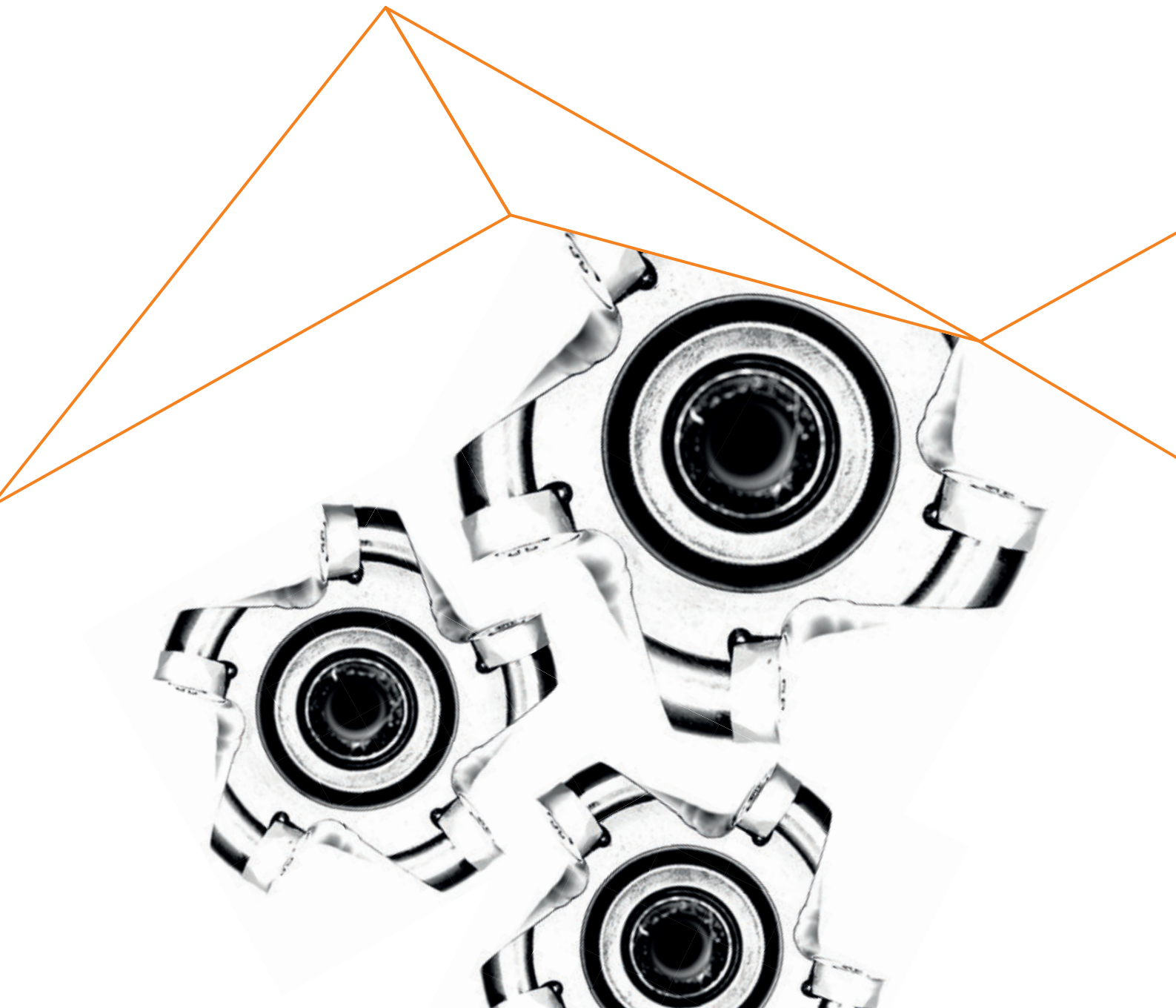




# SUSTAINABLE BUSINESS REPORT 2013



YEAR IN BRIEF	1
LETTER FROM THE PRESIDENT AND CEO	2
THIS IS SANDVIK	4
STRATEGY AND GOVERNANCE	8
STAKEHOLDER DIALOGS	12
RISK MANAGEMENT	14
ECONOMIC RESPONSIBILITY	15
RESEARCH AND DEVELOPMENT	18
ENVIRONMENTAL RESPONSIBILITY	20
SOCIAL RESPONSIBILITY	24
SUPPLIER MANAGEMENT	30
COMMUNITY INVOLVEMENT	31
KEY FIGURES	32
REPORTING PRINCIPLES	34
GRI INDEX	35
AUDITOR'S REPORT	41

**ABOUT SANDVIK SUSTAINABLE BUSINESS REPORT**

This is the eighth consecutive Sustainable Business Report for Sandvik and covers the Group's sustainability activities during the 2013 fiscal year. The aim is to continue reporting on an annual basis. Sandvik's most recent sustainability report was published in April 2013. The information contained in this year's report also conforms to GRI G3 guidelines, application level B+. Because Sandvik became a signatory to the UN Global Compact during the year, the report also includes information regarding the Group's work on the ten principles in the areas of human rights, labor rights, environment and anti-corruption.

The Sustainable Business Report comprises a supplement to the financial information presented in the Annual Report by describing the Group's goals, strategy, governance, risk and opportunity assessment, and the operational business of Sandvik from a sustainability perspective. The report also covers the Group's results from an economic, social and environmental perspective and has been reviewed by an external party.

For more information, please contact Christina Båge-Friborg, Head of Sustainable Business, [info@sandvik.com](mailto:info@sandvik.com).

Sandvik's Sustainable Business Report is also available online at [www.sandvik.com/sustainability](http://www.sandvik.com/sustainability).



COMMUNICATION ON PROGRESS

This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.




FTSE4Good



Coworker Malin Björk

ORDER INTAKE -10%\*

84,072

MSEK

INVOICED SALES -7%\*

87,328

MSEK

SHARE OF WOMEN

19.1%

\* At fixed exchange rates for comparable units.

SHARE OF OHSAS 18001  
CERTIFIED UNITS

97%

SHARE OF ISO 14001  
CERTIFIED UNITS

98%

LOST TIME INJURY FREQUENCY  
RATE (LTIFR) IMPROVEMENT OF 27%

3.2

SHARE OF METALLIC RAW MATERIALS  
FROM RECOVERED MATERIAL

81%

- Head of Sustainable Business appointed with the responsibility to drive and coordinate Sandvik's sustainability operations.
- Sustainability coordination teams set up at Group level and in four countries.
- Materiality analysis carried out involving members of Group Executive Management.
- Renewable energy used in most of the European countries where the Group conducts major operations.
- Safety initiatives focused on cultural changes and on high-risk areas.
- Sandvik included in the FTSE4Good Index and the Ethibel Sustainability Index Excellence Europe.
- Sandvik named one of the world's 100 most innovative companies by analysis company Thomson Reuters.
- Sandvik joined the UN Global Compact.

# SUSTAINABLE BUSINESS CREATES NEW BUSINESS OPPORTUNITIES

*At Sandvik, we have high ambitions for sustainable business. For me, it is a fundamental component of our operations, providing business advantages and guiding us in our range of responsibilities.*

Our ambition is to be among the most sustainable companies in our industry, with close links between our business strategy, brand value and sustainability activities. Much work remains to be done before we fulfill this ambition, but it is a realistic objective considering the progress that Sandvik has already made. Personally, I believe that sustainability aspects must be integrated into everything we do, and that this is crucial to Sandvik's long-term success. Accordingly, we have intensified the integration of sustainability issues in the Group's visionary and strategic direction. We see how this provides a stable basis for improving work with sustainable business throughout the company's entire value chain.

In 2013, activities were coordinated more efficiently, for example, by assigning priority to the areas that are most important for Sandvik, our customers, owners and employees. We brought these issues closer to Group Executive Management by appointing a Head of Sustainable Business at Group level. We followed this up by creating a cross-functional unit to support and coordinate sustainability initiatives in Sandvik's business areas and other functions.

Proactive work with sustainability presents a range of opportunities. Sustainability is part of Sandvik's customer offering, exemplified by the inclusion of environmental, health and safety information in Sandvik Mining's latest Offering Guide – an overview of their products and ser-

vices. Sustainability is also strongly linked to our attractiveness as an employer, since people want to work for a company they can respect and be proud of.

We focus continuously on further enhancing safety for our employees across the globe, which continued to reduce our total Lost Time Injury Frequency Rate – an important step on our journey to achieve our Zero Harm vision. Regrettably, we also experienced misfortune during the year. I am sad to report that we had three work-related fatalities, two of whom were subcontractors and one a Sandvik employee, which is deeply tragic for their families, relatives and colleagues. This serves as a harsh reminder of our challenges and risks in the industries in which we operate and why a safe work environment must always be our top priority. We intend to further intensify our efforts in the area of safety.

In terms of environmental activities, we work on a broad front to conserve on resources and minimize the Group's emissions. During the year, we changed to renewable energy sources in a majority of the European countries where we conduct major operations. We also strengthened our anti-corruption processes throughout the entire Group by introducing various measures such as training programs. We also assume responsibility for suppliers and partners through, for example, our Supplier Code of Conduct and follow up of their sustainability activities.

I am particularly proud that Sandvik was once again ranked one of the world's

most innovative companies on Thomson Reuters' 2013 Top-100 Global Innovators List. During the year, the Group was also included in the business magazine *Forbes* corresponding ranking list. Innovation is a key driver in our endeavor to promote a sustainable company by, for example, developing and offering our customers ever safer and more energy-efficient products.

In 2013, we decided to join the UN Global Compact. We have worked in line with the Global Compact's principles for many years, but now felt it was time to become a formal member. The principles, together with the OECD Guidelines and the UN Guiding Principles on Business and Human Rights, provide us with a solid foundation of internationally recognized principles that support a more sustainable business.

Looking ahead, there are a number of areas that we need to improve, such as coordination and efficiency in our work on sustainability issues, and the revision of our governing documents. I am confident that our increased focus on sustainability will help us build an even better Sandvik by strengthening our brand value, minimizing risk and creating new business opportunities.



OLOF FAXANDER, FEBRUARY 2014  
PRESIDENT AND CEO

"SUSTAINABILITY IS PART  
OF OUR CUSTOMER OFFERING."



Olof Faxander, Sandvik's President and CEO, standing in front of the shank adapter straightening machine at Sandvik Mining Rock Tools in Sandviken, Sweden. New investments were made in the robot cell in 2013, resulting in a significant improvement in employee safety and a major reduction in lead times for customers.

# A HIGH-TECHNOLOGY AND GLOBAL ENGINEERING GROUP

*Sandvik is a high-tech and global industrial Group offering products and services that enhance customer productivity, profitability and safety. In 2013, the Group had about 47,000 employees and sales of just over 87 billion SEK in more than 130 countries. The Group invests substantially in research and development and maintains close cooperation with its customers and suppliers. The business is organized into five business areas: Sandvik Mining, Sandvik Machining Solutions, Sandvik Materials Technology, Sandvik Construction and Sandvik Venture.*

## WORLD-LEADING POSITION IN THE FOLLOWING CORE AREAS:



Tools and tooling systems for metal cutting as well as components in cemented carbide and other hard materials.

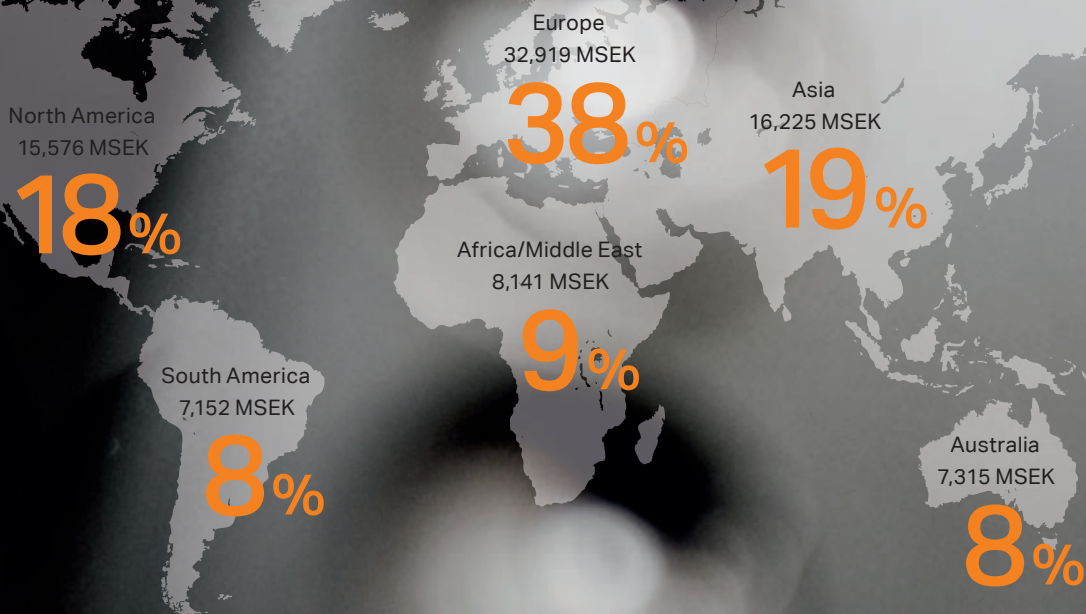


Equipment and tools for the mining and construction industries as well as various types of processing systems.

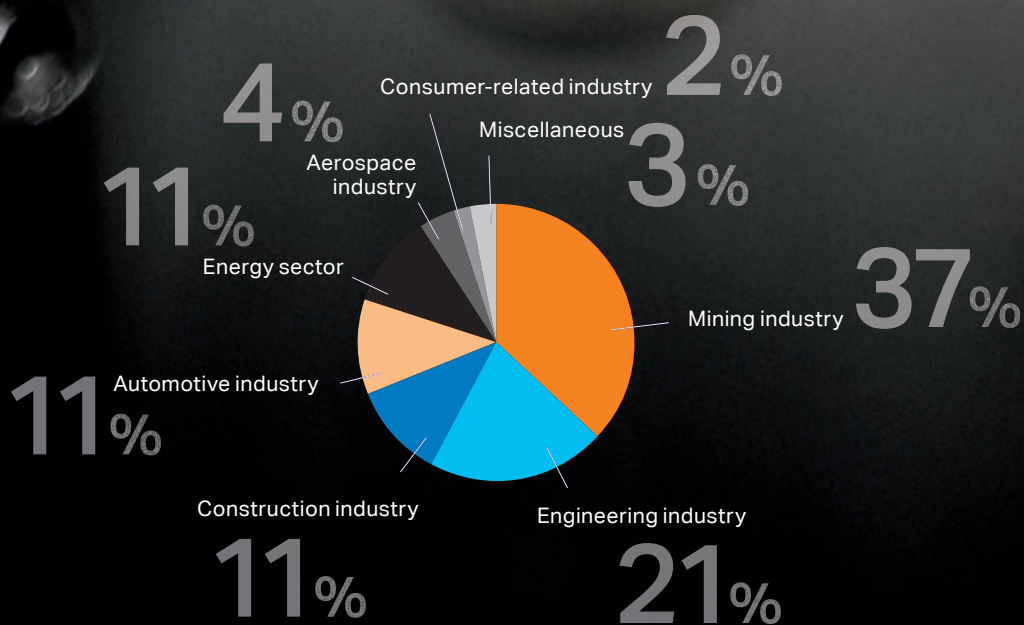


High value-added products in advanced stainless steels, special alloys and titanium as well as metallic and ceramic resistance materials.

### INVOICED SALES BY MARKET AREA



### INVOICED SALES BY CUSTOMER AREA



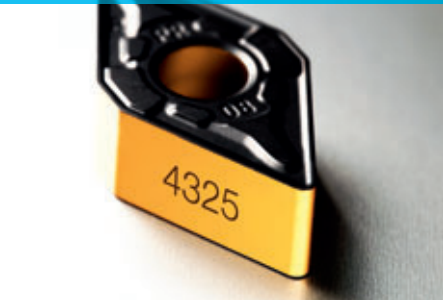
# THIS IS SANDVIK

## BUSINESS AREAS

### SANDVIK MINING



### SANDVIK MACHINING SOLUTIONS



### SANDVIK MATERIALS TECHNOLOGY



### SANDVIK CONSTRUCTION



### SANDVIK VENTURE



## BUSINESS

Sandvik Mining specializes 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.

