

# Financial targets

Sandvik has long-term financial targets focusing on growth, profitability, financial position and dividend.

## Growth

9%

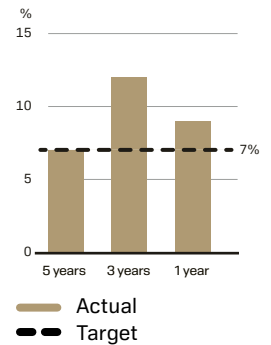
Outcome

### Target

A growth of 7 percent through a business cycle, organically and through acquisitions.

### Outcome

A revenue growth (CAGR vs 2019) of 9 percent. In 2023, total growth at fixed exchange rates was 9 percent, of which organic growth was 6 percent. Revenue growth was 12 percent over a three-year period and 7 percent over a five-year period.



## EBITA margin range

20.0%

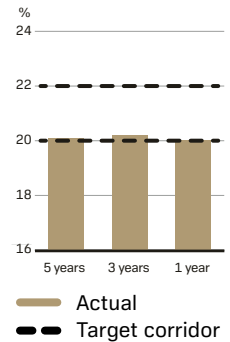
Outcome

### Target

An adjusted EBITA margin range through a business cycle of 20–22 percent.

### Outcome

The adjusted EBITA margin amounted to 20.0 percent (20.0), in line with the target.



## Financial net debt/EBITDA

1.2

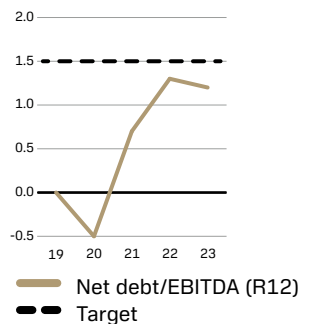
Outcome

### Target

A financial net debt/EBITDA ratio (excluding transformational M&As) below 1.5.

### Outcome

The target was achieved as the financial net debt/EBITDA ratio was 1.2.



## Dividend payout ratio<sup>1)</sup>

43%

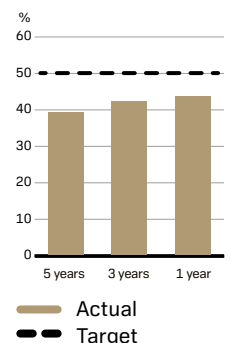
Outcome

### Target

A dividend payout ratio of 50 percent of earnings per share, adjusted for items affecting comparability, through a business cycle.

### Outcome

A solid performance in 2023 resulted in a proposed dividend of SEK 6.9 billion (6.3) corresponding to a payout ratio of 43 percent. The average payout ratio for a three-year period amounted to 42 percent and for a five-year period to 39 percent.



Target outcomes are 2023 results. All figures except financial net debt/EBITDA are excluding Alleima and other operations for previous years.

1) The dividend payout ratio is only related to cash dividends and does not consider the distributed value from Alleima to shareholders in 2022. The ratio is calculated on adjusted earnings per share, diluted, for the total Group for all years except 2022 when it excludes earnings related to Alleima.



# Sustainability targets

We have set sustainability goals in selected focus areas and we report on KPIs for our operations to track progress towards targets. In addition to our own operations, we also work with customers and suppliers to achieve the goals.

## Net zero

# 141 ktons

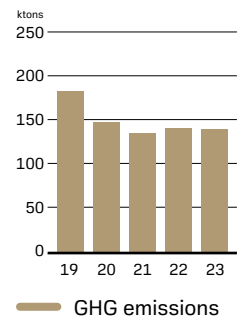
Outcome

### Target

Our target is to reduce our scope 1 and 2 greenhouse gas (GHG) emissions by 50 percent by 2030, compared to 2019.

### Outcome

In 2023, we increased our GHG emissions by 1 percent to 141 ktons. The increase was primarily due to lower sourcing of low-emission electricity, such as certificates. Emissions from own operations (scope 1) decreased by 3 percent. Compared to the base year (2019), GHG emissions have been reduced by 23 percent and we are on track to reach the 2030 target.



## Circularity

# 71%

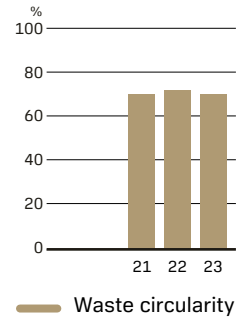
Outcome

### Target

Our target is to increase our waste circularity to 90 percent by 2030.

