

# Sustainability report

Since the foundation of Sandvik in 1862, sustainable development has been an important part of the Group's business. The balance between financial success, respect for the environment and the health and safety of employees has always been top priority. Today, the importance of sustainable development is even greater from a global perspective bearing in mind climate changes, the utilization of limited resources, human rights and corruption.

This is the second year that Sandvik publishes a sustainability report describing the Group's risks, opportunities and standpoint as regards sustainability and presents the Group's results from a financial, environmental and social perspective. This year, the sustainability report has been independently reviewed in accordance with FAR SRS' (Institute for the accountancy profession in Sweden) standard RevR 6 "Independent review of voluntary separate sustainability report" and AccountAbility's "AA1000 Assurance Standard."

The sustainability reporting is divided into the following sections:

- The Board of Directors' report covering requirements pertaining to non-financial performance indicators and environmental information in accordance with the Swedish Annual Accounts Act.
- The report in this section that summarizes risks, opportunities and the Group's objectives, targets and results from a sustainability perspective.
- The Sandvik World presents a number of examples concerning the work being carried out to achieve the Group's environmental and social targets.
- Sandvik's website [www.sandvik.com](http://www.sandvik.com) contains further information relating to the sustainability work being conducted in each of the business areas.

- Sandvik's website [www.sandvik.com](http://www.sandvik.com) includes complete references to Global Reporting Initiative's G3 guidelines, which were applied when preparing this sustainability report.

A number of stakeholders influence and/or are influenced by the Group's operations. Sandvik has identified three stakeholder groups of particular significance: shareholders, customers and employees. These are of critical importance for operations and there is regular contact with these groups at various levels in the Group.

Dialogue with shareholders is primarily conducted through the Board and at the Annual General Meeting, but also through a well-developed Investor Relations staff function, which regularly contacts specific Social Responsible Investment (SRI) analysts. These meetings have yielded valuable information concerning which sustainability issues Sandvik should focus on and what should be reported. Sandvik's employees are represented on the Board of the Parent Company. When necessary, information is disseminated to and negotiations are conducted with employee representatives at a local level in connection with such events as organizational changes. Customer contacts are handled locally through Sandvik's sales organizations throughout the world.

Furthermore, contact is maintained with authorities and dialogues are conducted with educational bodies, non-governmental organizations (NGOs), the general public and others where necessary.

In Sandvik, sustainability work is carried out in a decentralized manner within each business area and is based on a number of Group objectives and Sandvik's

Code of Conduct, which were adopted by the Board in August 2004. In each business area, specific organizations have been appointed to coordinate issues and support the local management team. At a Group level, various councils exist (such as for environment, health and safety) to coordinate the work between the business areas and to draft joint policies, overall objectives and indicators for Group Executive Management. To ensure that management systems, internal controls and risk management function adequately, an independent unit (Group Assurance) continually monitors the organization's operations and reports to the Board's Audit Committee and Group Executive Management on a quarterly basis. Indicators and key figures are reported and are subject to a quality review each quarter.

## Content and scope of the report

This sustainability report refers to the 2007 financial year. Unless otherwise stated, the same accounting policies are applied in the sustainability report as in 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. Data pertaining to acquisitions conducted during the year is only included in the indicators for 2007.

## 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 internation-

ally recognized organization Global Reporting Initiative (GRI). Further information regarding GRI is available on the organization's website: [www.global-reporting.org](http://www.global-reporting.org). It is Sandvik's intention that the report shall correspond with the GRI level B+, which means that many, but not all indicators are presented and that the report has been subjected to an independent review. A complete GRI index and comments on all of the indicators are available on Sandvik's website [www.sandvik.com](http://www.sandvik.com)

### **Risks and opportunities**

Sandvik is active in many parts of the world where the risk of environmental pollution, violation of human rights and corruption is present. Moreover, Sandvik has a large number of production plants in which environmental, health and safety risks arise. Sandvik has an established risk management process that evaluates these types of risks. The risk assessment not only encompasses the Group's operations, but also risks related to the geographical areas in which Sandvik is active and supplier-related risks. The risk management process is described on page 21 and subsequent pages in Sandvik's annual report.