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, Walter, Pramet, Safety, Impero, Dormer and Carboly.

Sandvik Materials Technology specializes in high value-added products made from advanced stainless steel grades and special alloys for the most demanding industries. 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.

Sandvik Construction specializes in equipment, tools and service for the breaking, drilling and crushing niches in the construction industry.

Sandvik Venture generates value by promoting profitable growth of small and medium-sized businesses of particular interest to the Sandvik Group. The product areas, which are operated as standalone companies, are Sandvik Process Systems, Sandvik Hyperion\* and Wolfram Bergbau und Hütten.

## 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 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.

High value-added products based on advanced stainless steels, special alloys and titanium, furnace products, heating systems and resistance materials. The products make industrial processes safer and more efficient, while consuming less resources.

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.

Sandvik Process Systems supplies steel belt-based processing equipment and high-performance steel belts; Sandvik Hyperion offers products and solutions based on hard and super-hard materials; and Wolfram Bergbau und Hütten manufactures tungsten-oxide, tungsten-metal and tungsten-carbide powders.

\*Operational as of 1 January 2014. Sandvik Hyperion is a merger of the previously independent product areas Diamond Innovations and Sandvik Hard Materials.

## MARKET

The products are primarily deployed in mines worldwide. In 2013, the global market was valued at approximately 185 billion SEK. The underlying average annual growth for equipment, tools and spare parts is 4–6%, while it is slightly higher for services.

Customers include companies in the general engineering, aerospace and automotive industries, the energy sector, as well as the electronics and medical technology industries. In 2013, the global market for metal-cutting tools was valued at approximately 150 billion SEK. The underlying average annual growth is 4–5%.

Customers are active in, for example, the energy, aerospace, automotive, chemical and petrochemical industries – industrial segments in which exacting demands are imposed on safety, productivity, cost efficiency and a long lifecycle. In 2013, the global market was valued at more than 100 billion SEK. The underlying average annual growth is 4–6%, although growth is normally higher in the energy segments.

The products are deployed in construction operations worldwide. In 2013, the value of the global market was estimated at about 140 billion SEK. The underlying average annual growth for equipment, tools and spare parts in the construction industry is 4%.

Customers are for example active in oil and gas, composites, metal cutting and specific consumer niches.



EVENTS DURING THE YEAR

OPERATING PROFIT\*

ENERGY CONSUMPTION\*\*

CO<sub>2</sub>-EMISSIONS\*\*

NO. OF EMPLOYEES\*\*\*

LOST TIME INJURY FREQUENCY RATE\*\*\*\*

- Sandvik Mining launched its "Make it Count" Environment, Health and Safety campaign in October 2013. The 18 month campaign clearly demonstrates to the outside world that EHS really is at the top of the organization's agenda, and is supported by further strengthening of the work done from an internal perspective, too. "Make it Count" consists of a rolling program of mini campaigns on each of the elements – Environment, Health and Safety – together with an interactive website, [www.sandvikmakeitcount.com](http://www.sandvikmakeitcount.com).



32%

2,743 MSEK



9%

826 TJ



16%

61,000 tons

12,965

1.8

LTIFR

- A compliance officer with responsibility for the business area was appointed and assigned specific tasks to train and inform the organization in issues relating to compliance, and to provide support in the management of identified risks.
- The Walter product area's plants in Germany became certified to the ISO 50001 energy management system standard.
- The business area, including all product areas, conducted a current state analysis for diversity and inclusion. Goals and actions plans were defined, and key employees were trained in the subject.



60%

5,205 MSEK



25%

2,243 TJ



30%

111,000 tons

19,055

3.4

LTIFR

- A project aimed at utilizing surplus heat from the plant in Hallstahammar is being implemented during 2013–2014. The project will reduce energy requirements by 3–5 GWh per year and CO<sub>2</sub> emissions by about 1,000 tons per year.
- Due to systematic environmental improvements over the past few years, oil consumption in various drill steel machines and milling processes has fallen from 1,500 liters per week to 100 liters per week. Besides decreasing impact on the environment, this has also reduced costs for purchasing oil and the destruction of waste oil.
- A Compliance Officer was appointed for the business area and each product area also appointed a person responsible for competition law issues.



15%

1,270 MSEK



50%

4 411 TJ



36%

136,000 tons

7,113

6.7

LTIFR

- The development of CH550 Cone Crusher incorporated environmental considerations throughout the process. This is an efficient and compact cone crusher with functions that promote easier handling, safer maintenance and lower operating cost. The motor efficiently transfers energy, extending the crusher lifespan by more than five times and reducing CO<sub>2</sub> emissions. The crusher has a rubber rim liner to reduce noise in the crushing process and uses about 25% less energy than similar crushers with the same level of performance.



1%

110 MSEK



3%

259 TJ



3%

12,000 tons

3,147

3.6

LTIFR

- The collaboration between business areas through the Raw Materials Board enabled a significant decrease of tungsten inventory within the Sandvik group.
- Hyperion's facility in Worthington changed the chemical process used in its waste management system, thereby more than halving the volume of residual products from the plant, based on the equivalent production volume.
- The Worthington facility also replaced its system for processing oily wastewater to eliminate the need to send more than 425 tons of waste per year to landfill.



7%

606 MSEK



13%

1,180 TJ



15%

58,000 tons

2,635

4.5

LTIFR

\* Share of the Group's total operating profit. Group activities –15%.

\*\* Share of the Group's energy consumption and CO<sub>2</sub> emissions.

\*\*\* Restated to full-time employees (FTEs) at 31 December 2013. 2,423 employees are involved in Group activities and are thus not employed in any of the business areas.

\*\*\*\* Lost Time Injury Frequency Rate (LTIFR), meaning Lost Times Injuries per million work hours.

# HIGHER AMBITIONS FOR SUSTAINABLE BUSINESS

*For Sandvik, sustainable business means reducing the negative economic, social and environmental impact of our activities, while capitalizing on the opportunities that arise from integrating sustainability aspects into our core operations.*

**S**andvik’s ambition is to become a leader in sustainable business in our industry because we are convinced that this represents a key business opportunity. The challenge for the future is taking better care of resources, while also improving security, the environment and quality of life. Sandvik has an important role to fill in this respect. The Group’s objective is to contribute to global sustainable development, with products and solutions that support the creating of a more sustainable world and where we show respect for both people and the environment.

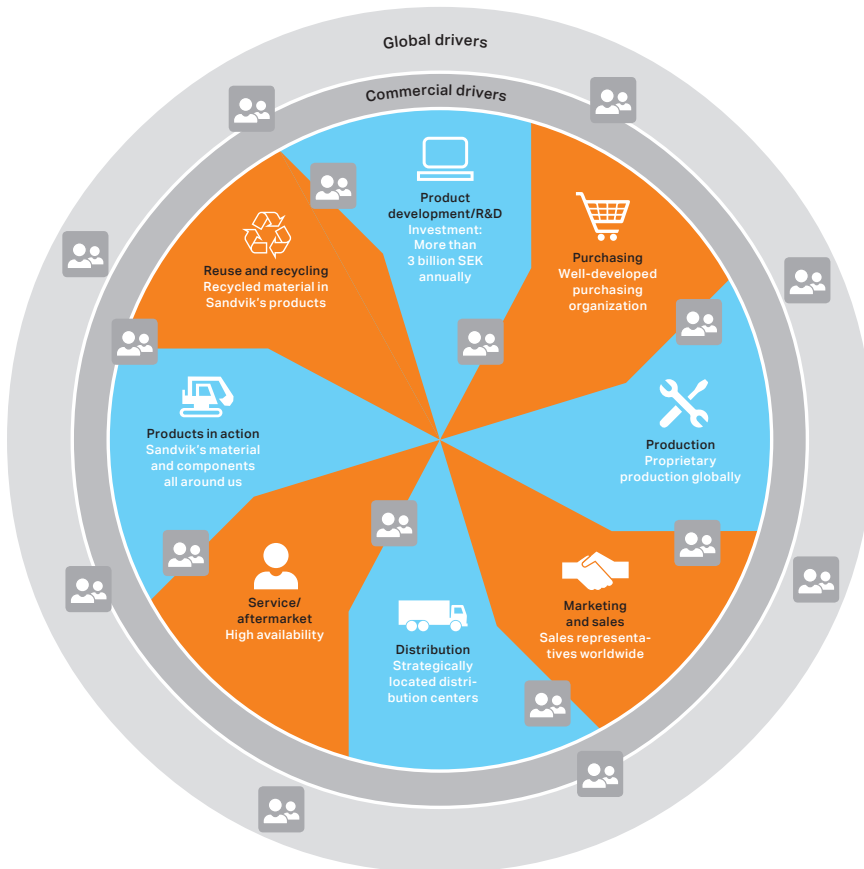
To achieve this, it is important for us to continue the process of integrating sus-

tainability into Sandvik’s business strategy and brand value. Sustainability aspects are already part of the Group’s production processes, from product development to customer offerings. This integrated approach is also fundamental to how we interact with our employees and shareholders, how we engage in dialog with stakeholders, and concerning the development of our community involvement. It is important for us to take responsibility for the impact we have on our stakeholders, on the communities where we operate and in our value chain.

Our strategic approach enables us to effectively manage sustainability-related business risks while taking advantage of

the opportunities offered by Sandvik’s core business. For example, we continue to develop products so that they meet the requirements of our customers in regard to such aspects as safety and environmental efficiency. Our customers operate all over the world, so the leverage effect will be considerable when the Group’s offerings are sustainable. Furthermore, Sandvik’s attractiveness as an employer is strengthened if the company has a strong sustainability work, since people feel that they want to work for a company they can be proud of.

## SANDVIK'S VALUE CHAIN



Sandvik’s overarching strategy for its continued business development is to leverage the various drivers that influence society. This includes globalization, higher living standards with the resulting rise in consumption and, not least, intensified focus on energy efficiency, enhanced resource management and improved safety.

### GLOBAL DRIVERS

- **Higher living standards** are increasing consumption worldwide.
- **High-growth economies** are driving global development.
- **Strong pressure to innovate.**
- **Long-term growth in demand** for raw materials.

### COMMERCIAL DRIVERS

- **Demand for energy efficiency,** energy-saving products and safety.
- **Shorter product lifecycles** give rise to greater need for more efficient cutting tools.
- **Higher degree of automation and digitizing** in mining operations for health and safety, environmental and efficiency reasons.

### STAKEHOLDERS

### THE BASIS FOR SANDVIK'S SUSTAINABILITY EFFORTS

The Sandvik Board adopts the Group's Code of Conduct and Group Executive Management set targets for sustainability work. Combined with the Group's Supplier Code of Conduct and underlying policies, our Code of Conduct forms the basis of sustainability efforts. Each business area and Group function is responsible for ensuring compliance with the Code of Conduct and that sustainability targets are cascaded in the organization. The business areas are also responsible for the management of sustainability-related risk in such areas as environment, health and safety, anti-corruption, human rights, employment conditions and suppliers in their operations.

Sandvik's Code of Conduct and Supplier Code of Conduct are currently under revision and are expected to be finalized in 2015. In 2013, a policy for community involvement and sponsorship was adopted to guide this work in the communities in which we operate. A key event during the year was becoming a signatory to the UN Global Compact.

### GROUP-WIDE FUNCTION FOR SUSTAINABLE BUSINESS

Sustainable Business is the Group's cross-functional unit that manages the company's overall sustainability strategy and provides sustainability support to all Sandvik business areas and functions. Sustainable Business supports the organization by:

- Coordinating, identifying and developing synergies.
- Identifying the organization's needs.
- Engaging in stakeholder dialog and conducting analyses.
- Communicating sustainability issues.
- Providing training programs.
- Defining the strategic focus.
- Offering expertise, guidelines and tools.

During 2013, Sandvik worked to develop the Group's strategy in an increasingly competitive market. The Group decided to commit a strong focus on growth, requiring Sandvik to be a high-performing organization that continuously strives to improve its offering and to create unique added value for its customers. A new vision was launched and the core values were further developed, thereby building on the foundation required to enable Sandvik to fulfill its growth ambitions.

#### OUR VISION

## WE SET THE INDUSTRY STANDARD

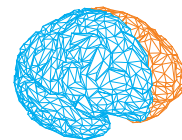
Sandvik's vision means that we set the benchmark for others to follow. Sandvik will achieve this not only through technology and expertise, but equally importantly through the people working for the Group and the relationships they build with customers and stakeholders. Setting the industry standard requires a high level of innovative thinking within the company across all processes and within how we operate in our day-to-day business. The vision reinforces and enhances the importance of constantly striving toward being the leader in the industry and in our chosen segments.

#### FOUR CORE VALUES BUILT ON OUR RICH HERITAGE SUPPORT SANDVIK'S AMBITIONS FOR THE FUTURE



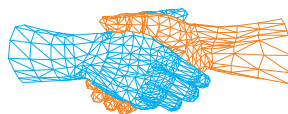
#### CUSTOMER FOCUS

We constantly strive to exceed our customers' expectations and enable them to excel in their business.



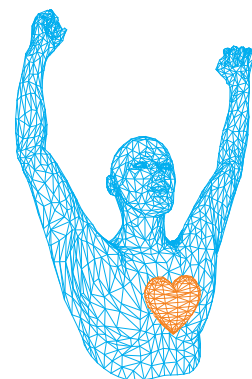
#### INNOVATION

We shape the future by creating pioneering solutions throughout our operations.



#### FAIR PLAY

We conduct business in a sustainable and responsible manner.



#### PASSION TO WIN

We are passionate about making our company number one.

Sandvik’s sustainability work has since long been based on the UN Global Compact’s ten principles in the areas of human rights, labor rights, environment and anti-corruption, but the Group felt the time was right for Sandvik to become a formal participant to the UN initiative. The UN’s Guiding Principles on Business and Human Rights and the OECD’s Guidelines for Multinational Enterprises are also fundamental to our work.

**TARGET FORMULATION**

The company’s risks and opportunities are analyzed on the basis of Sandvik’s sustainability strategy and Code of Conduct. Long and short-term targets are defined to effectively address the risks and take advantage of the opportunities that are identified. Target formulation in the various sustainability areas is determined by each function or unit. It is important for us that these targets drive business advantages and develop leadership in sustainability issues. The targets aim to complement the key figures that measure the outcomes of sustainability initiatives and will drive behavioral changes to achieve higher results in the long term. Examples of these types of targets include Sandvik’s efforts in relation to the environment, health and safety, and diversity.

**GOVERNANCE OF SUSTAINABILITY ISSUES**

Sandvik AB is domiciled in Stockholm and is the Parent Company of the Sandvik Group, with subsidiaries in more than 60 countries. Sandvik AB is a public company listed on NASDAQ OMX Stockholm.

Corporate governance at Sandvik comprises the Group’s control and management systems. The aim is to ensure efficient and value-creating decision-making by clearly defining the division of roles and responsibilities among shareholders, the Board and Group Executive Management. Corporate governance is based on applicable legislation, the rules and regulations of the Stock Exchange, the Swedish Code of Corporate Governance and internal guidelines and regulations. All shareholders are entitled to exercise their voting rights in the highest decision-making body, the General Meeting of Shareholders. Sandvik’s employees are given the opportunity to gain an insight into and exert an influence over the company’s operations through their union representatives, since they are entitled to union representation on the Board under Swedish legislation.

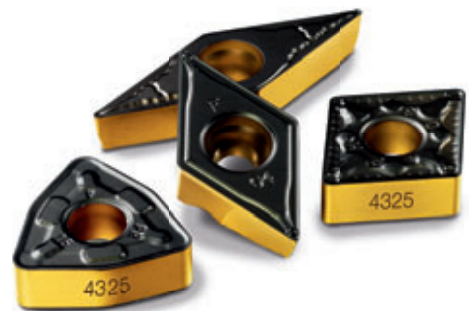
To clarify the link to business value and support sustainability activities at a strategic level, a dedicated person respon-

sible for sustainability issues was appointed in the Group Executive Management in 2012. In spring 2013, this was further strengthened with the appointment of a Head of Sustainable Business tasked with coordinating issues, developing the company’s strategic approach and establishing focus areas and targets for the Group’s sustainability work. During the year, it was also decided to intensify efforts to ensure a responsible management of suppliers and enhance processes for anti-corruption work.

