to involve stakeholders in identifying and understanding sustainability issues and assuming responsibility for, reporting on and explaining decisions, actions and results.

Strategy and control of sustainability programs

Sandvik's strategy for sustainability programs entails proceeding from the company's Code of Conduct when analyzing risks and opportunities, setting objectives and targets as part of efforts to minimize risks, and utilizing the possibilities available in an efficient and effective manner. Sandvik endeavors to engage in an open dialog with all of its key stakeholders regarding how

this work is conducted, how decisions are made and what results are achieved. This is a key condition in being able to focus on the correct aspects of the sustainability work.

Sandvik's control model requires that Group Executive Management sets the company's Code of Conduct and objectives, and that each business area assumes responsibility for ensuring compliance with the Code and that the objectives are broken down in the organization. In addition, each business area is responsible for the assessment of sustainability risks (environment, health and safety, corruption, human rights issues, etc.) in its operations, and there are specific organizations appointed in each business area to coordinate issues and support the local management teams. At Group level, various councils exist (for example, for purchasing, environment, health and safety) to coordinate the work among the business areas and to draft joint policies, objectives, targets and indicators for Group Executive Management. To ensure that management systems, internal controls and the risk management function adequately and in compliance with the Code of Conduct, an independent unit (Group Assurance) continually monitors the Group's operations and reports to the Board's Audit Committee and Group Executive Management on a quarterly basis. A report on performance indicators and key figures is presented to the Board, Group Executive Management and the entire organization on a quarterly basis. Training is another key factor in Sandvik's sustainability strategy. A program is in progress to train all company employees with respect to the implications of environmental and social responsibility and business ethics. The program is followed up on a quarterly basis. By the end of 2009, 84% (81) of employees had completed the training.

Stakeholders

The Group's operations affect and are affected by a number of stakeholders. Sandvik assumes its responsibility in relation to these stakeholders by openly disclosing information and inviting dialog concerning its sustainability activities. An important part of the company's provision of information is the Group's Sustainability Report. Sandvik expects that all stakeholders who have an opinion regarding the direction of this work or the results generated will con-

tact the company to engage in dialog. Dialog with stakeholders is in part conducted at Group level but also, to a large degree, at local level in the companies throughout the world. The value of local stakeholder dialog is discussed as part of Sandvik's internal training relating to environmental and social responsibility.

Sandvik has identified three stakeholder groups of particular significance for the Group: shareholders, employees and customers. These are of critical importance for operations and there is regular contact with these groups at various levels in the Group. Dialog with shareholders is primarily conducted via the Board of Directors and at the Annual General Meeting, but also through a well-developed Investor Relations function.

Sandvik's employees are represented on the Parent Company's Board of Directors. Dialog is also conducted directly with employees at a local level, for example, in connection with annual formal review discussions. A cooperation project is underway in Europe between the trade unions at Sandvik (European Works Council), where the company's sustainability work is discussed.

Dialogs with the trade union organizations have revealed that employees feel that the environment, health and safety, absenteeism and discrimination are key issues, as is general training in responsibility and business ethics. Competence development and assessment of performance are other key areas.

Customer contacts are handled locally through Sandvik's worldwide sales organization. Increasing demands imposed by Sandvik's customers on sustainability programs are becoming ever-more evident as a result of customers' growing focus on sustainability issues, thus intensifying the focus on supplier audits. Many of these demands relate to workplace safety and the environment. For example, customers more often insist that Sandvik should have systems for compiling data on carbon dioxide emissions to enable them to calculate the total carbon dioxide emissions in the entire value chain. In addition, requests have been presented that Sandvik be able to report the carbon dioxide emissions generated in product manufacturing. Questions related to the new European Community Regulation on chemicals and their safe use

(REACH) are also common and many customers, notably those of Sandvik Mining and Construction, are imposing higher demands for machine safety. Customers also want to be assured that Sandvik complies with all international conventions on human rights.

During the year, stakeholder-related dialogs took place with a number of Social Responsible Investment (SRI) analysts and other stakeholder-related dialogs were conducted with the assistance of external parties. Among other aspects, these dialogs revealed that Sandvik's works with relevant sustainability aspects in a responsible manner. In addition, it emerged that Sandvik is expected to assess future environmental and social risks connected to, for example, changes in legislation regulating carbon dioxide emissions and risks associated with customers. Stakeholders also expect Sandvik to develop risk management in the supplier stage, particularly with respect to human rights issues.

Key sustainability issues

The basis for the sustainability work is to identify the key sustainability issues. The Group's strategy is to identify these issues through a systematic risk assessment process (see page 90). The most significant issues are communicated to stakeholders mainly through the Sustainability Report and Sandvik will willingly engage in a dialog concerning the issues, but ultimately the key sustainability issues are decided upon by the Group's management in consultation with the Board.

Responsibility

Sandvik has a responsibility to respect the laws and regulations that exist in countries where the company has operations and to respect international norms and declarations regarding human rights and labor legislation adopted by the UN and the ILO. Moreover, it is Sandvik's responsibility to apply the following four environmental principles:

- Environmental responsibility in excess of what is prescribed by law and regulations through actively working to improve the environmental performance in its own operations and the operations of others, in areas where Sandvik has the opportunity to exert an influence.

