

Sustainability Report

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

Significant events during the year:

- The number of Lost Time Injuries rose 8% and the Lost Time Injury Frequency Rate rose 12% compared with 2009.
- No work-related fatalities occurred.
- At year-end, the number of production-related units certified in accordance with ISO 14001 was 161 (95%), with 161 (95%) certified in accordance with OHSAS 18001.
- The target of phasing-out the use of chlorinated solvents by year-end 2010 was achieved.
- New guidelines for evaluating and selecting suppliers from a CSR perspective were adopted. The organization for auditing suppliers in India was further strengthened.
- For the third consecutive year, Sandvik was included in both of the Dow Jones' sustainability indexes: the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index.
- Decline in energy efficiency.

The Sustainability Report

This is the fifth year that Sandvik has published a Sustainability Report. This report describes the Group's objectives/targets, strategies, controls, responsibilities, risks and opportunities from a sustainability perspective and also presents the Group's results from a financial, environmental and social perspective.

The Sustainability Report has been independently reviewed in accordance with Far's standard "RevR 6 Assurance of Sustainability Reporting" and AccountAbility's "AA1000AS (2008)." AA1000AS (2008) is an internationally accepted standard that provides the requirements for conducting assurance of sustainability reports. It requires that the auditor provide assurance on the nature and extent of adherence to AccountAbility's three principles. Information regarding AccountAbility is available on the organization's website (www.accountability21.net).

The sustainability report comprises information found at the following locations:

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

Content, scope and limitations of the report

This Sustainability Report refers to the 2010 fiscal year. Unless otherwise stated, the same accounting policies are applied in the Sustainability Report as in the rest of the Annual Report, and the report covers the entire operations of the Group, but excludes Seco Tools, associated companies and joint ventures. Specific methods of measurement and assumptions are presented in connection with the respective indicators in the report.

Application of laws and recommendations

This Sustainability Report is based on the Swedish Annual Accounts Act, the Swedish Society of Financial Analysts' recommendations relating to Corporate Responsibility and the third generation of guidelines (G3) issued by the internationally recog-

nized organization Global Reporting Initiative (GRI). Further information regarding GRI is available on the organization's website (www.globalreporting.org). The report corresponds with the GRI level B+, which means that at least 20 indicators are presented and that the report has been subjected to external review.

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

Sandvik's sustainability activities

Sandvik's sustainability activities are described in the following sections based on various stakeholder perspectives. 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 2010 for all active reporting units (approximately 300), unless otherwise stated. Acquisitions in 2009 had a certain effect on environment and health and safety performance indicators, which are commented on separately next to each indicator.

Strategy and control

Sandvik's strategy for sustainability programs entails proceeding from the company's Code of Conduct when analyzing risks and opportunities, setting objectives and targets as part of efforts to minimize risks, and utilizing the possibilities available in an efficient and effective manner.

Group Executive Management, supported by the Board, sets the company's Code of Conduct, targets and performance indicators, and each business area assumes

responsibility for ensuring compliance with the Code and that the objectives are broken down in the organization. In addition, each business area is responsible for the assessment of sustainability risks (environment, health and safety, business ethics, human rights issues, etc.) in its operations, and there are specific organizations appointed in each business area to coordinate issues and support the local management teams. At Group level, various councils exist (for example, for HR, purchasing, environment, health and safety) to coordinate the work among the business areas and to draft common policies, objectives, targets and indicators for Group Executive Management.

The diagram below shows the management process for sustainability activities. The various councils have representatives from each business area and the relevant Group staff functions.

A summary of Sandvik's objectives and targets for its sustainability work is available on the Sandvik website, www.sandvik.com. Indicators and key figures are reported on a quarterly basis to the Group Assurance staff function, which analyzes the results and presents them to the Board, Group Executive Management and the entire organization. Training is another key factor in Sandvik's sustainability strategy. A program is in progress to train all company employees with respect to the implications of environmental and social responsibility and business ethics.

Sandvik has an established risk management process for evaluating both financial and non-financial risks. The evaluation process does not only encompass the com-

pany's own operations but also risks related to the geographic locations in which it conducts business and the risks associated with its suppliers. The risk management process is described in the section that starts on page 25 of Sandvik's Annual Report.

To ensure adequate functionality of management systems, internal control and risk management as well as compliance with the Code of Conduct, an independent unit (Group Assurance) has been established. This unit continuously monitors the Group's operations, mainly by way of internal audits, and reports to the Board's Audit Committee and Group Executive Management on a quarterly basis.

Respect for stakeholders' interests

Sandvik endeavors to engage in an open dialog with all of its key stakeholders regarding how this work is conducted, explaining priorities, how decisions are made and what results are achieved. This is a key condition in being able to focus on the correct aspects of its sustainability work. The Group's operations affect and are affected by a number of stakeholders. Sandvik assumes its responsibility in relation to these stakeholders by openly disclosing information and inviting dialog concerning its sustainability activities. Refer to the diagram below. Sandvik expects that all stakeholders who have an opinion regarding the direction of this work or the results generated will contact the company to engage in dialog. Key sustainability issues are communicated to stakeholders primarily through the sustainability report. Dialog with stakeholders is in part conducted at

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

Ultimately, it is Group Executive Management in consultation with the Board that decides upon the key sustainability issues for the Group and approves Group-wide policies and objectives.