Tools and systems are continuously developed to satisfy the company’s requirements in the field of sustainable business and to fulfill the high ambition that has been set. The various functions, such as indirect purchasing, risk management, HR (Human Resources) and EHS (environment, health and safety), are responsible for their respective areas, and related policies and standards. At Group level, there are a number of committees and other cooperative and drafting bodies with participants from the various business areas, in which issues from the various functions are addressed and resolved, including targets and key figures that are reported quarterly, analyzed and reported to Group Executive Management and also, in certain instances, the Board.

**RECYCLING OF CEMENTED CARBIDE**

Sandvik Machining Solutions is continuously increasing recycling materials from cemented-carbide products through buy-backs from customers. Raw materials are scarce and finite, for example, estimated reserves of tungsten are around 7 million tons, or 100 years of consumption. Recycling results in a reduced need for material purchases from mines. Product area Sandvik Coromant’s program for recycling of sold cemented-carbide inserts represents an integral part of this sustainability work. Buy-backs of cemented-carbide products from customers have also been introduced in other product areas, which mean that the need for primary material is further reduced. Also, making tools from recycled solid carbide requires 70% less energy than making them from virgin raw materials. Production from recycled materials means 40% less CO<sub>2</sub> is emitted. The production in the recycling factory is certified with ISO 14001 and OHSAS 18001 and Sandvik is continuously searching for ways to make recycling technologies cleaner and more efficient.



## MANAGEMENT SYSTEMS

As part of Sandvik's work with issues relating to environment, health and safety, the Group has determined that all major production-related units (with more than 25 employees) are to be certified in accordance with ISO 14001 and OHSAS 18001, within two years of their acquisition or establishment. By the end of 2013, 98% of these were ISO 14001 certified, and 97% were OHSAS 18001 certified.

In a large, global company such as Sandvik, coordinating all sustainability issues, especially in the light of the increasing complexity of these issues, can be challenging. Consequently, coordination teams have been formed, both at Group level and in selected countries. The coordination teams include representatives that focus on such issues as finances, risk management, EHS, indirect purchasing, communication, diversity and inclusion, and anti-corruption. To date, local coordination teams have been established in India, China, Mexico and Brazil.

Sustainability activities are reviewed by the independent Group Assurance function, which is also responsible for ensuring that management systems, internal control and risk management are effective. Group Assurance also examines

internal compliance with the Code of Conduct. Until the end of 2013, Group Assurance was responsible for audits of high-risk suppliers, a task that was moved to the purchasing function at year-end 2013.

## DEVELOPMENT OF THE GROUP WHISTLE BLOWER SYSTEM AND THE ESTABLISHMENT OF AN INVESTIGATIONS FUNCTION

The Sandvik Code of Conduct makes specific reference to the reporting of concerns of non-compliance with or violations of the Code and/or unethical business practices. Although reporting procedures are set out in the Code, in 2013, Sandvik identified the need to further develop the system into a more effective Group-wide mechanism to facilitate the reporting of non-compliance. The new system will facilitate the external reporting of concerns or suspicions of irregular conduct. The implementation of the new global reporting function will be carried out in conjunction with the launch of the revised Code of Conduct. The aim is to consolidate all notifications on a global level through an automated Case Management system, thereby providing a record of all notifications received, actions taken and the results thereof.

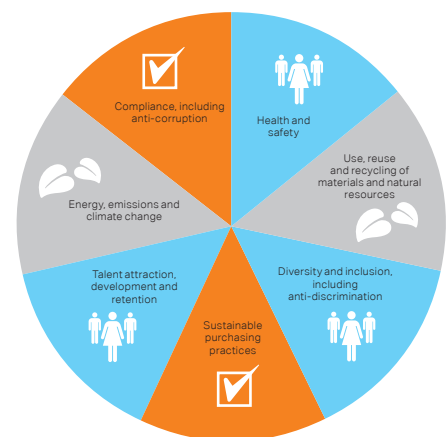
The case management system may also be audited, which is important.

Over the past year, Sandvik's Group Assurance team responded to a number of matters reported as non-compliances with the Code of Conduct or specific concerns communicated by business area management. In addition, specific compliance initiatives including the roll out a global third party due diligence process, has highlighted a number of issues that required further investigation.

Sandvik established a specific Investigations function within Group Assurance tasked with following up reports submitted, for example, through the Whistle Blower System.

## MATERIALITY ANALYSIS

In 2013, members of Group Executive Management conducted a materiality analysis to focus Sandvik's sustainability activities. The starting point comprised 18 different sustainability areas considered significant for the Group derived from a media and trend analysis, dialogs with our stakeholders, Sandvik's Code of Conduct and international frameworks and institutions – the Global Reporting Initiative (GRI), the Dow Jones Sustainability Index and Global Compact – as well as Sandvik's own assessment of relevant areas. The areas were prioritized in order to systematically identify the aspects that Sandvik should focus on in the coming year. The materiality analysis is continuously updated to guarantee that the most important areas for the Group are highlighted.



The sustainability aspects assigned highest priority at Sandvik

# DIALOG WITH OUR STAKEHOLDERS

*At Sandvik, we endeavor to engage in an open dialog with our stakeholders regarding how sustainability activities are conducted, our priorities, decisions and the results that are achieved. Stakeholder dialog provides important information when we determine the Group’s key sustainability issues, and also provides the basis for the type of information to be included in the Sustainable Business Report.*

**K**ey sustainability issues are communicated to stakeholders primarily through the Annual Report, Sustainable Business Report, Sandvik’s website and continuously as part of the daily operations. Stakeholder dialog is conducted at Group level and also, to a large degree, in business areas and in the local companies throughout the world. During the autumn, Sandvik’s principal stakeholders were identified on the basis of their interest in the Group and sustainability issues and the stakeholders’ potential impact on the company.

## SHAREHOLDERS

Sandvik has about 117,000 shareholders in 86 countries. Almost 30% of the shareholders are outside Sweden. The largest shareholder (31 December 2013) is the investment company AB Industrivärden with 11.6% of the shares.

During the year, the Group engaged in stakeholder dialog regarding sustainability

issues with one of our largest shareholder groups, Nordea, as well as Den Norske Bank. Discussions related to how Sandvik conducts its sustainable business initiatives and, more specifically, how the Group works with its customers in relation to human rights and tax payments in the countries in which Sandvik conducts operations. Read more about this work in the chapters “Risk management process” (p. 14) and “Financial information” (p. 15).

## EMPLOYEES

Communicating the brand and marketing the Group as an attractive employer are key parts of Employer Branding activities to reach out to future employees. Sustainability activities play a key role in this regard, for future and current employees.

During the year, Sandvik engaged in dialog with employees in through meetings. Diversity was used as the basis for selection of employees for these meetings,

taking into account such factors as age, gender, position, country and business area. As part of these dialogs, employees were given the chance to express their views on Sandvik’s sustainability activities. Employees emphasized the importance of integrating sustainability into everything we do, having strong communication on these issues and having detailed tools and guidelines to allow them to work in a sustainable manner. We intend to satisfy these needs through, for example, strengthening communication on [www.sandvik.com](http://www.sandvik.com) and on our intranet.

## CUSTOMERS

Sandvik has customers in over 130 countries. Our customers are found in the following segments (in order of size): the mining industry, engineering industry, construction industry, automotive industry, energy sector, aerospace industry and consumer-related industry. The requirements placed on us by customers relate to aspects such as product safety and energy efficiency. Customers are also imposing higher standards on their supply chain, which includes Sandvik, thereby affecting the Group’s management of sustainability issues both internally and in the supply chain. For example, we noted that a growing number of questions from customers relate to the subject of conflict minerals. Read more about this work below and in the chapter “Sustainable purchasing” (p. 30).

## SUPPLIERS

Sandvik has suppliers and sub-suppliers of, for example, raw materials, consumables, capital/investment goods, components and services. We engage in an ongoing dialog with suppliers relating to, for example, our Supplier Code of Conduct. These discussions relate to the importance of compliance with the



Supplier Code of Conduct and our willingness to support suppliers in their efforts to improve their sustainability programs, for example, in form of training. This work is under review and will be enhanced in 2014. Read more about this work in the chapter “Sustainable purchasing” (p. 30).

### **SOCIETY AND ORGANIZATIONS**

Sandvik has about 150 sites that play a major role for surrounding communities across the globe. It is important for the Group to inform and engage in dialog with the people in these communities. In historical terms, Sandvik has demonstrated a high degree of involvement in the communities in which the Group operates. Community involvement has manifested itself in a number of ways, for example, in the form of local club activities, cultural projects, health projects, educational projects and support to charity organizations. Read more about this work in the chapter “Our community investments” (p. 31).

The “organizations” stakeholder group includes trade unions, employer organization, trade associations and other interest groups as well as local, regional and international confederations. During the year, stakeholder meetings were held with the Swedish trade unions IF Metall and PTK. During these talks, it emerged that the organizations wished to see a greater focus on health issues and occupational diseases, and that Sandvik should reduce its carbon emissions. The trade unions also wished to see better exchange of information between themselves and Sandvik. Read more about this work in the chapters “Zero vision for injuries” (p. 24) and “Focusing on the environment” (p. 20).

During the year, Swedwatch, a Swedish non-profit organization that watches and influences companies, published two reports in which the Group was the subject of review. In one of these, the organization examined how Sandvik and three other companies approached and acted in relation to tax payments in developing countries, specifically in relation to

Zambia. Swedwatch expressed the desire for greater transparency concerning tax payments but stressed that Sandvik had not breached any tax legislation. The second report dealt with how the Group worked with the UN Guiding Principles on Business and Human Rights. Sandvik was encouraged to pay further attention to these issues. Read more about this work in the chapters “Financial information” (p. 15) and “Risk management process” (p. 14).

### **RESEARCH INSTITUTES, UNIVERSITIES AND INSTITUTES OF HIGHER EDUCATION**

Sandvik has partnerships in a variety of research fields to communicate with our recruitment base of university students in the areas of economics, technology and other areas, and to contribute to employee competence development. For instance, during the year, Sandvik employees held presentations in universities in Sweden and abroad and for visiting students on the Group’s sustainability activities. On these occasions, the students were given the opportunity to voice their opinions on and ask questions about the Group’s sustainability work and they showed great interest.

### **FINANCE MARKET**

Sandvik’s extensive communication with investors and analysts is coordinated by the Investor Relations Group function. We engage in dialog with analysts and investors throughout the year. In addition to daily communication, focused contact takes place through presentations, meetings, conferences and visits to various Sandvik units. These dialogs shows that there is an interest in how the Group assumes responsibility in the supply chain, in the methods being used to manage potential risks related to human rights and anti-corruption, and in the measures taken to reduce our environmental footprint. Read more about this work in the chapters “Risk management process” (p. 14), “Zero tolerance against corruption” (p. 17) and “Focusing on the environment” (p. 20).

### **MEDIA**

Sandvik has a global business with a strong local base in the form of large sites in many locations. This generates local, national and international media interest, both from a financial and sustainability perspective. During the year, media coverage of Sandvik related to our sustainability work in general and our work with the value chain, safety, human rights, diversity and tax issues. We describe our work on these issues in, for example, the chapters “Sustainable purchasing” (p. 30), “Risk management process” (p. 14) “Enabling a high-performing and global HR organization” (p. 27) and “Financial information” (p. 15).

### **BUSINESS PARTNERS AND AUTHORITIES**

Sandvik maintains contact and has partnerships with a range of private-sector and state-owned companies and authorities. The Group has significant contact with authorities and institutions across the globe. These may relate to export and import activities and taxes and duties, various forms of inspection or sustainability issues and so forth. We always value our relationships with local authorities at the same time as it is important to convey the message of the importance of sustainability matters, such as anti-corruption and environmental work.

In 2013, Sandvik engaged in dialog with the Swedish Export Credits Guarantee Board (EKN) and the Swedish Export Credit Corporation (SEK) during which the Group presented its sustainability strategy, the issues in focus at the Group and its work processes. During the dialogs, they expressed an expectation that the Group would develop its risk management procedures, particularly in relation to human rights issues in customer relationships. Read more about this work in the chapters “Higher ambitions for sustainable business” (p. 8) and “Risk management process” (p. 14).

# RISK MANAGEMENT PROCESS

*Sandvik’s Enterprise Risk Management (ERM) process assesses financial and non-financial risks and aims to minimize risks in all parts of the operations and ensure that opportunities are leveraged in the best possible way.*

The risk assessment encompasses Sandvik’s own operations, risks related to the geographic regions where the Group has operations as well as supplier risks. ERM is an integral part of governance of the operation and provides Sandvik with the opportunity to respond to changes in the external environment and market conditions. ERM is a framework that helps Sandvik identify both threats and opportunities in its areas of operations. By evaluating, analyzing, managing, reporting and monitoring risks, ERM provides a tool for Sandvik to achieve its strategic, financial and operational objectives. Sandvik’s ERM work was reviewed and evaluated in 2013, which resulted in a revision of the method used for risk identification and measurement. Accordingly, one of the targets for 2014 is for the revised methodology to be uniformly integrated throughout the organization.

The core components of risk activities are identification, evaluation, management, reporting, follow-up and control. An action plan is established for each risk to either accept, reduce or eliminate the risk in question or leverage the opportunities that the risk may also entail. Sandvik acts globally in many different areas and conducts its operations within the legislative framework that exists in various countries, markets and specialist areas. This is also a requirement under the OECD’s Guidelines for Multinational Enterprises. The internal audit of Sandvik’s risk management is led by Group Assurance. A significant category of risks in ERM are compliance risks defined as risks related to violations of international laws and conventions, local laws and regulations in countries where we operate as well as our Code of Conduct and other Sandvik policies.

The table below presents the identified sustainability risks in order of priority and probability, while all risks related to legal compliance are deemed to potentially have a major impact on the company.

## HUMAN RIGHTS

Sandvik operates in countries where there is a risk that human rights will be violated. We revise our standards and procedures for identifying, preventing and mitigating risks related to adverse human rights impact in the Group’s operations and value chain throughout the world, with a particular focus on high-risk countries.

### Sustainability risks

Risk	Risk description	Potential Impact	Mitigation
Corruption	Giving bribes to receive an order. Accepting a bribe before placing an order. Internal or external fraud leading to financial and/or reputational loss.	Legal consequences. Tarnished reputation and weaker financial position.	Training, Due Diligence, updating and strengthening of related policies.
Health and safety	Improper safety leading to injuries/illness/fatalities at the workplace. Injuries related to contractual labor working in Sandvik’s premises.	Injuries, illness and fatalities at the workplace.	Safety campaigns, awareness training, OHSAS 18001 certifications, personal safety equipment.
Environment	Inefficient use of energy and raw material and/or environmental pollution. Increased public focus on climate change and water consumption.	Higher costs, negative effects on the environment and tarnished reputation. Reduced access to raw materials for future needs.	ISO 14001 certification, lifecycle analyses, environmental reporting, training and behavioral changes.
Working conditions	Discrimination and segregation of employees. Non-compliance with national and international labor laws.	Legal consequences, negative impact on employee safety, health and well-being, and tarnished reputation.	Awareness training, Code of Conduct training, audit schemes.
Supplier conduct	Suppliers, subcontractors, agents and distributors that do not respect the Group’s Supplier Code of Conduct.	Lower health and safety standards among suppliers’ employees. Tarnished reputation and weaker financial position.	Revised supplier management scheme, supplier audits.
Customer conduct	Sandvik’s reputation affected by questionable conduct of customers and/or by doing business in countries where there are problems involving human rights abuses.	Lower health and safety standards among customers’ employees. Tarnished reputation and weaker financial position.	Strengthened dialog with customers on sustainability matters.
Trade compliance	Violation of antitrust laws and international trade regulations.	Legal consequences, tarnished reputation.	Increased awareness of trade issues and embargoed countries. Training and communication in trade issues.



