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The Board of Directors' of Sandvik AB report of the Remuneration Committee's evaluation of remuneration to senior executives

The Board of Directors of Sandvik AB has established a Remuneration Committee which currently consists of Johan Molin (Chairman), Lars Westerberg and Johan Karlström. The Remuneration Committee's tasks include monitoring and evaluating programs for variable remuneration to senior executives, the application of Sandvik's guidelines for the remuneration of senior executives and current remuneration structures and remuneration levels. The Board of Directors hereby presents the following report on the results of the Remuneration Committee's evaluation, in accordance with rule 10.3 of the Swedish Corporate Governance Code.

The Remuneration Committee believes that the Company's guidelines for the remuneration of senior executives adopted by the Annual General Meeting 2016 have worked well and that the purpose of the guidelines has been achieved.

Moreover, the Committee believes the Company's remuneration structures and remuneration levels to be balanced and on market terms.

The Remuneration Committee has evaluated the ongoing long-term incentive programs for senior executives and key employees, which all have the purpose of aligning the interests of the participants and the shareholders. The long-term incentive programs based on employee stock options were considered to have a reduced retention effect and therefore the Company introduced in 2014 a performance share program with matching rights and earnings per share focus requiring an investment by all participants. According to the Committee, these performance share programs are well-balanced and better serve the purpose of retaining and motivating key employees in the Group. The Committee has noted that the programs have been well received and have obtained a level of participation that meets expectations.

Stockholm, January 2017

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The Board of Directors