- Precautionary approach, which means 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, which entails the introduction of a program derived from a risk-based and sustainable perspective to avoid, examine and reduce the environmental impact from activities, products and services.
- Polluter Pays Principle, meaning that the entity that causes the damage to the environment shall pay the social economic cost that arises.

Furthermore, Sandvik is responsible for working to combat corruption in all its forms. Sandvik has undertaken to adhere to the OECD's Guidelines for Multinational Enterprises.

Sandvik's responsibilities are summarized in the Group's Code of Conduct, which was adopted by the Board in 2004. The Code deals with responsibility in such areas as business ethics, suppliers, employee working conditions and development, human rights, environment and community involvement. The Code has been translated into 14 languages and is available on Sandvik's website (www.sandvik.com). The Code also includes a distinct process for managing the reporting of divergences from the stated responsibilities. 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 company's General Counsel. There is a special Group forum that is responsible for dealing with all such notifications. Whistleblowers are guaranteed that there will be no reprisals for such notifications or for participation in the company's investigation of a complaint.

Business ethics

Sandvik's Code of Conduct includes clear guidelines on accuracy of records, the avoidance of bribes and compliance with antitrust and competition legislation in the countries in which the company is active.

Suppliers

Sandvik has a clear position regarding suppliers, including contractors, agents, distributors and their sub-suppliers. These groups must meet the same requirements as those imposed on Sandvik's employees, and operate in line with the Code of Conduct. In 2009, a separate Code of Conduct for suppliers was adopted (see page 91).

Environment, health and safety

Sandvik's vision as regards the environment, health and safety is to be recognized by its stakeholders as a company with excellent environment, health and safety performance. To achieve this, Sandvik must ensure that:

At its sites, Sandvik minimizes:

- Any potential environmental impacts, such as from the use of energy and input materials, in the most efficient way,
- Any risks to health, safety and well-being of employees.

Products, services and technical solutions:

- Provide long service life and better resource utilization,
- Have minimal environmental impact when used by a customer,
- Are fully recyclable.

Policy

In 2008, Group Executive Management established a new environment, health and safety policy for all Group units.

Environment, health and safety policy:

- Environment, health and safety issues are integral parts of Sandvik's total operations and the company achieves continual improvement in these areas through management by objectives. Sandvik believes that the greatest effect is achieved through preventive actions.
- The company follows an approach that results in long-term sustainable development in its operations. Consequently, Sandvik strives for high efficiency in the use of energy and natural resources, promotes systems for recycling and recovery of materials and works to prevent pollution and any work-related illness and injury.

- Sandvik strives to provide a healthy and safe work environment that stimulates employees to perform effectively to assume responsibility and to continue to develop towards their personal and professional goals.
- Sandvik complies with or exceeds applicable environmental, health and safety, legal and other requirements. The company believes that common and effective environment, health and safety requirements and standards should be established at an international level.

Human rights and employee conditions

Sandvik has clear policies on human rights and labor rights, which are based on the United Nations Universal Declaration of Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work.

Sandvik is responsible for ensuring compliance with these policies in the company's operations as well as throughout the supply chain, in areas where Sandvik has the potential to exert influence and control.

Risks and opportunities

Sandvik's financial risks are described on pages 28–33. In addition to these, there are risks associated with Sandvik being active in many parts of the world where the risk of environmental pollution, violation of human rights and corruption is present. Moreover, Sandvik has a large number of production units in which environmental, health and safety risks arise. Sandvik has an established risk management process to assess these types of risks, as well as financial risks. The risk assessment not only encompasses the Group's operations, but also risks related to the geographical areas in which Sandvik is active and supplier-related risks. The risk management process is described in the section starting on page 25 in Sandvik's Annual Report.

Business ethics

Sandvik's risks relating to business ethics are regarded as significant, especially the risk of bribes in connection with marketing and sales, and risks related to purchasing in countries in which corruption is widespread. The use of agents and distributors represents

a particularly large risk, since monitoring of these is more difficult than the monitoring of Sandvik's own operations. The development of corruption in various countries in which Sandvik is active is continually monitored via, for example, Transparency International's website (www.transparency.org). The risk of breaches of local antitrust and competition legislation is also high. To minimize these business risks, continual training and internal audits are conducted. During the year, some 40 cases of suspected harassment, fraud and corruption were reported, representing an increase compared with the preceding year. All these cases have been investigated and corrective measures have been taken, including the dismissal of employees.

Suppliers

In 2009, Sandvik further intensified its focus on risks associated with the supply chain by adopting a special Code of Conduct for suppliers, which is based on Sandvik's Code of Conduct. The Code, which is available in an original English version on Sandvik's website (www.sandvik.com), has also been translated into Mandarin, Hindi, Marathi, Gujarati, Telugu and Portuguese. The Code has been used in China and India to train about 20 suppliers. A fundamental method of assessing suppliers based on the new supplier Code of Conduct is being developed and is scheduled to be implemented in early 2010.

Sandvik has about 2,800 suppliers in China and India. Of these, 34 high-risk suppliers were audited during the year. In India, it was revealed that child labor was being used by two suppliers. In addition, several suppliers have unacceptable levels of safety and excessive working hours. Furthermore, several suppliers in India admitted that they had bribed civil servants to avoid being

audited or interaction with government agencies. These suppliers have been placed under special surveillance.

