

Sandvik
Sustainability Report 2008

Sustainability report

Sustainability is an important part of the company's business activities. Sandvik has been conducting extensive sustainability efforts for many years and reports the results of these efforts in this sustainability report. The concept of sustainable development encompasses environment, health and safety, business ethics and human rights issues. A Code of Conduct and an environmental, health and safety management system form the foundation of Sandvik's sustainability work. This work is carried out decentralized within the business areas, but is guided by Group established policies, strategies, objectives, targets and performance indicators.

1. Significant events during the year:

- A 50% reduction in the Lost Time Injury Frequency Rate compared with the 2005 figure was attained.
- The use of trichloroethylene (TCE) was phased out as of year end.
- The number of major production, service, machinery rebuilding and distribution units certified in accordance with ISO 14001 is 147 (82%), with 159 (89%) certified in accordance with OHSAS 18001.
- Group Executive Management set new sustainability objectives and targets in November.
- In December, Group Executive Management established a new environment, health and safety policy.
- An organization was established to review suppliers in India and China.
- Sandvik was included in the Dow Jones World Sustainability Index and the Dow Jones STOXX Sustainability Index.
- Sandvik was awarded the prize for Sweden's best sustainability report for listed companies, by FAR SRS (the Institute for the accountancy profession in Sweden).

2. Sustainability report

This is the third year that Sandvik has published a sustainability report. This report describes the Group's strategies, controls, responsibilities, risks and opportunities together with its sustainability objectives and targets and also presents the Group's results from a financial, environmental and social perspective. The sustainability report has been independently reviewed in accordance with the proposed

FAR SRS' 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 sustainability assurance. It requires the assurance provider to provide assurance on the nature and extent of adherence to the AA1000's accountability principles. Information regarding AccountAbility is available on the organizations website (www.accountability21.net).

The sustainability report is comprised of information in the following locations:

- The Board of Directors' report 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 strategies, controls, responsibilities, risks, opportunities and the Group's objectives, targets and results from a sustainability perspective.
- *The Sandvik World* publication that presents a number of examples concerning work that has been conducted to achieve the Group's environmental and social targets.
- 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.

2.1 Content, scope and limitations of the report

This sustainability report refers to the 2008 financial 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. Data from units acquired during the year is included only in the indicators for 2008.

2.2 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 recognized organization 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 an independent verification. A complete GRI index and comments on all of the indicators are available on Sandvik's website www.sandvik.com

Sandvik has adopted AccountAbility's AA1000APS (2008) principles for accountability that were introduced in October 2008. Accountability means that Sandvik is acknowledging, assuming, taking responsibility for and trying to be transparent about the sustainability related effects caused by its operations.

This also involves working to involve stakeholders in identifying and understanding sustainability issues and concerns, and to report, explain and be answerable to stakeholders for decisions, actions and performance.

Accountability means that Sandvik will systematically incorporate AccountAbility's three principles in relations with Sandvik's various stakeholders:

- Inclusivity
- Materiality
- Responsiveness

The ambition is to begin mapping the extent to which the principles are incorporated in the Group and based on the result establish goals and actions for the future work that aims to develop sustainability reporting.

3. Strategy and control of sustainability programs

A prerequisite for Sandvik remaining a successful company and attaining sustainable development is that the company takes its environmental and social responsibility, and that all its employees work in an ethically responsible manner. 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. Sandvik will always seek an open dialog with all of its key stakeholders regarding how this work is conducted and the results achieved. This is a key condition in being able to focus on the correct features for continual improvements.

Sandvik's control model entails that Group Executive Management sets the company's Code of Conduct and objectives, and that 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-related risks (environment, health and safety, corruption, human rights issues, etc.) in its

operations, and in each business area, specific organizations have been appointed to coordinate issues and support the local management teams. At the Group level, various councils exist (such as for environment, health and safety) to coordinate the work among the business areas and to draft policies, objectives, targets 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. Moreover, a report on performance indicators and key figures is presented to the Board, Group Executive Management and the entire organization on a quarterly basis. Training is also a key factor in Sandvik's sustainability strategy. A program is in progress to train all company employees as regards the implications of environmental and social responsibility and business ethics. By the end of 2008, 81% (90) of employees had completed the training. The decline is attributable primarily to personnel turnover.