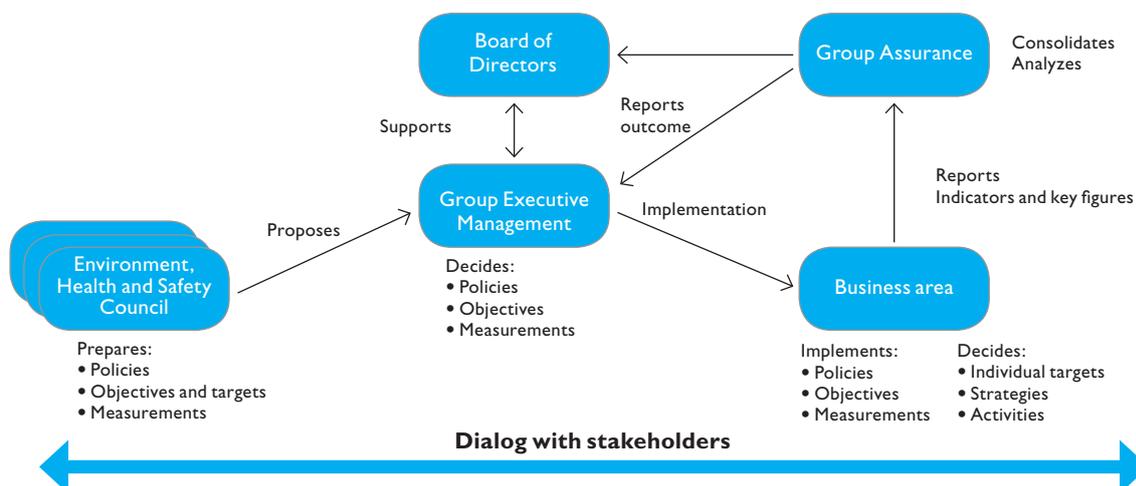
Sandvik has identified five stakeholder groups of particular significance for the Group: shareholders, employees, customers, suppliers and society.

Sandvik's responsibility

Sandvik has an explicit responsibility for its impact on society, the economy and the environment. Sandvik complies with the laws and regulations that exist in countries where the company has operations and respects international norms and declarations regarding human rights and labor legislation adopted by the UN and the ILO. Moreover, Sandvik respects the following four environmental principles:

- Environmental responsibility in excess of what is prescribed by law and regulations through actively working to improve the environmental performance in its own operations and the operations of others, in areas where Sandvik has the opportunity to exert an influence.
- Precautionary approach, which means that precautionary measures are taken as soon as there is reason to believe that an action can harm the environment or human health.

Management process for sustainable development



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

In 2008, Group Executive Management established a new environment, health and safety policy for all Group units. This policy is available from Sandvik’s website, www.sandvik.com.

As part of Sandvik’s corporate responsibility in such areas as environment, health and safety, the Group has a target that all major production-related units (production, service, machinery rebuilding and distribution/warehouse) units shall be certified in accordance with ISO 14001 and OHSAS 18001, within two years of their acquisition or establishment. The term “major” is defined as sites with 25 employees or more. During the year, eight units were certified in accordance with ISO 14001 and 11 with OHSAS 18001. Five units that were previously certified were closed during the year. The total number of certified units is presented in the table below. Of the units that have not yet been certified, two are newly established, while the remainders have

exceeded the timeframe of two years. In addition, Sandvik operates about 20 maintenance workshops within customer operations (mainly mines). All of these workshops have also been certified.

Sandvik is responsible for working to combat corruption in all its forms, which means having clear policies, identifying and managing risks, training personnel and robust measures for when violations have been confirmed.

Sandvik has undertaken to adhere to the OECD’s Guidelines for Multinational Enterprises and the Group’s responsibilities are summarized in a Code of Conduct, which was adopted by the Board in 2004. The Code deals with responsibility in such areas as business ethics, suppliers, employee working conditions and development, human rights, environment and community involvement. The Code has been translated into 14 languages and is available on Sandvik’s website (www.sandvik.com). Sandvik’s responsibility also includes a distinct process for managing the reporting of divergences from the stated responsibilities. Employees are encouraged to report behavior that departs from the Code to their immediate supervisor in the respective unit or, if there is a feeling that such action will not have any effect, to a more senior manager, the company’s human resources department or the Group’s General Counsel. Notifications that are received centrally in

the Group are investigated by the head of Group Assurance and the company’s General Counsel. Whistleblowers are guaranteed that there will be no reprisals for such notifications or for participation in the company’s investigation of a complaint.

Ethical conduct

Sandvik’s risks relating to business ethics are regarded as significant, especially the risk of bribes in connection with marketing and sales, and risks related to purchasing in countries in which corruption is widespread. The use of agents and distributors represents a particularly large risk, since monitoring of these is more difficult than the monitoring of Sandvik’s own operations. The development of corruption in various countries in which Sandvik is active is continually monitored via, for example, Transparency International’s website (www.transparency.org). The risk of breaches of local antitrust and competition legislation is also high. To minimize these business risks, continual training and internal audits are conducted. During the year, some 40 cases of harassment, fraud and corruption were identified, which is largely in line with the figure in 2009. All these cases have been investigated and corrective measures have been taken, including the dismissal of employees.

Shareholders

Sandvik endeavors to generate an attractive return and growth in value for those investing in the Sandvik share. Nearly 70% of owners are found in Sweden. More information about the company’s ownership structure is available on Sandvik’s website, www.sandvik.com.

Dialog with shareholders is primarily conducted via the Board of Directors and at the Annual General Meeting, but also through a well-developed Investor Relations function. During the year, stakeholder-related dialogs took place with a

Economic value generated and distributed*

SEK M	Stakeholder	2010	2009	2008	2007
Sales	Customers	82,654	71,937	92,654	86,338
Economic value generated		82,654	71,937	92,654	86,338
Production costs	Suppliers	44,758	46,859	53,287	48,343
Employee wages and benefits**	Personnel	22,885	22,441	23,129	20,562
Payments to providers of capital	Credit providers	1,617	2,060	2,217	1,397
Payments to providers of capital	Shareholders	1,188	3,926	5,111	4,207
Payments to governments	Public sector	2,391	885	2,876	4,167
Economic value distributed		72,839	76,171	86,620	78,676
Retained in company		9,815	-4,234	6,034	7,662

* The table includes Seco Tools.
 ** 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.

