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ENABLING A SUSTAINABLE TRANSITION
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OUR ESG PERFORMANCE
Environment
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Social
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and Corporate Governance Report. The Sustainability Report has been published
every year since 2010 and has been prepared in accordance with GRI:core option and
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FLSmidth ▪ Sustainability Report 2021
INTRODUCTION

Our annual Sustainability Report continues to be the key communication to our stakeholders about our progress on sustainability. This year, we are reporting for the first time on our new Science Based Targets and other 2030 ESG targets, as we continue to implement our MissionZero programme.

In this section

- FLSmidth
- Sustainability Report 2021
HIGHLIGHTS 2021

MissionZero Mine
We launched our technology vision

Science Based Targets
Our Science Based Targets were officially validated

Europe’s first full-scale clay calcination installation
FLSmidth will provide significant reductions in carbon emissions at Vicat’s French cement plant

Carbon capture
We launched partnerships with Carbon8 Systems and Chart Industries to accelerate carbon capture solutions

Digitally enabled sustainability solutions
We are accelerating with digitally enabled LoadIQ and ESC/ProcessExpert®
In 2022, we are marking our company’s 140th anniversary. I am honored to take over as CEO at a time in history when the focus on sustainability across every business sector, including mining and cement, has never been higher on the agenda.

Both our industries face significant environmental challenges, including climate change, water scarcity, energy consumption and waste. Under the leadership of my predecessor, Thomas Schulz, we introduced MissionZero, our sustainability programme that aims to enable our customers to move towards zero water- and energy-waste mines and zero-emission cement plants by 2030.

We made good progress during 2021 in providing game-changing innovations that will help make MissionZero a reality.

In order to address the global challenges, we need to accelerate the adoption of new innovations. How do we do this? Through collaboration and partnerships across our industries and by working with relevant policymakers to speed up the adoption of these solutions and increase demand for green minerals, metals and cement.

Across both the mining and cement industries, we are seeing how the recognition of the sustainability challenges are being turned into concrete goals. Many industry bodies and individual companies have now committed to achieving net-zero carbon emissions by 2050, some even faster, and are now planning and investing in their transition.

Likewise, I am encouraged to see policymakers around the world proactively looking at how to support the transition in these traditionally “hard-to-abate” sectors, as we witnessed at COP26. At the same time, we need to acknowledge that much more work is needed to translate ambition into action.

Through MissionZero, FLSmidth is playing a key role in this transition.

So what exactly have we done in 2021?

Leveraging our technology leadership in mining...

In order to address the global challenges, we need to...

Through collaboration and partnerships...

Across both the mining and cement industries, we are seeing how the recognition of the sustainability challenges are being turned into concrete goals.
For instance, LoadIQ, a digital tool that uses data from the mill to optimise mill load, allows mining companies to increase throughput at the same time as reducing power consumption.

Saving water, especially in water-scarce areas, is a crucial challenge for miners. Our dry tailings management solutions can recirculate up to 95% of process water, dramatically reducing the need to draw on scarce water resources and significantly cutting operating expenses.

In September 2021, we launched the MissionZero Mine – which outlines our 2030 vision for sustainable mines by tying ambition to current and near-future solutions. The concept will be the roadmap for our R&D work and help deliver on our MissionZero goals to move towards zero energy waste, zero emissions and zero water waste in mining.

Introducing new technologies to deliver on net-zero cement

Given the current level of emissions from cement production, accelerating the move towards green cement is important. I am pleased that, together with our industry partners, we are making demonstrable progress.

Replacing clinker with calcined clay – a lower-carbon alternative – is something the industry can now do safely. In June 2021, Vicat became the first major cement producer to order a full-scale clay calcination plant in Europe. We are very proud to deliver this technology, which will enable the company to produce cement with a 16% lower carbon footprint compared with existing processes.

The need to replace fossil fuels with alternative fuels continues to grow. In partnership with Ssangyong Cement in Korea, we took an important step with our new HOTDISC-S, which allows firing of 85% waste fuel, opening up alternative fuels as a real option for producers everywhere.

Increasingly, we are looking to innovate together with other technology leaders. In 2021, we established partnerships with Carbon8 Systems and Chart Industries to utilise and accelerate the potential of their carbon capture and storage (CCS) technologies in the cement industry.

Making progress in our own operations

While we are well positioned to reduce our environmental impact through our core offerings, we are also making our own commitment clear through environmental, social and governance (ESG) excellence. We reaffirmed our commitment to the United Nations Global Compact and started to implement actions to progress towards our 2030 targets for our key areas, including safety, environment and diversity.

Our environmental targets were validated by the Science Based Targets initiative in April 2021, confirming our commitment to be carbon-neutral in our own operations by 2030 and to cut customer-associated emissions by 56% within the same timeframe.

In April, we also joined the Copper Mark, an international framework established to demonstrate the copper industry’s responsible production.

I am pleased to see we are progressing on our gender diversity target but, at the same time, recognise a need to attract more diverse talent to our industries.

In some areas, however, we are not satisfied with our performance. We saw an increase in the number of safety incidents in the first half of 2021 – a trend that we have eventually reversed, but which reminded us of the need for continued focus. To turn this around, we further stepped up our safety awareness training and added new tools to gain intelligence on potential workplace hazards and near-miss observations. In September, our Group Executive Management team led a Group-wide “Stand up for Safety” campaign, where every employee was asked to renew their personal commitment to safety.

I would like to conclude by restating FLSmidth’s continued and increased commitment to helping our customers and industries minimise their environmental impact and footprint by creating and offering the solutions needed. I am excited by the opportunity to lead this work as the new Group CEO and look forward to working with every one of you – customers, employees and other stakeholders – to ensure that we achieve zero-emission mining and cement while contributing to a more sustainable society globally.

Mikko Keto

Group CEO
We are a leading supplier of productivity and sustainability solutions to the global mining and cement industries.