3.1 Stakeholders

A number of stakeholders influence and/or are influenced by the Group's operations. Sandvik has identified three stakeholder groups of particular significance: shareholders, employees and customers. These are of critical importance for operations and there is regular contact with these groups at various levels in the Group. During the year, stakeholder-related dialogs took place with a 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 reveal that Sandvik's business operations are viewed as being exposed to significant risks from an environmental and social perspective (for example in terms of human rights issues) especially in relation to suppliers and customers. An example of what stakeholders expect include more information on Sandvik's long-term strat-

egy on climate change. The dialogs also revealed that Sandvik works with relevant sustainability aspects and that reporting contains relevant information as regards the results of Sandvik's programs. This was further confirmed during the year when Sandvik was awarded the prize for Sweden's best sustainability report, listed companies by FAR SRS.

3.1.1 Shareholders

Dialog with shareholders is primarily conducted through the Board and at the Annual General Meeting, but also through a well-developed Investor Relations function, which regularly enters into dialog with specific SRI analysts. These dialogs have indicated that shareholders require more information regarding the risks that Sandvik identifies and how they are managed, especially regarding human rights issues in the supply chain.

3.1.2 Employees

Sandvik's employees are represented on the Board of the Parent Company. When requested, information is shared and discussed with the employees. Furthermore, negotiations are conducted with employee representatives at a local level in connection with such events as organizational changes. Dialogs with the trade union organizations have revealed that employees feel that health and safety, absenteeism, discrimination and the environment are key issues, as well as general training in responsibility and business ethics. Competence development and assessment of performance are other key areas.

3.1.3 Customers

Customer contacts are handled locally through Sandvik's worldwide sales organization. Increasing demands by customers regarding Sandvik's sustainability programs are becoming ever more evident. 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. In addition, requests have been presented that Sandvik be able to report the carbon diox-

ide emissions generated in product manufacturing. Questions related to the new European Community Regulation on chemicals and their safe use (REACH) are also common and many customers, notably those of Sandvik Mining and Construction, are imposing higher requirements on machine safety. Customers also want to be assured that Sandvik complies with all international conventions on human rights.

3.1.4 Other stakeholders

Discussions are maintained on an ongoing basis with authorities, educational bodies, Non-Governmental Organizations (NGOs), the general public and other stakeholders as necessary.

4. Responsibility

Sandvik's responsibilities are summarized in the Group's Code of Conduct, which was set 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 13 languages and is available at Sandvik's website (www.sandvik.com). The Code also includes a distinct process for managing the reporting of divergences from the stated responsibilities. Employees are encouraged to report behavior that diverges 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 Sandvik's General counsel. There is a Group unit that is responsible for dealing with all such notifications. 'Whistleblowers' are guaranteed that there will be no reprisals for such notifications or for participation in the company's investigation of a complaint.

4.1 Business ethics

Sandvik's Code of Conduct includes clear guidelines on accuracy of records, the avoidance of bribes as well as compliance with antitrust and competition legislation in the countries in which Sandvik is active.

4.2 Suppliers

Sandvik has a clear position regarding suppliers, including contractors, agents, distributors and their sub-suppliers. These groups must meet the same requirements as those imposed on Sandvik's employees, and operate in line with the Code of Conduct.

4.3 Environment, health and safety

Sandvik's vision as regards the environment, health and safety is to be recognized by its stakeholders as a company with excellent environment, health and safety performance. To achieve this Sandvik must ensure that:

At its sites Sandvik minimizes:

- any potential environmental impacts such as energy use and input materials in the most efficient way,
- any risks to health, safety and well-being of employees.

Products, services and technical solutions:

- provide a long service lifetime and better resource utilization,
- have minimal environmental impact when used by a customer,
- are fully recyclable.

4.3.1 Policy

In December, Group Executive Management established a new environment, health and safety policy for all Group units.

Environment, health and safety policy:

- Environment, health and safety issues are integral parts of Sandvik's total operations and the company achieves continual improvement in these areas through management by objectives. Sandvik believes that the greatest effect is achieved through preventive actions.
- The company follows an approach that results in long-term sustainable development in its operations. Consequently, Sandvik strives for high efficiency in the use of energy and natural resources, promote systems for recycling and

recovery of materials and work to prevent pollution and any work-related illness and injury.

- Sandvik strives to provide a healthy and safe work environment that stimulates employees to perform effectively, to assume responsibility and to continue to develop towards their personal and professional goals.
- Sandvik complies with or exceeds applicable environmental, health and safety, legal and other requirements. The company believes that common and effective environment, health and safety requirements and standards should be established at an international level.

4.4 Human rights and employee conditions

Sandvik has clear policies on human rights and labor rights, which are based on the United Nation's declaration on human rights and the International Labor Organization's declaration regarding basic principles and rights in the workplace.

Sandvik is responsible for ensuring that these policies are complied with in the company's operations as well as throughout the supply chain where Sandvik has the potential to exert influence and control.