#### *Environmental risks*

At Group level, a number of overall environmental risks within Sandvik's operations have been identified:

- Utilization/consumption of energy, raw materials, fresh water and hazardous chemicals.
- Generation of emissions and waste from production.
- Old industrial areas and waste landfills.
- Environmental liabilities in connection with company acquisitions.

Risks related to emissions are, for example, associated with emissions of carbon dioxide. These emissions are caused by the Group's combustion of fossil fuels, transports and through the purchase of electricity that has been produced by burning fossil fuels. Furthermore, Sandvik is impacted by rising energy prices due to emission restrictions and other control measures introduced by authorities. Meanwhile, there is a long-term business opportunity for Sandvik in the search for new carbon-neutral energy sources, but also in the short term in connection with the work on more difficult-to-extract fossil fuels. A summary of Sandvik's opportunities regarding energy extraction is presented in The Sandvik World.

How environmental risks are managed is detailed in the Environmental responsibility section below.

Information regarding operations with environmental permits and environmental liabilities is contained in the Report of Directors' (pages 19–20).

#### *Workplace risks*

There are a large number of manufacturing plants and service workshops within Sandvik. Despite considerable focus on safety and improvements in the workplace in these units, there is a risk that incidents will occur. Our products may also entail a risk in connection with their use by customers and this places rigorous demands on quality control in proprietary production and the production as well as the supplier's production and requires simple and clear user manuals and product specifications.

How workplace risks are managed is detailed in the Social responsibility section.

#### *Risks related to human rights and corruption*

Sandvik has clear policies on human rights, labor rights and corruption. These policies are summarized in a Code of Conduct (see [www.sandvik.com](http://www.sandvik.com) under "About Sandvik" and "Sustainability"). Violation of these policies would have a significant negative impact on Sandvik's reputation and operations. Consequently, training is conducted on a regular basis in the company's core values, policies and risks relating to human rights, labor legislation and corruption in addition to the training in environment and health & safety. At year-end 2007, more than 90% of employees had completed this training. Furthermore, internal audits are performed on a regular basis at units that are deemed to have a heightened level of exposure to these risks. Local management teams, regional managers and Group Executive Management are informed of the results of the audits.

No incidents involving the violation of human rights were reported in 2007. A small number of cases of suspected corruption were reported. All of these cases were investigated and, when deemed to be necessary, corrective measures were taken.

#### *Risks related to suppliers*

Sandvik imposes its standards on suppliers of materials, components and services requiring them to comply with Sandvik's Code of Conduct. Sandvik has many suppliers and the monitoring work involved in this procedure is complex. Processes for assessment and control of key suppliers are gradually being implemented with a focus on countries where the risk is deemed to be greater.

## Financial responsibility

### Policy, objectives and outcome

Sandvik's financial development is detailed in the Board of Directors' report and in the financial statements in the annual report, which also contains the Group's financial objectives and outcome in relation to these objectives. Business-related risks are presented in the section Sandvik's Risks and Risk Management in the annual report.

The table below shows how the value created by the Group's operations has been generated and how it is distributed among various stakeholder groups.

Except for allocations of carbon-dioxide emission allowances, Sandvik has not received any significant government grants during the year (see note 13 in the annual report).

## Environmental responsibility

### Policy and objectives

Environmental issues have been assigned a high priority in Sandvik. The Group's

Code of Conduct contains a policy that addresses environmental issues and highlights such aspects as the importance of management by objectives and preventive work to achieve continual improvements.

The environmental objectives, adopted by Group Executive Management in May 2006, are presented below. The objectives have also been specified as environmental targets for each business area.

### The Group's environmental objectives:

- More efficient use of energy and raw materials.
- Reduced emissions to air and water.
- Increased materials recovery, both internally within Sandvik and externally by recovery of the Group's products.
- Reduced environmental impact from the use of hazardous chemicals.

### The Group's environmental targets:

- Reduce electricity consumption in relation to sales volume by 10% before year-end 2010 (base year: 2004).
- Replace all chlorinated organic solvents with other solvents or techniques before year-end 2010. Complete the phasing-out of trichloroethylene, TCE, before year-end 2008.
- Reduce carbon-dioxide emissions from internal use of fossil fuels by 10% in relation to sales volume before year-end 2010 (base year: 2004).