We enable our customers in mining and cement to move towards zero emissions by 2030.
## SUSTAINABILITY PERFORMANCE HIGHLIGHTS 2021

**Spend with SBT-committed suppliers**

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Total Supplier Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>14.9</td>
</tr>
<tr>
<td>2020</td>
<td>N/A</td>
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</tbody>
</table>

**Scope 1 & 2 GHG emissions**

<table>
<thead>
<tr>
<th>Year</th>
<th>tCO₂e (Million)</th>
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</thead>
<tbody>
<tr>
<td>2021</td>
<td>34,737</td>
</tr>
<tr>
<td>2020</td>
<td>41,155</td>
</tr>
</tbody>
</table>

**Scope 3- economic intensity**

<table>
<thead>
<tr>
<th>Year</th>
<th>tCO₂e/DKKm Order Intake</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>10,979</td>
</tr>
<tr>
<td>2020</td>
<td>10,663</td>
</tr>
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</table>

**Safety (TRIR)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Recordable Incident Rate/million working hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>1.9</td>
</tr>
<tr>
<td>2020</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Women managers**

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Women Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>14.3</td>
</tr>
<tr>
<td>2020</td>
<td>13.1</td>
</tr>
</tbody>
</table>

**Suppliers assessed for sustainability**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>641</td>
</tr>
<tr>
<td>2020</td>
<td>390</td>
</tr>
</tbody>
</table>

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*Baseline year*
HOW OUR SCIENCE BASED TARGETS HELP US TRACK OUR MISSIONZERO PROGRESS

In April 2021, our Science Based Targets (SBTs) were validated by the Science Based Targets initiative. Our targets address the emissions from our supply chain (upstream – Scope 3), our own operations (Scope 1 + 2) and at our customers (downstream – Scope 3).

Our upstream Scope 3 target is to have 30% of our spend with SBT-committed suppliers by 2030. We have started a process to onboard suppliers to collaborate on reducing greenhouse gas emissions in our supply chain.

We continued efforts to reduce emissions from our own operations (Scope 1 and 2) and met our target for 2021. But we need to accelerate our efforts to meet our 2030 carbon-neutral target.

Our economic intensity target indicates whether we are successful in decoupling the growth of our business from the growth in emissions resulting from the use of our products by our customers. It is an important indicator in demonstrating whether MissionZero is successful. By 2030, we aim to reduce our economic intensity by 56% vs the 2019 baseline.

Following the approval of this target in 2021, we are now in the early stages of implementing actions to achieve this target. While our 2021 economic intensity was 3% higher than our 2019 baseline, we expect to see progress as we develop and expand our MissionZero solutions.

Our targets:

- Upstream Scope 3 target: 30% of spend with SBT-committed suppliers by 2030
- Economic intensity target: Reduce by 56% vs 2019 by 2030
ADDRESSING OUR VALUE CHAIN IMPACT

We are setting long-term targets and implementing year-on-year initiatives to manage risk and improve the sustainability of our business across the value chain.

MISSIONZERO-RELATED SDGS

Through our MissionZero programme, we contribute to achieving the Sustainable Development Goals (SDGs). Of the 17 SDGs, there are four where we believe we can make a particularly significant contribution.

99% Of our carbon footprint is in our downstream Scope 3 emissions and comes from the use of our products at our customers’ sites. Our Science Based Target is to reduce our economic intensity by more than 50% by 2030 through our MissionZero programme compared with our 2019 baseline. Read our first update on our progress on page 9.

SUPPLIER EMISSIONS


COMPLIANCE

During the year, we have been training employees and suppliers through training as well as initiatives to increase nX]h]h]l] ‘X[ ‘j][ ‘j]l] Page 40.

SAFETY

During the year, we needed to intensify our efforts to ensure we keep our focus. Read more about our “Stand up for Safety” campaign and our progress against our targets on page 30.

SUPPLIER AUDIT

We are continuously monitoring, screening and addressing sustainability issues within our supply chain. Since 2018, we have been running a dedicated supplier sustainability programme to ensure compliance with our Supplier Code of Conduct. Read more on our progress in 2021 on page 39.

DIVERSITY

As a global company with more than 100 nationalities, we value diversity. We set new gender diversity targets and launched a series of initiatives to make progress towards achieving them across issues such as pay, inclusivity, recruitment and engagement. Read more on page 26.

ENVIRONMENTAL MANAGEMENT

Our 2030 Science Based Target is to be carbon-neutral for our Scope 1 and 2 emissions. Through local efficiency programmes and dedicated investments, we are progressing towards this – but more efforts are needed. Read more about our performance and challenges on page 24.

UPSTREAM OUR OPERATIONS DOWNSTREAM

FLSmidth Sustainability Report 2021
ENABLING A SUSTAINABLE TRANSITION

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12  The green transition relies on minerals and cement
13  Progress on MissionZero
14  The MissionZero Mine
15  Levers of change – Industry standards
16  Innovations in mining
17  The Green Cement Plant
18  Levers of change – green public procurement
19  Innovations in cement
20  Product sustainability and EU Taxonomy

ENABLING A SUSTAINABLE TRANSITION

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THE GREEN TRANSITION RELIES ON MINERALS AND CEMENT

Cement for construction

The world’s floor area is set to double by 2060, and globally we need to construct 230 billion m$^2$ of buildings. Already today, the global average cement consumption per capita is 521 kg. Source: The Global Cement Report

Copper for electricity

Copper is essential for distributing electricity and electrical components. In the next decade, electric vehicles are expected to more than double the need for copper to 250,000 tonnes per year. By 2030, smart home systems are forecast to need 1.5 million tonnes per year, up from 38,000 tonnes in 2018. Sources: International Copper Association, Australian Government’s DISER

Minerals for electronics

Copper, lithium, nickel, rare earth minerals, silver, cobalt and manganese are all needed for wind and solar energy, smartphones, computers, home appliances and electric vehicles. Extended solar and wind capacity also requires more lithium. Source: Bloomberg

Minerals and Cement for wind turbines

An average 3 MW turbine requires 4.7t copper, 335t steel, 3t aluminium, 2t rare earth minerals and 1,200t concrete plus other materials. Sources: IRENA (2019), Future of Wind, World Bank (2019), Climate Smart Mining

Global installed wind power capacity is expected to grow around 10x by 2050 compared to 2018.
Beyond technological innovation, achieving transformative goals requires a rethink of organisational processes, reinvented business models and deeper customer relationships. We have made good progress in these areas over the last two years, but need to continue accelerating our efforts together with the industry.