5. Risks and opportunities

Sandvik's financial risks are described on pages 27–32. In addition to these, there are risks associated with the fact that 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 units in which environmental, health and safety risks arise. Sandvik has an established risk management process to assess these types of risks, as well as financial 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 in the section starting on page 25 in Sandvik's Annual Report.

5.1 Business ethics

Risks relating to business ethics are regarded as significant, especially the risk of bribes in connection with marketing and sales in countries in which corruption is widespread. The use of agents represents a particularly major risk. 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 a few isolated cases of suspected corruption were reported. All these cases have been investigated and corrective measures have been taken, such as the immediate dismissal of employees found to be behaving inappropriately.

5.2 Suppliers

During 2008, Sandvik sharpened its focus on risks relating to the supply chain by establishing guidelines and internal practice for the future. The fundamental methodology for evaluating suppliers is being developed and is scheduled to be implemented during 2009. A special supplier Code of Conduct is also being developed and is scheduled to be implemented during 2009. The Code contains the same fundamental requirements as Sandvik's Code of Conduct, but also contains additional specific material relating to the supply chain. To minimize risk exposure, a special organization has been established to increase the control of suppliers in China and India, where the supplier risk is deemed to be significant and where Sandvik is increasing its purchases of materials and components.

5.3 Environment

At year-end 2008, Sandvik had 144 manufacturing units and 35 distribution or service/rebuilding workshops worldwide, many of which present a potential environmental impact.

Environmental management systems have already been introduced at the vast majority of these sites and are currently being developed at the remaining sites. Within the framework of these systems, the Group's environmental risks have been summarized as follows:

Overall environmental risks at Sandvik's own operations:

- 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 relating to emissions are primarily related to the emission of carbon dioxide to the atmosphere. These emissions are caused by the company's use of fossil fuels for power and transport and indirectly from purchase of electricity produced by combustion of fossil fuel. Meanwhile, there is a long-term business opportunity for Sandvik in its search for new carbon neutral energy sources, as well as in the short term in the extraction of more fossil fuels whose extraction presents greater difficulties.

Page 24 in the Board of Directors' Report present information on licensed operations and environmental liabilities.

5.4 Health and safety

Sandvik's various production, service/rebuild and distribution units present potential risks of work-related illnesses and injuries. Health and safety management systems have already been introduced at the vast majority of these units and are currently being developed at the remaining sites. The management systems are also designed to enhance the work environment and the work conditions of the company's employees. Sandvik's products may also constitute a risk when in use at customers' sites. This risk imposes major requirements on quality control for the company

and its suppliers, as well as the need for simple, clear operator manuals and product specifications.

5.5 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 basic 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.

To raise the level of understanding in the organization regarding the risks relating to human rights and labor legislation when Sandvik undertakes operations in high-risk countries, analyses have been conducted 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 in direct operations (such as production and procurement) in such countries, but also indirectly (risk associated with customers).

No incidents involving human rights abuses were reported in 2008.

6. Goals for sustainability programs

Sandvik's Group Executive Management set new or modified sustainability objectives and targets in November 2008.

6.1 Environment

6.1.1 The Group's objectives are:

- More efficient use of energy and input materials.
- Reduced emissions to air and water.
- Increased recovery of materials and by-products.
- Reduced environmental impact from the use of hazardous chemicals.
- Increased number of products that support sustainability principles.

6.1.2 The Group's targets are:

- Reduce the use of energy in relation to sales volume by 10% before year-end 2012 (base year: 2008).
- Reduce consumption of fresh water in relation to sales volume by 10% before year-end 2012 (base year: 2008).
- Commence reporting of wastewater discharged from sites before year-end 2009.
- Replace all chlorinated solvents, such as dichloromethane, tetrachloroethene, tetrachloromethane, trichloroethane and trichloroethene, with other solvents or techniques before year-end 2010.
- Reduce carbon dioxide emission from internal use of fossil fuels and electricity by 10% in relation to sales volume before year-end 2012 (base year: 2008).
- Commence reporting of carbon dioxide emission arising from transportation before year-end 2009.
- All major production, service and distribution units shall be certified in accordance with ISO14001 within two years of acquisition or establishment.

6.2 Health and safety

6.2.1 The Group's objectives are to:

- Further reduce the frequency of occupational injuries, illnesses and incidents.
- Improve health and well-being among employees.

6.2.2 The Group's targets are:

- Reduce the Lost Time Injury Frequency Rate by 50% before year-end 2012 (base year: 2008).
- All sites will introduce a health and well-being program before year-end 2010.
- All major production, service and distribution units shall be certified in accordance with OHSAS 18001 (or an equivalent standard) within two years of acquisition or establishment.