Environment

At year-end 2009, Sandvik had 139 manufacturing units and 28 distribution or service/rebuilding workshops worldwide with varying environmental impacts. The distribution of manufacturing units in various parts of the world is detailed in the diagram below. Most service/rebuilding workshops are located in Australia.

Environmental management systems have already been introduced at the vast majority of these sites and are currently being developed at the remaining sites. Within the framework of these systems, the Group's environmental risks have been summarized as follows:

Overall environmental risks within Sandvik's own operations:

- 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.

Risks associated with emissions primarily relate to the emission of carbon dioxide and acid gases to the atmosphere. These emissions are mainly caused by the company's use of fossil fuels and indirectly from purchases of electricity produced by combustion of fossil fuel. Meanwhile, this represents a long-term business opportunity for Sandvik in its search for new carbon-neutral energy sources, as well as in the short term in the extraction of more fossil fuels whose extraction presents greater difficulties.

The Report of the Directors (page 24) presents information on licensed operations in Sweden and environmental liabilities.

Health and safety

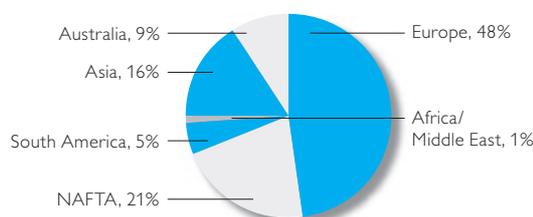
Sandvik's various production, service/rebuilding and distribution units represent potential risks of work-related illnesses and injuries. Health and safety management systems have already been introduced, or are in the process of being introduced, at most of these units. The management systems are designed to enhance the work environment and the working conditions of the company's employees. Sandvik's products may also constitute a risk when in use at customers' sites. This risk imposes major requirements on quality control in the company's own production and that of its suppliers, as well as the need for simple, clear operator manuals and product specifications.

Human rights and employee conditions

Any violation of Sandvik's policies in respect of human rights and employee conditions could have a major negative impact on Sandvik's credibility. Consequently, regular basic training is held covering the company's core values, policies and risks regarding human rights and labor legislation. In addition, regular internal audits are conducted at units deemed to be particularly exposed to these risks. The results of the audits are presented to local executives, country managers, Group Executive Management and the Board.

To raise the level of understanding in the organization regarding the risks relating to human rights and labor issues when Sandvik undertakes operations in high-risk countries, analyses have been conducted of a large number of countries in Asia, Africa and South America. These analyses are available on Sandvik's intranet for those active in these countries. Risks of this type

Geographic distribution of production units



arise not only in direct operations (such as production and purchasing) in such countries, but also indirectly (risk associated with customers).

No incidents involving human rights abuses were reported in 2009.

Objectives/targets for sustainability programs

Sandvik's sustainability objectives/targets were approved by Group Executive Management in 2008.

Environment

The Group's objectives are:

- More efficient use of energy and input materials.
- Reduced emissions to air and water.
- Increased recovery of materials and by-products.
- Reduced environmental impact from the use of hazardous chemicals.
- Increased number of products that support sustainability principles.

The Group's targets are:

- 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).
- Commence reporting of wastewater discharged from sites before year-end 2009.
- Replace all chlorinated solvents, such as dichloromethane, tetrachloroethene, tetrachloromethane, trichloroethane and

trichloroethene, with other solvents or techniques before year-end 2010.

- 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).
- Commence reporting of carbon dioxide emissions arising from transportation before year-end 2009.
- All major production, service and distribution units shall be certified in accordance with ISO 14001 within two years of acquisition or establishment.

Health and safety

The Group's objectives are to:

- Further reduce the frequency of occupational injuries, illnesses and incidents.
- Improve health and well-being among employees.

The Group's targets are:

- Reduce the Lost Time Injury Frequency Rate by 50% before year-end 2012 (base year: 2008).
- All sites will introduce a health and well-being program before year-end 2010.
- 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.

Employee conditions and development

The Group's objectives are:

- Increase equality of opportunity at workplaces.

The Group's targets are:

- All sites will introduce a program to improve the gender balance before year-end 2010.
- All employees shall have formal annual performance review discussions.

Outcome of sustainability programs

The following section presents the outcome in relation to the Group's targets using the relevant performance indicators and key figures. Unless otherwise indicated, the values comprise the accumulated values for 2009 from all active reporting units (about 300). Acquisitions for the year had a slight impact on environmental and health and safety indicators, which is commented on separately for each indicator. Sandvik's adaptation of the rate of production to the prevailing market situation had a significant impact on most of the indicators.

Financial

Sandvik's financial progress is presented in the Report of the Directors and in the financial statements in the Annual Report. These include a presentation of the Group's financial goals and outcome in relation to these goals.

The table below shows how the value created through the Group's operations has been generated and the manner in which it was distributed among the various stakeholders.

Apart from allocations of carbon dioxide emission allowances (see page 24), Sandvik received no significant government grants during the year (see Note 13 in the Annual Report).

Economic value generated and distributed*

SEK M	Stakeholder	2009	2008	2007	2006
Sales	Customers	71,937	92,654	86,338	72,289
Economic value generated		71,937	92,654	86,338	72,289
Production costs	Suppliers	46,859	53,287	48,343	38,620
Employee wages and benefits	Personnel	22,441	23,129	20,562	18,825
Payments to providers of capital	Credit providers	2,060	2,217	1,397	955
Payments to providers of capital	Shareholders	3,926	5,111	4,207	3,533
Payments to governments	Public sector	885	2,876	4,167	3,151
Economic value distributed		76,171	86,620	78,676	65,084
Retained in company		-4,234	6,034	7,662	7,205

* The table includes Seco Tools.