### Outcome

We achieved 71 percent (73) waste circularity. The decrease is mainly due to acquired companies and we are still in line to achieve the 2030 target. Total waste decreased by 21 percent to 336 ktons.



## Safety

# 3.0

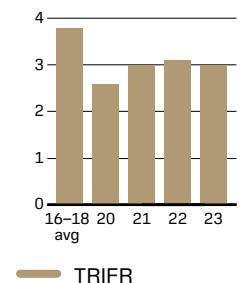
Outcome

### Target

Our target is to reduce the Total Recordable Injury Frequency Rate (TRIFR) to 1.9 by 2030, representing a 50 percent reduction from the baseline average 2016-2018.

### Outcome

The TRIFR amounted to 3.0 (3.1). Compared to the baseline (average 2016–2018) it has decreased by 21 percent. Acquisitions continue to negatively impact both TRIFR and LTIFR trends. Regrettably, one fatality was reported.



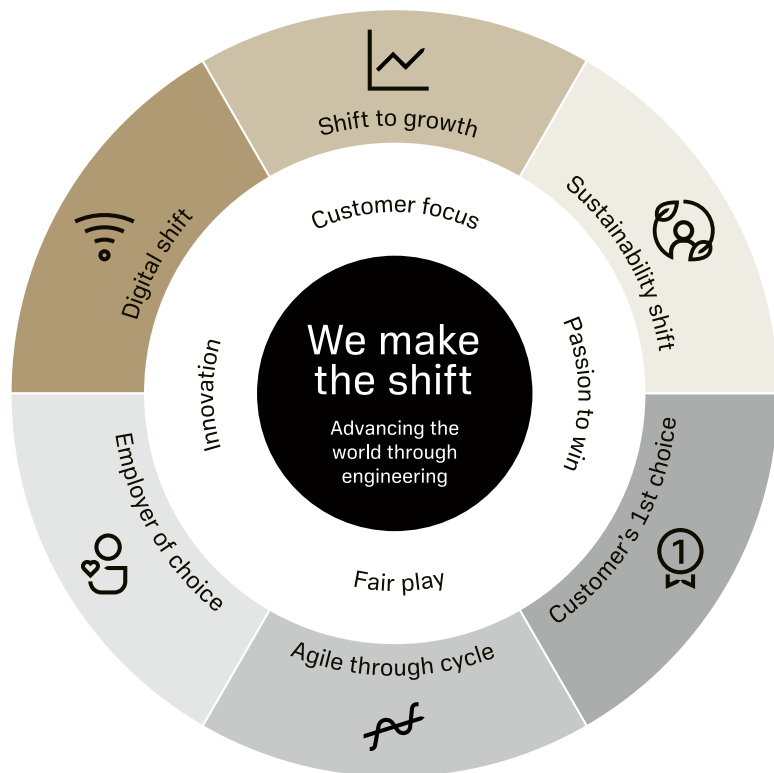
# A value creating strategy

Our strategy aims to create benefits for all our stakeholders – customers, employees and communities, ultimately leading to shareholder value. It rests on our core values, explicit target setting and a decentralized way of working.

Our core values of customer focus, innovation, fair play and passion to win represent the essence of the Sandvik culture. Together with the purpose “We make the shift – advancing the world through engineering” and the Code of Conduct, they guide us in our daily business decisions and form a solid platform for our strategy.

The strategy includes six strategic objectives for which we have defined 2025 targets and key results. We have a strong platform to build on with market-leading positions and strong brands, and we are number 1 or 2 in the market segments we operate in. Our business model is built around helping our customers become more productive, efficient and sustainable, with innovation at the core of our culture. We are financially strong with a strong balance sheet and cash-flow generation in combination with a margin that is resilient across a business cycle.

The strategy relies on a number of common strengths across our Group: being close to the customer with a decentralized way of working and leading brands, digitalization and automation, a strong performance culture and modern leadership that focuses on ensuring high employee engagement.



## Our purpose: We make the shift – advancing the world through engineering

Our purpose captures our ambition whereby our innovative solutions make the shift in areas such as digitalization and sustainability, creating value for customers, employees and communities, ultimately leading to shareholder value.