### Management system

In 2002, Sandvik established the target that all major production, service and distribution units shall be certified in accordance with the ISO 14001 international standard for environmental management systems before the end of 2004. Major is defined as units with more than 20 employees. At year-end 2007, approximately 130 production and distribution units (87%) were certified. In addition, the majority of the Group's service units were certified. The majority of units not certified comprise new acquisitions during the year. It is estimated that all units will be certified in 2008.

### Outcome

The following section presents the outcome relative to the Group's objectives and targets as measured with the relevant indicators and key figures.

### Raw materials

Raw material consumption varies between the business areas. At Sandvik Tooling and Sandvik Materials Technology, production is mainly based on metallic raw materials while at Sandvik Mining and Construction, it is mainly based on purchased components. Sandvik's consumption of metallic raw materials is presented in the table to the left.

Sandvik Materials Technology's plants in Sandviken and Hallstahammar,

### Financial value generated and distributed\*

Amounts in SEK M	Stakeholder	2007	2006	2005
Revenue	Customers	86 338	72 289	63 370
Financial value generated		86 338	72 289	63 370
Production costs	Suppliers	48 343	38 773	33 895
Employee wages and benefits	Personnel	20 562	18 672	17 281
Payments to providers of capital	Credit providers	1 397	955	713
Payments to providers of capital	Shareholders	4 207	3 533	6 976
Payments to government	Public sector	3 403	3 006	2 427
Financial value distributed		77 912	64 939	61 292
Retained in company		8 426	7 350	2 078

\* The table includes Seco Tools.

### Raw materials consumption

Indicators	2007	2006*	2005*
Consumption of metallic raw materials (tons)	399 000	405 000	372 000
• Of which, recovered, %	78	78	80

\* Values have been restated compared to the 2006 report.

### The development of energy consumption

Indicators	2007	2006	2005
Consumption of energy (TJ)*	8 000	7 500	6 800
• Of which fossil fuels (TJ) Direct energy	2 600	2 400**	2 100
• Of which electricity (TJ) Indirect energy***	5 400	5 100	4 700

\* Energy consumption is reported in Terajoule (TJ).

\*\* Values restated compared to the 2006 report.

\*\*\* Energy consumption does not include the energy consumed by electricity producers to generate the electricity.

Sweden, 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. Almost 80% of these materials come from recycled scrap. The raw materials most important to Sandvik Tooling are various tungsten compounds and cobalt but also more unusual elements such as tantalum are used. Sandvik Mining and Construction uses iron and manganese raw material for the manufacture of castings.

Approximately 86% of these materials come from scrap.

Although recovery 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 the environmental impact. This is accomplished by repurchases of used products and the recycling of waste from proprietary manufacturing plants. Sandvik Tooling's newly constructed recovery plant for cemented carbide in Chiplun, India is described in more detail in The Sandvik World. The business area aims to recycle 50% of all sold and worn-out cemented-carbide cutting tools. At present, about 25% is being recycled. Sandvik Mining and Construction also commenced con-

struction work on a recovery plant in Chiplun for cemented carbide from drill bits.

Hazardous chemicals are used only to a limited and well-supervised extent and are subsequently handled in accordance with environmentally safe methods. Trichloroethylene is still being used as a degreasing agent at ten manufacturing units with a combined annual consumption of about 16 cubic meters. Before the end of 2008, trichloroethylene will have been replaced with alternative solvents.

### Energy

The table on previous page and diagram below show the trend of energy consumption in Sandvik.

Sandvik's electricity consumption was 5,400 TJ (5,100), an increase of 6%. The increase was influenced by companies acquired during the year totaling 5 percentage points. The remaining 1 percentage point comprises a volume increase of electricity production. Excluding acquisitions, Sandvik's electricity consumption was 5,140 TJ.

In relation to sales volume, the Group continued its improvement in regard to energy efficiency. Compared with the base year 2004 (index = 100), electricity consumption in relation to sales volume is at the index level 89.

Acquisitions during the year accounted for 4 points. Excluding these effects, consumption is at index level 85, a decline compared with the preceding year of 7 points and from the base year by 15%. Sandvik is below the level of the established target stipulating a 10% reduction.

