



## **Annual General Meeting of Sandvik Aktiebolag**

The shareholders in Sandvik AB are convened to the Annual General Meeting to be held on Tuesday, 13 May 2014 at 5:00 p.m. at Göransson Arena, Sättragatan 15, Sandviken, Sweden.

### **RIGHT TO PARTICIPATE AND NOTIFICATION**

Shareholders who wish to participate in the Meeting must be recorded in the share register maintained by Euroclear Sweden AB on Wednesday, 7 May 2014 and notify Sandvik AB of their intention to participate in the Meeting not later than Wednesday, 7 May 2014.

Notification of participation in the Meeting shall be made to Sandvik AB, c/o Computershare AB, Box 610, SE-182 16 Danderyd, Sweden, by telephone +46 (0) 26-26 09 40 weekdays 9:00 a.m.–4:00 p.m. or on the Company's website [www.sandvik.com](http://www.sandvik.com). Shareholders whose shares are registered in the name of a nominee must temporarily have re-registered the shares in their own name at Euroclear Sweden AB on Wednesday, 7 May 2014 to be entitled to participate in the Meeting. Please note that this procedure also applies to shareholders who utilize banks' shareholder deposit accounts.

When providing notification, please state name, personal or corporate registration number, address and telephone number and the number of assistants, if any. If participation is by proxy, the proxy should be submitted in advance of the Meeting. Proxy forms are available on the Company's website [www.sandvik.com](http://www.sandvik.com).

### **AGENDA**

1. Opening of the Meeting.
2. Election of Chairman of the Meeting.
3. Preparation and approval of the voting list.
4. Election of one or two persons to verify the minutes.
5. Approval of the agenda.
6. Examination of whether the Meeting has been duly convened.
7. Presentation of the Annual Report, Auditor's Report and the Group Accounts and Auditor's Report for the Group.
8. Speech by the President.
9. Resolution in respect of adoption of the Profit and Loss Account, Balance Sheet, Consolidated Profit and Loss Account and Consolidated Balance Sheet.
10. Resolution in respect of discharge from liability of the Board members and the President for the period to which the accounts relate.
11. Resolution in respect of allocation of the Company's result in accordance with the adopted Balance Sheet and resolution on record day.
12. Determination of the number of Board members and Deputy members. In conjunction with this, the work of the Nomination Committee will be presented.
13. Determination of fees to the Board of Directors.
14. Election of the Board of Directors and the Chairman of the Board of Directors.

15. Resolution on guidelines for the remuneration of senior executives.
16. Resolution on a long-term incentive program (LTI 2014).
17. Shareholder proposals:
  - a) Separate listing and distribution to the shareholders of the Group's business units.
  - b) Appointment of an Independent Audit Committee.
18. Closing of the Meeting.

## **PROPOSALS FOR RESOLUTIONS**

### **Item 11 – Dividend and record day**

The Board of Directors proposes that the Annual General Meeting resolve on a dividend of SEK 3.50 per share. Friday, 16 May 2014 is proposed as the record day. If the Meeting approves these proposals, it is estimated that the dividend be distributed by Euroclear Sweden AB on Wednesday, 21 May 2014.

### **The Nomination Committee's proposals**

The Nomination Committee comprises its Chairman Anders Nyberg, AB Industrivärden, Håkan Sandberg, Handelsbanken AB, Handelsbanken's Pension Foundation and Handelsbanken's Pension Fund, Kaj Thorén, Alecta, Anders Oscarsson, AMF and AMF Funds, and Anders Nyrén, Sandvik's Chairman of the Board of Directors.