Our core values of customer focus, innovation, fair play and passion to win capture the culture of the company and they guide us in our actions and daily business decisions.

### Customer focus

We constantly strive to exceed our customers' expectations and enable them to excel in their business. We are decentralized and decisions are taken close to customers.

### Innovation

We always strive for technology leadership and successful partnerships. We work to

ensure everyday advancements and innovative shifts.

### Fair play

We put health and safety first. We are ethical and compliant with high standards for business conduct.

### Passion to win

We strengthen our market leadership through strong performance management, continuous improvement and empowered people. We are passionate about making our company number one.



## Shift to growth

Sandvik is well positioned to capture future growth opportunities. Our long-term target is to grow at least 7 percent over a business cycle, organically and through acquisitions. The ambition is to grow faster than the market and we aim to grow (CAGR vs 2019) 10 percent for Sandvik Mining and Rock Solutions and Sandvik Rock Processing Solutions respectively, and 5 percent for the Sandvik Machining Solutions business area segment. We updated the ambition for the Sandvik Manufacturing Solutions business area segment with a new growth target, defined as SEK 4 billion in software revenues by 2025.

Since 2019, the annual growth has been 9 percent (CAGR), a strong result considering, for example, the exit from Russia. Organic growth is paramount to achieve our targets and in 2023 we launched a number of innovative new products connected to electrification, digitalization and automation (see pages 22, 28 and 34). We have a New Sales Ratio (NSR) target of 30–35 percent by 2025, defined as the share of sales from products launched in the last five years. In 2023, the NSR was 25 percent. Investments in R&D amounted to 3.8 percent of revenues.

We have added approximately SEK 19 billion in annualized growth through 31 acquisitions, of which seven took place in 2023.

### Growth areas

Sandvik has identified prioritized growth areas for each of its businesses, with digitalization and sustainability as common denominators.

Sandvik Mining and Rock Solutions is world-leading within underground electrification and automation. In 2023, we received record orders for battery-electric vehicles and won 75 percent of all load and haul tenders we participated in. Our goal is to have a full underground electric offering by 2030. The acquisition of Deswik in 2022 made Sandvik world-leading within mine planing software and this year Deswik acquired Poly-mathian Industrial Mathematics, an Australia-based provider of AI solutions for mine optimization. Sandvik is the only OEM in the industry with an end-to-end digital offering.

Sandvik has increased its focus on growing within surface drilling. In 2023 we introduced an electric concept surface drill rig and acquired a new surface testing facility in Finland. Parts, services and consumables

accounted for 66 percent (69) of sales in 2023. A high share of total sales improves our resilience over time.

Sandvik Rock Processing Solutions is shaping eco-efficient rock processing solutions. By replacing the high energy-consuming grinding process with fine crushing solutions we expand our offering in the value chain and reduce energy use at the customer site. The acquisitions of Kwatani in 2021 and SP Mining in 2022 broadened our screening offering, increased the share of mining sales to 53 percent (39) and increased the share of parts, services and consumables sales to 59 percent (55). We already provide a fully electrified stationary crushing and screening equipment offer, and aim to have 90 percent of our mobile offering electric by 2025. In 2023 we launched several electric mobile products and introduced a wider range of attachment tools to the US market.

Sandvik Manufacturing and Machining Solutions is aiming for end-to-end optimization and automation within component manufacturing, so-called closed loop manufacturing. The Sandvik Machining Solutions business area segment aims to grow within inserts, round tools, the mid-market segment and outside Europe, also aiming for digital industry leadership and to master the automotive shift. Round tools revenues have increased by more than 20 percent since 2021 and we have increased our market share in North America. In 2023 we acquired Buffalo Tungsten Inc (BTI), a leading US-based manufacturer of tungsten powders; esco GmbH, a German supplier of software solutions for a gear machining technology; and 95 percent of the shares of Irish medical machining solutions provider Premier Machine Tools Limited.

The Sandvik Manufacturing Solutions business area segment is growing through the provision of an end-to-end agnostic digital offering with a portfolio of strong brands. In 2023, we strengthened our offering with the acquisition of Postability, a Canadian company that develops post processors for Mastercam (acquired by Sandvik in 2021). We also acquired a minority stake in up2parts, a German closed loop manufacturing software start-up. We continued to integrate hardware and software solutions, automating and connecting the component manufacturing value chain.