The diagram below shows a breakdown of electricity consumption between the business areas.

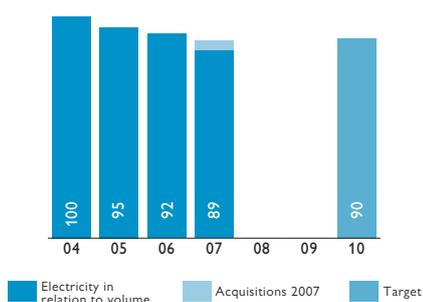
The production plant in Sandviken is responsible for the greater part of Sandvik Material Technology's consumption. Examples of measures taken to reduce electricity consumption at this plant are presented in The Sandvik World. At other plants in Sandvik, simple but important energy-saving measures were conducted, such as the replacement of old cooling and heating plants and the introduction of automatic switching on and off of lighting.

### Water

Water is a valuable resource and its efficient use is therefore crucial. The table below presents the development of freshwater consumption at Sandvik.

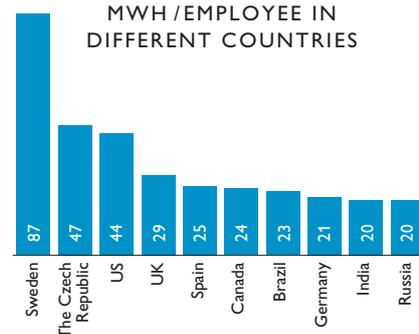
More than half of consumption takes place in Sweden where water supply is good. The graph on the next page presents the water consumption in the ten

ELECTRICITY CONSUMPTION



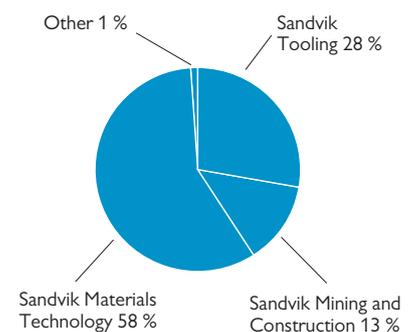
Change in electricity consumption in relation to volume, 2004-2007. The diagram shows index compared with 2004. Volume is defined as invoiced sales adjusted for structural, currency and price effects.

ENERGY CONSUMPTION MWH/EMPLOYEE IN DIFFERENT COUNTRIES

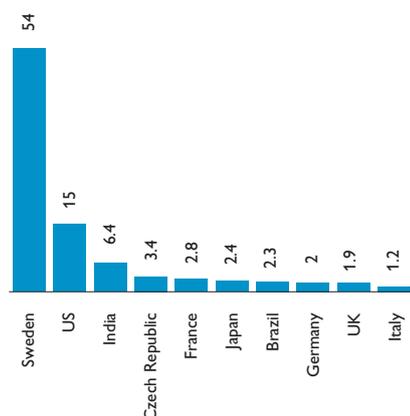


The diagram above illustrates energy consumption per employee in different countries and provides a certain indication of potential efficiency enhancements as regards energy consumption.

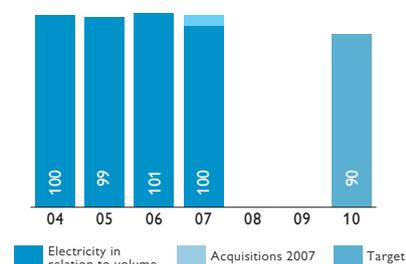
ENERGY CONSUMPTION DISTRIBUTION



### SHARE OF SANDVIK'S TOTAL WATER CONSUMPTION



### CARBON-DIOXIDE EMISSIONS



Change in carbon dioxide generated from the combustion of fossil fuels in relation to volume 2004–2007. The diagram shows index compared with 2004. Volume is defined as invoiced sales adjusted for structural, currency and price effects.

countries where Sandvik uses the most water.

Combined, this consumption comprises 92% of total consumption within Sandvik. Only one of these countries, India, is a country with very limited access to water.

All production units in India have introduced systems for the treatment of all wastewater, which is subsequently re-used in proprietary operations. Similar systems have been introduced at Sandvik's facilities in Sao Paulo, Brazil. In addition, approximately 6% (12%) of water requirements in operations in India come from collected rainwater.