# FINANCIAL INFORMATION

The year was characterized by a weaker level of business activity compared with 2012, a trend that was most pronounced for Sandvik Mining. Sandvik's order intake amounted to 84,072 million SEK (97,948), down 10% in value at fixed exchange rates for comparable units. The Group's invoiced sales amounted to 87,328 million SEK (98,529), down 7% in value at fixed exchange rates for comparable units.

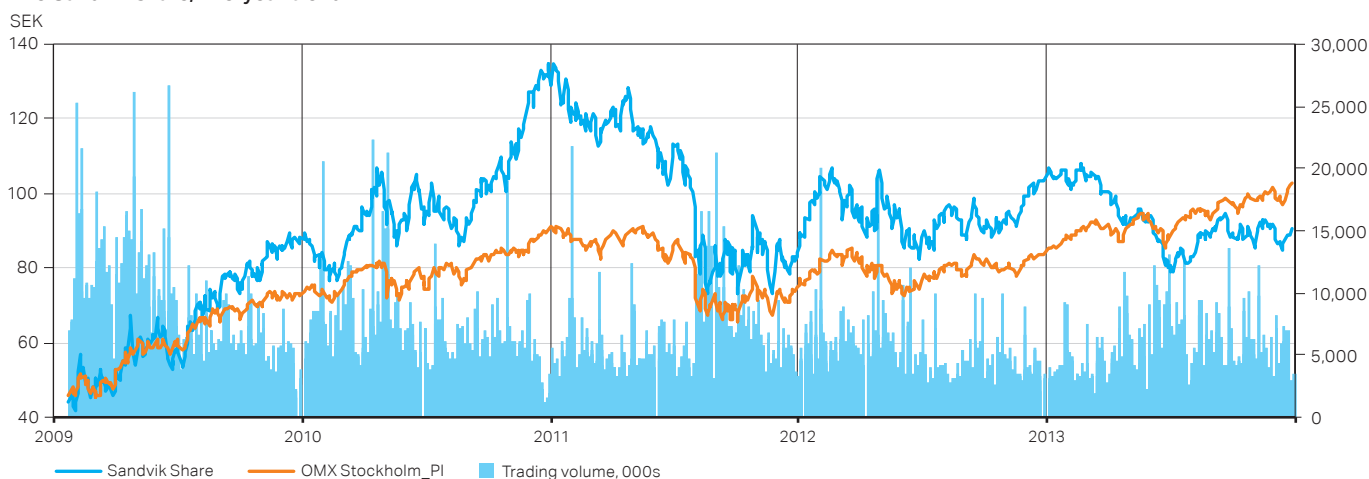
Profit after financial income and expenses was 6,753 million SEK (11,516). Earnings per share amounted to 4.00 SEK (6.51). Return on capital employed was 13%. The Board has decided to propose a dividend of 3.50 SEK (3.50) per share, corresponding to approximately 4.4 billion SEK and a dividend yield of 3.9% based on the share price at year-end.

The Group's market capitalization decreased 16 billion SEK during the year to 114 billion SEK (130), ranking Sandvik as the 13th (9) largest company on NASDAQ OMX Stockholm. During the year, Sandvik shares were traded for a total value of 119 billion SEK (118), making it the 7th (5) most actively traded share.

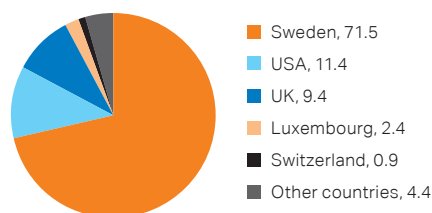
## TAX

The OECD has issued guidelines for price setting of cross-border transactions in multinational groups. Sandvik adheres to these guidelines and to the local legislation of each country to ensure that a correct pricing model is deployed and that a fair amount of tax is paid in each country.

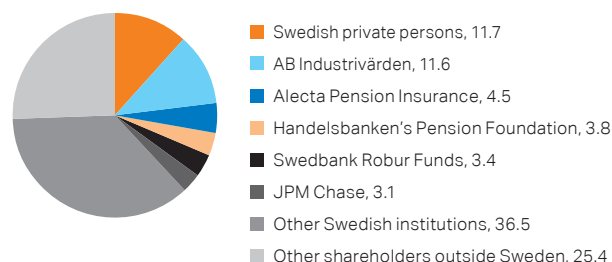
## The Sandvik share, five-year trend



## Distribution of shareholding by country, 31 December 2013, %



## Shareholders in Sandvik AB, 31 December 2013, %



## The ten largest shareholder groups, at 31 December 2009-2013, %

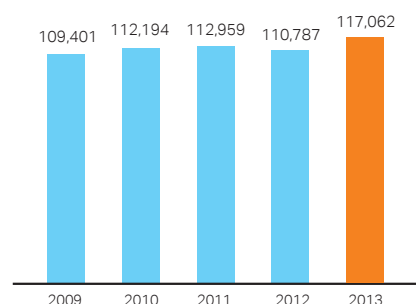
	2013	2012*	2011	2010	2009
AB Industrivärden	11.6	11.4	12.2	11.7	11.4
Alecta Pension Insurance	4.5	2.9	3.6	3.4	2.5
Handelsbanken's Pension Foundation	3.8	3.8	4.1	4.0	4.0
Swedbank Robur Funds	3.4	4.7	4.6	5.0	4.7
JPM Chase**	3.1	4.9	3.6	3.6	2.8
AMF – Insurance and Funds	3.0	2.0	1.5	2.0	1.8
SSB CL Omnibus**	2.8	3.6	3.3	3.0	2.5
Nordea Investment Funds	2.6	1.9	1.5	1.8	1.4
L E Lundbergföretagen AB	2.4	2.2	2.3	2.0	1.2
Göranssonska Foundations	2.0	2.0	2.1	2.1	2.1

\* The total number of shares in Sandvik AB increased in 2012 in conjunction with the acquisition of the shares outstanding in Seco Tools.

\*\* Administrates shares held in trust.

Source: Euroclear Sweden

## Number of shareholders, 31 December 2009-2013



Sandvik has initiated cooperation with tax authorities in several countries through which it shares and discusses the company's internal efforts to ensure that it has systems and procedures in place to reduce tax risks while ensuring compliance with tax laws. This approach is voluntary and based on transparency and the trust between the company and the relevant tax authorities. We are convinced that an open discussion and cooperation with tax authorities around the globe will help the company to reduce uncertainty about the taxes it is obliged to pay. This also provides us with an opportunity to discuss complex tax issues at an early stage and obtain tax authorities' view in relation to uncertain tax positions, thereby offering greater security and the opportunity to reduce tax risks. Sandvik also endeavors to sign agreements with tax authorities, advanced pricing agreements or rulings, to obtain certainty regarding the pricing model for certain transactions.

Continuous discussions with tax authorities also reduces the need for additional tax audits. The tax authorities gain a better understanding of our business and can therefore manage investigations more efficiently. Despite cooperation with tax authorities, Sandvik is not able to eliminate all tax disputes. The most significant matter in 2013 was a judgment in Sweden pertaining to the ownership of intellectual property rights. In June 2013, the Administrative Court of Appeal ruled against Sandvik regarding a reorganization of ownership and management of intellectual property rights in a dispute dating back to 2005, and Sandvik subsequently made a payment of approximately

**Economic value generated and distributed**

MSEK	2013
Sales	87,328
Manufacturing costs	50,947
Employee wages and benefits <sup>1)</sup>	23,599
Payments to providers of capital	6,279
Payments to governments	3,937
Economic value distributed	84,762
Retained in company	2,566

<sup>1)</sup> 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.

**Key figures**

	2013	2012	2011	2010	2009
Number of shares at year-end (millions)	1,254	1,254	1,186	1,186	1,186
Market capitalization at year-end (billion SEK)	114	130	100	156	102
Number of shareholders	117,062	110,787	112,959	112,194	109,401
Share price at year-end	90.70	103.50	84.45	131.10	86.40
Earnings per share	4.00	6.51	4.63	5.59	-2.24
P/E ratio at year-end	22.7	15.9	18.2	23.5	—
Change in share price during the year, %	-12	+23	-36	+52	+76
Regular dividend, SEK/share	3.50*	3.50	3.25	3.00	1.00
Dividend as a percentage of earnings per share	88	54	70	54	—
Total dividend yield (price increase + dividend), %	-9	+27	-34	+53	+83
Proportion of shares in Sweden, %	72	64	68	69	67
Proportion of shares owned by the ten largest shareholder groups, %	39	39	38	36	35

\* Proposed dividend.

5,800 million SEK including interest to the Tax Agency in September 2013. However, the tax amount will be recovered through reduced tax payments related to increased amortization. An appeal was filed with the Supreme Administrative Court, however leave to appeal was not granted and the Administrative Court of Appeal's ruling stands firm.

**Tax payer in various countries**

Sandvik contributes to local communities and countries in which it operates in the form of, for example, taxes and employment opportunities. In 2013, the Group paid 7,816 million SEK (3,056) in income taxes globally. In addition, Sandvik pays property taxes, employer's contributions, customs duties, energy taxes and indirect taxes.

**SANDVIK'S FINANCIAL TARGETS**



# ZERO TOLERANCE AGAINST CORRUPTION

*We work actively to combat corruption in all of its forms, which includes bribery, unfair competition, conflicts of interest, fraud, embezzlement, unlawful kickbacks, nepotism and cronyism.*

This means having robust guidelines, policies and processes in place to help identify risks, train employees, manage suppliers and take appropriate measures when violations of the Group's regulations and policies have been confirmed. The level of corruption in the various countries in which Sandvik operates is continuously monitored.

The activities conducted throughout 2013 represent a continuation and improvement of the work performed in previous years to ensure that Sandvik fulfills the requirements of the international anti-bribery legislation to which it is subject.

In 2012, Sandvik established a Group Compliance function dedicated to overseeing compliance with anti-bribery legislation at a global level and introduced a range of internal policies and procedures. In 2013, the Group further strengthened this function by appointing Compliance Officers within several local markets and the business areas. During the year, several risk assessments were conducted. Due diligence was performed, and a Group-wide program was introduced to ensure that new and existing third parties are reviewed by applying a standard risk-based method. Focus during this program has been on Sandvik's relations with third-party intermediaries. The results of the due diligence and risk assessment process help Sandvik to better understand the risks faced by the company in the many countries in which it operates, thus minimizing the risk of bribery and corruption.



This endeavor has led to different measures, including the termination of contracts with third parties.

During the year, Sandvik updated several Group policies and also introduced new policies aimed at strengthening the existing anti-corruption framework, in order to combat corruption and spread an ethical business culture throughout the Sandvik Group.

Throughout 2013, several anti-bribery and corruption training initiatives were introduced with the aim of raising aware-

ness across the organization of the risks faced by the Group in various jurisdictions and business areas. A global E-learning module was launched and Group Compliance, with support from the country organizations and the Human Resources function, implemented face-to-face training for identified high-risk groups, such as senior executives and personnel in the Sales, Purchasing and Finance functions.

# TECHNICAL INNOVATION FOR FUTURE GROWTH

*Strategic investments to enhance our competitiveness in research and development are long term and extensive. The focus is on higher productivity, longer service life, reduced environmental footprint and enhanced safety and work environment.*

Each year, Sandvik invests more than 3 billion SEK in research and development (R&D). Over 2,700 employees work in this field and the Group has about 8,000 active patents and other intellectual property rights.

Innovative strength drives our R&D forward. Investments in R&D make a difference for customers in the form of higher productivity and longer product service life, reduced environmental footprint and improved safety and work environment. At Sandvik, these initiatives take expression through a focus on energy efficiency, product safety, reduction of CO<sub>2</sub> emissions and increasing the use of recycled materials. The good

results are due to close cooperation between our technical expertise and our customers.

An R&D Board, led by the Senior Vice President and Head of Group R&D, together with representatives from all of Sandvik's business areas, determines the strategy and direction of the Group's research and development. The task is to create synergies in the Group and develop methods and processes to guarantee efficient and innovative R&D activities in Group-wide projects and initiatives. Each business area is responsible for its own R&D work and collaborates with other business areas in joint and long-term projects.

To build strong relationships and safeguard the company's future technical expertise, the Group collaborates with universities, institutes of higher education and research institutes and participates in a range of research programs. We also sponsor postgraduate students within the framework of this collaboration. The Group has adjunct professors at Chalmers University of Technology and Uppsala University in Sweden. The Head of R&D, Olle Wijk, is also a visiting professor at Shanghai University in China.

## R&D INITIATIVES AT A GLOBAL LEVEL

- A milestone for Sandvik's long-term research is the Group's investment in additive manufacturing – or 3D printing – where a specialized team of 12–15 engineers and designers will devote the next few years to investigating potential applications for this materials and manufacturing technology in the Group's production processes.
- Sandvik is establishing R&D centers in India and China aimed at strengthening the Group's growth in these emerging markets. The focus of the center under development in India is on materials and process engineering, with cutting-edge expertise in modeling and simulation, and research projects to define potential future core activities. The focus of the center being created in China is the environment and energy, with an emphasis on creating a technological platform for future business opportunities in these areas. A shared feature of these centers is that they enable adaptation of the product range to regional customer requirements, shorten time to market and support all business areas in the respective field of expertise.
- During the year, three Centers of Excellence were created. These centers gather the Group's specialists in materials characterization, powder metallurgy, and modeling and simulation to make use of the combined expertise and capabilities. This enables customers to gain even greater leverage from Sandvik's combined innovative excellence.
- To attract, retain and develop Sandvik's technical expertise, R&D is implementing career paths for employees and experts, providing entirely new opportunities to leverage technical expertise.

## Examples of product development with sustainability aspects

	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. Focus on safety, alternative sources of energy as well as energy and cost efficiency.	Development of new tool materials and products. Improved production methods and equipment. Tool performance and quality are enhanced while production efficiency is streamlined for customers and Sandvik.	Development of advanced stainless steels and special alloys for the most demanding industries and applications. Increased strategic focus on R&D of products for the energy segment and materials development takes place in close collaboration with customers.	Product development through a combination of understanding customer requirements and an innovative approach to crushing, drilling, breaking and demolition. Focus on continuous improvement to reduce lead times and improve environment, health and safety work.	Development of technically advanced products in close collaboration with key customers. New production technology and new production processes are developed focusing on quality and cost efficiency as well as improved product performance.
Desired outcome	Shorter product development cycle, reduced cost and energy usage, enhanced safety in production and operations, improved environment and health and safety.	Strong focus on customers to increase their productivity through advanced technology, low environmental impact and favorable total production economy.	Contribute to industrial procedures becoming more reliable and more efficient, while also becoming more resource-efficient and reducing environmental impact.	Reduced production cost, increased reliability, higher performance, simplified and safer operations and maintenance, lower energy usage, and extended aftermarket offering for wear parts.	Increase customer productivity through advanced technology, low environmental impact and cost-efficient production.
Examples of products or procedures with sustainability gains	<i>PANTERA™</i> Reliable and stable automated drill platform delivering increased drilling capacity and service life, lower fuel consumption, and improved safety and work environment compared to alternatives in the market.	<i>MS2050</i> Seco Tools' new concept for turning titanium. It increases productivity and service life for customers in the aerospace industry and the oil, gas and energy sectors.	<i>Reverse Composite HT5/SANICRO™30.</i> Compound tube product for coal gasification that promotes increased energy efficiency from coal, greater flexibility for fuel usage and reduced CO <sub>2</sub> emissions per unit of energy.	<i>CH550</i> A new generation of cone crusher with significantly enhanced performance as well as easier and safer maintenance that results in a lower total operating cost.	<i>Process for recovery of cemented-carbide scrap</i> Wolfram Bergbau und Hütten's innovative processes are being introduced in an extensive investment to increase capacity for the recovery of cemented-carbide scrap.



Sandvik's Pantera™ is a new drill rig developed to capitalize on the ongoing shift in the mining industry toward fully autonomous operation. It features increased drilling capacity and service life, lower fuel consumption, and improved safety and work environment compared to alternatives in the market.