The Nomination Committee proposes that the Annual General Meeting resolve on the following:

**Item 2 –** Attorney Sven Unger as Chairman of the Meeting.

**Item 12 –** Seven Board members and no Deputy members.

**Item 13 –** Fees to the Board of Directors:

- Board member not employed by the Company: SEK 600,000 (previously SEK 550,000)
- Chairman of the Board of Directors: SEK 1,700,000 (previously SEK 1,650,000)
- Board member elected by the General Meeting who is a member of the Audit Committee: SEK 150,000 (unchanged)
- Chairman of the Audit Committee: SEK 175,000 (unchanged)
- Board member elected by the General Meeting who is a member of the Remuneration Committee: SEK 100,000 (unchanged)
- Chairman of the Remuneration Committee: SEK 125,000 (unchanged)

**Item 14 –** Re-election of Olof Faxander, Jürgen M Geissinger, Johan Karlström, Hanne de Mora, Anders Nyrén, Simon Thompson and Lars Westerberg. Re-election of Anders Nyrén as Chairman of the Board of Directors. Fredrik Lundberg has informed that he is not available for re-election.

## **Item 15 – Proposal by the Board of Directors for a resolution on guidelines for the remuneration of senior executives**

The Board of Directors proposes that the Annual General Meeting resolve to adopt the following guidelines for the remuneration of senior executives for the period extending until the 2015 Annual General Meeting, which guidelines correspond substantially to those adopted by the 2013 Annual General Meeting.

The remuneration of Group Executive Management is to comprise fixed salary, variable salary, pension and other benefits. The total remuneration package should be based on market terms, be competitive and reflect the individual's performance and responsibilities as well as the Group's earnings trend.

The variable salary may comprise short-term incentives in cash and long-term incentives in cash, shares and/or share-based instruments in Sandvik AB. Variable salary in cash is conditional upon the fulfillment of defined and measurable goals and should be maximized in relation to the fixed salary. Long-term incentives in the form of shares and/or share-based instruments in Sandvik AB may be provided through participation in long-term incentive programs approved by the General Meeting. Terms and conditions for variable salary should be designed so that the Board of Directors, if exceptional economic circumstances prevail, has the option of limiting or refraining from payment of variable salary if such a measure is considered reasonable.

In specific cases, agreements may be reached regarding one-off remuneration amounts provided that such remuneration does not exceed an amount corresponding to the individual's annual fixed salary and maximum variable salary in cash, and is not paid more than once per year and individual.

Pension benefits should either be defined benefit or defined contribution, or a combination thereof. The retirement age for the President is 60 and for other members of Group Executive Management the retirement age is 62.

Normally, severance payment is made when employment is terminated by Sandvik. Members of Group Executive Management generally have a period of notice of not more than 12 months, in combination with severance pay corresponding to 6–12 months fixed salary. An alternative solution may be applied to the President comprising a period of notice of 24 months and no severance pay. No severance payment will be made when employment is terminated by the employee.

The Board of Directors is to have the right to depart from the guidelines resolved on by the Annual General Meeting if, in an individual case, there are special reasons for this.

The sphere of senior executives encompassed by the guidelines comprises the President and other members of Group Executive Management.

## **Item 16 – Proposal by the Board of Directors for a resolution on a long-term incentive program (LTI 2014)**

### ***Background***

Since 2011 the Annual General Meeting of Sandvik has annually resolved on long-term incentive programs for senior executives and key employees in the form of employee stock

option programs. In addition to aligning the interests of the participants and the shareholders, the purpose of these programs is also to strengthen the Sandvik Group's ability to attract, retain and motivate qualified employees as well as to strengthen Sandvik's focus and objective to meet its long-term business goals.

The Board of Directors believes that a performance share program requiring investment by all participants will promote the purposes mentioned above to a greater extent than the current employee stock option programs. Therefore, the Board of Directors proposes that the Annual General Meeting decide on a long-term incentive program for senior executives and key employees for 2014 ("LTI 2014"), in the form of a performance share program, pursuant to the main principles set forth below.

The intention of the Board of Directors is to propose also at the Annual General Meetings 2015 and 2016 that long-term incentive programs, pursuant to the principles set forth below, should be resolved on. The total number of shares that can be allocated pursuant to the long-term incentive programs during the years 2014–2016 must not exceed 12,540,000 shares, which corresponds to approximately 1 percent of the number of outstanding shares in Sandvik.

### ***General***

LTI 2014 encompasses approximately 350 senior executives and key employees in the Sandvik Group, divided into four categories, and comprises a maximum of 3,500,000 Sandvik shares.