Raw materials consumption

	2009	2008	2007	2006
Consumption of metallic raw materials (thousand metric tons)	252	350	399	405
of which recovered (%)	78	79	78	78

Water consumption

	2009	2008	2007	2006
Water consumption (thousands m ³)	7,100	6,600	6,800	6,800
of which purchased freshwater (thousands m ³)	3,200	3,600	3,500	3,300
of which groundwater (thousands m ³)	600	500	500	500
of which harvested surface water (thousands m ³)*	3,300	2,500	2,800	3,000

* Historical values have been adjusted.

Energy use

	2009	2008	2007	2006
Use of energy (TJ)	7,500	8,900	8,800	8,100
of which fossil fuels (TJ) Direct energy*	2,900	3,400	3,400	3,000
of which electricity (TJ) Indirect energy**	4,600	5,500	5,400	5,100

* Historical values have been adjusted.

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

Environment

Use of raw materials

Material consumption varies across the business areas. At Sandvik Tooling and Sandvik Materials Technology, production is mainly based on metallic raw materials, while at Sandvik Mining and Construction, it is primarily based on purchased components. Sandvik's consumption of metallic raw materials is presented in the table on page 92.

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 Technology are iron, nickel, chromium, manganese and molybdenum, either in alloys or as part of scrap metal. Of these materials 78% (80) are derived from recycled scrap. The key raw materials for Sandvik Tooling are various tungsten compounds and cobalt, but more unusual elements such as tantalum are also used. Sandvik Mining and Construction uses iron and manganese raw material for the manufacture of castings. Approximately 89% (88) of these materials is derived from scrap. In total for the Group, about 78% (79) of metallic raw materials is derived from scrap.

Although the recovery level is already high today, Sandvik continuously endeavors to increase the proportion of recovered raw materials to secure a sustainable utilization of raw materials and to reduce its environmental impact. This is accomplished through buying back used products and the recycling of waste products from proprietary manufacturing plants.

Sandvik Tooling continues to increase recycling of materials from cemented-carbide products. Just over 60% of the tungsten used in the business area in 2009 was derived from recycling. This resulted in a reduced need for material purchases from mines. Sandvik Coromant's program for recycling of sold cemented carbide inserts represents an integral part of this sustainability work. Buy-backs of products from customers are gradually being introduced in other product areas, which means that the need for primary material is further reduced. During the year, Sandvik Mining and Construction continued to develop recycling of the tungsten material in drill tools.

Hazardous chemicals are used only to a limited and well-supervised extent and are handled in accordance with environmentally safe methods. The work on replacing chlorinated solvents with other less environmentally hazardous solvents is proceeding according to plan. The total annual consumption of chlorinated solvents in 2009 was about 2 cubic meters.

Consumption of water

Water is a valuable resource and its efficient use is therefore crucial. Sandvik's target is to reduce consumption of fresh water (purchased water) relative to sales volume by 10% from 2008 to 2012. During the year, Sandvik's freshwater consumption decreased by 11%, while consumption in relation to sales volume rose 25%. This figure includes structural effects of 1 percentage point from companies acquired during the year. The table on page 92 shows the trend in fresh-

water consumption in Sandvik since 2006. It also details the consumption of ground-water and harvested surface water. This activity is conducted at 26 production units. The increase in harvested surface water compared with earlier years is attributable to acquisitions. This increase also impacts total water consumption.

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 all waste water, which is subsequently re-used in its operations.

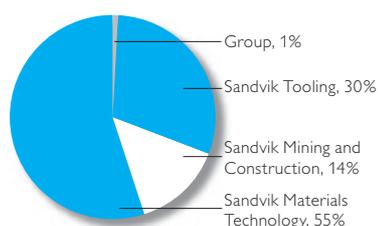
Use of energy

The table on the previous page and the diagrams below show the trend in the use of energy at Sandvik as well as the distribution of energy use by the business areas and various markets.

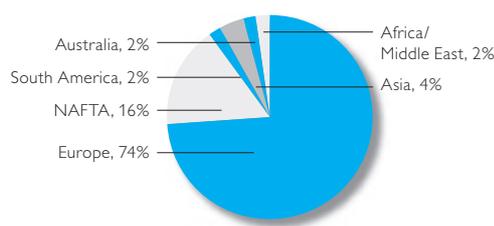
During the year, the use of energy in relation to sales volume displayed a negative trend. Sandvik's target for the period 2008 through 2012 is to reduce total energy use (electricity and fossil fuels) by 10% in relation to sales volume. However, during the year, the total use of energy in relation to sales volume increased 19%, which includes structural effects of 2 percentage points from acquired companies. The main reason for the sharp increase is that a significant portion of energy use is derived from the heating/cooling of properties that are not affected by volume downturns.