## Digital shift

Sandvik aims for digital leadership in its industries. We combine hardware and software to create optimized solutions for the manufacturing, mining and infrastructure industries. Our equipment and tools are increasingly becoming intelligent and automated, gathering data and enabling predictive maintenance, leading to improved productivity and sustainability for our customers.

We have set a target to generate Group digital and software sales of SEK 6.5 billion by 2025, and are on track to deliver on the target. The expansion of our digital offering in 2023 significantly contributed to our overall growth targets and sales from software and digital solutions were close to SEK 5 billion.

Sandvik Mining and Rock Solutions is creating value through leading autonomous solutions and integrated digital and AI platforms that support customers across the value chain. The Digital Mining Technologies division achieved double-digit organic growth year on year, with support from the acquisitions made in previous years, such as mine planning software company Deswik. We achieved strong sales of autonomous min-

ing equipment and AutoMine® solutions, and increased the number of mines using our Remote Monitoring Services.

Sandvik Rock Processing Solutions aims to have 60 percent of customers utilizing its automated and digital solutions by 2025, thereby gaining operational insights for improving productivity and performance. Automation is a prioritized growth area and the business area sees opportunities to provide leading optimization and automation solutions through continuous developments and new functionality additions for its digital assistant platform SAM™.

In line with the vision to become the leader in closed loop component manufacturing, Sandvik Manufacturing and Machining Solutions continued to integrate acquisitions made in previous years, establishing a stronger portfolio of world-leading combined software solutions. CoroCut® QD for Y-axis parting and CoroPlus® Tool Library, for example, are now integrated into some of our CAM software solutions, creating more seamless user experiences.

Sandvik received orders for Toro® LH625iE electric loaders equipped with AutoMine® autonomous solutions in 2023.





## Sustainability shift

In 2023 we updated our sustainability strategy, which provides the base for our ambitious sustainability agenda. The new strategy broadens the scope of our focus areas and sets a future sustainable vision for each industry that we work with. It takes a holistic approach that includes customers, suppliers, and our own operations.

### Sustainable solutions

Our biggest contribution is to help our customers make a sustainable transition through the solutions that we provide. Our mission is to build sustainability into everything we do, from research and development to product innovation and sustainable sourcing in our supply chain.

We launched numerous solutions in 2023, including electric mining and rock processing equipment and software systems for component manufacturing, which reduce energy use and improve efficiency and productivity. Many of these solutions are referred to in more detail in the following pages.

### Net zero

In 2023, our targets to reduce greenhouse gas (GHG) emissions were validated by the Science Based Targets initiative (SBTi). This means that we are committed to reaching net zero GHG emissions by 2050 at the latest, reducing absolute emissions from our own operations, heating and power (scope 1 and 2) by 50 percent by 2030 and by 90 percent by 2040. We will also reduce absolute emissions from customers, suppliers and transports (scope 3) by 30 percent by 2030. All targets have 2019 as their base year.

We are in line with our 2030 climate targets for GHG emissions (scope 1 and 2) even though they increased by 1 percent in 2023. Compared with the base year 2019, they have been reduced by 23 percent.

### Circularity

Sandvik aims to be over 90 percent circular by 2030 for packaging, products and waste, and we expect the same of our key suppliers. We are building circularity and resource efficiency into our business in a number of different ways. In our own operations, we are working to increase waste circularity. In countries without strong waste management infrastructure, we work with procurement to identify alternatives to landfill. We continue to identify circular solutions for complex waste streams. Waste circularity decreased from 73 percent in 2022 to 71 percent in 2023. See NF8 for more information.

We continue to buy back used tools from our customers and recycle them to make new tools. We introduced a customer recycling program for used drill bits and we conducted a pilot to facilitate customer's recycling of used inserts with good results. We also launched a new website feature to easier facilitate reconditioning of customers solid round tools.

### Ecosystems

Sandvik works with partners to prevent or mitigate negative impacts and to protect and restore biodiversity and ecosystems in our value chain. We have initiated a pre-study to understand impacts from our own operations and those of strategic suppliers with greater precision. Based on the results, we will develop a biodiversity action plan in line with the EU Biodiversity strategy that aims for no net loss of biodiversity by 2030, net gain from 2030 and full recovery by 2050.

