

*This is a translation of the Swedish original. In case of differences between the English translation and the Swedish original, the Swedish text shall prevail.*

## **Sandvik AB's Remuneration Report 2020**

### **Introduction**

This Remuneration Report describes how Sandvik AB's (the "**Company**") guidelines for executive remuneration (the "**remuneration guidelines**"), adopted by the Annual General Meeting 2020, have been implemented in 2020. The report also provides details on the remuneration of the Company's President & CEO ("**President**") and a summary of the Company's outstanding share and share-price related incentive programs. The report has been prepared in accordance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551) and the Rules on Remuneration of the Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Information required by Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554) is available in note G4 on pages 71–73 of the Company's annual report for 2020 (the "**Annual Report 2020**"). Information on the work of the Remuneration Committee in 2020 is set out on page 47 of the corporate governance report in the Annual Report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in note G4 on pages 71–73 of the Annual Report 2020.

### **Overall company performance in 2020**

The President summarizes the Company's overall performance in his statement on page 4 of the Annual Report 2020.

### **The Company's remuneration guidelines: scope, purpose and deviations**

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. The Company's remuneration guidelines enable the Company to offer the executive management and the President competitive total remuneration.

Under the Company's remuneration guidelines, remuneration of executive management shall be on market terms, be competitive and reflect the individual's performance and responsibilities as well as the Group's earnings trend. The remuneration may consist of the following components: fixed salary, variable remuneration, pension benefits and other benefits.

The remuneration guidelines, adopted by the Annual General Meeting 2020, can be found on pages 38–40 of the Annual Report 2020. During 2020, the Company has complied with the applicable remuneration guidelines. No deviations from the guidelines have been decided and no derogations from the procedure for implementation of the guidelines have been made. No remuneration has been reclaimed.

The auditor's report regarding whether the Company has complied with the remuneration guidelines is available on the Company's website [home.sandvik](http://home.sandvik).

In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of the Company have resolved to implement long-term share-related incentive programs.

## Remuneration Committee's evaluation of remuneration

The Remuneration Committee considers that the remuneration guidelines adopted by the Annual General Meeting 2020 have worked well and that the purpose of the guidelines has been achieved. Moreover, the Committee considers the Company's remuneration structures and remuneration levels to be balanced and on market terms. In its evaluation of ongoing long-term incentive programs for senior executives and key employees, the Committee has concluded that the performance share programs are well balanced, have been well received, have increased retention compared to earlier share option programs and align the participants interest with those of the shareholders.

## Total remuneration of the President

The table below sets out total remuneration to the Company's former and current President relating to 2020.

**Table 1 – Total remuneration of the President (SEK)**

Name of Director, position <sup>1</sup>	Fixed remuneration		Variable remuneration		Extraordinary items <sup>6</sup>	Pension expense <sup>7</sup>	Total remuneration <sup>8</sup>	Proportion of fixed/variable remuneration <sup>9</sup>
	Base salary <sup>2</sup>	Other benefits <sup>3</sup>	One-year variable <sup>4</sup>	Multi-year variable <sup>5</sup>				
Stefan Widing, President (Current)	12,205,326	90,007	1,787,501	0	-975,001	4,469,080	17,576,914	a) 90% b) 10%
Björn Rosengren, President (Former)	3,712,316	8,194	0	0	0	471,874	4,192,384	a) 100% b) 0%

1. Björn Rosengren (Jan), Stefan Widing (Feb–Dec). Rosengren's and Widing's employment overlapped a few days in the end of Jan, Widing's earnings for these days are included.

2. Björn Rosengren's fixed salary 2020 amounts to 1,258,250 SEK, the remaining amount relates to vacation pay, etc. Stefan Widing's fixed salary 2020 amounts to 12,134,394 SEK before the deduction stated in column Extraordinary items, the remaining amount relates to vacation pay, etc. Board fees are not payable to executive Board members.

3. Relates mainly to the fringe-benefit and company car.

4. Amount to Widing pertains to 2020 and is expected to be paid in 2021. For Rosengren, no variable pay pertains to 2020, however, variable pay for 2019 amounting to 3,397,275 SEK was paid during 2020.

5. Relates only to any shares vested during the financial year, taxable value on day of vesting. The vesting period for LTI 2020 (which is the only LTI-program in which the President participates) is still running.

6. Relates to the 10% base salary deductions made, due to the Covid-19 pandemic, Apr–Dec.

7. Relates to all pension contributions on pensionable salary which is base salary.

8. Amounts have been rounded to closest 1.0 SEK.

9. a) The sum of fixed remuneration divided by total remuneration b) the sum of variable remuneration divided by total remuneration.

## Variable remuneration

### Outstanding share and share-price related incentive programs

The Annual General Meetings in 2017–2020 adopted a long-term share-related incentive program ("LTI") for each of the respective year, for about 350 senior executives and key individuals in the Sandvik Group, divided into four categories. For all participants, a personal investment in Sandvik shares is required in each separate program. Each acquired Sandvik share entitles the participant to be allotted, after a period of three years, a certain number of Sandvik shares free of charge (so called performance shares), provided that certain performance targets are met and subject to continuous employment and all acquired shares being held during the three year period. The number of performance shares that will finally be allotted is dependent on the participant category and the adjusted

Earnings Per Share (“EPS”) in the program year compared to the previous financial year. LTI 2017 also included a matching element where all participants were allotted one Sandvik share for each acquired Sandvik share after a period of three years, irrespective of Company performance. As from LTI 2018 the matching element was removed to instead form part of the overall potential of performance shares.