Despite the difficult economic situation with declining sales and production, energy-efficiency programs continued

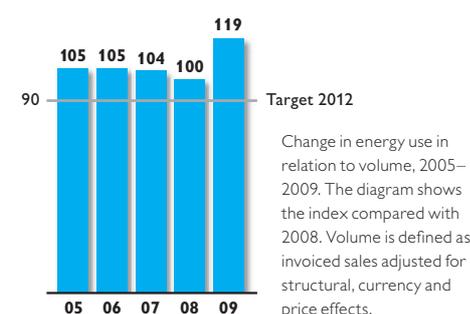
Energy use per business area



Energy use per market area



Energy use in relation to sales volume



according to plan. At Sandvik Materials Technology in Sandviken, which accounts for slightly more than 40% of the Group's energy use, energy-efficiency efforts were intensified, for example, by employing two people on a project basis to identify new efficiency opportunities.

Climate issues

Sandvik's impact on the climate primarily consists of emissions of carbon dioxide. The combustion of fossil fuels also generates emissions of the greenhouse gases N₂O and CH₄, corresponding to approximately 2,000 tons of carbon dioxide, although this figure represents less than 0.5% of total carbon dioxide emissions. The table on page 95 shows the trend of the Group's carbon dioxide emissions and the diagrams below show emissions in relation to sales volume and emissions per business area and market.

During the year, Sandvik's carbon dioxide emissions from the use of electricity and combustion of fossil fuels declined by 15%, but carbon dioxide emissions increased 19% in relation to sales volume, which is a negative trend if compared with the target to reduce relative emissions by 10% from 2008 through 2012. The increase was influenced by structural effects of 2 percentage points from companies acquired during the year.

As described above, the increase was mainly attributable to the fact that much of the Group's energy use is unaffected by volume changes.

In most cases when conducting calculations of carbon dioxide emissions related to the generation of electricity, factors used in the calculation of carbon dioxide emissions were obtained from the suppliers of the electricity used at the plants. Otherwise, factors from the International Energy Agency Data Services were applied.

During the year, Sandvik also commenced reporting of carbon dioxide emissions arising from passenger transports to be able to better monitor the Group's total impact on the environment and present a more comprehensive report in line with the Greenhouse Gas Protocol (www.ghgprotocol.org). The table on page 95 also presents the carbon dioxide emissions from passenger transports (air travel and rental cars). In 2010, reporting of carbon dioxide emissions from goods transports will commence.

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 (NO_x). Sulfur dioxide mainly originates from the combustion of oils and coke. Emissions of

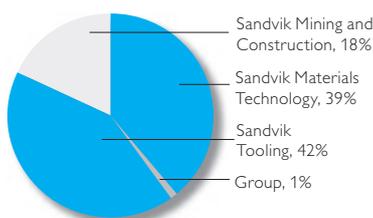
NO_x are derived from the smelting processes in Sandviken and Hallstahammar, and from pickling plants for the cleaning of surfaces, and the combustion of fossil fuels. The table on page 95 details emissions of SO₂ and NO_x in addition to emissions of VOCs (Volatile Organic Compounds). SO₂ emissions are calculated from the volume of oil and coke burned, while VOC emissions are calculation from the combustion of all fossil fuels. Estimations of emissions of NO_x from pickling plants and melting processes are based on random monitoring.

Emissions from the combustion of fossil fuels are calculated using factors from the Swedish Environmental Protection Agency

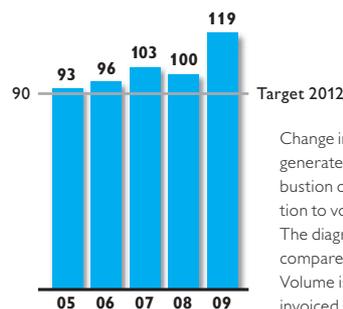
Emissions to water comprise another environmental effect in the Group, where the objective is to reduce emissions. Emissions mainly consist of fertilizers, such as phosphorous and nitrogen, in addition to metals from pickling plants. The table on page 95 shows emissions to water. To monitor total emissions to water, the volume of process water discharged following treatment is also measured. See the table on page 95.

The table on page 95 presents the waste volumes produced during 2009. The significant increase compared with earlier years is attributable to acquisitions. No major changes were noted for comparative units compared with earlier.

Carbon dioxide emissions per business area

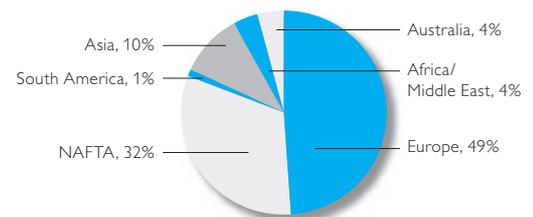


Carbon dioxide emissions in relation to sales volume



Change in carbon dioxide generated from the combustion of fossil fuels in relation to volume 2005–2009. The diagram shows index compared with 2008. Volume is defined as invoiced sales adjusted for structural, currency and price effects.

Carbon dioxide emissions per market area



Environmental management system

Sandvik's target is that all major production, service and distribution units shall be certified in accordance with the international standard for environmental management systems, ISO 14001, within two years of their acquisition or establishment. The term "major" is defined as sites with 25 employees or more. At year-end 2009, 158 (95%) production, service/rebuilding and distribution units were certified. These units are physically located on Sandvik's sites. In addition, Sandvik operates about 20 maintenance workshops within customer operations (mainly mines). These workshops are either part of the customers' or Sandvik's environmental management systems. Of Sandvik's 139 major production sites, 95% are certified. All major units not certified are new acquisitions or new establishments during 2008–2009.