### The development of fresh water consumption

Indicators	2007	2006*	2005
Consumption of water (000s m3)	4 500	4 600	3 800
• Of which purchased (000s m3)	3 500	3 300	3 300
• Of which from own wells (000s m3)	500	500	400
• Of which collected rain water (000s m3)	500	800	100

\* Adjusted since the prior reporting occasion.

### The development of carbon dioxide emission and waste generated

Indicators	2007	2006	2005
Carbon-dioxide emissions (tons CO2)*	554 000	484 000 ***	434 000
• of which from combustion of fossil fuels (tons CO2). Direct	215 000	198 000 ***	180 000
• of which consumption of electrical energy (ton CO2). Indirect**	339 000	286 000	254 000

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

\*\* Emissions are calculated using factors (International Energy Agency Data Services) that take into account the type of primary energy used for electricity production. Accordingly, emissions include those that arise in connection with the generation of electricity.

\*\*\* Values adjusted since the 2006 report.

### Produced waste volumes

Indicators	2007	2006	2005
Waste (tons)*	171 000	150 000	140 000
• Of which hazardous waste (tons)	28 000	35 000	24 000
• Of which waste to landfill (tons)	105 000	95 000	90 000

\* Excluding metal waste that has been internally or externally recycled.

### Biodiversity

Some ten Sandvik production plants are located within or close to protected areas with a high value in terms of biodiversity. Five of these units are located in the US and the remainder in Europe.

Approximately half of these areas comprise wetlands. Sandvik demonstrates particular consideration for these areas and cooperates with authorities in relevant cases.

### Emissions and waste

Emissions from Sandvik's operations are of a varying nature. One of the principal emissions currently being prioritized is carbon dioxide to air. The table and diagram to the left show the trend of carbon dioxide emissions.

Sandvik's carbon-dioxide emissions from the combustion of fossil fuels totaled 215,000 tons (198,000), an increase of 8%. Acquisitions during the year had an impact of 4 percentage points. The remaining change (4 percentage points) was a result of increased combustion of fossil fuels. For comparable units, Sandvik's carbon-dioxide emissions from the combustion of fossil fuels amounted to 207,000 tons.

In relation to the change in sales volume, the Group's carbon-dioxide emissions

from the consumption of fossil fuels were unchanged compared with the base year. Compared with 2006, emissions have declined by 1 percentage point.

Sandvik's carbon-dioxide emissions from the consumption of electricity totaled 339,000 tons (286,000), corresponding to an increase of 18%. The increase was influenced by acquisitions during the year totaling 14 percentage points. The remaining increase (4 percentage points) comprised a volume increase of electricity consumption. Excluding acquisitions, Sandvik's carbon-dioxide emissions from electricity consumption totaled 299,000 tons. The reason why the increase in carbon-dioxide emissions is greater than the increase in electricity consumption is that Sandvik acquired units during the year in countries where emissions per consumed MWh are substantially higher than the earlier average for the Group.

Of the total waste volume, 16% comprises hazardous waste. The table on the preceding page presents produced waste volumes.

## Social responsibility

### Policy and objectives

Sandvik's social responsibility comprises working conditions and terms of employment for the employees as well as fundamental respect for human rights and a constructive commitment to the community. The Group's policy for social responsibility forms part of the Code of Conduct, which is presented on the Company's website, [www.sandvik.com](http://www.sandvik.com)

Based on the policy and identified risks, Sandvik has formulated a number of objectives that primarily relate to working and employment conditions at the Group's sites. The objectives, which were adopted by Group Executive Management in May 2006, are presented below. The objectives have also been specified in social targets for each business area.

### The Group's social objectives:

- Zero accidents.
- Reduced absence due to illness.
- Increased equality of opportunity at work.

### The Group's social targets:

- Reduce the number of lost days injuries, lost days injury frequency and the number of lost working days due to lost days injuries by 50% before year-end 2008 (base year: 2005).
- Reduce the number of lost working days due to illness by 50% before year-end 2010 (base year: 2005).
- All major production, service and distribution units shall be certified in accordance with OHSAS 18001 (or an equivalent standard) before year-end 2007.
- Increase the number of female employees to 25% before year-end 2010.
- All employees shall have annual formal review discussions.