In order to participate in LTI 2014 the employee is required to invest in Sandvik shares at market price no later than 13 June 2014 ("Investment Shares"). The employee may within the scope of LTI 2014 invest up to an amount corresponding to 10 percent of the employee's fixed cash salary before tax for the year 2014.

Provided such acquisition of Investment Shares is made, participants of LTI 2014 will be entitled to allotment of Sandvik shares, free of charge, after a period of three years on the terms and conditions set forth below.

### ***Matching Shares***

Each acquired Investment Share entitles participants, in all four categories, to be allotted one Sandvik share ("Matching Share").

### ***Performance Shares***

Each acquired Investment Share entitles participants to be allotted, in addition to Matching Shares, further Sandvik shares, provided certain performance targets are met ("Performance Shares"). The maximum number of Performance Shares that may be allotted for each acquired Investment Share is:

- 7 for the President,
- 6 for each additional member of Extended Group Executive Management (12 persons),
- 5 for each senior manager (approximately 60 persons), and
- 4 for each key contributor (approximately 277 persons).

Group Executive Management shall nominate the persons that are to be offered participation in LTI 2014 and that are to be classified as senior manager and key contributor, respectively, based on position, qualification and individual performance. The decision is taken by the President.

The number of Performance Shares that will finally be allotted to the participant for each acquired Investment Share is dependent on the development of the Sandvik Group adjusted Earnings Per Share (“EPS”) during the financial year 2014, compared to adjusted EPS for the financial year 2013. The Board of Directors establishes the levels regarding adjusted EPS that must be attained for allotment of a certain number of Performance Shares. In order for any Performance Shares to be allotted adjusted EPS growth for the financial year 2014 must exceed 5 percent in relation to adjusted EPS for the financial year 2013. The established levels and the extent to which they are attained will be disclosed in the 2014 Annual Report.

***Prerequisites for allotment***

The allotment of Matching and Performance Shares, respectively, requires continuous employment and that all Investment Shares be held during a period of three years from the acquisition of the Investment Shares (“Vesting period”). The Chairman of the Board of Directors may in special cases grant exemptions from the requirement to hold the Investment Shares during the whole Vesting Period.

If the prerequisites for allotment set forth for LTI 2014 are met, allotment of Matching and Performance Shares, respectively, will take place during 2017, and no later than 30 June 2017. The allotment will take place free of charge, subject to tax.

The right to be allotted Matching Shares presupposes that the 2015 Annual General Meeting decides on dividends for the financial year 2014. Whether or not dividends are decided on does not impact a participant’s right to be allotted Performance Shares.

***Adjustment of the number of Performance Shares and/or Matching Shares etc.***

Before the allotment of Performance Shares takes place, the Board of Directors shall consider whether the number of Performance Shares is reasonable taking into account the financial results and position of Sandvik, the impact of larger acquisitions, divestments and other significant capital transactions, stock market conditions and other circumstances. If the Board of Directors deems that this is not the case, the Board of Directors shall reduce the number of Performance Shares to the lower number the Board of Directors finds appropriate or decide that no allotment should take place.

In the event of a bonus issue, split, rights issue and/or other similar events in Sandvik, the Board of Directors shall be entitled to decide on the recalculation of the terms of LTI 2014.

The Board of Directors may decide on the implementation of an alternative cash based incentive solution for participants in countries where the acquisition of Investment Shares or allotment of Matching and Performance Shares, respectively, is not appropriate, as well as if otherwise considered appropriate. Such alternative incentive solution shall to the extent practically possible be designed to correspond to the terms of LTI 2014.

The Board of Directors, or a committee appointed by the Board of Directors for this purpose, shall be responsible for the detailed design and administration of LTI 2014 based on the main terms set forth herein.

The right to be allotted Matching and Performance Shares, respectively, cannot be transferred and does not give the participant a right to compensation for dividend distributed during the Vesting period with respect to the underlying shares.

### ***Costs of LTI 2014 and hedging arrangements***

The total costs of LTI 2014 are estimated at up to SEK 293 million, at maximum allotment of Matching and Performance Shares. The costs will be allocated over the years 2014–2016. The costs have been calculated as the sum of personnel costs, including social security costs and administration costs for the program.