6.3 Employee conditions and development

6.3.1 The Group's objectives are:

- Increase equality of opportunity at workplaces.

6.3.2 The Group's targets are:

- All sites will introduce a program to improve the gender balance before year-end 2010.
- All employees shall have formal annual performance review discussions.

7. Outcome of sustainability programs

The following section presents the outcome in relation to the Group's targets using the relevant performance indicators and key figures. Acquisitions and divestments have not had any material impact during the year. Sandvik's adaptation to the rate of production as a result of the prevailing market situation had a marked impact on the majority of the environmental and safety indicators.

7.1 Financial

Sandvik's financial progress is presented in the Report of the Board of 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 to the right 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, Sandvik has not received any significant Government grants during the year (see Note 13 in the Annual Report).

7.2 Environment

7.2.1 Use of raw materials

Material consumption varies across 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 primarily based on purchased components. Sandvik's consumption of

metallic raw materials is presented in the table to the right.

Sandvik Materials Technology's sites in Sandviken and Hallstahammar, 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. Of these materials 80% 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% of these materials are derived from scrap. In total for the Group, about 79% of metallic raw materials are 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 Tooling's recycling program for the recycling of cemented carbide at the Chiplun plant in India is continuing. In 2008, nearly 40% of the cemented carbide inserts sold by Sandvik Coromant were recycled. Other product areas at Sandvik Tooling also commenced recycling activities during the year. Moreover, in 2008 Sandvik Mining and Construction commissioned a new plant in Chiplun to separate cemented carbide and steel in drill cores. The cemented carbide is subsequently included in the same recycling process as Sandvik Tooling's cemented carbide inserts. The steel is sold to local steel mills for recycling.

The recycling of cemented carbide is based on what is referred to as the zinc method in which used cemented carbide inserts are converted into a hard metal powder, which after adjustment and quality control can be used as a raw material. This method is a highly favorable comple-

ment to the more energy intensive processes involving ore as the original material. The total energy use in manufacturing cemented carbide inserts is therefore reduced by about 75%, which means a decline in carbon dioxide emissions during the production process of about 40% per cemented carbide insert produced. Nitrous oxide emissions are also reduced.

Hazardous chemicals are used only to a limited and well-supervised extent and are handled in accordance with environmentally safe methods. The target of replacing trichloroethylene with other less environmentally hazardous solvents or techniques has essentially been attained. A few sites that continue to use a limited amount of the substance will complete their adjustment in early 2009. The total annual consumption in 2008 was about 14 (16) cubic meters.

7.2.2 Use of energy

The table and diagrams to the right show the trend in use of energy in Sandvik as well as the distribution of energy use by the business areas and various markets.

Use of energy in relation to sales volume indicates that the Group continues its improvement in regard to energy efficiency. Total use of energy in relation to sales volume declined by 4.3% and electricity consumption in relation to sales volume fell by 3.4%. Compared with the base year 2004 (index = 100), electricity consumption in relation to sales volume has declined by 14%, that is, a greater decrease than the Group target of 10%.

Although the final date for attaining the target has not yet arrived (2010), Group Executive Management has set a new target for the period 2008 to 2012, namely, to reduce total energy use (electricity and fossil fuel) by 10% in relation to sales volume. The new target was established because the values for electricity consumption for the base year 2004 were somewhat uncertain as well as to include the consumption of fossil fuel in the target.

Examples of measures to decrease the use of energy are presented in *The Sandvik World*.

Financial value generated and distributed*

Amounts in SEK M	Stakeholder	2008	2007	2006	2005
Sales	Customers	92,654	86,338	72,289	63,370
Financial value generated		92,654	86,338	72,289	63,370
Production costs	Suppliers	53,287	48,343	38,620**	33,895
Employee wages and benefits	Personnel	23,129	20,562	18,825**	17,281
Payments to providers of capital	Credit providers	2,217	1,397	955	713
Payments to providers of capital	Shareholders	5,111	4,207	3,533	6,976
Payments to governments**	Public sector	2,876	4,167	3,151	2,306
Financial value distributed		86,620	78,676	65,084	61,171
Retained in company		6,034	7,662	7,205	2,199

* The table includes Seco Tools.

** Value adjusted since preceding reporting.

Raw materials consumption

	2008	2007	2006	2005
Consumption of metallic raw materials (thousand tons)	350	399	405	372
of which, recovered, %	79	78	78	80

The development of energy use

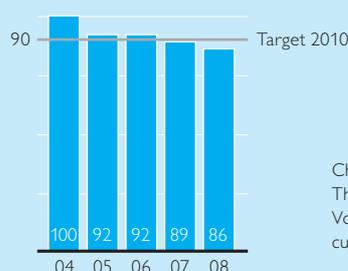
	2008	2007	2006	2005
Use of energy (TJ)*	8,800	8,600	8,000	7,400
of which fossil fuels (TJ) Direct energy**	3,300	3,200	2,900	2,700
of which electricity (TJ) Indirect energy***	5,500	5,400	5,100	4,700

* Use of energy is reported in TeraJoule (TJ).