# FOCUSING ON THE ENVIRONMENT

*Sandvik's environmental strategy aims to create a corporate culture where environmental work supports and promotes the overall business objectives. Active and visible leadership in environmental matters is an important factor in improving the corporate culture, systems and performance. Therefore, the Group has set targets to ensure that all managers support these changes.*

**S**andvik's operations have both a direct and indirect environmental impact. Environmental impact is determined by how our raw materials are selected and utilized, how energy is used in production, how heating takes place, the type of transportation used, how chemicals and waste are handled and how our products are used by customers and subsequently phased out or recycled.

Sandvik's direct environmental impact is primarily the result of our production in various countries and the transportation of goods and employees. The indirect environmental impact occurs in the supply chain, and in connection with distribution, customer use and the phasing out or recycling of our 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. In some cases, the environmental impact of raw material production, manufacture and delivery of our products

can be offset by an environmental saving in relation to customer benefit at user level, for example, due to energy and material efficiency in the customer's application.

### LIFECYCLE ANALYSES AND ENVIRONMENTAL EFFECTS OF PRODUCTS

Sandvik's strategy has long been to offer customers products with extended service life and effective resource utilization. To the greatest extent possible, our products should contribute to reducing the environmental impact of customer processes and be recyclable.

Sandvik Materials Technology has conducted a number of life cycle assessments (LCAs) since 2012. The aim is to have LCA data available for the most important steel grades in the business area's product portfolio in order to evaluate the actual environmental saving at customer level for strategic applications – information that is subsequently passed on to

interested customers. During 2013, nine steel grades were subject to LCAs, which increased the number of assessments completed from seven to 16.

### CLIMATE IMPACT, ENERGY CONSUMPTION AND OTHER EMISSIONS

The Group's emissions to air comprise metal-containing dust, organic substances, carbon dioxide (CO<sub>2</sub>) and acidifying substances. These emissions mainly originate from our production processes and combustion of fossil fuels in conjunction with heating and transportation, as well as indirectly from purchases of electricity.

#### SANDVIK'S KEY ENVIRONMENTAL ASPECTS

- Use/consumption of energy, input materials, freshwater and hazardous chemicals.
- Emissions and waste management.
- Recycling of primary products, materials and the use of by-products.

A new biological treatment system for sanitary wastewater was installed in Sandviken in 2012, which resulted in lower emissions of oxygen-consuming substances and phosphorous to the lake Storsjön.



Sandvik's objective is to reduce energy consumption and/or CO<sub>2</sub> emissions at six selected production sites. These individually account for more than 2% of energy consumption and/or 4% of the Group's CO<sub>2</sub> emissions and therefore play a key role in reducing the Group's total emissions.

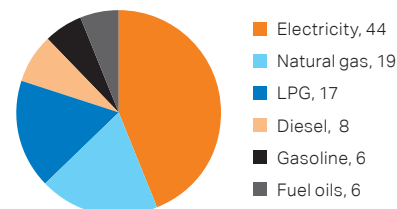
In addition, all major production-related units with more than 25 employees have the target of producing action plans focusing on such factors as energy consumption and CO<sub>2</sub> emissions. Sandvik's operations also generate CO<sub>2</sub> emissions from the transport of materials, products and employees. Sandvik Materials Technology, a member of the Clean Shipping Index, has decided on a green initiative program for its transportation and logistics operations. This program encompasses such activities as optimizing internal transportation in Sandviken and environmental requirements in the business areas' freight agreements.

**Emissions to air**

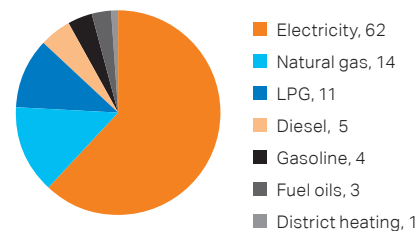
Sandvik's operations also generate direct emissions of acidifying substances, including sulfur dioxide (SO<sub>2</sub>), various forms of nitrogen oxides (NO<sub>x</sub>), and emissions of particulate matter and organic substances. Sulfur dioxide mainly originates from the combustion of oils and coke. SO<sub>2</sub> emissions declined during the year and are estimated to have been 39 tons (42). One of the reasons for the reduction was that the combustion of oils were lowered at several of our facilities in India, which had access to a more stable electricity supply, thus reducing the need for Sandvik's own generators to secure electricity. In Sandviken, steam production now uses more electricity and less combustion of fuel oil, which helps to reduce emissions of both SO<sub>2</sub> and CO<sub>2</sub>.

Emissions of NO<sub>x</sub> are derived from the smelting processes in Sandviken, Hallstahammar and Svedala, from combustion processes and, to a lesser

**CO<sub>2</sub> emissions, 2013, %**



**Energy consumption, 2013, %**



**ENVIRONMENTAL PERMITS**

Sandvik has approximately 150 sites worldwide. Permits for these facilities represent a basic requirement for business operations.

**LAND CONTAMINATION**

The Group's operations are carried out in many different countries and many of the production facilities date back many years. In some of these, chemicals were used and waste was disposed of in a manner that is not common practice today. One example is the use of trichloroethylene as a degreasing agent, which was widely used in the engineering industry between the 1960s and 1990s.

Many production sites have been surveyed in relation to the occurrence of land contamination, usually in consultation with environmental authorities. Where necessary, remediation efforts are planned and performed to meet environmental regulatory requirements and to reduce environmental risks to the surrounding areas. In connection with divestments and acquisitions, an environmental due diligence is always carried out to identify and manage possible land contamination issues.

**SPECIAL ENVIRONMENTAL REQUIREMENTS**

The Group's plants in Sandviken and Hallstahammar are covered by the EU trading system in CO<sub>2</sub> emission allowances. For 2013, the Group was assigned emission rights corresponding to 90,780 tons of CO<sub>2</sub>. In addition, a further 11,924 emission rights were purchased during the year.

While chemical legislation, primarily the EU REACH regulation, product-related environmental requirements based on various EU directives and similar requirements from other parts of the world, entail costs for the licensing and registration of chemical substances and controlling the chemical content of our products. These regulations may also generate benefits for our business.

Germany has energy tax rules in place to encourage companies to introduce certified energy management systems, which can also entail important cost savings for companies that acquire such certified systems. During the year, Walter certified its energy management system at its facilities in Germany according to the requirements in ISO 50001.

degree, from plants for the pickling and cleaning of metal surfaces. NO<sub>x</sub> emissions declined marginally during the year to just under 351 tons (354) due to the total combustion of fossil fuels being somewhat lower than in the preceding year.

**Emissions to water**

Emissions to water mainly consist of phosphorous and nitrogen, oxygen-consuming substances and metals from pickling plants. All wastewater from processes is treated before it is released.

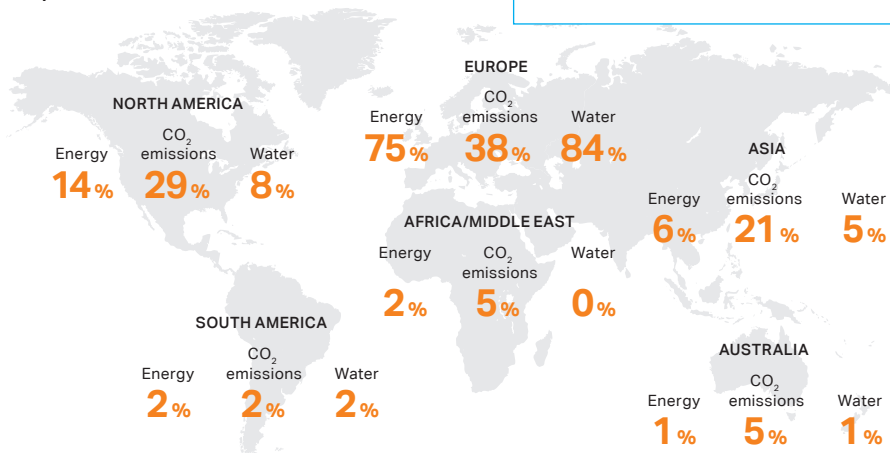
**USE, REUSE AND RECYCLING**

**Raw materials and input materials**

The input materials deemed to be most relevant are various types of metallic raw materials, water and purchased components. Sandvik Materials Technology's facilities 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.

The key metallic raw materials for Sandvik Machining Solutions and Sandvik Venture are tungsten, tungsten carbide and cobalt, but graphite and compounds with more unusual elements such as tantalum are also used. Sandvik Mining

**Share of Group's energy consumption, CO<sub>2</sub> emissions and use of water per market area**



**BASIC ENVIRONMENTAL PRINCIPLES**

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 could 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 those who cause the damage to the environment are to pay the ensuing social economic cost.

**REDUCTION OF CHEMICALS IN TURKU**

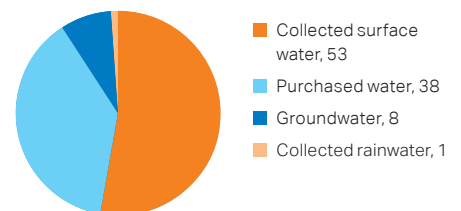
Some 100 chemicals were removed from Sandvik Mining's production unit in Turku, Finland, since several different chemicals with the same characteristics were being used while other chemicals were no longer in use. Centralization of chemical management and negotiations with key chemical suppliers are currently in progress. Environmental and health risks associated with the handling of chemicals at the facility declined due to this initiative.

**REDUCED CO<sub>2</sub> EMISSIONS FROM ENERGY CONSUMPTION**

In 2013, Sandvik launched an initiative to reduce the Group's CO<sub>2</sub> emissions. This meant that, during the year, we purchased electricity from renewable energy sources, such as hydro, wind, solar and biomass in the majority of European countries\* in which we conduct significant operations, in accordance with the European Guarantees of Origin scheme, which guarantees that electricity is produced from renewable sources of energy. Electricity purchased in Sweden has an origin label from the supplier, thus guaranteeing low CO<sub>2</sub> emissions for our Swedish operations. Owing to these initiatives, Sandvik's CO<sub>2</sub> emissions were reduced by about 110,000 tons compared with the preceding year, corresponding to about 20% of the Group's total CO<sub>2</sub> emissions.

\* France, Czech Republic, Germany, UK, Spain, Italy, Ireland, Poland, Finland and the Netherlands.

**Water consumption, 2013, %**



**FAREWELL TO LUBRICATING PASTE**

Sandvik Machining Solutions used to include more than 200,000 tubes of lubricant paste with its tool packages every year. Many customers threw away the tubes because they did not need them. Moreover, the product was classified as hazardous to aquatic environment, resulting in many EHS and logistics obligations. Sandvik has therefore decided to stop including the lubricant in product deliveries.

The decision benefits both Sandvik and the environment. Use of the lubricant is more efficient when customers use their preferred lubrication system and the amount of hazardous waste at customers' sites is reduced. This also reduces packaging material and means that Sandvik has one less chemical product to purchase and administer.



uses iron and manganese raw material for the manufacture of castings. A wide range of machine components are used as input materials. Sandvik Construction primarily uses input materials such as castings, forged shafts, steel sheet and components. In total for the Group, about 81% of metallic raw materials are derived from recovered material. To maximize sustainable utilization of materials and reduce the environmental impact, used cemented-carbide products are repurchased.

**Use of water**

Water is a valuable resource. We continuously endeavor to reduce consumption of fresh water (purchased water) and groundwater and surface water is collected at some 30 sites. Economizing with freshwater is particularly important in areas where water is scarce, so called water-stressed regions. A survey was carried out of the facilities' locations relative to various water-related stress factors. Five sites in India and one in China are located in areas defined by the UN as

having less than 500 cubic meters per year and person. These sites will be more closely analyzed with the aim of enhancing the efficiency of water use. During the year, the Sandviken site, which uses considerable volumes of water, produced an action plan for reducing its consumption of purchased fresh water.

**Waste**

Sandvik's operations give rise to various types of waste. Metalliferous waste and other by-products are re-used or recycled to the greatest extent possible. However, certain waste products, such as slag from steel production and casting and tailings from tungsten enrichment continue to be disposed of pending the further development of these types of waste into useable by-products. The total amount of waste increased by 4%. Although some of the tungsten enrichment sand can now be used as construction material, the amount of waste sent to landfills rose 5% during the year. Hazardous waste rose 8%. This type of waste is subject to strict legislation and is treated and disposed of in a safe manner.

**USE OF WATER IN INDIA**

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. Several units also collect rain water for internal use.

**USE OF WATER IN SANDVIKEN, SWEDEN**

The production unit in Sandviken is responsible for the most significant impact on the environment in the Group, not least regarding use of water. Both purchased fresh water and industrial water are used in production at Sandviken. The water that is used (industrial water including rain water and fresh water) is circulated through an embanked part of the lake Storsjön and thereafter treated at a water-treatment plant. By re-circulating and treating the used water, the amount of water consumed and emissions of pollutants to recipients can be significantly limited. The aim is to further improve the quality of the industrial water to in turn reduce the need for purchased fresh water.

**Group environmental objectives and targets\***

Objective	Target	Due	Status	Comment
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.	Key <i>Environmental management plans</i> for specific areas (energy, water and CO <sub>2</sub> emissions) will be developed.	2013	Ongoing	Delayed. Plans for key units for use of water have not been developed for facilities in water-stressed areas. All other plans for key units have been developed and approved by Group Executive Management.
	<i>Environmental plans from key units</i> for specific areas to be implemented.	2015	Ongoing	At year-end, mostly investigative and start-up activities had taken place.
	<i>Formal general environmental plans</i> for other major production units to be developed.	2013	Completed	Each business area had collected the general environmental plans from the units.
	<i>Formal general environmental plans</i> to be implemented.	2015	Ongoing	Progressing according to plan.
	For all other units, <i>plans for increased environmental awareness and minimized environmental impact</i> to be developed.	2013	Ongoing	Delayed. Most other units do not have a developed plan yet.
	Plans for other units to be implemented.	2015	Not initiated	
Each business area is to develop a plan to reduce CO <sub>2</sub> emissions arising from transportation of goods and people by the end of 2015.		2015	Ongoing	Progressing according to plan.

\* See also p. 25 for joint targets for environment, health and safety (EHS).

# ZERO VISION FOR INJURIES

*Sandvik has a vision of Zero Harm in relation to accidents and has established safety as a top priority.*

The Zero Harm vision will be achieved with a “Globalize and Localize” approach, in which activities are harmonized and/or standardized across the Group while empowering the organization to implement innovative solutions. Critical success factors for achieving this vision have been identified, including active and visible leadership, development of a knowledge-sharing culture, strong communication and consistent accountability.

## TARGETS AND PLANS

The emphasis of Sandvik’s health and safety strategy is based on preventative measures and activities to change the corporate culture. The Group monitors key figures that show the outcome of the work undertaken, including the Lost Time Injury Frequency Rate (LTIFR). The Group’s objectives and targets have been developed to support this process.

Sandvik’s safety work has two main focus areas. The first acknowledges that although Sandvik’s LTIFR has been improving for many years, fatalities have still occurred. Therefore, all of Sandvik’s business areas will implement additional safety risk assessments. The purpose is to identify all Extreme potential hazards and to introduce systems for controlling and minimizing them.

The other focus area is to minimize the number of incidents and work-related illnesses. We have increased efforts in relation to measuring and monitoring the effect of the preventative activities by using leading indicators. Sandvik requires that all production units with more than 25 employees be certified in accordance with OHSAS 18001 within two years of acquisition or establishment.

Sandvik’s health objective aims to ensure that all of the company’s employees work in a culture and environment that supports their health and well-being.

In addition to this, the Group conducts health check-ups and closely monitors individuals, for example, who are potentially exposed to hazardous materials such as cobalt and nickel.

## TARGETS, PLANS – AND THE REALITY

In 2013, three people lost their lives while at work at Sandvik. This is a tragedy and a reality that is very hard to accept. Naturally, this is also a serious setback for the Group’s goal to eliminate fatalities and permanently disabling injuries. On the tragic occasion when a work-related fatality does happen, the first response is to provide assistance and support to the families and work colleagues. Group Executive Management is immediately informed and receives regular updates on all aspects of the incident. In parallel with this, a full investigation of the incident is immediately commenced, often in conjunction with the local authorities. Depending on the circumstances of the incident, such investigations can be complex and lengthy – sometimes taking many months. As soon as reports from the investigation have been confirmed, the local Sandvik management team provides Executive Management with a full briefing on the conclusions and future preventative actions. Sandvik employees are continuously informed throughout the process.