Management system

	ISO 14001						OHSAS 18001					
	2010			2009			2010			2009		
	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified	Current number of units	Number of units certified	% certified
Production units	140	133	95	139	132	95	140	132	94	139	127	91
Service, machinery rebuilding units	24	23	96	24	22	92	24	24	100	24	24	100
Distribution units	5	5	100	4	4	100	5	5	100	4	4	100
Total production-related units	169	161	95	167	158	95	169	161	95	167	155	93

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

Sandvik's financial risks are described on pages 28–33 and Sandvik's financial progress is presented in the Report of the Directors and in the financial statements in the Annual Report. These include a presentation of the Group's financial goals and outcome in relation to these goals.

The table of page 98 shows how the value created through the Group's operations has been generated and the manner in which it was distributed among the various stakeholders.

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

Employees

The average number of employees in the Sandvik Group by geographical area and gender is presented in Note 3 in the Annual Report. During the year, personnel turnover was 8% (14). Mobility within the company (the proportion of positions filled internally in relation to the total number of positions filled) was 43% (36).

About 77% of Sandvik's employees work outside Sweden. The employees at subsidiaries in more than 60 countries have a wide variety of nationalities and collectively speak a large number of languages. This diversity in the Group is considerable and is also a prerequisite for Sandvik to be able to secure the availability of the right expertise at the right time for the needs that exist within the company. This high level of diversity is secured by offering equal rights and equal opportunities to all employees,

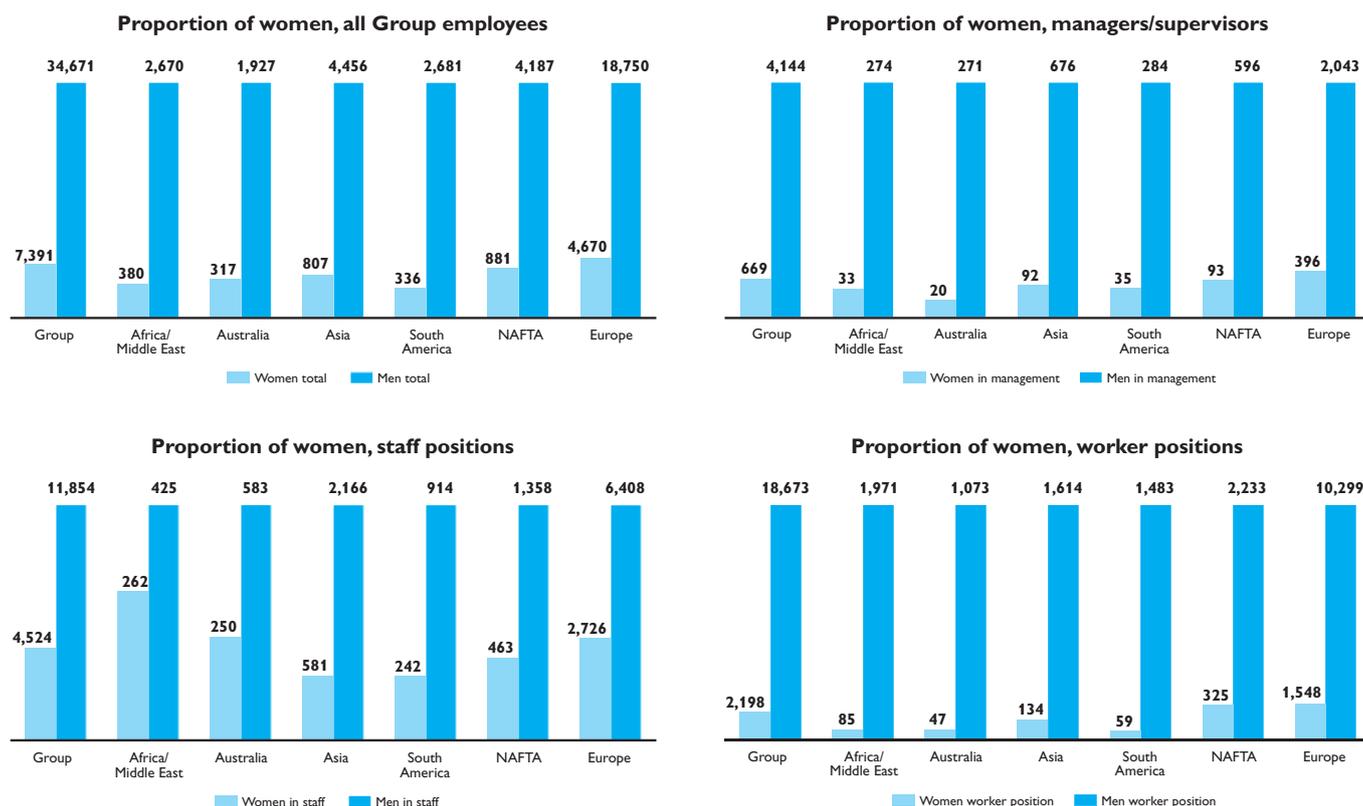
irrespective of age, race, color, national origin, religion, sex or disability.

Sandvik has aimed to increase the proportion of female employees for a long time to ensure that employees are recruited based on their skills and suitability rather than their gender. At year-end 2010, the proportion of women was 17.6% (17.2) of the total number of employees, 9% (9) of the total number of Board members and Presidents, 13.9% (13.5) of the total number of managers/supervisors, 27.6% (27.6) of the total number of staff positions (excluding managers) and 10.5% (10.2) of the total number of worker positions.

