

*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 2021**

### **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 2021. 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 81–83 of the Company's annual report for 2021 (the "**Annual Report 2021**"). Information on the work of the Remuneration Committee in 2021 is set out on page 57 of the corporate governance report in the Annual Report 2021.

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 81–83 of the Annual Report 2021.

The Company has not received any such comment as referred to in Chapter 8, Section 53 a, item 8, of the Swedish Companies Act.

### **Overall company performance in 2021**

The President summarizes the Company's overall performance in his statement on pages 4–5 of the Annual Report 2021.

### **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 48–50 of the Annual Report 2021. During 2021, 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.

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 President relating to 2021.

**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	14,070,654	105,049	8,272,800	0	0	4,899,287	27,347,790	a) 70% b) 30%

1. Stefan Widing (Jan–Dec).

2. Stefan Widing's fixed salary 2021 amounts to 13,790,298 SEK, 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. Pertains to 2021 and is expected to be paid in 2022.

5. Relates only to any shares vested during the financial year, taxable value on day of vesting.

6. No extraordinary items in 2021.

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 2018-2021 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.

For information on the number of performance shares encompassed by these four ongoing programs, see note G4 on pages 81–83 of the Annual Report 2021.

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

**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, 2021)	During the year				Closing balance (Dec 31, 2021)	
	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>7</sup>	No. of shares	Value (SEK) <sup>7</sup>		
Stefan Widing, President	LTI 2021	Jan 1 - Dec 31, 2021	Jun 11, 2021	Jun 30, 2024	0	48,840	10,954,812	0	0	48,840	0
	LTI 2020	Jan 1 - Dec 31, 2020	Jun 12, 2020	Jun 30, 2023	0	0	0	0	0	0	0
<b>TOTAL</b>					<b>0</b>	<b>48,840</b>	<b>10,954,812</b>	<b>0</b>	<b>0</b>	<b>48,840</b>	<b>0</b>

- All Programs have a one-year performance period followed by an additional two-year retention period prior to vesting.
- The latest date of delivery of shares to the employee share account.
- Award is the right to a number of shares that may potentially be allotted at vesting date.
- Assuming a maximum performance outcome.
- The share value based on closing price on award date, (LTI 2021 SEK 224.3).
- The number of shares delivered to the employee's share account at vesting date.
- The share value based on closing price on vesting date.
- Based on actual performance outcome.
- Forfeited awards based on actual performance.

The performance criteria for LTI 2021 is EPS growth. One performance share is allotted for each acquired Sandvik share if adjusted EPS 2021 exceeds adjusted EPS 2020. In order for any remaining performance shares to be allotted, EPS 2021 growth must exceed 5 percent in relation to EPS 2020, and maximum number of performance shares will be allotted for an EPS growth of 15 percent.

Adjusted EPS 2020<sup>1</sup> for the financial year 2020 amounted to 8.74 SEK. The EPS for the financial year 2021<sup>2</sup> amounted to 11.23 SEK. This means that the criteria for maximum allotment of shares was met. Therefore, 100 percent of the Performance Shares will be allotted under in 2024 under the LTI 2021 program.

- Restated 2020 for externally communicated one-off items, MiSys and M&A costs.
- Adjusted for items affecting comparability, external M&A transaction costs, capital gains and temporary hedges in the finance net

## 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	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	70%	a) 100%
			b) 7,238,700
	Cash Conversion Rate	20%	a) 0%
			b) 0
	Productivity Improvement	10%	a) 10%
			b) 1,034,100

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

2020 is the first reference year for the comparative reporting below.

**Table 4 – Remuneration and company performance during 2020 and 2021 (SEK)**

	2020	2021
President remuneration	20,264,431	<b>27,347,790</b>
Group Operating Profit <sup>1</sup>	11,216,000,000	<b>18,654,000,000</b>
Average remuneration per employee in the parent company <sup>2</sup>	500,818	<b>863,293</b>

1. Sandvik Group Operating Profit as per consolidated income statement in the Annual Report for the relevant year.

2. Employees in the Parent Company (i.e. Sandvik AB and the subsidiaries operating on commission for Sandvik AB) totalling 3,529 employees located in Sweden. Group Executive Management has been excluded.