### Responsible business

Sandvik ensures high standards of business conduct and responsibility are built into our operations and throughout our value chain, enabled by transparency and due diligence. We constantly aim higher in ethics and transparency.

Our work in this area is supported by the Sandvik Code of Conduct, our risk-based compliance programs with clear policies and training as well as monitoring and assurance, complemented by our Speak Up and investigations processes and remediation, and discipline (see pages 64–65).

Our commitment to high standards of business conduct has been recognized by sustainability rater EcoVadis, which covers a wide range of Corporate Social Responsibility topics, including environment, labor and human rights, ethics and sustainable procurement.

We also aim to ensure that our own high standards are embedded within our supplier management and procurement practices. Our commitment to responsible sourcing is reflected in our Supplier Code of Conduct and the Sandvik Statement on Responsible Sourcing of Minerals and Metals, in accordance with the OECD Due Diligence Guidance.

### People and communities

Sandvik works to consistently encourage the wellbeing of all our employees. Health and safety is rigorously monitored across our operations and we continuously invest in our safety culture and our goal of zero harm. In 2023, we launched injury prevention campaigns for hand injuries, improved safety onboarding programs and carried out workshops to improve site safety management. The Total Recordable Injury Frequency Rate improved to 3.0 (3.1) and the Lost Time Injury Frequency Rate to 1.1 (1.3). Regrettably, a tragic fatality was reported.

We engage in our operations' local communities for mutual benefit. Our aim is to actively participate through partnerships, education and volunteering to bring our values to life. In 2023 we engaged in about 170 community projects.



## Agile through cycle

Being agile through the cycle starts with resilient revenues which are supported by, for example, a higher share of parts, services and consumables or increased software revenues. In 2023 we demonstrated good pricing power and ability to mitigate inflation with price increases.

Ramping up after Covid-19, we have chosen to implement a higher share of flexible costs. We have increased the share of variable costs through actions like increasing third-party personnel and satellite, or outsourced, production. Developing alternative supply chains and acquiring assets, such as Buffalo Tungsten and a foundry in India, also increased operational flexibility.

We actively work with establishing an efficient cost base and continuously improve the fixed cost structure. In 2022 we announced

long-term structural measures that will generate annual savings of about SEK 785 million, with a full run-rate in 2025. Measures include consolidation of sites and optimizing the organization, and at year-end we had delivered on 48 percent of the program, which is according to plan.

The key measurement for success is our margin target of an adjusted EBITA margin ranging between 20–22 percent through a business cycle. The EBITA corridor is to be seen as a guide for when additional corrective measures may be necessary or what may not be seen as long-term sustainable margins.

Our decentralized organization helps us to act quickly on market intelligence and all business areas have well-prepared contingency plans for different scenarios.



## Customer's first choice

Customer value ensures long-term business success. Working close to customers is in the DNA of Sandvik and we develop close relationships for customer insights, R&D benefits and for quick feedback when market conditions change. We have built trust over decades and with vast knowledge of customer needs we are a trusted partner.

We aim to be number one or two in the markets where we operate. This is achieved through strong brands and innovative offerings.

Our strategic priority to be the customer's first choice include providing a leading performance-based offering and superior basic and advanced services.

In 2023, we supported customers in a faster and more efficient way by, for example, placing service resources permanently on site, locating engineering and R&D resources close to the customer site, modifying parts to suit specific customer needs, strengthening our ground support capabilities and investing in warehouse management systems.

Across the organization we aim to advance the way in which we measure and improve customer value and customer satisfaction. In 2023 all of our divisions measured their customer satisfaction through structured methods. By 2025 they will be able to show verified improvements.

An example of customer insights is that small and medium enterprises need support in connecting equipment and creating a more efficient component manufacturing process. We are helping this customer group, for example with our Lighthouse Program, by being a partner in their digital journey, offering solutions and expertise to support them.

In our indirect channels we are training our partners to become more knowledgeable about our offerings so they can better solve customer problems with our solutions. We have also created a unique end-to-end customer offering in mining, from planning to operations.



## Employer of choice

Sandvik aims to be the employer of choice within our industries and attract, retain and develop diverse talented individuals to drive our shift strategy.