Other relevant key figures regarding distribution by gender are shown in the diagrams below.

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

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



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

Sandvik's development and competitiveness are closely related to employees' competency development and well-being. In its sustainability work, the Group has decided to focus on having efficient competency development in the long-term and enhancing employee job satisfaction.

All of the company's employees are entitled to receive an individual development plan that clearly defines the personal targets that are expected to be achieved for employ-

ees to optimize their development in their current and future roles. This plan is drawn up jointly by manager and employee and forms part of the annual formal review discussions, which also include competency development. An explicit Group target is that all employees are to have formal review discussions every year. In 2010, such review discussions were held with 74% (66) of Sandvik's employees, which was a clear improvement on the preceding year, but was still quite far away from the goal of 100%. An important part of the review discussions is identifying opportunities for enhancing employees' competencies and well-being, and improving job satisfaction and health in the work place. Developing employee competencies means developing Sandvik's business operations. The number

of training days per employee and region during the year is described in the diagram below. A key training component is providing education concerning Sandvik's sustainability work and Code of Conduct. At year-end 2010, 86% (84) of employees had been trained in the Group's sustainability work and Code of Conduct.

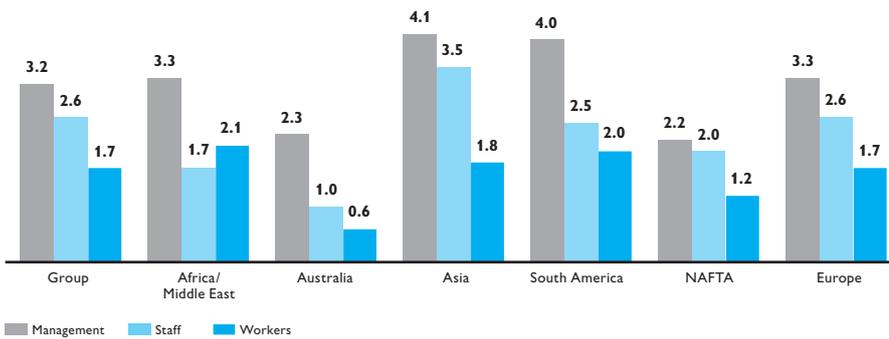
Health and safety is another prioritized area. The Group has a dedicated focus on continuing to reduce the frequency of occupational injuries, illnesses and incidents, and improving health and well-being among employees.

Sandvik's various production-related units present potential risks for occupational illnesses and injuries. The risk of injuries is also significant in the sales process, for example, in conjunction with travel to and from customers and while visiting customers' plants or facilities. During the year, Sandvik gave particular attention to preventative measures in the sales process. Work pursued by the sales organization included training sessions, risk identification and risk management, in addition to the development of special personal safety equipment for sales representatives.

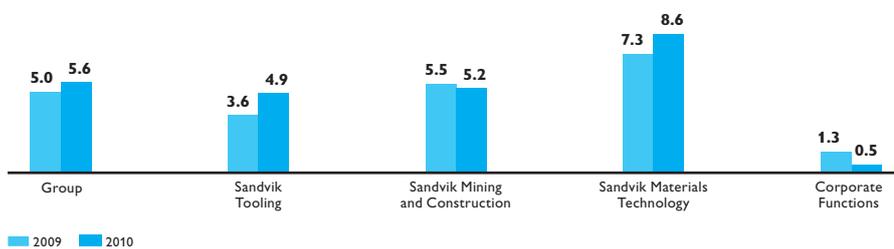
The table on page 101 provides an overview of Sandvik's results as regards health and safety.

No work-related fatalities occurred during the year. Since 2008, the number of Lost Time Injuries and the Lost Time Injury Frequency Rate have declined by 36% and 31%, respectively. However, the trend in 2010 was negative and the number of Lost Time Injuries rose by 8% and the Lost Time Injury Frequency Rate rose by 12% compared with the preceding year. The number of Lost Days due to Lost Time Injuries increased 3% during the year. Sandvik's target is to reduce the Lost Time Injury Frequency Rate by 50% from 2008 through 2012. The diagrams below present the Lost Time Injury Frequency Rate by Sandvik's business areas and market areas. During the year, Sandvik Mining and Construction continued to reduce its Lost Time Injury Frequency Rate, albeit at a slower pace than in earlier years. The other business areas displayed a negative trend. The main reason for the increase was the rise in the rate of production combined with the hiring of new staff to work in production.

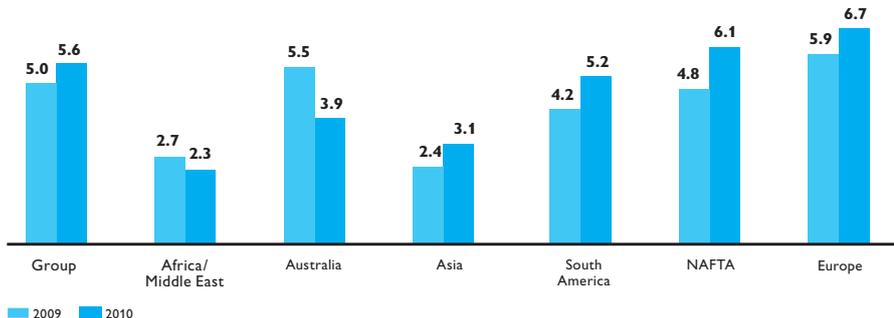
Competence development, days per employee and market area



Lost Time Injury Frequency Rate by business area



Lost Time Injury Frequency Rate by market area



Sandvik continues to encourage reporting of Near Misses, since these provide an early indication of where the risks exist, enabling them to be managed at an early stage and accidents to be prevented. From 2007, the number of reported Near Misses and risks has been introduced as a Group-wide indicator (see table below). In 2010, the number of reported Near Misses continued to rise. The ratio between Near Misses and Lost Time Injuries remained at 2.5.

