



## Annual General Meeting of Sandvik Aktiebolag

The shareholders in Sandvik Aktiebolag are convened to the Annual General Meeting to be held on Thursday, 28 April 2016 at 5:00 p.m. at the Göransson Arena, Sätragatan 21, Sandviken, Sweden.

### RIGHT TO PARTICIPATE AND NOTICE

Shareholders who wish to participate in the Meeting must be recorded in the share register maintained by Euroclear Sweden AB on Friday, 22 April 2016 and notify the company of their participation in the Meeting not later than Friday, 22 April 2016.

Notice of participation in the Meeting shall be made by letter to Computershare AB, "Sandvik's AGM", 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 [home.sandvik](http://home.sandvik). 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 Friday, 22 April 2016 to be entitled to participate in the Meeting. Please note that this procedure also applies with respect to shares held on a bank's shareholder deposit account and certain investment savings accounts.

When giving notice, 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 to the address stated above in advance of the Meeting. Proxy forms are available on the Company's website [home.sandvik](http://home.sandvik).

### 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.
13. Determination of fees to the Board of Directors and Auditor.
14. Election of Board members:
  - 14.1 Björn Rosengren
  - 14.2 Helena Stjernholm
  - 14.3 Jennifer Allerton
  - 14.4 Claes Boustedt

- 14.5 Jürgen M Geissinger
- 14.6 Johan Karlström
- 14.7 Johan Molin
- 14.8 Lars Westerberg
- 15. Election of Chairman of the Board.
- 16. Election of Auditor.
- 17. Resolution on guidelines for the remuneration of senior executives.
- 18. Resolution on a long-term incentive program (LTI 2016).
- 19. 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 2.50 per share. Monday, 2 May 2016 is proposed as the record day. If the Meeting approves these proposals, it is estimated that the dividend be paid by Euroclear Sweden AB on Friday, 6 May 2016.

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

The Nomination Committee consists of its Chairman Fredrik Lundberg (AB Industrivärden), Kaj Thorén (Alecta), Pär Boman (Handelsbanken AB, Handelsbanken's Pension Foundation and Handelsbanken's Pension Fund), Tomas Hedberg (Swedbank Robur Funds) and Johan Molin (Sandvik's Chairman of the Board).

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 –** Eight Board members and no deputies.

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

- Chairman of the Board of Directors: SEK 2,000,000 (previously SEK 1,700,000)
- Other Board members not employed by the Company: SEK 600,000 each (unchanged)
- Chairman of the Audit Committee: SEK 225,000 (previously SEK 175,000)
- Other members of the Audit Committee: SEK 150,000 each (unchanged)
- Chairman of the Remuneration Committee: SEK 125,000 (unchanged)
- Other members of the Remuneration Committee: SEK 100,000 each (unchanged)

Fees to the Auditor shall be paid in accordance with approved invoices.

**Item 14 –** Election of the following persons as Board members:

- 14.1 Björn Rosengren (new)
- 14.2 Helena Stjernholm (new)
- 14.3 Jennifer Allerton (re-election)
- 14.4 Claes Boustedt (re-election)
- 14.5 Jürgen M Geissinger (re-election)
- 14.6 Johan Karlström (re-election)

- 14.7 Johan Molin (re-election)
- 14.8 Lars Westerberg (re-election)

Hanne de Mora has informed that she is not available for re-election.

**Björn Rosengren**, born 1959, M.Sc. Technology, is President and CEO of Sandvik AB since 1 November 2015. He was President and CEO of Wärtsilä Corporation 2011–2015 and held several senior positions within Atlas Copco 2001–2011. He is currently a Board member in Danfoss A/S.

**Helena Stjernholm**, born 1970, M.Sc. Econ., is President and CEO of AB Industrivärden. Prior to joining Industrivärden, she was a partner in the private equity firm IK Investment Partners where she had worked since 1998. She was a member of the firm's Executive Committee as well as the Investment Committee. She has served as a member on numerous Swedish and foreign companies' boards.

**Item 15 –** Re-election of Johan Molin as Chairman of the Board of Directors.

**Item 16 –** Re-election of KPMG AB as Auditor for the period until the end of the 2017 Annual General Meeting.

**Item 17 – 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 2017 Annual General Meeting, which guidelines correspond essentially to those adopted by the 2015 Annual General Meeting.

The remuneration of the 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.