We focus on having a diverse, strong and passionate corporate culture, where people feel included and experience no discrimination due to factors such as age, sex, gender expression, race, ethnicity, language, religion, disability or sexual orientation.

By listening and acting on insights shared by our employees we build a workplace that fosters personal growth and development, while promoting digitalization, accountability and business results. We empower and support everyone to reach, act and function at their best. In 2023 we implemented a revised Employee Value Proposition to support our new Employer Branding Strategy and our Employee Experience Journey.

We strive for an industry-leading engagement level among our employees and have set an engagement target of over 80 per-

cent for 2025. In 2023, we reached 78 percent (78). During the year we deployed a new engagement insights platform to become even more employee-centric. The digital tool provides managers with live engagement to instantly act on the insights from our employees.

Sandvik has a decentralized way of working and encourages local business area initiatives for employee engagement and individual career development.

We believe that diversity, equity and inclusion start at the top. Our Executive Management includes people from various nationalities and backgrounds and 40 percent are women. We aim for 25 percent of our managers to be female by 2025 and in 2023 the share amounted to 20.5 percent (19.6).

Sandvik was once again part of the green list in the non-profit foundation Allbright's assessment of gender distribution at the board and executive management team level in Swedish companies.



## 2025 targets

## 2023 key results

## Shift to growth

- Total growth of 7 percent (CAGR) at fixed exchange rates over a business cycle
- New Sales Ratio of 30–35 percent, defined as share of sales of products younger than 5 years

- Total growth was 9 percent (CAGR vs 2019) at fixed exchange rates
- New Sales Ratio of 25 percent

## Digital shift

- Software and digital sales (rolling 12M) of SEK 6.5 billion
- 70 percent of our sites to have modern Enterprise Resource Planning (ERP) platforms implemented to enable a seamless flow

- Software and digital sales amounted to SEK 4.9 billion (4)
- 45 percent (45) of our sites had implemented modern seamless flow platforms

## Sustainability shift

- Reduce greenhouse gas emissions by 25 percent
- 80 percent waste circularity

- Greenhouse gas emissions increased by 1 percent in 2023. Compared to the baseline (2019) they have decreased by 23 percent
- Waste circularity amounted to 71 percent (73)

## Agile through cycle

- Adjusted EBITA margin (rolling 12M) within the range of 20–22 percent over a business cycle

- Adjusted EBITA margin amounted to 20.0 percent (20.0)

## Customer's first choice

- 100 percent of our divisions to measure customer satisfaction and show verified improvements

- All divisions have established methods to measure customer satisfaction

## Employer of choice

- 25 percent female managers
- Employee engagement rate above 80 percent
- Total Recordable Injury Frequency Rate (TRIFR) at 2.7

- At year-end, 20.5 percent (19.6) of our managers were women
- The employee engagement rate was 78 percent (78)
- The Total Recordable Injury Frequency Rate was 3.0 (3.1). Compared to the baseline (average 2016–2018) it has decreased by 21 percent.