For information on the number of performance shares encompassed by these four ongoing programs, see note G4 on pages 71–73 of the Annual Report 2020.

### Variable long-term share-related remuneration to the President

Stefan Widing joined Sandvik on 1 February 2020 and has therefore only participated in one long-term incentive program, LTI 2020. The former President’s rights under ongoing LTI Programs, 2017–2019, encompassing in total 162,781 awards, were forfeited before entering into the year 2020.

**Table 2 – Variable share-related remuneration to the President**

The main conditions of long-term share-related incentive program					Information regarding the reported financial year						
					Opening balance (Jan 1, 2020)	During the year				Closing balance (Dec 31, 2020)	
	LTI Program <sup>1</sup>	Performance period	Award date	Vesting date and end of retention period <sup>2</sup>	Awards <sup>3</sup> at the beginning of the year	Awards granted <sup>4</sup>		Shares vested <sup>5</sup>		Awards subject to vesting <sup>6</sup>	Awards forfeited <sup>9</sup>
						No. of awards	Value (SEK) <sup>5</sup>	No. of shares	Value (SEK) <sup>7</sup>		
Stefan Widing, President	LTI 2020	Jan 1 - Dec 31, 2020	Jun 12, 2020	Jun 30, 2023	0	65,213	10,153,664	0	0	0	65,213
<b>TOTAL</b>					<b>0</b>	<b>65,213</b>	<b>10,153,664</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,213</b>

1. All Programs have a one-year performance period followed by an additional two-year retention period prior to vesting.
2. The latest date of delivery of shares to the employee share account.
3. Award is the right to a number of shares that may potentially be allotted at vesting date.
4. Assuming a maximum performance outcome.
5. The share value based on closing price on award date, SEK 155.70.
6. The number of shares delivered to the employees’ share accounts at vesting date.
7. The share value based on closing price on vesting date.
8. Based on actual performance outcome.
9. Awards under LTI 2020 are forfeited due to the minimum threshold for allotment of shares was not met.

The performance criteria for LTI 2020 is EPS growth. One performance share is allotted for each acquired Sandvik share if adjusted EPS 2020 exceeds adjusted EPS 2019. In order for any remaining performance shares to be allotted, EPS 2020 growth must exceed 5 percent in relation to EPS 2019.

Adjusted EPS for the financial years 2019 and 2020 amounted to 11.20 SEK and 8.74 SEK, respectively. This means that the minimum threshold for allotment of shares was not met. Therefore, no shares will be allotted under LTI 2020.

### Variable short-term cash remuneration

Variable cash remuneration is conditional upon the fulfilment of defined and measurable criteria. At the beginning of each year the Board of Directors and the Remuneration Committee establish the criteria, including key performance indicators (KPIs) and the target ranges, deemed relevant for the upcoming measurement period. At least 80 percent of the variable cash remuneration shall be linked to financial criteria.

The performance criteria for the President’s short-term variable remuneration aims at promoting the Company’s business strategy and performance as well as its long-term interests, including its sustainability. Set out in the table below is a description of how the criteria for payment of variable short-term remuneration to the President have been applied during the financial year.

**Table 3 – Variable cash remuneration to the President**

Name of Director, Position <sup>1</sup>	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance per criteria (%) and b) actual award/remuneration outcome (SEK)
Stefan Widing, President	Earnings Per Share	35%	a) 0%
			b) 0
	Earnings Before Interest and Taxes	35%	a) 0%
			b) 0
	Cash Conversion Rate	20%	a) 100%
			b) 1,787,501
	Productivity Improvement	10%	a) 0%
			b) 0

1. Stefan Widing (Feb–Dec). Björn Rosengren was not eligible for variable short-term cash remuneration in 2020.

### Comparative information on the change of remuneration and Company performance

Information for the previous financial years is not readily available. 2020 will therefore be the first reference year and no year over year changes for the previously reported financial years will be presented in this report for 2020.

**Table 4 – Remuneration and company performance during 2020 (SEK)**

	2020
President remuneration <sup>1</sup>	20,264,431
Group Operating Profit <sup>2</sup>	11,216,000,000
Average remuneration per employee in the parent company <sup>3</sup>	500,818

1. Björn Rosengren (Jan), Stefan Widing (Feb–Dec). Rosengren's and Widing's employment overlapped a few days in the end of January, Widing's earnings for these days are included. Remuneration to Rosengren pertaining to the years prior to 2020 has been excluded.

2. Sandvik Group Operating Profit as per consolidated income statement in the Annual Report 2020.

3. Employees in the Parent Company (i.e. Sandvik AB and the subsidiaries operating on commission for Sandvik AB) totalling 4,990 employees located in Sweden. Group Executive Management has been excluded.