Over the last two years, we have been actively working on integrating MissionZero into our core business activities. Our research and development (R&D) work remains at the core of the programme. Where we are on our journey

As not all the technologies necessary to deliver the MissionZero promise exist today, we started by developing solution roadmaps with our R&D teams. This exercise helped us to assess the technology gap we needed to close in order to achieve our goal and then develop the pipeline of solutions needed for both the cement and mining industries. This work is integrated into the MissionZero Mine and the Green Cement Plant concepts, which concretise how we bring the MissionZero ambition to life from a technology point of view between now and 2030. We are excited to have already introduced some of the technologies from these roadmaps to our customers in 2021, such as the calcined clay solution, which enables a reduction of up to 40% in CO$_2$ emissions in the area of cement.

Achieving MissionZero also requires us to rethink our approach to partnerships in order to fast-track the development and deployment of breakthrough solutions at the same time as bridging our competence gap. Examples include the carbon capture and storage (CCS) collaboration with Carbon8 Systems and Chart Industries and the development of new flotation technology with the University of Newcastle in Australia.

Integrating and measuring progress
On the product and service side, we are integrating sustainability metrics as a standardised element into our product and service lines. This process will enable a broader, sustainability-based dialogue with our customers, who are increasingly setting ambitious targets.

We have seen tremendous potential in applying our digital solutions to a sustainability context, especially in the areas of performance management and real-time data collection. Our pilot projects demonstrated the value that digital solutions can bring to those customers wanting to decarbonise their activities. This led to greater collaboration across our industries with the sustainability team.

As a company, we have adopted the Science Based Targets (SBTs) as a framework to guide and measure our progress in delivering on MissionZero. At an organisational level, we have introduced a series of KPIs at functional, commercial and management levels to further integrate MissionZero into our operations. Starting 2022, our Science Based Target on reducing Scope 3 emissions is now part of our long-term incentive plan (LTIP) and converted into targets for our salespeople.
Our challenges
We see three main challenges ahead facing the integration of MissionZero:

1. Ensuring sustainability ownership
   Sustainability is something that is at the core of our company, and many of our people feel a personal commitment to this. However, ensuring functional and individual ownership of sustainability issues requires significant training and capacity-building investment in a number of areas. It is important that people are given the skills and knowledge required to understand how they can deliver on our mission as individuals. This will be an ongoing focus in the years to come.

2. Data collection and progress tracking
   With a broad portfolio of products, maintenance and service lines, estimating the footprint of especially our downstream Scope 3 emissions is a complex challenge, requiring full life cycle analysis and sophisticated tracking mechanisms. Following the validation of our Science Based Targets, we must equip numerous teams with the tools and processes to drive and track progress on our Science Based Target for our downstream Scope 3 economic intensity.

3. Integrating sustainability KPIs across our decision-making process
   Almost all our core business processes, product design, supplier selection, product portfolio management, sales targets, R&D and partnerships must be made to contribute to our sustainability objectives. This requires a careful cascading of targets across different functions and the integration of sustainability as a tangible decision-making criterion.

Our focus for 2022
We will accelerate our efforts to systematically integrate sustainability management at product line management levels across our portfolio. In order to harness the potential of digital solutions to deliver on sustainability, we will kick off a dedicated and cross-functional initiative centred around data collection and performance management.

A key priority will be to accelerate the adoption of new technologies in partnership with our customers, supported by engaging with our suppliers, as well as to drive demand for green minerals, metals and cement in dialogue with policymakers.

Our future in coal
We support the sustainable energy transition and the long-term phasing-out of coal. Realistically, the phasing-out of coal worldwide will take decades and require a concerted effort between governments, intergovernmental bodies, utilities and private corporations to avoid disrupting power production and access to energy.

As part of the launch of our MissionZero programme, we ended our R&D activities targeted at providing new solutions specifically for the coal industry. Furthermore, we are not entering into new, greenfield coal-related projects, and are aiming to end our involvement in coal mining by 2030.
THE MISSIONZERO MINE

Demand for minerals is expected to double by 2050, and it is essential that governments and industry ensure that supply is sustainable, as the urgency of dealing with climate change accelerates. To illustrate how we can support mining's journey through technology, innovation and digitalisation, we developed the MissionZero Mine: our vision of the mine of the future.

Increasing numbers of FLSmidth customers are adopting ambitious climate and water reduction targets. As a leading technology provider in the mining industry, it is our responsibility to support miners in their transition towards a more resource-efficient future. Many solutions exist today for our customers to reduce their environmental footprint at the same time as increasing their productivity. Others still need to be developed and brought to market.

This is the purpose of our MissionZero Mine concept – to show what it means for miners in terms of innovation, digital/data optimisation and the adoption of currently available technologies. This concept brings the MissionZero ambition to life, exploring how we can already help customers to reduce their environmental footprint and make resource use more efficient in terms of cost and impact, as well as looking ahead to future technologies that can be real game changers for the industry.

WHAT BENEFITS COULD THE MISSIONZERO MINE DELIVER?

There will be benefits in each section of the mining flowsheet, but the real benefit will come from the combined impact of solutions and optimisations across the mine site.

We modelled what the impact would be if we replaced a traditional wet milling SABC circuit, standard flotation cells and cyclone sand tailings dam with the MissionZero Mine flowsheet for a 100,000 tpd plant.

