

*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.*

## **The Board of Directors' of Sandvik AB report on the Remuneration Committee's evaluation of remuneration to senior executives**

The Board of Directors of Sandvik AB has established a Remuneration Committee which currently consists of Anders Nyrén (Chairman), Lars Westerberg and Johan Karlström. The Remuneration Committee's tasks include monitoring and evaluating programs for variable remuneration to senior executives, the application of Sandvik's guidelines for the remuneration of senior executives and current remuneration structures and remuneration levels. The Board of Directors hereby presents the following report on the results of the Remuneration Committee's evaluation, in accordance with rule 10.3 of the Swedish Corporate Governance Code.

The Remuneration Committee believes that the Company's guidelines for the remuneration of senior executives adopted by the Annual General Meeting 2014 have worked well and that the purpose of the guidelines has been achieved.

Moreover, the Committee believes the Company's remuneration structures and remuneration levels to be balanced and on market terms.

Each of the Annual General Meetings 2011–2013 resolved on a long-term incentive program, based on employee stock options, for senior executives and key employees in order to align the interests of the participants and the shareholders.

Following its evaluation in 2014 of these long-term incentive programs the Committee found that the retention effect of the incentive programs had decreased over time due to the limited value of employee stock options in a volatile market. To further attract, retain and motivate key employees in the Group, the Annual General Meeting 2014 therefore decided, pursuant to the Board's proposal, on a revised incentive program in the form of a performance share program requiring an investment by all participants. According to the Committee, the revised program is well-balanced and serves the purpose of retaining and motivating key employees in the Group better. The Committee has noted that the program has been well received and has obtained a level of participation that exceeds expectations.

Stockholm, January 2015

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