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

Sandvik has implemented programs to educate and counsel employees and their families and, in some cases, the community near to Sandvik's operations, about HIV/AIDS. Training in these matters is provided daily, usually in conjunction with the safety meetings that are held prior to work commencing. Counseling is provided by private organizations with whom Sandvik cooperates and the Group's own counselors. These meetings not only address HIV/AIDS matters, but also identify other factors that may affect an individual, such as stigma.

Preventive work and risk controls are conducted in connection with training and counseling. The main focus is placed on changing the attitude to partners and the use of condoms. Measures and support are offered to all employees who test HIV positive. In addition to the opportunity to receive testing and free condoms, antiretroviral drugs are offered to people who are within the scope of the program.

Human rights and employee conditions

Any violation of Sandvik's policies in respect of human rights and employee conditions could have a major negative impact on Sandvik's credibility. Consequently, regular basic training is held covering the company's core values, policies and risks regarding human rights and labor legislation. In addition, regular internal audits are conducted at units deemed to be particularly exposed to these risks. The results of the audits are presented to local executives, country managers, Group Executive Management and the Board. No incidents involving human rights abuses were reported in 2010.

To raise the level of understanding in the organization regarding the risks relating to human rights and labor issues when Sandvik undertakes operations in high-risk countries, analyses have been conducted of a large number of countries in Asia, Africa and South America. These analyses are available on Sandvik's intranet for those active in these countries. Risks of this type arise not only within the Group's own operations in these countries but also among suppliers and customers.

Customers

Customer contacts are handled locally through Sandvik's worldwide sales organization. Increasing demands imposed by Sandvik's customers on sustainability programs are becoming ever-more evident as a result of customers' growing focus on sustainability issues, thus intensifying the focus on supplier audits. Many of these demands relate to workplace safety and the environment. For example, customers more often insist that Sandvik should have systems for compiling data on carbon dioxide emissions to enable them to calculate the total carbon dioxide emissions in the entire value chain. Questions related to the new European Community Regulation on chemicals and their safe use (REACH) are also common. Many customers, notably those of Sandvik Mining and Construction, are imposing higher demands on machine safety. Customers also want to be assured that Sandvik complies with all international conventions on human rights.

Sandvik has long had the strategy of offering customers products with extended service life and more effective resource utilization. In addition, these products will have a minimal environmental impact when used by a customer and be recyclable. Group Executive Management decided in 2009 to introduce a new long-term objective to increase the number of products that support sustainability principles. Implementation of this objective in the organization commenced during the year.

Health and safety	2010	2009	2008	2007
Number of fatalities due to work-related injuries	0	0	2	1
Number of Lost Time Injuries*	459	425	717	827
Lost Time Injury Frequency Rate**	5.6	5.0	8.1	10.3
Number of reported Near Misses	11,649	10,556	6,346	3,179
Number of Near Misses per Lost Time Injury	25	25	9	4
Lost days due to Lost Time Injuries	8,789	8,523	11,286	12,603
Working Days Lost by employee due to Lost Time Injuries	0.21	0.20	0.25	0.31
Total absence (from scheduled work), %	2.3	2.3	2.3	2.6

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

** Lost Time Injury Frequency Rate is defined as the number of Lost Time Injuries per million work hours.

Assumption: Employees are assumed to work 2,000 hours a year.

HIV/AIDS Assistance program

Recipients	Education	Coun- selling	Prevention/ Risk controls	Treat- ment
Employees	7	7	7	5
Families of employees	6	7	6	5
Other inhabitants	5	5	4	0

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

Suppliers

Sandvik has a large number of suppliers throughout the world. The Group has a clear position regarding these suppliers. In 2009, a separate Code of Conduct for suppliers was adopted. This Code is available from Sandvik’s website (www.sandvik.com).

In 2010, Sandvik further intensified its focus on managing risks related to its supply chain. Internal rules for evaluating suppliers were further developed. These rules will be gradually implemented from the beginning of 2011. Meanwhile, the work on audits of suppliers in Asia continued during the year. Local CSR auditors were employed in India and China, and the main focus of the audits was these countries and Thailand. In 2010, a total of 49 extensive audits of suppliers in these countries were performed. A number of deviations from Sandvik’s Code of Conduct for suppliers and/or local legislation were identified, particularly in India and China. Deviations related to minimum age, minimum pay, working hours and environmental issues and major deviations in respect of health and safety. Many of these are linked to the staffing agencies that provide the suppliers with workers. The majority of the audited suppliers explained that corruption is a part of everyday life in their country of operation, and that by adopting Sandvik’s Code, they take a clear stance against all forms of corruption. Measures were implemented in light of these deviations. All suppliers who do not comply with Sandvik’s Code of Conduct for suppliers are given a fixed period of time to

take corrective action, often with assistance from Sandvik.

In addition to the audits, a total of 357 suppliers were trained in India, China and Brazil during the year. At these training courses, Sandvik stresses the need for a separate Supplier Code and how seriously Sandvik views the brand risks associated with supplier non-compliance with its Code. The training courses usually last for one working day and supplier feedback often relates to the uniqueness of Sandvik’s initiative and the importance of the initiative in terms of sustainability. These courses are highly productive and Sandvik has realized that training is a key element in supplier relations.

Society and the environment

Sandvik conducts proprietary operations in the forms of research and development, manufacturing, sales and distribution in more than 60 countries and has production-related plants in 33 countries. The geographic locations of these units across continents are presented below. With its global coverage, Sandvik is available to its customers directly or through its distributors and agents in more than 130 countries.