- **30%** increase in plant throughput
- **35%** reduction in grinding energy per kWh/t
- **30%** overall energy consumption reduction
- **45%** reduction in flotation energy per kWh/t
- **35%** increase in revenue from metals recovered
- **80%** reduction in water consumption

See the MissionZero Mine in action

missionzeromine.com
LEVERS OF CHANGE – INDUSTRY STANDARDS

40% of all mines operate in water-stressed areas

Mining operations can be water-intensive. Solutions that can reduce the amount of water needed exist already, and we would like the mining industry to be at the forefront of change.

WHY WE NEED AN INDUSTRY SHIFT IN TAILINGS MANAGEMENT

The conversation relating to the management of wet tailings has progressed enormously over the last five years. Water is increasingly scarce in many of the regions where mining is particularly active, such as Chile, South Africa and eastern and western Australia, for example.

In other areas, the challenges relate to the management and stability of wet tailings dams or the potential for seepage into the groundwater. These are topics on the agenda for governments, NGOs, investors and local communities alike.

Some steps have been taken to address tailings management. For instance, in 2020, the International Council on Mining and Metals (ICMM), the UN Environment Programme (UNEP) and Principles for Responsible Investment (PRI) released their Global Industry Standard on Tailings Management. The report reviewed current best practices in the mining industry, developing an international standard for safer and more secure tailings storage facilities (TSFs).

While the report was a genuine step forward, much still needs to be done and more ambitious goals need to be set. Technologies already exist that can remove most of the water from tailings, such as dry stack or filtered tailings. FLSmidth is working hard to innovate and make these technologies even more cost-effective and efficient.

As regulators and mine owners become aware of these new alternatives – and as they are proven technologically feasible – filtered tailings will become the sustainable choice. The next step will be to accelerate the rate of adoption.

OPINION

In October 2021, we congratulated the members of the International Council on Mining and Metals (ICMM) on setting a goal of achieving net-zero Scope 1 and 2 greenhouse gas (GHG) emissions by 2050 or sooner, in line with the ambitions of the Paris Agreement. With our MissionZero programme, we can help to deliver on this goal by developing technology to enable zero emissions by 2030.

FLSmidth
INNOVATIONS IN MINING

LOADIQ – OPTIMAL MILL LOADING WITH SMART SENSOR TECHNOLOGY

High Pressure Grinding Rolls (HPGRs) and Vertical Roller Mills (VRM) have proven to be the most efficient grinding tools available. They minimise the environmental impact and eliminate the traditional inefficiencies of horizontal grinding mills that produce a lot of random actions inside mills causing a lot of wasted energy. Both are dry grinding machines.

REFLUX™ FLOTATION CELL

Flotation systems consume a high amount of energy. Processing efficiency forms the core of the REFLUX™ Flotation Cell (RFC™), a groundbreaking technology that reduces plant footprint as well as water, air and energy requirements. The RFC™ reduces CAPEX by 35% and with no direct power input to the RFC™, this can help miners use up to 60% less energy in their flotation circuits. Improved kinetic efficiency also reduces the amount of water used in the recovery process.

AFP2525 AUTOMATIC FILTER PRESS

As ore grades decline, more water is needed to process more material just to keep up with production rates. This creates more water use and tailings to manage and a greater environmental impact. In a typical mine operating at over 21,000 tonnes a day, a filter installation will recover enough process water to fill six Olympic swimming pools every 24 hours. The AFP2525 Automatic Filter Press allows miners to recycle and reuse a significant amount of water, as it achieves 93% availability and up to 95% recovery of process water.

INNOVATIONS IN MINING

HIGH PRESSURE GRINDING ROLLS AND OK™ MILLS

High Pressure Grinding Rolls (HPGRs) and Vertical Roller Mills (VRM) have proven to be the most efficient grinding tools available. They minimise the environmental impact and eliminate the traditional inefficiencies of horizontal grinding mills that produce a lot of random actions inside mills causing a lot of wasted energy. Both are dry grinding machines.
THE GREEN CEMENT PLANT

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ROADMAP TOWARDS ZERO-EMISSION CEMENT

PHASE 1
Phase out
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PHASE 2
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PHASE 3
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Tecnology pathways:
1. Clay-based
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2. ?b|oe\X [j\{eni |l|eX ]\{ebg]mnh] with recycled
{j|hn “^liog]ljebh|zh|nX p

3. Carbon capture
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FLSmidth - Sustainability Report 2021

Enabling a sustainable transition
LEVERS OF CHANGE – GREEN PUBLIC PROCUREMENT

Cement is responsible for about 7% of global annual GHG emissions.

Supporting demand for low-carbon cement with green public procurement

Governmental expenditure on works, goods and services is estimated to represent 14% of GDP in the EU and up to 30% of GDP in developing countries. At least 40% of all cement is purchased through public procurement.

With green public procurement (GPP), public authorities can use their purchasing power to procure cement with a reduced environmental impact throughout its life cycle, stimulating the market and rewarding producers that have invested in the production of cement with a reduced environmental impact.

A recent study by LEADIT calculated the GPP potential for reducing the GHG emissions of cement. Assuming that around 40% of cement is used for public construction globally, it concluded that GPP with a 10%, 30% or 50% reduction in cement CO₂ intensity can result in an annual CO₂ emissions of 93, 280 and 470 million tonnes of CO₂ respectively.

Awareness of the relevance of GPP is increasing. At COP26, the United Kingdom, India, Germany, Canada and the UAE pledged to adopt green procurement principles focusing on cement and steel and to work together to develop a set of targets for 2030, to be launched by mid-2022. We are looking forward to seeing these ambitions translated into actionable policies.

In order to meet the targets of the Paris Agreements, CO₂-intensive industries need to reinvent themselves. We believe the public sector has the potential to unlock transformative change in cement.
CARBON CAPTURE

The development of new carbon capture solutions is progressing rapidly. Through new industry partnerships, we provide customers access to solutions tailored to the cement industry offering a significant leap forward in our joint efforts to deliver on the sustainability ambitions for the industry.

The 2021 launch of Carbon8 Systems to cement customers, is the results of such a partnership. The proven and readily available technology is set to accelerate the industry’s efforts to decarbonise.