Normally, severance pay is paid when employment is terminated by Sandvik. Members of the 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 pay will be paid 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 the Group Executive Management.

For information concerning the current remuneration of senior executives, including ongoing long-term incentive programs, refer to note 3.5 in the Company's 2015 Annual Report and the company's website.

## **Item 18 – Proposal by the Board of Directors for a resolution on a long-term incentive program (LTI 2016)**

### ***Background***

At Sandvik's Annual General Meetings in 2014 and 2015 it was resolved to adopt a long-term incentive program for senior executives and key employees, in the form of a performance share program requiring investment by all participants. The intention of the Board of Directors was also to propose that the 2016 Annual General Meeting resolve on a long-term incentive program in accordance with the same main principles. Accordingly, the Board of Directors proposes that the Annual General Meeting resolve on a long-term incentive program for senior executives and key employees for 2016 ("LTI 2016"), on substantially the same terms and conditions as the 2014 and 2015 long-term incentive programs.

In addition to aligning the interests of the participants and the shareholders, the purpose of LTI 2016 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 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 2016 encompasses approximately 350 senior executives and key employees in the Sandvik Group, divided into four categories, and comprises a maximum of 4,500,000 Sandvik shares.

In order to participate in LTI 2016 the employee is required to invest in Sandvik shares at market price no later than 10 June 2016 ("Investment Shares"). In the event that the employee is not able to invest before this date due to being entered in an insider list (logbook) kept by Sandvik, the Board shall be entitled to postpone the date of investment for such employee. The employee may within the scope of LTI 2016 invest up to an amount corresponding to 10 percent of the employee's fixed annual salary before tax at the time of the investment.

Provided such acquisition of Investment Shares is made, participants of LTI 2016 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 the Group Executive Management (currently 10 persons),
- 5 for each senior manager (approximately 60 persons), and
- 4 for each key contributor (approximately 280 persons).

Each member of the Group Executive Management shall nominate the persons that are to be offered participation in LTI 2016 and that are to be classified as senior manager and key contributor, respectively, based on position, qualification and individual performance. All nominations are to be approved 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 2016, compared to adjusted EPS for the financial year 2015. 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 2016 must exceed 5 percent in relation to adjusted EPS for the financial year 2015. The established levels and the extent to which they are attained will be disclosed in the 2016 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.

The right to be allotted Matching Shares presupposes that the 2017 Annual General Meeting decides on dividends for the financial year 2016. Whether or not dividends are decided on does not impact a participant's right to be allotted Performance Shares.

If the prerequisites for allotment set forth for LTI 2016 are met, allotment of Matching and Performance Shares, respectively, will take place during 2019, and no later than 30 June 2019. The allotment will take place free of charge, subject to tax.

## ***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 2016.

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, or if such solution is otherwise considered appropriate. Such alternative incentive solution shall to the extent practically possible be designed to correspond to the terms of LTI 2016.

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 2016 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 2016 and hedging arrangements***

The total costs of LTI 2016 are estimated at up to SEK 332 million, at maximum allotment of Matching and Performance Shares. The costs will be allocated over the years 2016–2018. 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 3 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 4,500,000 Sandvik shares under LTI 2016 through a share swap agreement with a third party. The interest cost for such a share swap is estimated at approximately SEK 1.5 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 with respect to the proposal.

### ***Majority requirement***

The resolution regarding LTI 2016 requires a majority of 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 2015 Annual Report and to the Company's website.

## **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 12–16 and the Board of Directors' proposals under items 17 and 18 are included in their entirety in this notice. The Nomination Committee's statement and the presentation of the proposed Board members are available on the Company's website [home.sandvik](http://home.sandvik). Accounting documents, the Auditor's Report and the Auditor's statement regarding the application of the guidelines for remuneration are available at Sandvik AB, Kungsbron 1, section G, floor 6, Stockholm, as well as on the Company's website [home.sandvik](http://home.sandvik). Copies of the documents will be sent without charge to those shareholders who so request and provide their address to the Company.

## **SHARES AND VOTES**

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

## **PROGRAM**

Registration for the Meeting will commence at 3:00 p.m. We will offer a program with focus on safety from a customer perspective. There will be musical entertainment as from 3:00 p.m. and the award of the Wilhelm Haglund medal will take place at 4:20 p.m. A light meal will be served as from 3:00 p.m.

Stockholm, March 2016

SANDVIK AKTIEBOLAG (PUBL)  
The Board of Directors