## REDUCED LTIFR

To ensure that the long-term, positive trend in terms of LTIFR continues, Sandvik intends to strengthen its existing safety culture and systems. Active and visible leadership is a critical success factor for changing Sandvik’s culture and employee behavioral patterns.

We have noted a positive trend in which our LTIFR has fallen and the target at a Group level of 3.7 was surpassed during the year. In 2013, Sandvik’s LTIFR improved by 27%, and was 3.2 at year-end.

As in preceding years, markets in Asia and Africa have the lowest LTIFR. Europe and North America continue to account for the highest LTIFR figures. South America, Africa and Australia succeeded in halving their respective LTIFR compared with the preceding year. All business areas showed improvements and, at year-end, the target had almost reached the objective for 2014, which was set at 3.1. As a result, the target has been revised to 2.4.

When LTIs decline and fall to lower levels, the importance of also monitoring other incident categories increases. This will ensure that safety measures generate results across a broad front. Therefore, Sandvik also monitors those incident categories that do not lead to lost time but to

## VESPASIANO IN BRAZIL CELEBRATES 1,200 CONSECUTIVE DAYS WITH ZERO LOST TIME INJURIES

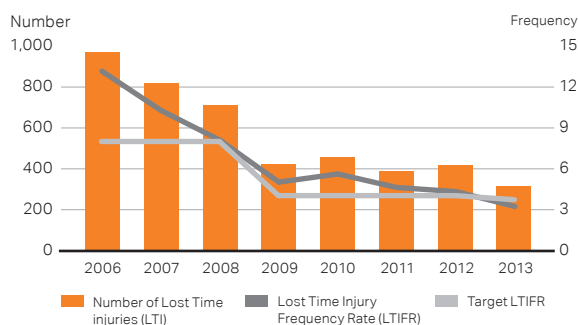
“Certo a partir de mim”. With these words as their motto, in mid-November it was time for Sandvik Mining’s more than 200-strong workforce at its production unit in Vespasiano, Brazil, to celebrate 1,200 consecutive days without a single lost time injury. “Certo a partir de mim” translates approximately to “right by me”, and the team in Vespasiano has agreed that this is a good way of working. Everybody can relate to and accept in their own work to jointly contribute to shared success – in a safe manner. To ensure success, several concepts have been launched to strengthen incident prevention activities. These included procedures for daily safety discussions and the arrangement of training and other events to raise safety awareness and strengthen the culture of safety.

**Group environment, health and safety (EHS) objectives and targets\***

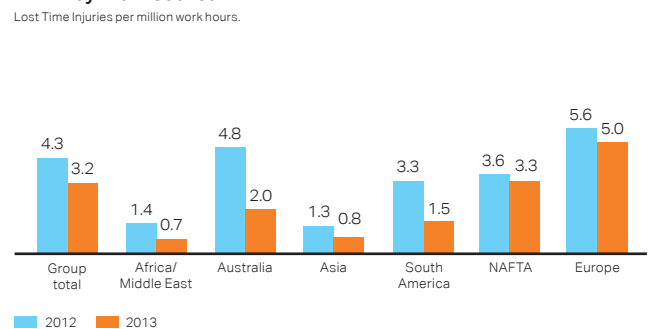
Objective	Target	Due	Status	Comment
All business areas are to develop and implement an approved plan for leveraging EHS as a business advantage.	Each business area plan is to be approved by Group Executive Management.	2013	Completed	All business areas have achieved the target.
	Each business area is to have implemented its plan.	2015	Ongoing	Progressing according to plan.
Each manager to will agree, publicly declare and implement three personal leadership behavior connected to environment, health and safety by the end of 2015.	All members of Group Executive Management, all business area management teams and local management team are to achieve the target.	2013	Ongoing	Delayed. 60% of Group Executive Management and business area management teams have established their personal leadership qualities. The work on establishing and collating leadership qualities is continuing in the local management teams.
	All managers are to achieve the target.	2014	Ongoing	Progressing according to plan.
	All frontline supervisors are to achieve the target.	2015	Not initiated	
Eliminate all fatalities and permanently disabling injuries by identifying and controlling extreme potential risk situations.	Each business area is to complete a risk assessment to identify all Extreme Potential Hazards (EPH).	2013	Completed	All business areas have achieved the target.
	Implement Major Hazard Standards (MHS) to control EPH.	2015	Ongoing	Progressing according to plan.
Ensure that systems and culture are in place to further reduce the number and severity of work-related injuries, illnesses and other incidents.	All major production-related units (with more than 25 employees) will develop <i>formal safety plans</i> containing activities, which are to be approved in each business area.	2013	Completed	All business areas have achieved the target.
	Activities in the <i>formal safety plans</i> to be implemented.	2015	Ongoing	Progressing according to plan.
	All other units are to produce <i>general safety plans</i> to ensure a strong safety culture through the company.	2013	Ongoing	All units did not have plans in place at the end of the year.
	Activities in the general safety plans implemented.	2015	Ongoing	Progressing according to plan.
	Achieve a Lost Time Injury Frequency Rate (LTIFR) of 3.7.	2013	Completed	LTIFR was 3.2 at the end of the year. The target has been revised to 2.4.
To have all employees working in a culture and environment that support their health and well-being.	All employees are to have continued access to a <i>health and well-being program</i> through their own Sandvik company.	2013–2015	Ongoing	Delayed. About 60% of the units indicated that they had a program that had been fully implemented or that had only some work remaining at year-end. Other units stated that they did not have a program in place or that they had initiated work in the area.
	Most employees should perceive the program available to be effective.	2013–2015	Not initiated	Planned to be included in the company's next employee survey.

\* The Group's specific environmental targets are presented on p. 23.

**LTI and LTIFR, 2006–2013**



**LTIFR by market area**



alternative work tasks for the injured or incidents that require medical treatment. In 2013, the company registered 8.6 Total Recordable Injuries per one million worked hours. The target is to see this indicator develop positively. It is too early to see any trend in this indicator, since 2013 was the first year in which this area was monitored across all parts of the Group.

**A HEALTHY COMPANY**

Sandvik endeavors to improve the health and well-being of its employees. The objective is that employees should see their work as meaningful and having a positive effect on their lives. We believe that employees should be able to do their best at work while achieving a good work/life balance.

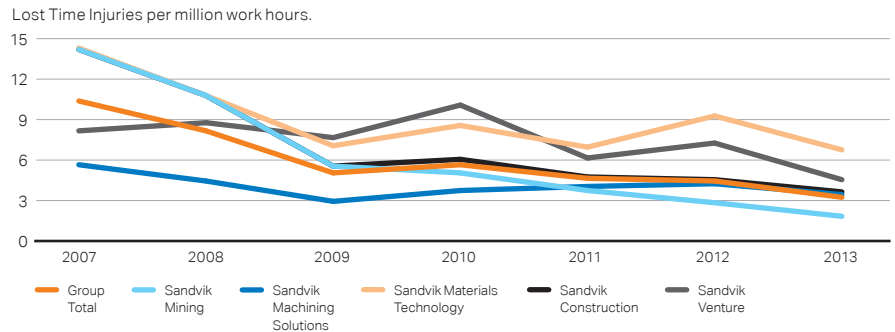
All employees should have access to a health and well-being program that is adapted to local conditions. We provide some guidelines to assist sites in creating and implementing a health and well-being program, although local adaption and organization of these programs is delegated to local management, and monitored as part of the site plan developed for the plant in question. Examples of elements in a health and well-being program may include:

- Improving the general physical fitness of employees.
- Improving the work-life balance.
- Handling stress.
- Healthy eating/weight loss.
- Support for quitting smoking.

**HIV/AIDS-PROGRAM**

HIV/AIDS has an impact on Sandvik, particularly in the southern regions of Africa. The Group has 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.

**LTIFR by business area, 2007–2013**



**INITIATIVES FOR A HEALTHIER COMPANY**

Sandvik Materials Technology in Canada has had a Wellness Committee since 2010 to address the growing need for an employee health and wellness program in Arnprior. The Committee now drives multiple health and wellness programs such as the Global Corporate Challenge (GCC). The GCC is a competition in which seven teams of seven people virtually race around the globe. Each participant wears a pedometer and enters the number of steps they take every day for 16 weeks, with the ultimate goal of achieving at least 10,000 steps per day. For the past three years, Sandvik Materials Technology has been recognized by the GCC as being Canada’s Most Active Company.

In 2013, the company also received a “Certificate of Recognition” by Excellence Canada in collaboration with Canada’s Healthy Workplace Month for a presentation that was given to each employee entitled “Your Health Matters”. The presentation provides employees with information to enhance their awareness of factors that influence cancer. Participants are also motivated to lead a healthier lifestyle.

# ENABLING A HIGH-PERFORMING AND GLOBAL HR ORGANIZATION

*The global Human Resources (HR) change program at Sandvik – aimed at ensuring improved HR support for our managers and employees in the Group – continued in 2013. As a result of these efforts, we have developed a global HR organization with more distinct roles and governance. Staffing of the new organization has been completed. In parallel with the change program, major progress has also been made in several key focus areas, such as Leadership Development, Succession Planning, Talent Development, Employer Branding, Diversity and Inclusion and Securing internal career paths.*

The HR strategy has been developed to ensure that all activities support the Group's business operations. Each business area has identified important initiatives and challenges in the HR area on the basis of Sandvik's long-term business strategies. These areas have been assigned priority and represent an extension of Sandvik's HR strategy. On the basis of this, five main areas have been identified, each containing a number of key initiatives. The areas are Performance Culture, Leadership, Change Management, and Talent Development. The fifth main area encompasses a number of initiatives necessary to secure quality, efficiency and productivity development in Sandvik's HR activities.

Programs aimed at training our employees in Sandvik's core values continued during the year. In 2013, a project to update the core values also commenced, the purpose of which is to reflect the Group's strategy and raised growth ambitions in an increasingly competitive market.

## PERFORMANCE MANAGEMENT AND PERFORMANCE DIALOGS

In 2013, a Group-wide framework and system support for the performance dialog process was introduced and covers all employees. Initiatives are planned which will grow the high-performing organization within Sandvik. This will include areas such as compensation strategy, culture and core values, diversity and inclusion as a business advantage and the company's performance management framework. Some 85% of Sandvik's employees had performance dialogs in 2013.



President and CEO of Sandvik, Olof Faxander (right) and Executive Vice President and Head of Human Resources Anna Vikström Persson (left), with some BON participants from Sandvik.

## BATTLE OF THE NUMBERS – A WAY TO CAPITALIZE ON ALL TALENTS

In 2013, Sandvik participated in the Battle of the numbers (BON) project together with nine other global Swedish companies. The project develops best practices that aim to increase the number of women in managerial positions. The name, "Battle of the numbers," expresses two overall objectives: to increase the number of women in the companies, and to increase profitability. At Sandvik, the project has led to ambitious targets with specific action plans. Group Executive Management played an active role in the process, which was led by a project group comprising ten selected female managers. Their recommendations to Group Executive Management were based on their own experiences of building a career at Sandvik.

### LEADERSHIP

Our leadership initiatives will provide the Group with leaders who are able to develop their operations, their people and themselves. Sandvik's leadership model was launched in 2012 and is designed to support the Group's strategic direction. In 2013, a number of leadership programs were introduced also based on the Group's business strategy. The leadership criteria for all managers are reviewed annually in performance dialogs and employees use the same criteria to evaluate their managers in the internal employee survey.

### TALENT DEVELOPMENT

Sandvik's ability to attract, develop and retain talent is a key factor for ensuring performance and growth. As a result, succession planning is carried out for all positions with a direct impact on our business goals. Employees with the potential to fill these positions have been identified and both long and short-term plans have been created. During the year the Group has continued to focus on internal mobility for the company as a whole when appointing key positions.

In 2013, other activities to develop and motivate employees with high potential were also initiated. For example, we launched a global mentor pool, in which senior leaders mentor next-generation leaders and experts. A global talent development program was also initiated in selected countries.

**EMPLOYER BRANDING**

Employee turnover was 12% in 2013. A strong employer brand is critical for Sandvik in order to meet the Group’s strategy and objectives. To attract, develop and retain the most talented employees, the introduction of a global strategy to strengthen the Group’s employer brand in selected markets was implemented in 2013.

Several initiatives linked to employer branding were also initiated during the year. These included the launch of a new global career page on the Group’s website [www.sandvik.com](http://www.sandvik.com) and an increase in the use of social media as a channel for employer branding activities. LinkedIn, the global networking website for professionals, is now one of the Group’s main Employer Branding channels. The number of Sandvik’s LinkedIn followers has increased 164% over the past year. We also communicate via Facebook, Twitter and Instagram.

In addition to these activities, we worked actively to continue building



**DIVERSITY AND INCLUSION GENERATE GROWTH FOR SANDVIK IN MEXICO**

Mexico is a market that had been a role-model at Sandvik in terms of local diversity work. At an early stage, Sandvik in Mexico recognized how greater diversity and an inclusive work environment that capitalizes on everyone’s potential improves the company’s ability to recruit younger employees and more women. This in turn had positive effects on business and on Sandvik’s Employer Brand. The company directed particular attention to improving its recruitment process by reviewing requirement profiles, recruitment advertising and the channels used for recruiting to attract these new target groups. Mayra Munoz, HR Manager in Mexico, will assist other countries in South America to develop their diversity programs in line with Sandvik’s strategy for diversity and inclusion.

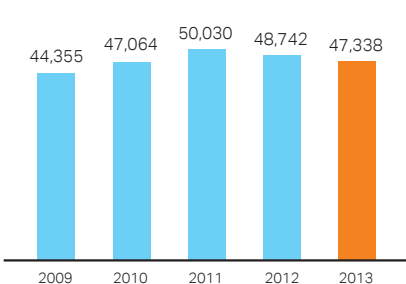
relationships with students at universities and institutes of higher education. The Group welcomed them to Sandvik where they could experience Sandvik from within. During the year, a decision was made to launch a global trainee program in autumn 2014.

**EMPLOYMENT CONDITIONS**

We care about our employees. Accordingly, our employment conditions are based on the UN Universal Declaration of

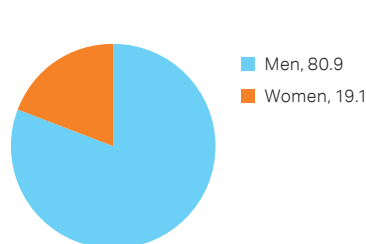
Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. All employees have the right to, if they so choose, join any union and be covered by a collective agreement. The Group has several unions represented in various countries. Sandvik always endeavors to maintain a constructive dialog with its employees and provide them with the opportunity to influence their working conditions, regardless of whether or not they are a member of a union.

No. of employees 2009–2013\*



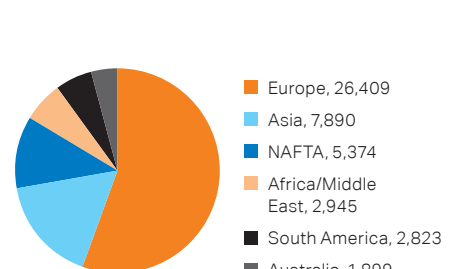
\* Restated to Full Time Employees (FTEs) at 31 December 2009-2013.

Breakdown of women and men in the Group, %\*



\* Calculations are based on approximately 90% of the total number of employees at 31 December 2013.

Employees per market area\*



\* Restated to Full Time Employees (FTEs) at 31 December 2013.

**DIVERSITY AND INCLUSION AS A BUSINESS ADVANTAGE**

A prerequisite to succeeding with the continued globalization is the Group's dedication to diversity and inclusion efforts. Introduction of the global diversity strategy commenced in 2012 and continued in 2013.

There are many business advantages with diversity and inclusion activities, examples include: increased innovation capacity throughout the organization, a better ability to understand customer needs in the global market, further improved opportunities to attract, develop and retain top talents, and greater productivity.

Each business area has conducted situation analyses and identified improvement areas in relation to the Group's long-term targets for diversity and inclusion. An action plan for managing these improvement areas has been compiled for 2013–2015. The action plan is continuously monitored by each management team within the framework of the business areas' quarterly follow-up procedures.