In 2021 we also announced a partnership with Chart Industries, which has developed a promising pilot phase cryogenic carbon capture technology.

ALTERNATIVE WASTE TO ENERGY SOLUTION

As the cement industry transitions away from carbon dioxide intensive fuels such as coal, the introduction of waste to energy solutions are becoming increasingly attractive environmentally and financially. Particularly in regions struggling with landfilling and waste management.

With its ability to handle a wide range of alternative fuels the HOTDISC is a flagship solution in our MissionZero programme. With a redesign it allows cement producers operating separate line calciners to install the HOTDISC beneath the calciner. The new design was first tested at Ssangyong Cement’s Donghae and Yeongwol plants in Korea with results surpassing expectations. The guarantee of 85% waste fuel replacement in the calciner with solid recovered fuel was exceeded at both sites’ commissioning.

CLAY CALCINATION SYSTEM

Most of the CO\textsubscript{2} emissions coming from the cement processes occurs during the limestone calcination. Clay is a widely available, naturally occurring mineral, which can be activated into a supplementary cementitious material and can replace 30% of calcined limestone.

With the new FLSmidth Clay Calciner System, cement producers can reduce emissions from the calcination process by up to 40% and get a cost effective, quality product that meets strength and colour standards all while reducing operating costs.

In August 2021, French cement producer, Vicat, was the first customer to order what will become Europe’s first full scale clay calcination installation.

In 2021 we also announced a partnership with Chart Industries, which has developed a promising cryogenic carbon capture technology.
PRODUCT SUSTAINABILITY

MissionZero is our sustainability programme to enable zero emissions in mining and cement by 2030. To deliver on these objectives, and to meet increasing demand from customers and more stringent regulations, we are putting sustainability at the heart of our products. Our first EU Taxonomy disclosure reflects the integration of sustainability into our product portfolio.

To support our clients’ ambitious targets as well as our own, we are embedding sustainability principles in our products. Upcoming regulations, such as the EU Taxonomy, and the development of carbon pricing legislation, such as the EU ETS, are putting more focus on the degree of product and service sustainability from organisations.

Bringing a 360 vision of sustainability to our products

Knowing our environmental impact: following a full life cycle approach

Knowing our environmental impact: following a full life cycle approach

Commitment to product stewardship: recycling and upgrades

Enabling a sustainable transition
EU TAXONOMY

Eligibility 2021

16.2%  17.5%  23.5%

Enabling a sustainable transition

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Eligibility 2021

16.2%   17.5%   23.5%

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Eligibility 2021

16.2%   17.5%   23.5%
OUR ESG PERFORMANCE

In this section

Environment

Social

Governance
ENVIRONMENTAL MANAGEMENT

Our ambition to deliver world-class sustainability solutions to reduce our customers' footprint also requires us to reduce our own emissions and the impact of our own operations. MissionZero starts from within, and we are progressing on our Science Based Target to be carbon-neutral by 2030.

You cannot manage what you do not measure. For many years we have worked to reduce emissions from our operations. To take the next steps, we committed to setting a Science Based Target to be carbon-neutral for our Scope 1 and 2 emissions by 2030 in line with our MissionZero programme ambition. The target was validated in May 2021 and we are implementing short-term actions and long-term plans to meet our target.

A big effort to strengthen the governance and systems around our data – allowing us to better identify potential improvements – has been ongoing.

In 2021, our new Sustainability Performance Indicators (SPI) platform went live, enabling us to monitor and analyse all our environmental data. This system will maximise transparency and help us see where we are succeeding in relation to our targets and where improvements are needed.

We also launched our Emission Reduction Programme this year, encouraging all our locations to develop and implement emission reduction initiatives, such as improving energy efficiency, reducing fuel consumption and increasing recycling. Regular monitoring and sharing of best practices take place so that, globally, we become stronger.

We succeeded in achieving our target to reduce our combined Scope 1 and 2 emissions by 10% compared with 2020. Our water withdrawal increased slightly. To ensure we stay on track with our various commitments, we are planning for a 2% increase in water withdrawal in 2021 and a 22% reduction in Scope 2 market-based emissions in 2021.
developing a long-term roadmap to achieve our target to be carbon-neutral.

During 2021, a new global system was implemented for reporting environmental incidents, such as fuel or chemical spills. This system is also used for waste management practices, covering both hazardous and non-hazardous waste, including paper, chemicals, cardboard, glass and more.

We developed a Group procedure for waste reporting in accordance with EU guidelines. Under the new system, we report on the type of waste and the disposal method. For example, waste reused, recycled, sent to landfill and so on are classified and reported separately. The more we know about our waste, the more we can do to reduce, reuse and recycle it.

**Engaging employees in our sustainability journey**

During 2021, we launched a new sustainability e-learning course. The course aims to explain to our employees exactly what sustainability is, outline our operational sustainability strategy and highlight ways in which they can contribute to our 2030 targets. Our sustainability work focuses on helping our customers, while our operational sustainability efforts focus on improving our own footprint. This is reflected in the strong engagement and local initiatives driven by our regional HSE managers.

**Plans for 2022**

In 2022, we will strive to switch to more energy-efficient technologies and renewable energy sources to assist in achieving our targeted 10% year-on-year reduction in emissions. We are planning to implement ISO 50001 certification at multiple sites, which will require a significant effort. This will be made easier by our new data management platform (for more on this, see Safety on page 30).

The roll-out in 2021 of our new software platforms for waste management and sustainable performance should bear fruit in 2022, when we will be able to further improve the robustness of our data and analyse areas for improvement. Meanwhile, we will continue our efforts to reduce waste production and water consumption.

**SUMMARY**

**WHAT WE DID IN 2021**

- Received validation of our Science Based Targets
- Set site-level emission reduction goals
- Launched our new environmental data collection platform
- Launched site-level emission reduction programme
- Increased employee awareness

**CHALLENGES**

- Implementation of new tools and platforms

**PLANNED 2022 ACTIVITIES**

- Increase ISO 50001 certification coverage
- Implement site-level emission reduction programmes
- Maintain focus on achieving our emission reduction targets and renewable energy use
The success of our sustainability efforts depends on our people – on their skills, innovative ideas and engagement. We are providing the opportunity to grow and develop in an international working environment where diversity is actively sought, inclusion part of how we work and where we incentivise and reward performance.