Biodiversity

Twelve of Sandvik's production units are located within or close to protected areas with high value in terms of biodiversity. Four of these sites are located in the US, five in Europe, two in Brazil and one in New Zealand. Eight of these areas comprise wetlands. Sandvik demonstrates particular consideration for these areas and cooperates with authorities in relevant cases.

Health and safety

The table on page 96 provides an overview of Sandvik's results as regards health and safety.

No work-related fatalities occurred during the year. The number of Lost Time Injuries and the Lost Time Injury Frequency Rate fell sharply during the year (41% and 39%, respectively) and have declined by 59% and 69%, respectively, since 2005. The number of Lost Days due to Lost Time Injuries declined 24% during the year. Sandvik's target is to reduce the Lost Time Injury Frequency Rate by 50% from 2008 through 2012. The diagrams on page 97 present the Lost Time Injury Frequency Rate by Sandvik's business areas and market areas. During 2009, all business areas have reduced the injury frequency rate.

The sharp decrease during the year can be attributed in part to the continued focus on improvement programs, but also to the significant fall in production. Many production units implemented shortened working hours, which was not taken into account in the calculation of the Lost Time Injury Frequency Rate.

Sandvik continues to encourage reporting of Near Misses and risks, since these provide an early indication of where the risks exist. Accordingly, risks can be managed at an early stage and accidents prevented.

From 2007, the number of reported Near Misses and risks has been introduced as a Group-wide indicator (see table on page 96). In 2009, the number of reported Near Misses and risks rose sharply. This does not indicate an actual increase in the number of Near Misses, but is rather proof of more effective reporting. The ratio between Near Misses and Lost Time Injury was 25 (9).

Carbon dioxide emissions*	2009	2008	2007	2006
Carbon dioxide emissions (thousand metric tons CO ₂)**	479	566	547	470
of which from combustion of fossil fuels (thousand metric tons CO ₂). Direct	195	224	226	202
of which use of electrical energy (thousand metric tons CO ₂). Indirect***	284	342	321	268

* Historical values have been adjusted.

** Excluding emissions from the transport of raw materials and finished products as well as travel.

*** Emissions are calculated using factors from electricity suppliers or the International Energy Agency Data Services, see text. Emissions also include emissions from electricity generation.

Carbon dioxide emissions from passenger transports*	2009	2008	2007	2006
Emissions from passenger transports via air travel	22	/	/	/
Emissions from passenger transports via hire car	6	/	/	/

* Emissions based on collected data from Sandvik employees corresponding to 72% of the Group's workforce.

Emissions of process water	2009	2008	2007	2006
Volume of process water discharged (thousands m ³)	1,400	/	/	/

Produced waste	2009	2008	2007	2006
Waste (thousand metric tons)*	280	166	171	150
of which, hazardous waste (thousand metric tons)	27	32	28	35
of which, to landfill (thousand metric tons)	231	109	105	95

* Excluding scrap metal that has been internally or externally recycled.

Emissions to water and air

Emissions to water	2009	Emissions to air	2009
Nitrogen to water (kg)	201,000	VOC to air (kg)*	65,000
Phosphorous to water (kg)	1,400	SO ₂ to air (kg)	45,000
COD to water (kg)	172,000	NO _x to air (kg)	379,000
Nickel to water (kg)	680		
Chromium to water (kg)	70		

* Only from combustion of fossil fuels.

In certain countries, community and working life is marked by the presence of serious transmittable diseases. For example, HIV/AIDS is an extremely serious problem particularly in southern Africa. Sandvik has extensive HIV/AIDS programs in South Africa, Zimbabwe, Tanzania, Zambia, and Malawi and to some extent in Ghana and the Democratic Republic of Congo. A summary of the HIV/AIDS programs in these countries is presented in the table below.

Sandvik has implemented programs to educate and counsel employees and their families and, in some cases, the community near to Sandvik's operations, about HIV/AIDS. Training in these matters is provided daily, usually in conjunction with the safety meetings that are held prior to work commencing. Counseling is provided by private organizations with whom Sandvik cooperates and the Group's own counselors. These meetings not only address HIV/AIDS matters, but also identify other factors that may affect an individual, such as stigma. Preventive work and risk controls are conducted in connection with training and counseling. The main focus is placed on changing the attitude to partners and the use of condoms. Measures and support are offered to all employees who test HIV positive. In addition to the opportunity to receive testing and free condoms, antiretroviral drugs are offered to people who are within the scope of the program.

Management system for health and safety

Sandvik's target is to certify all major production, service and distribution sites in accordance with the international specification for the occupational health and safety management system OHSAS 18001 (or an equivalent standard) within two years of the acquisition or establishment. The term major is defined as sites with 25 employees or more. At year-end 2009, 155 (93%) of production, service/rebuilding and distribution units were certified. These units are physically located on Sandvik's sites. In addition, Sandvik operates about 20 maintenance workshops within customers' operations (mainly mines). All of these units have also been certified. A total of 91% of Sandvik's 139 major production units are certified. All units that are not certified comprise new acquisitions or new establishments in 2008–2009.