During 2013, Sandvik continued to focus on globalization in the Group's key positions in terms of nationality, gender

and age distribution. At present, Group Executive Management includes three women, compared with one woman at the beginning of 2013. One of the three, Petra Einarsson, President of Sandvik Materials Technology, became Sandvik's first female business area president during the year. In terms of nationality, in addition to Swedes, Group Executive Management now has representatives from China and the UK. Dingui Gao, Sandvik Construction, is Sandvik's first business area president from Asia.

Within the Group, the share of women in the management teams of the business areas continued to increase and is now 21%. This represents an increase from 9% since 2010. We also noted an increase in the share of women in the pool of next-generation managers who are being prepared for senior managerial positions in the future. The current figure is 28%. In Sweden, the share of women in managerial positions is 21%, while the share in the total workforce is 24%, which is an increase of 2 percentage points in 2013. The aim is to continue increasing the share of women both in managerial positions in the total workforce across the entire Group. We are monitoring developments in several areas to ensure that the

**SANDVIK'S DIVERSITY OBJECTIVES**

**Our workplace:**

A culture of inclusion.

**Our workforce:**

A diverse workforce at all levels and in all functions.

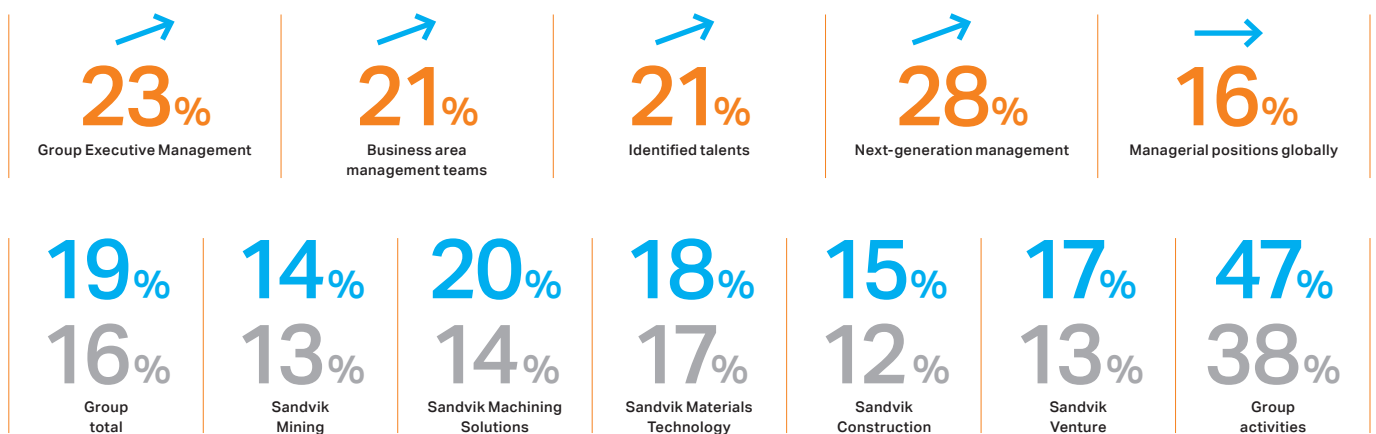
**Our marketplace:**

A high-performing organization, capitalizing on diversity and inclusion to remain competitive in the global market.

Group creates conditions for increasing the share of women at various levels.

The Group's successful diversity efforts are conducted both globally and locally. In 2013, Sandvik developed local diversity and inclusion action plans in India, South Africa and Sweden. During the year, managers and employees in these countries also took part in training initiatives to highlight the business advantages of diversity and inclusion. The training focused on how Sandvik's employees can be part of, and contribute to, a culture of inclusion at the workplace that capitalizes on the potential of all of our employees.

**SHARE OF WOMEN**



■ Women\*  
■ Women, managers\*

\* Share based on approximately 90% of Sandvik's total number of employees at 31 December 2013.

# SUSTAINABLE PURCHASING

*In 2013, Sandvik decided to further strengthen focus on sustainable supplier management by revising and allocating additional resources to the Sandvik Supplier Evaluation Process. The aim is to enhance the efficiency in managing Sandvik’s suppliers and develop a strengthened management of environmental, social and good governance practices, together with our suppliers.*

The ten principles of the UN Global Compact and the OECD Guidelines form an important basis for our work in relation to the sustainable purchasing practices. The revision of the Sandvik Supplier Evaluation Process is extensive and will continue in 2014. The Supplier Code of Conduct, together with specific anti-corruption policies, specify our sustainability requirements on our suppliers, and they form the basis for the assessment, evaluation and approval of suppliers of both goods and services.

### SUPPLIER TRAINING, ASSESSMENT AND MONITORING

Training of our suppliers is a key success factor in Sandvik’s efforts to introduce the Supplier Code of Conduct. During the training, we explain our requirements and local regulatory requirements pertaining to labor, the environment, health and workplace safety. We encourage an active dialog with our suppliers around the local challenges they face regarding compliance with our Supplier Code of Conduct. Training also serves as preparation for an on site audit, since suppliers are able to ask questions and we can describe the audit process and our expectations in relation to the subsequent corrective actions. In 2013, 11 training courses were arranged for a total of 154 suppliers primarily in India and China.

Suppliers are evaluated according to a risk assessment model. The type of monitoring depends on the supplier’s risk class allocation. On site audits, which are only performed for high-risk suppliers, are an integral part of Sandvik’s process for evaluating, assessing and approving suppliers. During the year, we employed another full-time auditor for sustainable auditing in China, one in Mexico and trained 17 new part-time auditors in SA8000, a social auditing standard. Sandvik currently has a team of eight professional auditors who assess our suppliers’ ability to meet the requirements of Sandvik’s Supplier Code of Conduct.

In 2013, 157 audits of high-risk suppliers were performed in China (50), India (78), Brazil (21), South Africa (2) and one in each of the following countries: Bolivia, Malaysia, Thailand, Russia, Turkey and Madagascar. In general, we noted a raised awareness of our requirements. The majority of the deviations pertained to heavy industry, such as foundries, forges, steel manufacturing and processing. Most of these deviations were related to environment, health and safety. We have seen improvements in terms of recruitment procedures and compliance with labor legislation, for example, in relation to insurance cover in India. Unfortunately, the lack of employment contracts and excessive working hours remain a problem, and we are engaged in ongoing dialog with our suppliers concerning these issues. In some cases, suppliers lack a policy regulating child labor or the absence of an action program should child workers be discovered. This is a deviation, and classified under the title “child labor” in the diagram below. Regarding forced labor, all deviations relate to financial penalties imposed on employees of suppliers in China, which are forbidden and classified as forced labor.

When deviations are confirmed, suppliers are encouraged to prepare and implement a plan of corrective measures within a specified timeframe. Sandvik provides support and training for these suppliers to assist in planning and implementing the necessary improvements. As a final

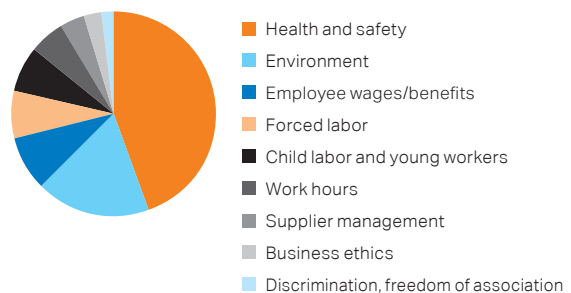
resort, if the supplier is unable or unwilling to improve, the partnership with the supplier is terminated.

### CONFLICT MINERALS

As a consequence of the US Securities and Exchange Commission adopting rules regarding conflict minerals disclosures at the end of 2012, the Sandvik Supplier Code of Conduct was appended with new requirements governing conflict minerals. The minerals in question are tin, tantalum, tungsten and gold (3TG). If these originate from the Democratic Republic of Congo (DRC), or its neighboring countries, there is a risk that the minerals can finance the conflict in the DRC and the subsequent violations of human rights in connection with this. Although a very small amount of the world’s total 3TG minerals are extracted in the DRC or its neighboring countries, all 3TG minerals are considered conflict minerals, regardless of origin.

All 3TG minerals may be found in our products. As a result, we initiated an internal project during 2013 to increase knowledge about conflict minerals, US legislation and how we can contribute by ensuring responsible purchasing practices. Since we are actively involved in the entire tungsten processing chain, Sandvik became a member of the Tungsten Industry-Conflict Minerals Council (<http://www.ti-cmc.org/>) in December 2013, an initiative that aims to report and publish information about the origin of its members’ tungsten and assure that it is conflict-free.

Deviations identified with suppliers





# OUR COMMUNITY INVESTMENTS

*Sandvik is a global company that impacts many of the communities in which the Group operates. We always strive to be a good corporate citizen, and we have a positive influence on many communities around the world.*

**S**andvik wants to assume a broad social responsibility. Accordingly, each year, we participate in a range of global and local community projects and organizations. Sandvik believes that this is best achieved locally where there is a better understanding of the needs in various areas.

The Group often comprises a large part of the community and has a number of stakeholders who are impacted by the company in various ways. Furthermore, community involvement represents a commercial investment in the development of a sustainable company. This con-

tributes, for example, to a good reputation and generates loyalty for Sandvik, both in the community and among employees. We also see a direct link between, for example, vocational training programs and potential future employees, meaning that our recruitment base is broadened, particularly in countries where there is a lack of technical expertise. Education is also one of the most efficient ways to combat poverty, and thus the benefit from this type of investment is two-fold.

During 2013, we clarified our policy on sponsorship and community involvement.

We define community involvement as active partnerships between different parties. Sandvik's partnerships are to have clear, measurable targets, be able to report clear results and be linked to Sandvik's core values.

As in previous years, we participated in a range of community projects worldwide in 2013 with a varying focus. Education, the development and rights of children, work on environmental sustainability, and health and safety are issues that are often prioritized in Sandvik's different projects.



## SANDVIK SUPPORTS SCHOOL PROJECT IN CHINA

Sandvik China is supporting the construction of a new elementary school in the Yunnan province. The current school building is in a poor condition and poses potential risks. Employees at Sandvik China have donated money and the amount collected has been matched by the company. The donation was given to a selected organization responsible for the actualization of the Sandvik Hope School Project. The project is part of the Chinese initiative "Project Hope," which aims to help children in less privileged families, enabling them to complete elementary school. Employee activities can also be arranged, such as school visits and volunteer teaching.

## SANDVIK PROVIDES SUPPORT FOR SUSTAINABLE EDUCATION IN INDIA

Just like in many other countries, Sandvik provides support to schools in India. Schools close to our production sites have been identified, one of which is located in Ghumasan. A needs analysis was performed to identify the type of support required by the school to enable it to maintain a high degree of quality in its teaching activities, and now the company is working to develop a long-term program. The project is led by a team of Sandvik employees, who assume responsibility for most of the activities aimed at raising the quality of the teaching. The team also organized activities in the school relating to such areas as health and safety. In addition, Sandvik has donated school uniforms and sports equipment, and contributed financially to a new computer room.

# KEY FIGURES

Financial key figures	Unit	2013	2012	2011	2010	2009	2008	2007	2006
Economic value, generated and distributed									
Sales	MSEK	87,328	98,529	94,084	82,654	71,937	92,654	86,338	72,289
Manufacturing costs	MSEK	50,947	56,161	56,054	44,758	46,859	53,287	48,343	38,620
Employee wages and benefits	MSEK	23,599	24,907	24,014	22,885	22,441	23,129	20,562	18,825
Payments to providers of capital	MSEK	6,279	6,056	5,776	2,805	5,986	7,328	5,604	4,488
Payments to governments	MSEK	3,937	3,180	3,173	2,391	885	2,876	4,167	3,151
Retained in company	MSEK	2,566	8,225	5,067	9,815	-4,234	6,034	7,662	7,205
<b>Wages, salaries, other remuneration and social costs</b>									
	Unit	Group		Parent Company					
		2013	2012	2013	2012				
Wages, salaries and other remuneration	MSEK	18,632	19,346	3,840	3,819				
Social costs	MSEK	4,938	5,311	1,755	1,789				
Employee profit sharing	MSEK	29	250	24	212				
<b>Total</b>	<b>MSEK</b>	<b>23,599</b>	<b>24,907</b>	<b>5,619</b>	<b>5,820</b>				
Of which, pension costs recognized in social costs	MSEK	1,700	1,739	628	569				
<b>Environmental key figures</b>									
	Unit	2013	2012	2011	2010	2009	2008	2007	2006
Metallic raw materials	Thousand metric tons	341	318	352	359	252	350	399	405
Of which recovered	%	81	81	80	81	78	79	78	78
Energy use	TJ	8,900	8,900	9,100	9,100	7,500	8,900	8,800	8,100
Change	%	0	-2	0	21	-15	1	8	—
Direct use, from fossil fuels	TJ	3,300	3,400	3,700	3,900	2,900	3,400	3,300	3,000
Indirect use, from electricity and district heating	TJ	5,600	5,500	5,400	5,200	4,600	5,500	5,400	5,100
Water consumption	Thousand m <sup>3</sup>	8,100	8,400	8,400	8,900	7,100	6,600	6,800	6,800
Change	%	-5	1	-6	27	7	-3	0	—
Of which, purchased water	Thousand m <sup>3</sup>	3,100	3,200	3,400	3,400	3,200	3,600	3,500	3,300
Of which, groundwater	Thousand m <sup>3</sup>	700	700	600	600	600	500	500	500
Of which, collected surface water	Thousand m <sup>3</sup>	4,300	4,500	4,400	4,900	3,300	2,500	2,800	3,000
CO <sub>2</sub> emissions	Thousand tons	383	523	538	559	479	566	547	470
Change	%	-27	-3	-4	17	-15	3	16	—
Direct emissions, from fossil fuels	Thousand tons	215	220	242	260	195	224	226	202
Indirect emissions, from electricity	Thousand tons	168	303	296	299	284	342	322	268
Waste	Thousand tons	366	352	433	417	280	166	171	150
Change	%	4	-19	4	49	69	-3	14	—
Of which, hazardous	Thousand tons	38	35	36	34	27	32	28	35
Of which to landfill	Thousand tons	305	292	366	358	231	109	105	95
Emissions of process water	Thousand tons	2,100	2,000	2,300	2,200	1,400	—	—	—
Change	%	6	-13	5	52	—	—	—	—
Emissions to air									
NMVOG	kg	64,000	66,000	61,000	62,000	65,000	—	—	—
SO <sub>2</sub>	kg	39,000	42,000	71,000	69,000	45,000	—	—	—
NO <sub>x</sub>	kg	351,000	354,000	380,000	441,000	379,000	—	—	—
Emissions to water									
Nitrogen	kg	237,000	285,000	329,000	379,000	201,000	—	—	—
Phosphorous	kg	32,800	20,700	12,400	1,300	1,400	—	—	—
COD	kg	208,000	259,000	170,000	201,000	172,000	—	—	—
Nickel	kg	200	280	210	180	680	—	—	—
Chromium	kg	100	140	80	60	70	—	—	—

Social key figures	Unit	2013	2012	2011	2010	2009	2008	2007	2006
<b>People</b>									
Total number of employees	FTE	47,338	48,742	50,030	47,064	44,355	50,028	47,123	41,743
Of whom, women	%	19.1 <sup>1</sup>	18.5 <sup>4</sup>	17.9	17.6	17.2	16.9	17.0	17.0
FTEs <sup>1</sup>	%	97	—	—	—	—	—	—	—
Part-time employees <sup>1</sup>	%	3	—	—	—	—	—	—	—
Contracted employees	FTE	3,524,(7%)	—	—	—	—	—	—	—
LTIFR	Number of LTIs per million work hours	3.2	4.3	4.6	5.6	5.0	8.1	10.3	13.2
<b>Employees by region</b>									
	FTE		Europe	NAFTA	South America		Africa/Middle East	Asia	Australia
			26,409	5,374	2,823		2,945	7,890	1,899
<b>Employees by business area</b>									
	FTE	Sandvik Mining	Sandvik Machining Solutions	Sandvik Materials Technology	Sandvik Construction		Sandvik Venture	Group activities	Total
		12,965	19,055	7,113	3,147		2,635	2,423	47,338
Total share of women <sup>1</sup>	%	14.1	20	17.8	14.6		16.9	46.5	19.1
Women in management positions <sup>1</sup>	%	12.9	13.7	16.9	12.2		13.2	37.7	16.1
<b>Composition of Board and Group Executive Management and breakdown of other employees</b>									
	%	Board of Directors <sup>2</sup>			16.7		0	25	75
	%	Group Executive Management <sup>3</sup>			23.1		0	69	31
	%	Management <sup>1</sup>			16.1		3	72	25
	%	Other employees <sup>1</sup>			19.5		18	58	24
<b>Employee turnover<sup>1</sup></b>									
Employee turnover per year	%	12	11	8	8	14	10	—	—
<b>Employee turnover by market area</b>									
	%		Europe	Nafta	South America		Africa/Middle East	Asia	Australia
			10	15	21		11	9	29
<b>Employee turnover by gender</b>									
	%							Men	Women
								12	13
<b>Employee turnover by age</b>									
	%						Under 30 years of age	30–50 years of age	50 years of age and above
							26	9	12

<sup>1</sup> Calculated based on approximately 90% of Sandvik's total number of employees.