** Values 2005–2007 adjusted since preceding reporting.

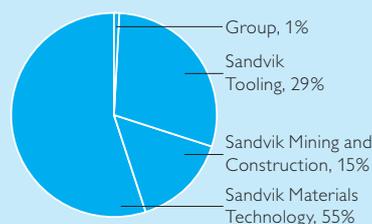
*** Use of energy does not include the energy used by electricity producers to generate the electricity.

Electricity use in relation to volume

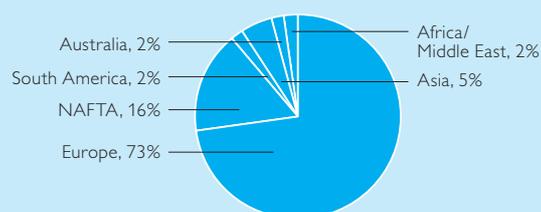


Change in electricity use in relation to volume, 2004–2008. The diagram shows the index compared with 2004. Volume is defined as invoiced sales adjusted for structural, currency and price effects.

Energy use per Business Area



Energy use per Market Area



7.2.3 Consumption of fresh water

Fresh water is a valuable resource and its efficient use is therefore crucial. During 2008, Sandvik's Group Executive Management set a target to reduce consumption of fresh water relative to sales volume by 10% from 2008 to 2012. The table on the right shows the trend in freshwater consumption in Sandvik since 2005.

Of the countries where Sandvik has significant fresh water consumption only India, has very limited access to fresh water.

All production sites in India have introduced systems for the treatment of all waste water, which is subsequently re-used in its operations. Similar systems also exist in Sandvik's facilities in, for example, Sandviken, Sweden and Sao Paulo, Brazil.

7.2.4 Biodiversity

13 of Sandvik's production units are located within or close to protected areas with high value in terms of biodiversity. Five of these sites are located in the US, five in Europe, two in Brazil and one in New Zealand. Approximately half of these areas comprise wetlands. Sandvik demonstrates particular consideration for these areas and cooperates with authorities in relevant cases.

7.2.5 Emissions and waste

Emissions from Sandvik's operations vary in nature. However, the primary substance emitted is carbon dioxide to the atmosphere. These emissions are a key focus for Sandvik's environmental management systems and are closely monitored. The table to the right shows the trend of the company's carbon dioxide emissions. The figures show the carbon dioxide emissions in relation to sales volume and the emissions by business area and market area.

Carbon dioxide emissions from the use of fossil fuels declined in relation to sales volumes by 4%, which is same percentage decline compared with the base year (2004), but does not quite meet the target that stipulates a reduction of 10% by the end of 2010.

To increase the quality of the values reported for carbon dioxide emissions related to the generation of electricity, factors used in the calculation of carbon dioxide emissions have been obtained from the

suppliers of the electricity used in the plants that account for 80% of Sandvik's electricity consumption. For the remainder of the units, the country factors (from the International Energy Agency Data Service) were used, which were previously used for all sites. All emissions from earlier years have been recalculated on the assumption that all sites have had the same supplier during this period. The aim is to use supplier-specific factors for all sites to further enhance data quality from 2009.

Although the final date for the target has not yet arrived (2010), Group Executive Management has set a new target to reduce carbon dioxide emissions by 10% from internal use of fossil fuels and electricity in relation to sales volume during the period 2008 to 2012. The new target was established because the values for carbon dioxide emissions for the base year (2004) were somewhat uncertain, and to include carbon dioxide emissions from the generation of electric power.

During the year, Group Executive Management also set a new target to commence reporting of carbon dioxide emissions arising from transportation (passenger and freight) by the end of 2009. As a result, Sandvik will be able to present a more comprehensive report in line with the Greenhouse Gas Protocol (www.ghgprotocol.org).

The table to the right presents the waste volumes produced by Sandvik during 2008. No major changes compared to previous years are noted.