Creating more balance

Following our new 2030 targets focused on diversity, we implemented concrete actions during 2021 that established new standards for our company.

In 2021, we conducted a comprehensive analysis to identify potential gender pay gaps, to look at where pay gaps occur as well as the procedures that contribute to this problem, such as recruitment, salary setting and promotions. We then began the task of ensuring gender pay parity, and good progress has been made. Ensuring we establish proper procedures to avoid creating this gap is a continuous focus for us, both now and in the future. Of course, equality also applies to the wages we pay all our employees. We want all our employees, wherever they live in the world, to enjoy a certain standard of living, and the wages we pay play a key role in this ambition. In 2021, for the first time, we conducted an analysis of all employees’ salaries relative to the standard of living in their locations. This analysis was in-depth and at country and, in some cases, even at city level. Through our collaboration with the Fair Wage Network, we have been working to make adjustments to salaries where necessary. This initiative will continue into 2022 and beyond, as one of our guiding principles is to ensure fair and competitive wages.

Making space for everyone

We continuously strive for a diverse workforce. In many ways, we have succeeded in achieving teams that are diverse in aspects such as nationality, age and experience. To further improve on gender diversity, however, we have set a new target that, by 2030, 30% of our white-collar jobs should be held by women and to have 25% women managers. To achieve this, we are working towards 30% of all open positions being held by women. In terms of our Board, women accounted for 33% of the shareholder-elected Board members at the end of 2021, fulfilling the target that at least 25% of the members elected at the Annual General Meeting should be women.

Looking at the employee life cycle, we are ensuring more gender-neutral language in job postings, focusing on opportunities for...
Facilitating flexibility and creating engagement during difficult times

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Facilitating flexibility and creating engagement during difficult times


CHALLENGES

■ Conducted living wage and gender pay gap
  ■ Ensured health, well-being and engagement
  ■ Explored opportunities for women to develop and have careers and promoting the desired gender split in succession planning.

WHAT WE DID IN 2021

■ Living wage and gender pay gap assessments, in partnership with the Fair Wage Network
■ Implemented inclusion awareness activities and flexible work arrangements
■ Supported employee mental well-being with dedicated services
■ Provided 36,671 employee training hours
■ Established and monitored employees’ engagement through monthly pulse surveys
■ Introduced sustainability as a parameter in rewards programmes, for example long term incentives and sales incentive plans

PLANNED 2022 ACTIVITIES

■ Complete all harassment and bullying prevention workshops
■ Pursue initiatives to achieve our 2030 diversity targets
■ Establish local employee engagement workshops and supporting initiatives
■ Ensure that employee and leadership development focuses on the importance of inclusive and healthy workplace characteristics
■ Ensure that a sustainability goal is set for each employee

Facilitating flexibility and creating engagement during difficult times

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We operate in many different geographies and different cultures. Respecting and safeguarding human rights that are impacted by our business activities is a constant focus. This requires a detailed understanding of risk, remedy and the issues to be addressed across our value chain.

Empowering human rights

Respect for human rights is a core part of our culture. We acknowledge, however, that in some regions where we operate, this respect is not always as deeply embedded in local practices as we would like. We therefore face a challenge in ensuring our employees and partners both understand and are empowered to fulfil our expectations in this area.

The solution to these challenges starts with education. In 2021, we rolled out a human rights e-learning course, providing a general introduction to human rights, the challenges we face at FLSmidth, and what we can do to make a positive impact. We also conducted targeted in-person training on fundamental human rights principles for a broad group of employees. As part of this training, we included anonymised real-life case studies to help our people learn to identify the signs of possible human rights violations.

To make our training programmes more accessible, we have translated our e-learning programmes into seven languages. We have also further integrated these translations into our internal platform, which enables us to track who has undertaken the training. This has been a challenging project, but it has helped broaden the scope and availability of training—particularly in high-risk regions. Due to the positive feedback received in 2021, the human rights e-learning course will be made mandatory for all white-collar employees in 2022.

We also make information about our human rights policy, such as our modern slavery commitments and conflict minerals due diligence, as well as the training, available on our ESG Performance platform.
our internal website, with a dedicated page within

Respect for human rights does not stop at our front door, however. It must also include our suppliers and customers. The COVID-19 pandemic severely impacted our ability to conduct on-site human rights impact assessments, which are a significant part of our screening process. Though online screenings have continued throughout this period, we hope to get back on track with site visits in 2022.

In 2021, we started identifying our use of tin, tungsten, tantalum and gold (the four most common possible conflict minerals, known as the 3TGs) in our supply chain. If the use of 3TGs has been identified, we will engage in dialogue with the supplier to ensure that no conflict minerals are present in our supply chain. The identification of 3TGs in our supply chain will continue in 2022, when we will publish our Conflict Minerals policy.

Plans for 2022
As the world continues to open up, we hope to complete more on-site impact assessments. We will also continue with our training roll-out, targeting the most relevant people for both e-learning and live training. by making our human rights e-learning course mandatory for all white-collar employees. We are also aiming to engage more with customers on human rights through our key account managers.

Modern Slavery Act
Since 2016, we have published an annual modern slavery statement on our website in accordance with the requirements of the UK Modern Slavery Act 2015. This year, however, we took our modern slavery statement a step further and incorporated the requirements of the Australian Modern Slavery Act 2018. This most recent statement is the most detailed to date and includes a discussion of where our risks lie and our efforts towards modern slavery prevention.

Generally speaking, we are finding there is increased dialogue around human rights – with questions being asked by our customers, as well as the other way around. But there is still a lot of work to be done. Thanks to our efforts so far, we are proud to report that our people are much more confident in addressing this issue than they were just a few years ago.