<sup>2</sup> Including deputy members.

<sup>3</sup> Including members of Extended Group Executive Management.

<sup>4</sup> Calculated based on approximately 85% of Sandvik's total number of employees.

# REPORTING PRINCIPLES

The reporting of Sandvik's corporate responsibility is based on the Swedish Annual Accounts Act, the Swedish Society of Financial Analysts' (SFF) 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](http://www.globalreporting.org). The report corresponds to 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. This means that stakeholders are involved in identifying and understanding sustainability issues and assuming responsibility for, reporting on and explaining decisions, actions and results. The Sustainable Business Report has been reviewed 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 <http://www.accountability.org>

## REPORT SCOPE AND BOUNDARY

GRI's guidance on the Reporting Principles of materiality, stakeholder inclusiveness, sustainability context, and completeness were used to define the content of the reporting. This Sustainable Business Report refers to the 2013 fiscal year and covers all operations of the Group, including subsidiaries, but excludes associated companies and joint ventures. In the event there are limitations in the report, these are indicated in the text.

## CALCULATION METHODS

The calculations of CO<sub>2</sub> emissions do not include emissions from the transport of raw materials and finished products or travel. In most cases when conducting calculations of CO<sub>2</sub> emissions related to the generation of electricity, factors used in the calculation of CO<sub>2</sub> emissions were obtained from the suppliers of the electricity used at the plants. In other cases, factors from the International Energy Agency Data Services have been used.

A new calculation method for LTI and LTIFR with actual work hours has been used by the Group since 2012. The previous assumption was 2,000 hours/person/year. The new method of calculation also includes contracted personnel. Previously, only employees were included.

Figures were rounded in certain cases, meaning that the tables and calculations do not always add up exactly. The percentage changes stated in the report are based on actual figures, meaning that they are not based on rounded figures. The key figures compiled are based on information available at the date of the most recent end-of-year accounts, which may entail that historical figures have been adjusted.

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 2013 for all active reporting units, unless otherwise stated.

# GRI INDEX

Area	Code	Description	Pages in Sustainable Business Report (SBR) or Annual Report (AR)	Comment	Reference to Global Compact principles
<b>Strategy and Analysis</b>	<b>1</b>				
	1.1	Statement from CEO.	SBR 2–3		
	1.2	Description of key impacts, risks, and opportunities.	SBR 9–10, 14, 18–19		
<b>Organizational Profile</b>	<b>2</b>				
	2.1	Name of the organization.	SBR back cover	Sandvik Aktiebolag, Corp. Reg. No. 556000-3468	
	2.2	Primary brands, products, and/or services.	SBR 4–7		
	2.3	Operational structure.	SBR 4–7, 10		
	2.4	Location of organization's headquarters.	SBR 10		
	2.5	Number of countries where the organization operates.	SBR 4–5		
	2.6	Nature of ownership and legal form.	SBR 10, 15		
	2.7	Markets served.	SBR 6–7		
	2.8	Scale of the reporting organization.	SBR 1, 4–7, 15–16		
	2.9	Significant changes during the reporting period.	AR 39		
	2.10	Awards in the reporting period.	SBR 1		
<b>Report Parameters</b>	<b>3</b>				
Report Profile	3.1	Reporting period.	SBR inside front cover, 34		
	3.2	Date of most recent previous report.	SBR inside front cover		
	3.3	Reporting cycle.	SBR inside front cover		
	3.4	Contact point regarding the report.	SBR inside front cover		
Report Scope and Boundary	3.5	Process for defining report content.	SBR 11–14, 34		
	3.6	Boundary of the report.	SBR 34		
	3.7	Any specific limitations on the scope or boundary of the report.	SBR 34		
	3.8	Basis for reporting on joint ventures, subsidiaries, etc.	SBR 34		
	3.9	Data measurement techniques and the bases of calculations.	SBR 34		
	3.10	Explanation of re-statements provided in earlier reports.	SBR 32, 34		
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied.	SBR 34		
	3.12	GRI Index.	SBR 35–40		
	3.13	Policy and current practice for external assurance.	SBR 34, 41		
<b>Governance, Commitments and Engagements</b>	<b>4</b>				
Governance	4.1	Governance structure.	SBR 8–11, AR 63–68		
	4.2	The Chair's function.	AR 65, 124–127	The Chairman of Sandvik's Board is not the President of the company.	
	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	AR 65		
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	SBR 10, 12, AR 63–64, 124–125		
	4.5	Compensation for members of the highest governance body, senior managers, and executives.	AR 52	The share of variable remuneration related to individual targets may include direct links to sustainability-related performance.	
	4.6	Procedures and processes in place for the Board to ensure conflicts of interest are avoided.	AR 65		

Area	Code	Description	Pages in Sustainable Business Report (SBR) or Annual Report (AR)	Comment	Reference to Global Compact principles
	4.7	Process for determining the qualifications and expertise of the members of the Board for guiding the organization's strategy on economic, environmental, and social topics.	AR 64		
	4.8	Internally developed statement of values, code of conduct, and principles relevant to economic, environmental, and social performance.	SBR 8–11		
	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	SBR 8–11, AR 66		
	4.10	Processes for evaluating the Board's own performance.	AR 66		
Commitments to External Initiatives	4.11	Addressing the precautionary approach or principle..	SBR 20–23		
	4.12	Externally developed charters, principles, or other initiatives to which the organization subscribes or endorses.	SBR 1–2, 9–11		
	4.13	Memberships in associations.	SBR 18		
Stakeholder Engagement	4.14	List of stakeholder groups engaged by the organization.	SBR 12–13		
	4.15	Basis for identification and selection of stakeholders.	SBR 12–13		
	4.16	Approaches to stakeholder engagement.	SBR 12–13		
	4.17	Key topics and concerns raised through stakeholder engagement.	SBR 12–13		

Area	Code	Description	Pages in Sustainable Business Report (SBR) or Annual Report (AR)	Fulfillment	Comment	Reference to Global Compact principles
<b>Economic</b>	<b>EC</b>					
Disclosure on Management Approach			SBR 8–11, 15–16			
Economic Performance	EC1	Direct economic value generated and distributed.	SBR 16, 32	●		
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.				
	EC3	Coverage of the organization's defined benefit plan obligations.	AR 112–114	●	Defined benefit plan obligations are reported in accordance with Swedish accounting legislation.	
	EC4	Significant financial assistance received from government.	AR 101	●	No financial assistance was received during the year.	
Market Presence	EC5	Standard entry level wage compared to local minimum wage at significant locations of operation.		◐	Sandvik's Code of Conduct states the Group's guidelines on wage levels. <a href="http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/">http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/</a>	6
	EC6	Policy, practices, and proportion of spending on locally-based suppliers.				
	EC7	Procedures for local hiring.		●	The Code of Conduct describes how qualified personnel are guaranteed the same employment conditions and opportunities. Accordingly, Sandvik does not have a global policy granting preference to local residents when hiring. <a href="http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/">http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/</a>	6

Area	Code	Description	Pages in Sustainable Business Report (SBR) or Annual Report (AR)	Fulfillment	Comment	Reference to Global Compact principles
Indirect Economic Impacts	EC8	Development and impact of infrastructure investments and services for public benefit.	SBR 31			
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.				
<b>Environmental</b>	EN					
Disclosure on Management Approach			SBR 8–11, 20–23			
Materials	EN1	Materials used by weight or volume.	SBR 22–23, 32			7, 8
	EN2	Percentage of materials used that are recycled input materials.	SBR 23, 32			8
Energy	EN3	Direct energy consumption by primary energy source.	SBR 21, 32			7, 8
	EN4	Indirect energy consumption by primary source.	SBR 21, 32			8
	EN5	Energy saved due to conservation and efficiency improvements.	SBR 7			8
	EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	SBR 7, 18–19			8, 9
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.				
Water	EN8	Total water withdrawal by source.	SBR 22, 32			7, 8
	EN9	Water sources significantly affected by withdrawal of water.	SBR 23			8
	EN10	Percentage and total volume of water recycled and reused.				
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.				
	EN12	Description of significant impacts on biodiversity in protected areas and areas of high biodiversity value outside protected areas.				
	EN13	Habitats protected or restored.				
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.				
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.				
Emissions, Effluents, and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight.	SBR 21–22, 32			7, 8
	EN17	Other relevant indirect greenhouse gas emissions by weight.			Less than 0.5% of Sandvik's greenhouse gas emissions are non-carbon dioxide emissions.	8
	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	SBR 22			8, 9
	EN19	Emissions of ozone-depleting substances by weight.			Sandvik does not have any such emissions.	7, 8
	EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight.	SBR 21–22, 32			7, 8
	EN21	Total water discharge by quality and destination.	SBR 22, 32			8
	EN22	Total weight of waste by type and disposal method.	SBR 28, 32			8
	EN23	Total number and volume of significant spills.				

Area	Code	Description	Pages in Sustainable Business Report (SBR) or Annual Report (AR)	Fulfillment	Comment	Reference to Global Compact principles
	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.				
	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.				
Products and Services	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	SBR 7, 19			7, 8, 9
	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.				
Compliance	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.			No significant fines were reported during the year.	8
Transport	EN29	Significant environmental impacts of transporting products and other goods and materials used, and transporting members of the workforce.	SBR 20-21			8
Overall	EN30	Total environmental protection expenditures and investments by type.				
<b>Labor Practices and Decent Work</b>	LA					
Disclosure on Management Approach			SBR 8-11, 24-29			
Employment	LA1	Total workforce by employment type, employment contract, and region.	SBR 28-29, 33			6
	LA2	Rate of employee turnover by age group, gender, and region.	SBR 28, 33			6
Labor/Management Relations	LA3	Benefits provided to full-time employees.				
	LA4	Percentage of employees covered by collective bargaining agreements.	SBR 28			3
	LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.				
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees.				
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	SBR 24-26, 33			
	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	SBR 26			
	LA9	Health and safety topics covered in formal agreements with trade unions.				
Training and Education	LA10	Average hours of training per year per employee by employee category.				
	LA11	Programs for skills management and life-long learning.				
	LA12	Percentage of employees receiving regular performance and career development reviews.	SBR 27			6



Area	Code	Description	Pages in Sustainable Business Report (SBR) or Annual Report (AR)	Fulfillment	Comment	Reference to Global Compact principles
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown of employees	SBR 33	●		6
	LA14	Ratio of basic salary of men to women by employee category.				
<b>Human Rights</b>	<b>HR</b>					
Disclosure on Management Approach			SBR 8–11, 14, 27–30			
Investment and Procurement Practices	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.				
	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	SBR 30	●		2
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	SBR 9, 27	◐	Employees are trained in the Code of Conduct. Training courses will be updated when the Code of Conduct is updated.	1
Non-Discrimination	HR4	Total number of incidents of discrimination and actions taken.				
Freedom of Association and Collective Bargaining	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk.	SBR 14, 28, AR 54–55	●		3
Child Labor	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken.	SBR 14, AR 54–55	●		5
Forced Labor	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken.	SBR 14, AR 54–55	●		4
	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning human rights.				
Indigenous Rights	HR9	Total number of incidents of violations involving rights of indigenous people, and actions taken.				
<b>Society</b>	<b>SO</b>					
Disclosure on Management Approach			SBR 8–11, 17, 31			
Community	SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.				
Corruption	SO2	Business units analyzed for risks related to corruption.	SBR 17, AR 54–55	●		10
	SO3	Training in organization's anti-corruption policies and procedures.	SBR 17	●	Slightly more than 12,000 employees, and all members of Group Executive Management and the Board of Directors completed anti-corruption training in 2013.	10
	SO4	Actions taken in response to incidents of corruption.	SBR 10–11, 17	●		10
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying.				
	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions.		●	In accordance with Sandvik's Code of Conduct, the company does not make contributions to political parties or politicians. <a href="http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/">http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/</a>	

Area	Code	Description	Pages in Sustainable Business Report (SBR) or Annual Report (AR)	Fulfillment	Comment	Reference to Global Compact principles
Anti-Competitive Behavior	SO7	Total number of legal actions for anti-competitive behavior.		●	There are currently no ongoing legal cases.	
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	SBR 16	●		
<b>Product Responsibility</b>	PR					
Disclosure on Management Approach			SBR 8–11, 18–19			
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.				
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.				
Products and Service Labeling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.				
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling.				
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.				
Marketing Communications	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		●	Sandvik follows the OECD's guidelines and the Sandvik Code of Conduct, which applies to all employees, states that Sandvik products and services are to be marketed and sold in a fair and honest manner, based on performance, price, service level and other relevant factors. <a href="http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/">http://sandvik.com/en/about-sandvik/sustainability/code-of-conduct/</a>	
	PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship.				
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.				
Compliance	PR9	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations concerning the provision and use of products and services.		●	No significant fines were reported during the year.	

# AUDITOR'S REPORT

## AUDITOR'S LIMITED ASSURANCE REPORT ON SANDVIK SUSTAINABLE BUSINESS REPORT 2013

This is the translation of the auditor's report in Swedish. To the readers of Sandvik's Sustainable Business Report.

### Introduction

We have been engaged by Sandvik's Group Executive Management to undertake a limited assurance engagement of Sandvik Sustainable Business Report 2013. Sandvik has defined the scope of the Sandvik Sustainable Business Report on the inside of the front page.

### Group Executive Management's responsibility for the Sustainable Business Report

Group Executive Management is responsible for ongoing activities regarding sustainable development. Group Executive Management is responsible for the preparation and presentation of the Sustainable Business Report in accordance with the applicable criteria, as explained on page 34 in the Sustainable Business Report, and are the parts of the *Sustainability Reporting Guidelines G3*, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainable Business Report, as well as the accounting and calculation principles that Sandvik has developed and disclosed.

### Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainable Business Report based on the procedures we have performed. We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR and AA1000 AS, type 2, issued by AccountAbility. A limited assurance engagement\* consists of making inquiries, primarily of persons responsible for the preparation of the Sustainable Business Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all signifi-

cant matters that might be identified in an audit. Accordingly, we do not express a reasonable assurance opinion.

The criteria on which our procedures are based are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainable Business Report, as well as the accounting and calculation principles that Sandvik has developed and disclosed. These criteria are presented on pages 34–40.

We consider these criteria suitable for the preparation of the Sustainable Business Report.

FAR requires 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.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion below.

### Limited Assurance Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that Sandvik's Sustainable Business Report is not prepared, in all material respects, in accordance with the criteria on pages 34–40.

### 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 Sandvik's website in the document AA1000APS 2013 which includes the following points that requires further attention:

- In relation to inclusivity, focus will be on a more systematic approach to both the local and the global stakeholder dialog.
- In relation to materiality, the materiality analysis will to a larger extent than before guide sustainability activities and related reporting.
- In relation to responsiveness, processes for internal and external communication on sustainability performance will be developed at all levels.

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

Stockholm, March 24, 2014

KPMG AB

Joakim Thilstedt  
Authorized Public Accountant

Åse Bäckström  
Expert Member of FAR

