

# Personnel

Effective recruiting is important to Sandvik's competitiveness. To bring about a borderless approach to recruiting and skills, a global HR program was initiated in 2003 under the name Connect. The basis for the program is the integration of all work related to recruiting and the development of skills with the actual business operations. This results in a common way of working with a number of important HR processes, such as staffing, competence development and change management. The objective is to offer all employees opportunities for development, partly by posting all vacancies internally, partly by making various activities for the enhancement of competence available. At the same time, the new processes offer better support to managers responsible for personnel matters to define the future needs for skills and to prepare the appropriate strategy to ensure the availability of competence, which is an important part of the overall business strategy.

Equal opportunity at work for men and women is important to Sandvik. Therefore, the Company has initiated various activities aimed at increasing such equality. Among other actions, a new recruiting policy has been laid down signifying that both genders shall be represented when the final selection of candidates for a position is made. The goal

is to increase the proportion of women to 25% before the end of 2010.

At year-end, the number of employees was 47,123 (41,743). For comparable units, the number of employees increased by 3,815 (2006: increase by 735).

At 31 December 2007, the number of employees in Sweden was 11 342 (10,586).

Details of employee benefits and the average number of employees are provided on pages 55–58.

## Salaries and wages, employee profit-sharing and bonus program

The structure for salaries and wages within Sandvik is based on a policy that supports Sandvik's business objectives and helps making it attractive to work and develop at Sandvik, stimulates internal mobility and increases efficiency. The policy is based on four cornerstones, the complexity and difficulty of the position, individual performance, the market situation and stimulation for own progress.

Since 1986, Sandvik has had a profit-sharing system for all employees of wholly-owned Swedish companies. The system was modified during 2007 in order to increase transparency and elasticity and to better relate the system to the Company's goals. Under the modified system, the maximum allocation may be higher than before, but cannot exceed

SEK 250 M including related social costs, and also the requirements for maximum allocation have been raised. The Group's return during 2007 implied an allocation of SEK 238 M to the profit-sharing foundation.

As part of the total remuneration package, a share-based program was established in the year 2000 to offer a long-term variable salary to some 350 international executives and specialists in the Group. The program was based on an annual allocation of personnel options on Sandvik shares with a lifetime of five years and the right to exercise after three years, conditional upon continued employment. The allocation was based on Sandvik's return on capital employed during the preceding year. While the grant as such was free of charge, the option holder must pay an exercise price for the share. The program is based on existing shares and, therefore, does not require the issue of new shares.

Options under the program were granted during years 2000–2004. During 2007, it was possible to exercise options granted in years 2002, 2003, and 2004.

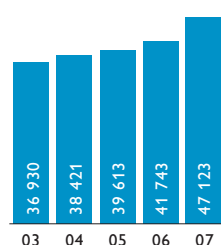
Under a financial arrangement, the effects for the Company of future increases in the market value of the Sandvik share have been limited. For additional information, see pages 55–56, note 3.5 Information on benefits to the Board of Directors and senior executives.

The long-term variable salary program was halted for two years but in 2006 the Board decided to implement a cash-settled program. Based on a common goal perception for executives, specialists and shareholders, the program shall form a link to future performance goals aimed at the long-term value enhancement of the company. This is effected by overall common Group and

	2007	2006
No. of employees 31 December*	47 123	41 743
Average number of employees		
Women	7 875	7 099
Men	36 548	33 573
Total	44 423	40 672

\* Part-time employees adjusted to reflect an equivalent number of full-time employees.

NO. OF EMPLOYEES  
31 DECEMBER



business area focus on and governing towards profitable growth. An additional purpose is to improve the possibilities to recruit and retain key employees in the Group.

The 2006 program runs for three years and is settled in 2009. Under the program, there is a direct link between performance, value added and remuneration with an annual maximum related to the participant's fixed salary in the third year's December month. There are some 350 Sandvik employees participating in the program. The outcome of the program is conditional upon meeting measurable goals, established by the Board, for certain key ratios that create shareholder value linked to the Company's growth, profitability and capital efficiency over a three-year period.

In 2007, the Board decided to implement a corresponding cash-settled program structured as described above. The 2007 program runs for a three-year period and will be settled in 2010.

#### **The Board's proposal for the decision on principles for the remuneration of senior executives.**

The guidelines for the remuneration of the Board and senior executives that applied during 2007 are set out in note 3.5 on pages 55–56. The Company's auditors have examined compliance with the guidelines.

The Board's proposal for the decision on principles for the remuneration of senior executives during 2008 is designed to ensure that Sandvik from a global perspective can offer remuneration at the market rate that will attract and retain qualified members of the Group Executive Management.

The remuneration package for Group Executive Management comprises fixed

salary, annual variable salary and long-term variable salary. It is intended that the components will form a well-balanced remuneration and benefit program that reflects the individual's performance, responsibility and the Group's earnings trend.

The fixed salary, which is individual and differentiated considering responsibility and performance, is determined taking into account market conditions and is reviewed each year.

The annual component of variable salary is based on the achievement of goals that are determined each year. The goals are mainly related to the financial results of the Company but also to measurable goals within each individual's area of responsibility. Members of the Group Executive Management may receive an annual variable salary corresponding to a maximum of 50–75% of the fixed salary.

A prerequisite for the long-term variable salary is the achievement of measurable goals established by the Board, i.e. certain key ratios that create shareholder value linked to the Company's growth, profitability and capital efficiency over a three-year period. For members of the Group Executive Management, the maximum long-term variable salary equals 45–50% of the fixed annual salary.

In previous years, the long-term variable salary took the form of personnel options. The option program was based on an annual allotment of personnel options on Sandvik shares. There are still outstanding options at 31 December 2007, 30,000 of which to senior executives. See also note 3.5.

Other benefits to members of Group Executive Management shall match what may be considered reasonable in relation to market practice. These benefits include pension, company car, residence, health

insurance and termination benefits.

Pension benefits to members of Group Executive Management are based on the fixed salary only and may be of either the defined benefit or the defined contribution kind. Normal pension age is 62. For the President, the pension age is 60.

Termination benefits are normally paid in the event that Sandvik terminates the employment. The severance pay equals 12–18 months' pay for persons aged less than 55 and 18–24 months' pay for persons aged 55 or more. Any other earned income is offset against the severance pay. No termination benefit is paid in the event the employee terminates the employment.

The Board may depart from the principles established by the annual meeting of shareholders if, in isolated cases, there are special reasons for a departure.

Those affected by these proposed principles are the President and the other members of Group Executive Management.