Accordingly, Sandvik affects a high number of local communities. The most significant positive impact is the contribution to economic and social development in the form of high-qualified jobs and tax payers. In its role as an employer, Sandvik influences competencies development in the countries in which it operates and has an excellent opportunity to positively influence

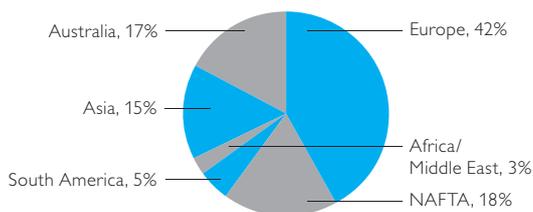
the standard of life for its employees. With its advanced products, Sandvik can also contribute to technological advances and a greater level of safety at various work-places.

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

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

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

Geographic distribution of production units



Raw materials consumption

	2010	2009	2008	2007
Consumption of metallic raw materials (thousand metric tons)	359	252	350	399
of which recovered (%)	81	78	79	78

Sandvik's operations generate an environmental footprint, particularly in countries in which production takes place.

Sandvik's key environmental aspects are summarized below:

- Use/consumption of energy, input materials, fresh water and hazardous chemicals.
- Generation of emissions and waste from production.
- Old industrial sites and waste landfills.
- Environmental liabilities in conjunction with company acquisitions.

Risks associated with emissions primarily relate to the emission of carbon dioxide and acid gases to the atmosphere. These emissions are mainly caused by the company's use of fossil fuels and indirectly from purchases of electricity produced by combustion of fossil fuel.

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

Environmental objectives and goal fulfillment
Use of input materials

Sandvik has the objective of enhancing the efficiency of its use of input materials. The input materials deemed to be most relevant to Sandvik are various types of metallic raw materials and water.

Metallic raw materials are primarily used by Sandvik Materials Technology, to a lesser extent by Sandvik Tooling and partially by Sandvik Mining and Construction. Production at Mining and Construction is mainly based on purchased components. The table on page 102 presents Sandvik's use of metallic raw materials.

Sandvik Materials Technology's sites in Sandviken and Hallstahammar are the major users of raw materials in the Group. The raw materials most important to Sandvik Materials Technology are iron, nickel, chromium, manganese and molybdenum, either in alloys or as part of scrap metal. Of these materials, 81% (78) are derived from recycled scrap. The key raw materials for Sandvik Tooling are various tungsten compounds and cobalt, but more unusual elements such as tantalum are also used. Sandvik Mining and Construction uses iron and manganese raw material for the manufacture of castings. Approximately 88% (89) of these materials is derived from scrap. In total for the Group, about 81% (78) of metallic raw materials is derived from scrap.

Although the recovery level is already high today, Sandvik continuously endeavors to increase the proportion of recovered raw materials to secure a sustainable utilization of raw materials and to reduce its environmental impact. This is accomplished through buying back used products and the recycling of waste products from proprietary manufacturing plants. Sandvik Materials Technology is participating in a Swedish research project into developing methods for utilizing other types of waste products, such as slag from the melting process.

Sandvik Tooling maintained a high level of recycling of materials from cemented-carbide products. Slightly less than 60% of the tungsten used in the business area in 2010, excluding Wolfram Bergbau, was derived from recycling. This resulted in a

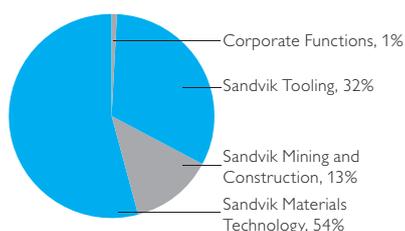
reduced need for material purchases from mines. Sandvik Coromant's program for recycling of sold cemented carbide inserts represents an integral part of this sustainability work. Buy-backs of products from customers are gradually being introduced in other product areas, which means that the need for primary material is further reduced.

During the year, Sandvik Mining and Construction continued to develop recycling of the tungsten material in drill bits. In 2010, some 10% of the annual production of rock-drilling tools was collected, which generated 80 tons of reusable tungsten powder, corresponding to approximately 7% of the annual consumption of virgin tungsten powder.

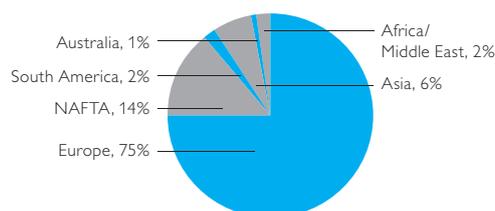
Hazardous chemicals are used only to a limited and well-supervised extent and are handled in accordance with environmentally safe methods. Sandvik's target has been to replace all chlorinated solvents, such as dichloromethane, tetrachloroethene, tetrachloromethane, trichloroethane and trichloroethene, with other solvents or techniques before year-end 2010.

The total consumption of chlorinated solvents in 2010 was about 2 cubic meters, the majority of which derives from a plant that was closed during the year. Accordingly, consumption will fall to a very low level and this target can be deemed to be fulfilled.

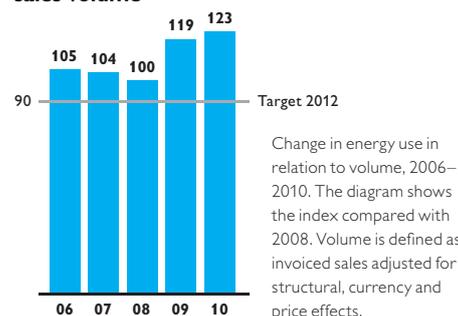
Energy use per business area



Energy use per market area



Energy use in relation to sales volume



Consumption of water

Water is a valuable resource and its efficient use is therefore crucial. Sandvik's endeavors to reduce consumption of fresh water (purchased water). During the year, Sandvik's freshwater consumption rose 7%, while consumption for comparable units fell 7% in relation to sales volume. The table below shows the trend in freshwater consumption in Sandvik since 2007. It also details the consumption of groundwater and harvested surface water. This activity is conducted at some 30 production units. The increase in water consumption compared with earlier years is attributable to acquisitions and increased production.