### Outcome

The following section presents the outcome in relation to the Group's targets

### Health and safety

Indicators	2007	2006	2005
Number of fatalities due to work-related injuries	1	2	0
Number of lost days injuries*	827	980	1,030
Lost days injury frequency rate**	10.3	13.2	16.1
Number of reported near misses	3 179	-	-
Lost days due to lost days injuries	12 603	14 897	12 715
Working days lost by employee due to lost days injuries	0.31	0.40	0.40
Total absence (from scheduled work)	2.6%	2.7%	3.3%
Total sick leave (whether work-related or not)	2.4%	2.5%	4.0%

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

\*\* Lost days injury frequency rate is defined as the number of lost days injuries per million work hours. Assumption: Employees are assumed to work 2 000 hours a year.

### Injuries and injury frequency rate

Indicators	Sandvik Tooling	Sandvik Mining and Construction	Sandvik Materials Technology	Other
Number of lost days injuries*	183	379	256	9
Lost days injury frequency rate**	5.7	14.0	14.2	2.6

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

\*\* Lost days injury frequency rate is defined as the number of lost days injuries per million work hours. Assumption: Employees are assumed to work 2 000 hours a year.

measured using the relevant indicators and key figures. The Group's global and local policies and processes together with local legislation support the work aimed at creating the conditions to ensure that working and employment conditions are consistent with Sandvik's Code of Conduct.

### Employment

The number of employees in the Sandvik Group and their distribution by geographical areas is presented in note 3 in the annual report. During the year, 3,897 employees left the Group. Accordingly, the staff turnover rate was 9.7%. The average number of employees in the companies covered by the sustainability report was 40,291 (37,045) at year-end.

### Health and safety

In 2006, Group Executive Management decided that all major production, service and distribution units shall be certified in accordance with the OHSAS 18001 international standard for health & safety management systems or the equivalent. Major is defined as units with approximately 20 employees or more. At year-end 2007, 119 production and dis-

### HIV/AIDS Assistance program

Recipients	Education	Counseling	Prevention/ Risk controls	Treatment
Employees	3	3	3	3
Families of employees	3	2	2	2
Other inhabitants	2	0	1	0

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

### Proportion of women (%)

Category	2007	2006	2005
All employees	17.0	17.0	17.0
Internal Board members and President	8.0	6.0	6.0
Managers/supervisors	12.1	11.9	10.5
Staff positions (excluding managers supervisors)	28.0	28.7	30.4
Worker positions	10.7	10.8	10.8

tribution units (80%) were certified. In addition, the majority of the Group's service units were certified. Approximately half of the units not certified comprise new acquisitions during the year. It is estimated that all units will be certified in 2008.

The table on previous page provides an overview of Sandvik's results in terms of health and safety.

The fatality in 2007 was caused by a car accident.

The number of lost days injuries and the injury frequency rate have declined by 19.7% and 36%, respectively, since 2005, while the number of lost days due to lost days injuries remained at approximately the same level. The target is a reduction by 50% before the end of 2008.

Total sick leave has declined by 40% since 2005. The target is 50% reduction by the end of 2010.

The table on previous page presents a comparison between the number of lost days injuries and lost days injury frequency rate for the various business areas in 2007.

The aim of the increased focus on structured follow-ups in the form of investigations and measures when incidents and injuries occur is to reduce the risk for future injuries. Proactive mea-

sures are employed in keeping with the same concept when risks are identified in connection with internal audits.

Many units encourage reporting of incidents, for example, by establishing targets for the reporting of a specified number of incidents in relation to one injury (such as the number of Near Misses per lost day injury). From 2007, the number of reported incidents has been introduced as a Group-wide indicator (see table on previous page). To streamline the work intended to reduce the number of injuries, local safety committees have been established. The Sandvik World contains a description of a specific example of how the number of injuries can be reduced.

In certain countries, community and working life is marked by the presence of serious contagious diseases. For example, HIV/AIDS is a considerable problem particularly in southern Africa. Sandvik has implemented programs to educate and counsel employees and their families and, in some cases, other inhabitants near to Sandvik operations, about HIV/AIDS. Within the framework of the program, the opportunity for testing is offered. Condoms and antiretroviral medicines are also offered free of charge. Sandvik has comprehensive operations in South Africa, Zambia and Zimbabwe.