7.2.6 Environmental management system

Sandvik's target is that all major production, service and distribution units shall be certified in accordance with the international standard for environmental management systems, ISO 14001, within two years of their acquisition or establishment. The term "major" is defined as sites with 25 employees or more. At year-end 2008, 147 (82%) production, service/rebuilding and distribution units were certified. These units are physically located on Sandvik's sites. In addition, there are about 25 maintenance workshops that Sandvik operates within customer operations (mainly mines). These workshops are part of the customers' environmental management systems. Of Sandvik's 144 major pro-

Use of fresh water	2008	2007	2006	2005
Fresh water use (thousand m ³)	4,500	4,500	4,600	3,800
of which, purchased (thousand m ³)	3,600	3,500	3,300	3,300
of which, from own wells (thousand m ³)	500	500	500	400
of which, collected rain water (thousand m ³)	400	500	800	100

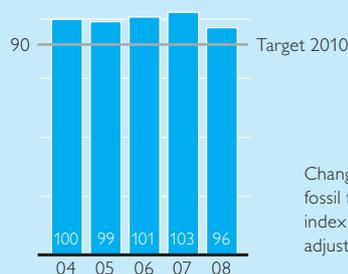
The development of carbon dioxide emission	2008	2007	2006	2005
Carbon dioxide emissions (thousand tons CO ₂)*	534	511	439	391
of which from combustion of fossil fuels (thousand tons CO ₂). Direct	218	221***	198	180
of which use of electrical energy (thousand tons CO ₂). Indirect**	316	290	241	211

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

** Emissions are calculated with conversion factors (from electricity suppliers or International Energy Agency Data Service) which take in to account the type of primary energy used for electricity production.

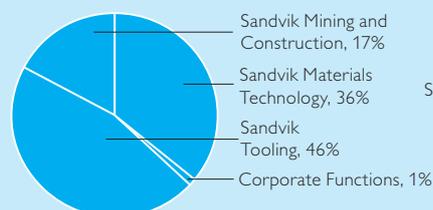
*** Adjusted since preceding reporting.

Carbon dioxide emissions in relation to volume

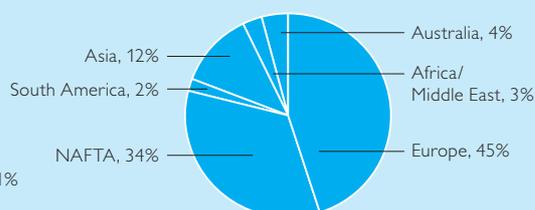


Change in carbon dioxide generated from the combustion of fossil fuels in relation to volume 2004–2008. The diagram shows index compared with 2004. Volume is defined as invoiced sales adjusted for structural, currency and price effects.

Carbon dioxide emission per Business Area



Carbon dioxide emission per geographical Market Area



Produced waste	2008	2007	2006	2005
Waste (thousand tons)*	166	171	150	140
of which, hazardous waste (thousand tons)	32	28	35	24
of which, landfilled (thousand tons)	109	105	95	90

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

duction sites, 92% are certified. All major units not certified are of new acquisitions during 2007–2008.

7.3 Health and safety

The table to the right provides an overview of Sandvik's results as regards health and safety.

Regrettably, two fatalities occurred during the year. One was a result of a motor vehicle incident in Zimbabwe, while the other took place during service and maintenance work in an underground mine in South Africa.

The number of Lost Time Injuries and the Lost Time Injury Frequency Rate have declined by 30% and 50%, respectively, since 2005, and the number of Lost Days due to Lost Time Injuries declined by 10%. Accordingly, the target of a reduction of 50% in the Lost Time Injury Frequency Rate before the end of 2008 has been fulfilled.

The sick leave ratio has declined by 44% since 2005. The target is a 50% reduction by the end of 2010. Since the term sick leave is interpreted differently in various countries, it is difficult to monitor it in a satisfactory manner. Therefore, Group Executive Management has decided to amend the target of a reduction of 50% in sick leave by the end of 2010 to "All sites will introduce a health and well-being program before year-end 2010." The target will be monitored by measuring total absenteeism, as well as keeping track of the implementation of the well-being programs.

The diagrams to the right present the Lost Time Injury Frequency Rate by business areas and market areas. During 2008, all business areas have reduced the injury frequency rate. Sandvik Mining and Construction and Sandvik Materials Technology have succeeded in reducing this figure by around 25% and Sandvik Tooling by 11% from an already low level. An important factor behind the reduction is the progressive introduction of a health and safety management system that include an increased focus on safety leadership and accountability, structured incident reporting and investigation. Other important factors are communication with, and involvement of employees through, for

example, local safety committees and systematic risk assessments and internal audits as a basis for implementing preventive measures.

Sandvik encourages reporting of health and safety incidents, for example, by establishing targets for the reporting of a specified number of Near Misses in relation to one Lost Time Injury. From 2007, the number of reported Near Misses has been introduced as a Group-wide indicator (see adjacent table). In 2008, the number of reported Near Misses rose sharply. This is not indicating an actual increase in the number of Near Misses, but is rather proof of a broader base and more comprehensive reporting. The number of reported Near Misses in relation to one Lost Time Injury was 8.9.