One country with very limited access to water, and where Sandvik's water consumption is significant, is India. All production sites in India have introduced systems for the treatment of all waste water, which is subsequently re-used in their operations.

Use of energy

Sandvik's objective is to reduce its energy use. The table below and the diagrams on page 103 show the trend in the use of energy at Sandvik as well as the distribution of energy use by the business areas and various markets.

During the year, the use of energy in relation to sales volume displayed a negative trend. Sandvik's target for the period 2008 through 2012 is to reduce total energy use (electricity and fossil fuels) by 10% in relation to sales volume.

During the year, the total use of energy for comparable units rose 3% in relation to sales volume. The primary reason for the increase is the consumption of fuel oil and natural gas, which are mainly used for heating, although a significant proportion of natural gas is consumed in the production process.

Energy-enhancement activities have progressed according to plan. An energy-enhancement project has been carried out

since 2009 at Sandvik Materials Technology in Sandviken, which accounts for slightly more than 41% of the Group's energy use. The aim of the project is to identify and implement energy-enhancement activities. Various measures are being simulated and studies are made prior to and after a measure has been implemented to illustrate its potential. Some examples of measures being studied include:

- Replacing furnace linings
- Changing procedures for turning equipment on and off to avoid idle running
- Adjusting existing control equipment
- Reducing air flows in ventilation systems
- Insulating roofs
- Rebuilding degreasing plants and installing heat exchangers

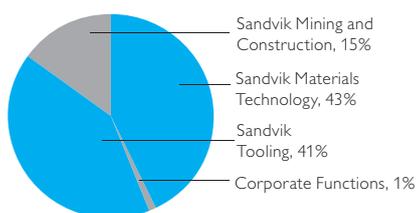
The project's target is to reduce energy use by 10%, corresponding to about 230 TJ per year. The measures that have been identified and planned to date correspond to savings of 190 TJ per year.

Water consumption	2010	2009	2008	2007
Water consumption (thousands m ³)	8,900	7,100	6,600	6,800
of which purchased freshwater (thousands m ³)	3,400	3,200	3,600	3,500
of which groundwater (thousands m ³)	600	600	500	500
of which harvested surface water (thousands m ³)	4,900	3,300	2,500	2,800

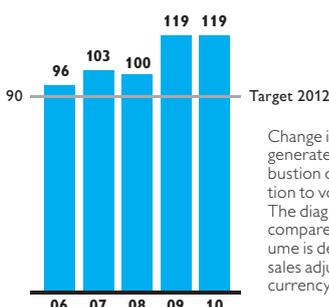
Energy use	2010	2009	2008	2007
Use of energy (TJ)	9,100	7,500	8,900	8,800
of which fossil fuels (TJ) Direct energy	3,900	2,900	3,400	3,400
of which electricity (TJ) Indirect energy*	5,200	4,600	5,500	5,400

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

Carbon dioxide emissions per business area

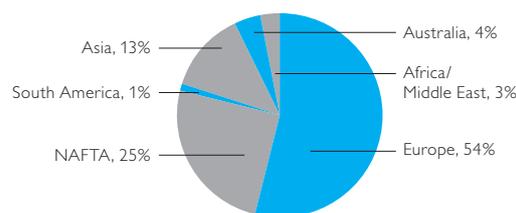


Carbon dioxide emissions in relation to sales volume



Change in carbon dioxide generated from the combustion of fossil fuels in relation to volume 2006–2010. The diagram shows index compared with 2008. Volume is defined as invoiced sales adjusted for structural, currency and price effects.

Carbon dioxide emissions per market area



Climate impact

Sandvik's impact on the climate primarily consists of emissions of carbon dioxide. The combustion of fossil fuels also generates emissions of the greenhouse gases N₂O and CH₄, but Sandvik estimates that this figure represents less than 0.5% of total carbon dioxide emission equivalents.

Sandvik's objective is to reduce carbon dioxide emissions from the internal use of fossil fuels and electricity.

The table below shows the trend of the Group's carbon dioxide emissions and the diagrams on page 104 show emissions in relation to sales volume and emissions per business area and market.

During the year, Sandvik's carbon dioxide emissions from the use of electricity and combustion of fossil fuels increased 17%. However, carbon dioxide emissions for comparable units in relation to sales volume remained unchanged.

During the year, the Swedish units purchased a higher percentage of renewable energy, which meant that carbon dioxide

emissions did not rise to the same extent as energy use, despite the percentage of fossil fuels being higher compared with the preceding year. Of total energy, 43% (39) comprised fossil fuels and 57% (61) electricity.

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

In addition to emissions related to the internal use of fossil fuels and electricity, carbon dioxide emissions are also generated from various forms of transportation, such as the transport of materials and products and passenger transportation. In 2009, Sandvik began reporting carbon dioxide emissions from passenger transports and intends to expand this reporting to include all types of transportation. Activities were initiated in 2010 to record and measure the levels of carbon dioxide from freight trans-

portation. In the long term, the company will be able to better monitor the Group's total impact on the environment and present a more comprehensive report in line with the Greenhouse Gas Protocol (www.ghgprotocol.org). The table below also presents the carbon dioxide emissions from passenger transportation (air travel and rental cars).