A summary of the HIV/AIDS programs in these countries is presented in the table to the left.

The programs in place at Sandvik's operations in Tanzania and Ghana are less comprehensive but are being developed.

### Diversity and equal opportunity

About 75% of Sandvik's employees throughout the world work outside Sweden. The employees at subsidiaries in more than 60 countries have various nationalities and speak a number of languages. The diversity in the Group is great and this 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, irrespective of age, race, color, national origin, religion, sex or disability. Today, the proportion of female employees is still only 17% as shown in the table above. Sandvik aims to increase the proportion of women to be a more attractive employer, to ensure access to competent employees in a future with increased competition for skilled labor. Therefore, Group Executive Management has established the target to increase the proportion of female employees to 25% before year-end 2010.

The average number of employees by geographical area and gender is presented in note 3 in the annual report. Other relevant key figures relating to the proportion of men and women are presented in the table above.

### *Independent Assurance Report*

To the readers of Sandvik's 2007 Sustainability Report: At the request of Sandvik AB, we have performed a review of Sandvik's 2007 Sustainability Report. The Sustainability Report is presented on pages 19–20 and 82–88 of Sandvik's 2007 Annual Report and on Sandvik's website [www.sandvik.com/sustainability](http://www.sandvik.com/sustainability) under the heading GRI Index in the form of complete references to Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, G3, which have been applied in the preparation of the Sustainability Report.

Our undertaking consisted of performing a review of quantitative and qualitative information in the sustainability report. The purpose of our review is to express whether we have found any indications that the sustainability report is not, in all material respects, drawn up in accordance with the criteria stated below. The review has been performed in accordance with FAR SRS' (the Institute for the accountancy profession in Sweden) standard RevR 6 Independent review of voluntary separate sustainability report and AccountAbility's AA1000 Assurance Standard.

In accordance with the AA1000 Assurance Standard, we confirm that we are independent of Sandvik AB and impartial in relation to Sandvik's stakeholders.

Sandvik's Executive Management is responsible for the day-to-day activities regarding sustainable development from the perspective of financial, environmen-

tal and social responsibility as well as sustainability reporting. Our task is to express an opinion on the Sustainability Report based on our review.

The preparation of the Sustainability Report has been based on applicable parts of Sustainability Reporting Guidelines, G3, issued by the Global Reporting Initiative (GRI) and specific measurement and reporting principles, Fair Play Reporting, developed and adopted by Sandvik. Together, these form the criteria used in the course of performing our review procedures.

The scope of our review included the following activities:

- Interviews with senior executives to obtain information regarding significant events and activities during the period to which the report refers and regarding the Group's sustainability-related risks and the reporting of these risks.
- Review of information on the scope and limitations of the contents of the 2007 Sustainability Report.
- Review of the Group's principles for reporting sustainability information.
- Review of the Group's system and routines for registration, accounting and reporting of sustainability performance data.
- Pre-announced visits to eight of Sandvik's facilities located in the Czech Republic, Germany, the US, South Africa, Sweden, Italy and India. Interviews with management and key per-

sonnel in order to ensure that sustainability performance data are reported, in all material respects, in a uniform manner and in accordance with the reporting principles.

- Review of underlying documentation, on a test basis, to assess whether the information and data in the sustainability report is based on that documentation.
- Review of qualitative information and statements, as well as the report on compliance with legislation, permits and conditions related to sustainability.
- Interviews with certain external and internal stakeholders to verify that Sandvik responds to important stakeholders' concerns in the sustainability report.
- Overall assessment of the sustainability report to form an opinion as to whether the reported information, in all material respects, reflects stakeholder requirements regarding sustainability information.
- Review to ascertain that the contents of the sustainability report does not contradict other information in Sandvik's 2007 Annual Report.
- Discussion with Senior Executives regarding the results of our review.

Based on our review procedures, nothing has come to our attention to indicate that Sandvik's 2007 Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

KPMG Bohlins AB  
Sandviken, 19 February 2008

Caj Nackstad  
*Authorized Public Accountant*

Åse Bäckström  
*Specialist Member FAR SRS*