FLSmidth
Sustainability Report 2021
Building a culture that ensures the health and safety of our people and products, across our own sites and those of our customers, is core to our 2030 ambition for Zero Harm. We delivered on our 2021 targets following intensified awareness-raising activities during the year.

Taking action and ensuring accountability

We firmly believe that safety is the responsibility of all our people. For many years, we have invested in creating a strong safety culture based on establishing best-in-class standards across the globe. In 2021, we continued this work by rolling out a new reporting system with a more user-friendly format and asking all our employees, from Senior Management down, to “Stand Up for Safety.”

Transparency also means talking openly when we face challenges and ensuring accountability by making any necessary changes. During the first few months of the year, we saw an uptick in safety incidents. This, followed by the relaxation of COVID-19 restrictions, resulted in people returning to sites and potentially less vigilance around health and safety.

Thanks to our improved ability to track and report trends, we responded quickly to the Q2 figures. Visible Senior Management played a key role by sponsoring a “Stand up for Safety” campaign in September. Across the globe, work was temporarily stopped so that all individuals could recommit to safe working practices. Furthermore, all regions updated their safety action plans and several activities were put in place within a short period of time, such as increased awareness of contractor management, onboarding and safety behaviour.

Despite these, and many other actions, we did not meet our 2021 target to reduce our Lost Time Injury Frequency Rate (LTIF). While our safety figures remain among the best in the industry, the learnings from 2021 have highlighted the fact that we can never be complacent on our journey to (and beyond) Zero Harm.

Driving progress through measurement

In 2021, we introduced a new app-based reporting system which is accessible to most of our employees, empowering them to report safety incidents viewed through their safety.

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<tr>
<th>Metric</th>
<th>2021 Result</th>
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<tr>
<td>Lost Time Injury Frequency Rate</td>
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<td>Total Recorded Injury Rate</td>
<td>1.9</td>
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<td>% of safety observations resolved in 30 days</td>
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Driving progress through measurement

In 2021, we introduced a new app-based reporting system which is accessible to most of our employees, enabling them to report safety incidents viewed through their everyday work. This system has been instrumental in improving our understanding of safety trends and driving a more proactive approach to safety management. By continuously monitoring these metrics and taking action based on the insights gained, we have been able to make significant improvements in our safety performance. Our focus remains on maintaining a strong safety culture and ensuring that everyone, from Senior Management to the most junior employees, is committed to safe working practices. By doing so, we aim to continue reducing our Lost Time Injury Frequency Rate and achieving our Zero Harm ambition.
The new system gives greater transparency to our safety data, enabling us to analyse and filter it in ways that we could not do previously. We can now spot trends at global, regional and operational levels, and act accordingly.

The mobile system increases opportunities for employees to engage and take individual responsibility for reporting near misses and safety observations. More than 10,000 safety observations have been reported and resolved year to date. 75% of these observations were resolved within 30 days.

We also actively track the number of incidents that have been closed, in other words where action was taken to prevent the incident recurring. This keeps us accountable for resolving safety issues and gives our people the confidence to report their concerns, knowing that we take all incidents seriously.

Policies and standards remain core to our safety approach. The majority of our sites are now covered by ISO 45001 certification. More than 65% of the workforce is covered by ISO 45001 and ISO 14001. In addition, more than 75% of employees are covered by ISO 9001 certification. These standards give employees, customers and stakeholders the reassurance that there is an external focus on reducing the company’s waste, pollution and consumption, and an internal focus on reducing workplace injuries and illnesses, while managing health and safety in a responsible way. A lot of hard work goes into achieving these certifications, and we congratulate everyone involved in obtaining and maintaining these high standards. Our annual audit found no major non-conformities, and all minor observations have been remedied.

Ensuring product safety

In keeping with our responsibility to our customers and employees, we continue to review and improve our product designs to maximise safety. We comply with the regulatory safety requirements and try to minimise maintenance needs to limit the amount of contact between people and machinery. For example, our range of gyratory crushers has been redesigned to improve safe access and reduce downtime, with customer health and safety in mind.

2022 goals

Dealing with COVID-19

Multiple activities were undertaken to ensure the wellbeing of our employees and customers during the COVID-19 pandemic. At the beginning of the year, we supported the Indian government by donating oxygen and ventilators to hospitals where they were most needed.

In India and elsewhere, we have also arranged testing, provided increased insurance coverage, and generally responded wherever we could with the objective of keeping our people safe.

In India, we have also been involved in providing increased insurance coverage, generally responded wherever we could with the objective of keeping our people safe.

Ensuring product safety

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Ensuring product safety

In India, we have also been involved in providing increased insurance coverage, generally responded wherever we could with the objective of keeping our people safe.
Supporting the cause of socio-economic development, FLSmidth in partnership with AngloAmerican, had the privilege of donating 56 Qhubeka Charity bicycles to the Mahwelereng community policing forum in support of their visible policing initiative.

COMMUNITY

Listening to and understanding the needs and expectations of our local communities is extremely important. We could not operate without their support. To give back, we regularly undertake environmental projects, education, training and humanitarian work.

FLSmidth & Co. A/S Donation Fund, based in Denmark, contributes up to USD 45,000 (DKK 300,000) per year to causes aligned with our values and vision.

In 2021, this fund contributed to a wide range of projects, including training opportunities and humanitarian initiatives.

Encouraging education

Mining is big business in Chile, but women make up just 19% of enrolments in mining-related degree programmes in the country. To help increase gender diversity in the industry, we have launched a programme specifically for female secondary school students.

The latest copper minerals processing course launched in September 2021 with 32 students who are in their final year of secondary education at the Liceo de Salamanca school in Chile’s Coquimbo region. The course covers all stages of copper minerals processing and aims to encourage young women to complete internships with FLSmidth before going on to pursue a successful career in mining.

Other education-related projects include the installation of new library facilities at the Government Girls Senior Secondary School in Bawal, Haryana, India, benefitting 1,500 students, as well as a grant to help educate underprivileged young people in the Kancheepuram district of Tamil Nadu and the Bokaro, Dhanbad and Jamshedpur districts of Jharkhand, all in India.