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 to the right.

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. 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 take a more holistic approach to address 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.

7.3.1 Management system for health and safety

Sandvik's target is to certify all major production, service and distribution sites in accordance with the international specification for the occupational health and safety management system OHSAS 18001 (or a comparable standard) within two years of the acquisition or establishment. The term major is defined as sites with 25 employees or more. At year-end 2008, 159 (89%) production, service/rebuilding and distribution units were certified. These units are physically located on Sandvik's sites. In addition, there are about 25 maintenance workshops that Sandvik operates within customers' operations (mainly mines). 70% of these units have also been certified. 90% of Sandvik's 144 major production units are certified. All but one of the units not certified consist of new acquisitions during 2007–2008.

7.4 Employee conditions and development

To ensure continuous improvement of employee performance, Group Executive Management has decided to monitor five indicators: diversity (the balance between the number of men and women), mobility (internally within the company), personnel turnover, competence development days and performance review discussions. Two of these indicators have a specific Group target – that all employees shall have an annual performance review discussion and improvement in the balance between men and women in the company.

7.4.1 Employment

The average number of employees by geographical area and gender is presented in Note 3 in the Annual Report. During the year, 4,503 employees terminated employment at Sandvik, leading to a personnel turnover of 10.2% (9.7). Mobility within the company (the proportion of positions filled internally in relation to the total number of positions filled) was 14.8% (14.1). The average number of employees in the companies covered by the sustainability report was 44,330 (40,291) at year-end.

Health and safety	2008	2007	2006	2005
Number of fatalities due to work-related injuries	2	1	2	0
Number of Lost Time Injuries*	717	827	980	1,030
Lost Time Injury Frequency Rate**	8,1	10,3	13,2	16,1
Number of reported Near Misses	6,346	3,179	—	—
Lost days due to Lost Time Injuries	11,286	12,603	14,897	12,715
Working Days Lost by employee due to Lost Time Injuries	0.25	0.31	0.40	0.40
Total absence (from scheduled work), %	2.3	2.6	2.7	3.3
Total sick leave (whether work-related or not), %	2.2	2.4	2.5	4.0

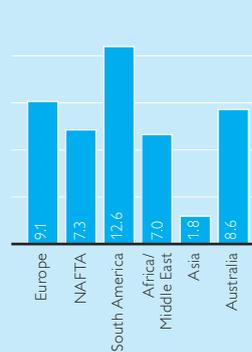
* Work-related injury (own employees) resulting in minimum one day's absence from work.

** 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.

Lost Time Injury Frequency Rate per Business Area



Lost Time Injury Frequency Rate per Market Area



HIV/AIDS Assistance program

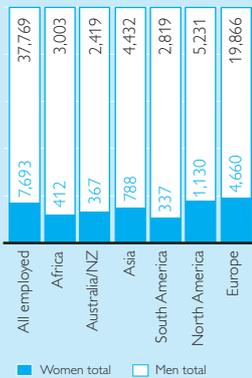
Recipients	Education	Counseling	Prevention/ Risk controls	Treatment
Employees	6	5	6	4
Families of employees	4	5	5	4
Other inhabitants	5	4	4	2

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

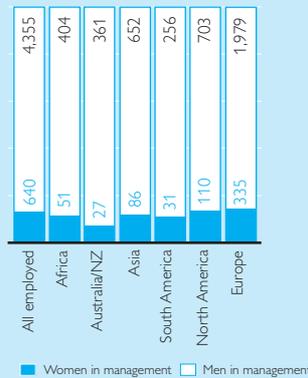
Proportion of women, %

	2008	2007	2006	2005
All employees	16.9	17.0	17.0	17.0
Internal Board members and Presidents	7.8	8.0	6.0	6.0
Managers/supervisors	12.8	12.1	11.9	10.5
Staff positions (excluding managers/supervisors)	27.7	28.0	28.7	30.4
Worker positions	10.2	10.7	10.8	10.8

Proportion of women, all employees



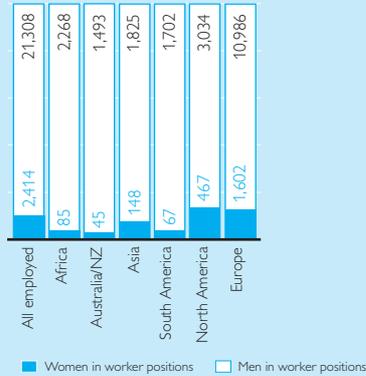
Proportion of women, managers/supervisors