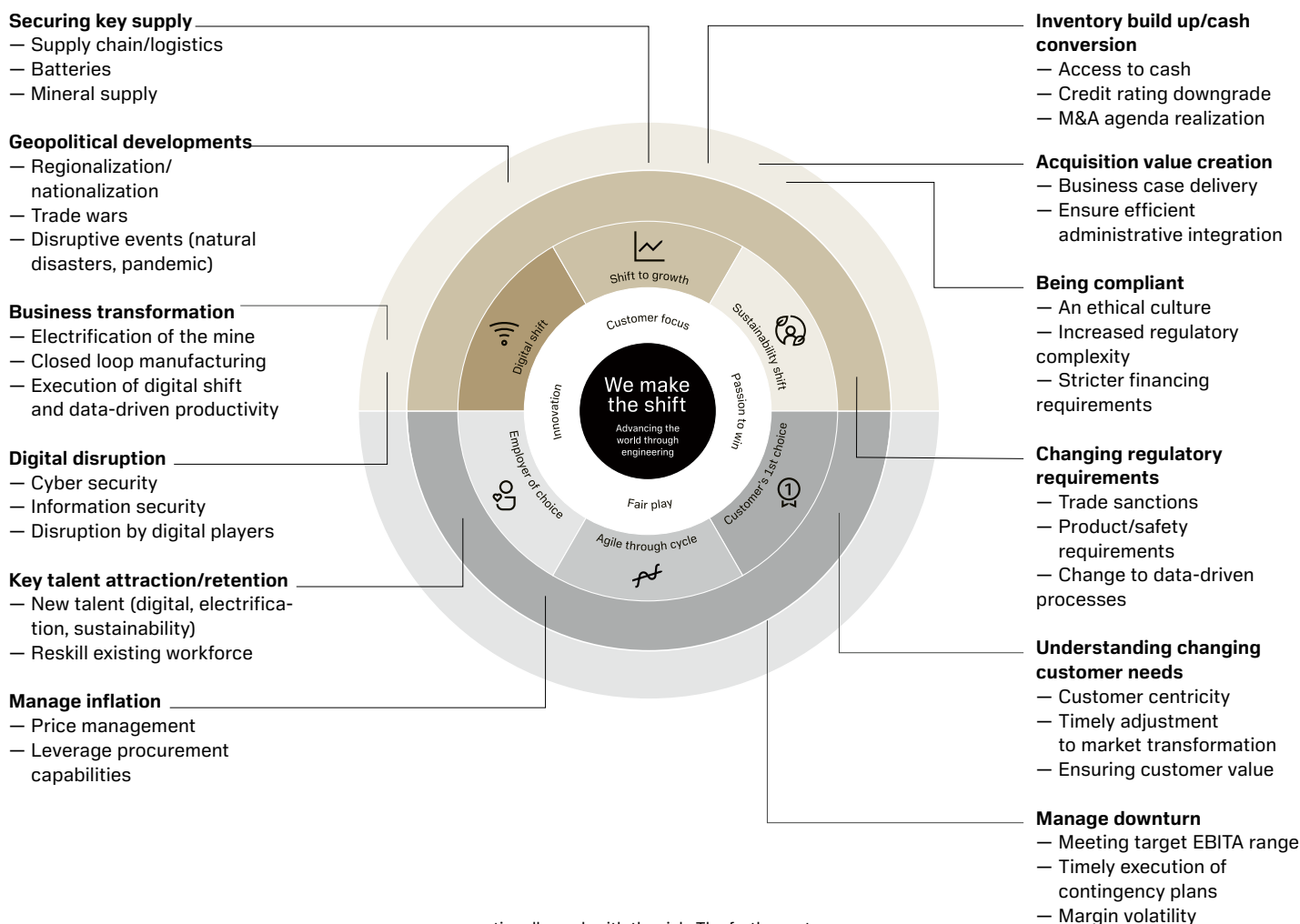


# Strategic risk landscape

Achieving the Sandvik strategy is dependent on continuously managing risks associated with it. These risks can be driven by external factors where our ability to influence them is limited and risk mitigation is hence focused on agility and adaptability. They can also be more directly within our own control. Sandvik continues to run its well-established Enterprise Risk Management (ERM) process which is used in all parts of the Group for analyzing risks in the local entity, business unit, division, or business area. These local risk analyses are heavily influenced by the strategy and key objectives for each part of the

business, in accordance with our decentralized way of working, but the total outcome is aggregated into a bottom-up summary of the most significant risks at Group level. You can read more about this process on pages 58–59. Since 2022, we have complemented the bottom-up process with a strategic analysis at the Group Executive Management level and identify key risk areas that are tied to our ability to execute on our strategy. This is done to achieve a more focused, strategic risk landscape for the Group to enable good follow-up of the various risk mitigating activities in relation to the strategic goals. The

Sandvik Key Risks map for 2024 details the individual risks we are actively addressing to achieve long-term success and strategy fulfillment. When we deliver on our strategic targets, many of the risks will be fully mitigated. The Sandvik Key Risks map is also coupled with a follow-up model for tracking the initiatives that will lead to improved risk mitigation (see page 60). The tracking model is regularly reviewed and discussed in the Group Executive Management team, thus creating a more dynamic and strategically relevant risk management discussion at the highest level of the company.



The illustration shows which strategic area each key risk relates to, although several risks are relevant for more than one strategic area. The proximity to the center shows how actively we

operationally work with the risk. The further out from the center, the more long-term/strategic the risk is. Many risks are both short and long-term and require both short and long-term mitigation.