Emissions and waste

Sandvik's objective is to reduce emissions to air and water. In addition to emissions of carbon dioxide to air, Sandvik has significant emissions of such acid gases as sulfur dioxide (SO₂) and various forms of nitrogen oxides (NOX). Sulfur dioxide mainly originates from the combustion of oils and coke. Emissions of NOX are derived from the smelting processes in Sandviken and Hallstahammar, and from pickling plants for the cleaning of surfaces, and the combustion of fossil fuels. The table below details emissions of SO₂ and NOX in addition to emissions of NMVOCs (Non-Methane

Carbon dioxide emissions	2010	2009	2008	2007
Carbon dioxide emissions (thousand metric tons CO ₂)*	559	479	566	547
of which from combustion of fossil fuels (thousand metric tons CO ₂). Direct	260	195	224	226
of which use of electrical energy (thousand metric tons CO ₂). Indirect**	299	284	342	321

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

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

Carbon dioxide emissions from passenger transports*	2010	2009	2008	2007
Emissions from passenger transports via air travel (thousand metric tons CO ₂)	33	22	/	/
Emissions from passenger transports via hire car (thousand metric tons CO ₂)	8	6	/	/

* Emissions based on collected data from Sandvik employees corresponding to 68% (72) of the Group's workforce.

Emissions of process water	2010	2009	2008	2007
Volume of process water discharged (thousands m ³)	2,200	1,400	/	/

Emissions to water and air

Emissions to water	2010	Emissions to air	2010
Nitrogen (kg)	379,000	NMVOC (kg)*	62,000
Phosphorous (kg)	1,300	SO ₂ (kg)	69,000
COD (kg)	201,000	NOX (kg)	441,000
Nickel (kg)	180		
Chromium (kg)	60		

* Only from combustion of fossil fuels.

Volatile Organic Compounds). SO₂ emissions are calculated from the volume of oil and coke burned, while NMVOC emissions are calculation from the combustion of all fossil fuels. Estimations of emissions of NOX from pickling plants and smelting processes are based on random monitoring. Emissions from the combustion of fossil fuels are calculated using factors from the Swedish Environmental Protection Agency.

Emissions to water comprise another environmental effect in the Group, where the objective is to reduce emissions. Emissions mainly consist of fertilizers, such as phosphorous and nitrogen, in addition to metals from pickling plants. The table on page 105 shows emissions to water. To monitor total emissions to water, the volume of process water discharged following treatment is also measured. Refer to the table on page 105.

The table below presents the waste volumes produced during 2010. The significant increase of the past two years is attributable to the acquisition of Wolfram Bergbau, which conducts mining activities in Austria. Waste comprises sludge from dressing plants. No major changes were noted for comparable units compared with earlier years.

Awards and ratings

Sandvik’s sustainability work is evaluated annually by a number of SRI analysts and rating agencies. In 2010, Sandvik has been included in the following indexes:

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

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

ECPI Ethical Index Euro. The index contains 150 European companies that are eligible investments according to ECPI SRI’s screening methodology.

Ethibel Excellence Investment Register. Ethibel assesses companies throughout the world based on financial, social and environmental aspects.

Produced waste	2010	2009	2008	2007
Waste (thousand metric tons)*	417	280	166	171
of which, hazardous waste (thousand metric tons)	34	27	32	28
of which, to landfill (thousand metric tons)	358	231	109	105

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

Auditor's Review Report on Sandvik Sustainability Report 2010

To the readers of Sandvik's Sustainability Report:

We have been engaged by Sandvik's Executive Management to review Sandvik's 2010 Sustainability Report. The Sustainability Report is presented on page 24 and 96–107 of Sandvik's 2010 Annual Report and on Sandvik's website www.sandvik.com/sustainability under the headings GRI Index and AA1000APS. It is Sandvik's Executive Management that is responsible for the continuous activities regarding sustainable development from the perspective of financial, environmental and social responsibility, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by Far (the institute for the accountancy profession in Sweden) as well as AA1000 AS, type 2, issued by AccountAbility. A review¹⁾ consists of making inquiries, primarily of persons responsible for different sustainability matters and for preparing the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed in a review consequently do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review are based are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the specific measurement and reporting principles, Fair Play Reporting, that Sandvik has developed and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Far require 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. Our review has been performed by a multidisciplinary team specialized in reviewing economic, environmental and social issues in sustainability reports, and with experience from the industry Sandvik operates within.

Our review has, based on an assessment of materiality and risk, among other things included the following procedures:

- Assessment of suitability and application of criteria in respect to the internal and external stakeholders' need of information.
- Interviews with stakeholders and representatives of the board to secure that Sandvik respond to important stakeholders' concerns in the sustainability report.
- Interviews with responsible management, at group level, division level and business unit level as well as review of internal and external documents with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient.
- Review of underlying documentation, on a test basis, to assess whether the information and data in the sustainability report is based on that documentation.
- Pre-announced visits to ten of Sandvik's facilities located in Finland, France, China, Spain, the UK and Austria.

- Review of qualitative information and statements, as well as the report on compliance with legislation, permits and conditions related to sustainability.
- Assessment of Sandvik's stated application level according to the GRI guidelines.
- Reconciliation of financial information to Sandvik's 2010 Annual Report.
- Overall impression of the sustainability report, and its format, considering the information's mutual correctness with applicable criteria.

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that Sandvik's 2010 Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria and that Sandvik has not adhered to the AA1000APS principles inclusivity, materiality and responsiveness to the extent reported on www.sandvik.com/sustainability under the heading AA1000APS.

Other information

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

- In relation to inclusivity, focus will be to increase the local awareness of AA1000APS.
- In relation to materiality, activities to follow-up the suppliers will be developed further.
- In relation to responsiveness processes for internal and external communication on sustainability performance will be developed.

Sandviken, February 17, 2011
KPMG AB

Caj Nackstad
Authorized Public Accountant

Åse Bäckström
Expert member of Far

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