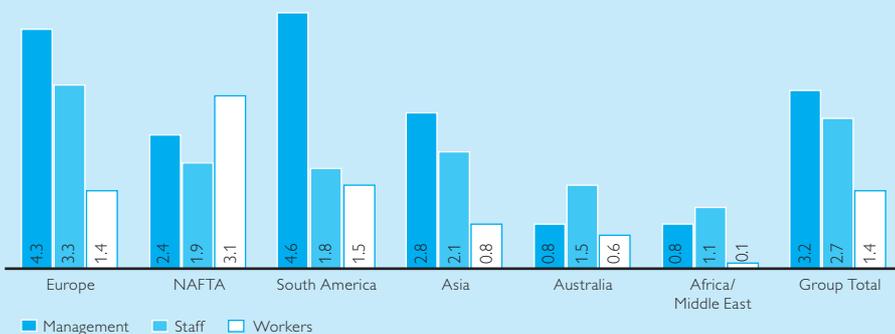
Proportion of women, staff positions



Proportion of women, worker positions



Competence development days per employee and Market Area



7.4.2 Diversity and equal opportunity

About 75% 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 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. Sandvik has aimed to increase the proportion of female employees to 25% before year-end 2010, to ensure access to the most competent employees in a future with increased competition for skilled labor. However, as shown by the table to the left, the proportion has remained at 17% over the past four years. Thus, Group Executive Management has decided to refocus its efforts and reformulate the target as follows:

All sites will introduce a program to improve the gender balance before year-end 2010.

Distribution of the average number of employees within various geographical regions and taking into account gender is presented in Note 3 to the financial statements in the Annual Report. Other relevant key figures regarding distribution by gender are shown in the accompanying diagrams.

7.4.3 Performance review discussions and competence development

During 2008, performance review discussions were conducted with 56% of Sandvik's employees, which is far below the established target of 100%. An important part of the performance review discussion is to identify opportunities to enhance the skills and well-being of the employee as well as increase satisfaction and well-being in the workplace. Advancing the employee's skills is equal to advancing Sandvik's business. The number of competence development days per employee and region during the year is presented in the diagram to the left.

Limited assurance report

To the readers of Sandvik's 2008 Sustainability Report:

We have performed a review of Sandvik's 2008 Sustainability Report. The Sustainability Report is presented on page 86–97 of Sandvik's 2008 Annual Report and on Sandvik's website www.sandvik.com/sustainability under the heading GRI Index in the form of complete references to Global Reporting Initiatives's (GRI) Sustainability Reporting Guidelines, G3. 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.

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) draft recommendation "RevR 6 Assurance of sustainability reports" and AccountAbility's AA1000AS (2008). A limited review consists of making inquiries, primarily of persons responsible for 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 the Standards on Auditing in Sweden RS and other generally accepted auditing standards. The procedures performed in a limited review 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.

In accordance with the AA1000AS (2008), we confirm that we are independent of Sandvik AB and impartial to Sandvik's stakeholders.

The criteria used in the course of performing review procedures are based on applicable parts of the Sustainability Reporting Guidelines, G3 issued by the Global Reporting Initiative (GRI) suitable for the sustainability report, and specific measurement and reporting principles, Fair Play Reporting, developed and stated by Sandvik. We consider those criteria to be suitable for our engagement.

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

- Interviews with certain external stakeholders to secure that Sandvik responds to important stakeholders' concerns in the sustainability report.
- Interviews with responsible management, at group level, division level and at selected business units with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient.
- Share internal and external documents to assess if the information stated in the sustainability report is complete, correct and sufficient.
- Assessment of suitability and application of criteria in respect to internal and external stakeholders' need of information.

- Evaluation of the design of systems and processes used to obtain, manage and validate sustainability information.
- 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 Brazil, Finland, Spain, Sweden, Germany and the US. Interviews with management and key personnel in order to ensure that sustainability performance data are reported, in all material respects, in a uniform manner and in accordance with applicable criteria.
- 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 AccountAbility's AA1000APS (2008).
- Assessment of the Sandvik's stated application level according to GRI:s guidelines.
- Reconciliation of financial information against Sandvik's Annual Report 2008.
- Overall impression of the Sustainability Report, and its format, considering the information's mutual correctness with applicable criteria.

Based on our review procedures, nothing has come to our attention that causes us to believe that Sandvik's 2008 sustainability report has not, in all material aspects, been prepared in accordance with the above stated criteria.

Sandviken, February 19, 2009
KPMG AB

Caj Nackstad
Authorized Public Accountant

Åse Bäckström
Expert Member FAR SRS