Employee conditions and development

To ensure continuous improvement of employee performance, Group Executive Management has decided to monitor five indicators: diversity (the balance between the number of men and women), mobility (internally within the company), personnel turnover, competence development days and performance review discussions. Two of these indicators have been assigned a specific Group target – that all employees shall have an annual performance review discussion and improvement in the balance between men and women in the company.

Employment

The average number of employees by geographical area and gender is presented in Note 3 in the Annual Report. During the year, personnel turnover was 14% (10). Mobility within the company (the proportion of positions filled internally in relation to the total number of positions filled) was 36% (15).

Diversity and equal opportunity

About 77% of Sandvik's employees work outside Sweden. The employees at subsidiaries in more than 60 countries have a wide variety of nationalities and collectively speak a large number of languages. This diversity in the Group is considerable and is also a prerequisite for Sandvik to be able to secure the availability of the right expertise at the right time for the needs that exist within the company. This high level of diversity is secured by offering equal rights and equal opportunities to all, irrespective of age, race, color, national origin, religion, sex or disability. Sandvik has aimed to increase the proportion of female employees to ensure access to the most competent employees in a future, when there will be increased competition for skilled labor. At year-end 2009, the proportion of women was 17.2% (16.9) of the total number of employees, 9.2% (7.8) of the total number of Board members and Presidents, 13.5% (12.8) of the total number of managers/supervisors, 27.6 (27.7) of the total number of staff positions (excluding managers) and 10.2% (10.2) of the total number of worker positions.

Health and safety	2009	2008	2007	2006
Number of fatalities due to work-related injuries	0	2	1	2
Number of Lost Time Injuries*	425	717	827	980
Lost Time Injury Frequency Rate**	5.0	8.1	10.3	13.2
Number of reported Near Misses	10,556	6,346	3,179	—
Number of Near Misses per Lost Time Injury	25	9	4	—
Lost days due to Lost Time Injuries	8,523	11,286	12,603	14,897
Working Days Lost by employee due to Lost Time Injuries	0.20	0.25	0.31	0.40
Total absence (from scheduled work), %	2.3	2.3	2.6	2.7

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

** 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.

HIV/AIDS Assistance program

Recipients	Education	Counseling	Prevention/ Risk controls	Treatment
Employees	7	6	7	5
Families of employees	5	6	6	5
Other inhabitants	5	4	3	1

The number denotes the number of countries in which Sandvik offers programs for the respective categories.

Distribution of the average number of employees within various geographical regions and taking into account gender is presented in Note 3 to the financial statements in the Annual Report. Other relevant key figures regarding distribution by gender are shown in the diagrams on page 98.

Performance review discussions and competence development

During 2009, performance review discussions were conducted with 66% (56) of Sandvik's employees, which remains far below the established target of 100%. An important feature of the performance review discussion is to identify opportunities to enhance the skills and well-being of the employee and to increase satisfaction and well-being in the workplace. Advancing the employee's skills is equal to advancing Sandvik's business. The number of competence development days per employee and region during the year is presented in the diagram on page 98.

Social commitment

Sandvik's policy with respect to social commitment is that each Sandvik company shall strive to gain an understanding of the society in which it operates, make a constructive contribution to local matters and promote development of the region. To act in accordance with this policy, Sandvik encourages its employees to participate in community programs and initiatives that are beneficial for the inhabitants in regions where Sandvik has operations.

Sandvik does not pursue any Group-wide project in this area, but all activities are arranged locally by the various companies. Examples of the Group's commitment include:

- Collaborations with schools and universities for the purpose of offering degree projects and developing educational programs.
- Donations to schools, charity organizations, hospitals, Children's Villages, etc., sometimes in cooperation with Sandvik's customers or local NGOs.
- Sponsorship of sports clubs and local initiatives.
- Assistance to unemployed individuals to find a job or educational program.
- Donations of equipment in connection with severe natural disasters, such as earthquakes.
- Blood donations.
- HIV/AIDS program.

Awards and ratings

Sandvik's sustainability work is evaluated annually by a number of SRI analysts and rating agencies. In 2009, Sandvik has been included in the following indexes:

Dow Jones World Sustainability Index and Dow Jones STOXX Sustainability Index. The most prestigious indexes that track the financial performance of the leading sustainability-driven companies. To qualify for the DJSI World, it is necessary to be among the top 10% of companies ranked in terms of three factors: financial success, environmental performance and social responsibility. The selection is made from the 2,500 largest companies on the Dow Jones world index.

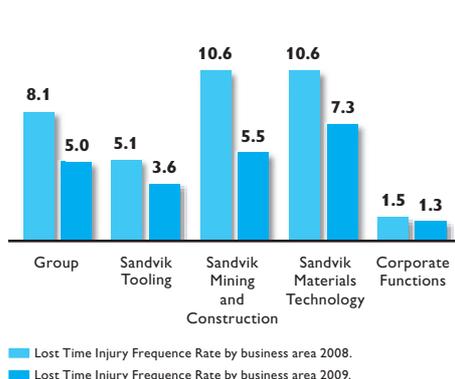
FTSE4Good. An internationally recognized market index that measures the results and performance of companies that comply with globally recognized corporate responsibility standards.

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.

Sandvik was also acknowledged by the Carbon Disclosure Project and was included in the Carbon Disclosure Leadership Index, an index comprising companies in the Nordic region that have prepared the best carbon-emission reports. This project is backed by 475 investors worldwide.