The administration costs have been estimated at SEK 5 million. The personnel costs (excluding social security costs) have been calculated based on the value, at the start of the program, of the Matching and Performance Shares that may be allotted at maximum performance, less the present value of the expected dividend during the Vesting Period. The calculation of the maximum costs is based on maximum performance and on a highest price per share of SEK 100.

Sandvik intends to secure its commitment to deliver up to 3 500 000 Sandvik shares under LTI 2014 through a share swap agreement with a third party. The interest cost for such a share swap is estimated at approximately SEK 7 million per year based on the current interest levels. Against this cost, however, stands the value of possible dividends. In addition, there will be administrative costs estimated at approximately SEK 0.5 million.

### ***Preparation of the proposal***

The proposal has been prepared by the Board's Remuneration Committee and has been discussed and resolved on by the Board of Directors. The President has not taken part in the Board of Directors' discussion and resolution with respect to the proposal.

### ***Majority requirement***

The resolution regarding LTI 2014 is valid where supported by shareholders holding more than half of the votes cast at the Meeting.

### ***Other***

For a description of other long-term incentive programs within Sandvik reference is made to note 3.5 in Sandvik's 2013 Annual Report and to the Company's website.

## **Item 17 – Shareholder proposals**

The shareholders Kjell Andersson and Knut Tersmeden have submitted the following petition to the Annual General Meeting.

The development of Sandvik's value has been very poor during 2013. The owners have seen the share value decrease by more than 12 percent equivalent to approx. 15.7 billion. If instead the share had followed Stockholm OMX Sandvik's value would have increased by approx. 31 billion, i.e. a difference of close to 47 billion just during 2013 to the detriment of the shareholders. During the previous year several companies on the A-list have broken new share price records, which is something that the Sandvik share is far from. The Sandvik share must increase by close to 70 percent in order to reach its share price record.

Therefore, the following is now proposed:

- a) Place the Group's business units in different companies and distribute them to the shareholders as separately listed. This will result in a number of swift and dynamic companies that can focus on their areas and become best in the world. This is a structural

measure that should increase the combined value creation vigorously and thereby give the owners an equivalent increase in value.

- b) Appoint an independent Audit Committee that evaluates the management by the Board of Directors and executive management of the Sandvik Group during the last four years and the current plans. This should give most shareholders an ethical and moral assurance that despite the negative results the Group has been managed in the best way. I.e. a protection for the minority and those shareholders who do not participate in the active management.

## **INFORMATION AT THE ANNUAL GENERAL MEETING**

The Board of Directors and the President shall, if any shareholder so requests and the Board of Directors believes that it can be done without material harm to the Company, provide information regarding circumstances that may affect the assessment of an item on the agenda, and circumstances that can affect the assessment of the Company's or its subsidiaries' financial situation, or the Company's relation to other group companies.

## **DOCUMENTATION**

The Nomination Committee's proposals under items 2 and 12–14, the Board of Directors' proposals under items 15 and 16 as well as the shareholder proposals under item 17 are included in their entirety in the notice above. The Nomination Committee's statement and the presentation of the proposed Board members are available on the Company's website [www.sandvik.com](http://www.sandvik.com). Accounting documents, the Auditor's Report and the Auditor's statement regarding the application of the guidelines for remuneration will be available at Sandvik AB, Kungsbron 1, section G, floor 6, Stockholm, and on the Company's website [www.sandvik.com](http://www.sandvik.com), from no later than Tuesday, 22 April 2014. The documentation will be sent without charge to the shareholders who so request.

## **SHARES AND VOTES**

The total number of shares and votes in the Company is 1,254,385,923.

## **PROGRAM FOR SHAREHOLDERS**

Registration for the Meeting will commence at 2:30 p.m. Presentations regarding Sandvik's work with innovation and Sandvik's cooperation with the Nobel Museum will start at 3:30 p.m. and the award of the Wilhelm Haglund medal will take place at 4:30 p.m. A light meal will be served as from 2:30 p.m.

Stockholm, April 2014

SANDVIK AKTIEBOLAG (PUBL)  
The Board of Directors