Lost Time Injury Frequency Rate by business area

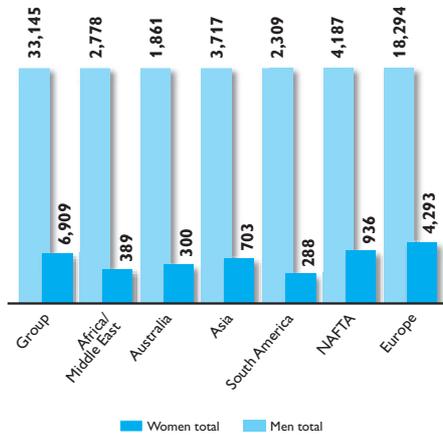


Lost Time Injury Frequency Rate by market area

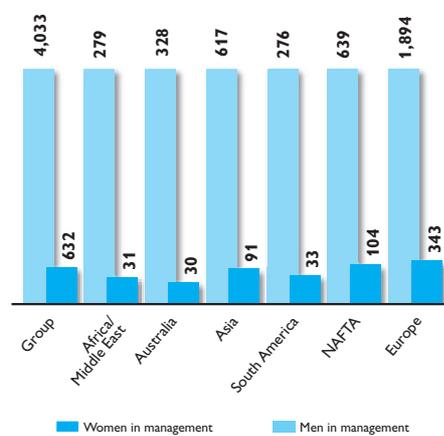


The diagrams below show the distribution between the number of women and men, broken down by geographic market and position.

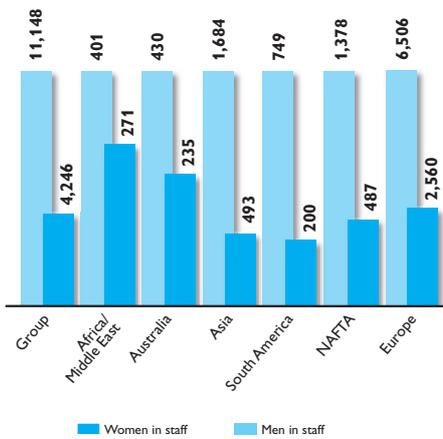
Proportion of women, all Group employees



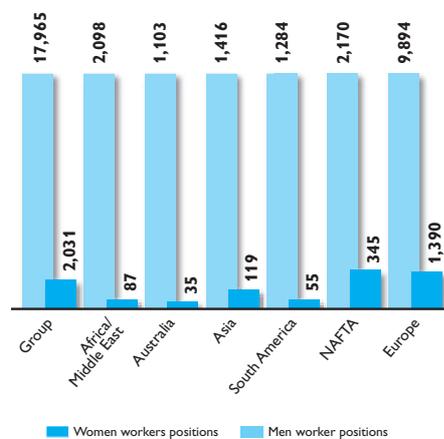
Proportion of women, managers/supervisors



Proportion of women, staff positions



Proportion of women, worker positions



Competence development, days per employee and market area



Review report on the Sustainability Report

To the readers of Sandvik's 2009 Sustainability Report:

We have been engaged by Sandvik's Executive Management to perform an assurance engagement related to Sandvik's 2009 Sustainability Report. The Sustainability Report is presented on page 24 and 88–99 of Sandvik's 2009 Annual Report and on Sandvik's website www.sandvik.com/sustainability under the headings GRI Index and AA1000APS. It is Sandvik's Executive Management that is responsible for the continuous activities regarding sustainable development from the perspective of financial, environmental and social responsibility and for the preparation and 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.

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) recommendation RevR 6 Assurance of sustainability reports and AccountAbility's AA1000AS, type 2. A review¹⁾ consists of making inquiries, primarily of persons responsible for sustainability matters and for preparing the sustainability report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing standards. The procedures performed in a review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

The criteria used in the course of performing review procedures are based on applicable parts of the Sustainability Reporting Guidelines, G3 issued by the Global Reporting Initiative (GRI) suitable for the sustainability report, and specific measurement and reporting principles, Fair Play Reporting, developed and stated by Sandvik. We consider those criteria to be suitable for our engagement.

FAR SRS requires us to act in accordance with FAR SRS's Code of Ethics for professional accountants. In accordance with AA1000AS (2008), we confirm that we are independent of Sandvik. 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:

- Assessment of suitability and application of criteria in respect to internal and external stakeholders' need of information.
- Interviews with certain external stakeholders to secure that Sandvik responds to important stakeholders' concerns in the sustainability report.
- Interviews with responsible management, at group level, division 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 eight of Sandvik's facilities located in Chile, France, Sweden, the UK, the US and Austria.

- 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 2009 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 Sandvik's 2009 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 on www.sandvik.com/sustainability under the heading AA1000APS.

Other information

The following is other information that has not affected our conclusion above. The principles inclusivity, materiality and responsiveness apply to the extent reported in the description on www.sandvik.com/sustainability under the heading AA1000APS which includes the following points that requires further attention:

- In relation to inclusivity focus will be to increase the local awareness of AA1000APS.
- In relation to materiality activities to follow-up the suppliers will be developed further.
- In relation to responsiveness, processes for feedback to local stakeholders will be developed.

Sandviken, February 18, 2010
KPMG AB

Caj Nackstad
Authorized Public Accountant

Åse Bäckström
Expert Member FAR SRS

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.