Healthy communities

Community healthcare has always been a priority for us, but COVID-19 has brought it into even sharper focus. In India, in particular, the second wave of the pandemic was extremely intense, stressing public and private healthcare systems to an unprecedented extent.

To help ensure that our people, their families and communities received the healthcare they needed, we donated 300,000 ventilators across five hospitals in India, including 100 ventilators to the Chettinad Super Speciality Hospital.

300,000

contributing to training and education programmes

1,500

students benefitting from new library facilities

3

ventilators given to the Chettinad Super Speciality Hospital
needed, we provided special assistance on a number of occasions:

■ We worked with the Confederation of Indian Industry to reinforce facilities at the Government Primary Health Centre in Kelambakkam, Chennai, near our office in India. Completed in February 2021, this project included supplying equipment such as a multipara monitor, autoclave, nebuliser, PPE kits and a 12-lead ECG machine, which has served as a valuable addition during the pandemic. We also helped improve facilities to make the centre more visitor-friendly.

■ In June 2021, we donated three ventilator machines to the Chettinad Super Speciality Hospital, near our Chennai office.

In addition to COVID-19 assistance, we also helped with other basic needs, including providing new water supply facilities in three locations in the suburbs of Arakkonam in Tamil Nadu. Inaugurated and handed over to the community in March 2021, the project saw us again collaborate with the Confederation of Indian Industry providing a crucial daily water source for the village.

Safe spaces

Everyone has the right to feel safe in their community. We were privileged to be a part of two initiatives, in South Africa and Chile, that will help improve the security of communities in the vicinity of our operations.

FLSmidth South Africa donated 56 bicycles to the Mahwelereng Community Policing Forum to support its visible policing initiative. The bikes were donated in partnership with Anglo American and Qhubeka Charity and delivered in December 2021 to mark the launch of the community’s #ArriveAlive road safety campaign. They will help strengthen community patrol forums and community safety forums in the Mahwelereng South African Police Sector.

In the Felipe Camiroaga and Variante de Agua Santa squatter settlements in the Forestal area of Viña del Mar, Chile, vulnerable families were living without streetlights. Seeing this need, Claudio García, President of FLSmidth South America, encouraged everyone in the extended executive team across the region to take part in a project called Luz a mi Barrio (Light for my Neighbourhood), which was carried out by Fundación Techo.

As part of this initiative, 20 solar-powered lights were installed in the settlements, increasing safety and security for the communities that live there and improving their quality of life. The experience also helped our team grow closer, as they worked together to achieve meaningful change.

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During the course of 2021, we took active steps to further integrate sustainability into our commercial functions and operations. We updated our materiality assessment and advanced our work around embedding the elements of the Task Force on Climate-Related Financial Disclosures (TCFD).

Governance in general

Our sustainability programme is an integral element of our business strategy and one of our long-term priorities. Consequently, we are continuously taking steps to anchor it at all levels of our organisation. Our Board of Directors oversees and approves key strategic decisions such as long-term target setting and incentive schemes and, through the Technology Committee, oversees our R&D strategy to support our Mission Zero programme. The Board receives quarterly updates on the progress of the programme.

Our Group Executive Management (GEM) is responsible for the progress of our Mission Zero programme and operational sustainability performance. It plays an active role in the development of the strategic direction of the sustainability programme and cascading priorities across the organisation. Sustainability is now an integral element of the long-term incentive plan for our Senior Management. Responsibility for activities that help us to make progress in relation to our 2030 Mission Zero and operational sustainability targets is assigned to the relevant functions. This follows the structure of our sustainability and related policies.

In 2021, we introduced a new incentive structure for our salespeople linked to our Science-Based Target (SBT) of improving our economic intensity.

Materiality

For a list of key targets and our progress, please see page 35.

Task Force on Climate-Related Financial Disclosures (TCFD)

We are aligning our practices and reporting with the TCFD recommendations. We perform a climate risk and opportunities analysis to further understand the exposure of our business to climate change in terms of risks and opportunities. As we move forward, the findings of this analysis, which can be found on page 35, will be used in our business decisions and long-term strategy.
## MAPPING OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

<table>
<thead>
<tr>
<th>Type</th>
<th>Topic</th>
<th>Description</th>
<th>Risk exposure</th>
<th>Opportunity level</th>
<th>Governance</th>
<th>Current and planned actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transitional</td>
<td>Carbon taxes and regulations</td>
<td>Countries introducing or planning to introduce X1Z[hi]lb[bl’Xh’nl’nXl’h’n’a][al’g]m</td>
<td>liq</td>
<td>High</td>
<td>J[hihnibh’ihi] oexIZX mmb[E koX ln][esZlb][N niP]hbl’ J Xh’ lg[hn]m</td>
<td>B1Pgb[miX mmiebhnibhm[nX n][XZ]e[omnig]lmnni[gbn][m]mn[ We are continuously developing new solutions with a lower X1Zlb[bl’]n] n</td>
</tr>
<tr>
<td>Transitional</td>
<td>M l’o{[le][b][[bl’hpblih’gln]x’e regulations}</td>
<td>Fhnli’[o]bnbi’n’iA RQX nhgsni’[eX mmb’]s [lhpblih’[gln]eX emmnnX bhX Z[ex][nbpbh]m</td>
<td>liq</td>
<td>j’lob</td>
<td>J[hihnibh’ihi] oexIZX mmb</td>
<td>M ]’lg’lmmb’’l’b]l’[j]nljil’o[ol’n’iIn’e[blX h’ X j Xh’ esbmhnX]XXnl’h][o]g]hnX nbhl’ [kblg]’hmnm</td>
</tr>
<tr>
<td>Transitional</td>
<td>@ 1X h’{’l’}]l’h products</td>
<td>PoZmbnbnhi’ jrbmnbi’ jli’o[nmX hmm]’lpb’[m qblaeq]’fgbmbnh’inhnhm</td>
<td>j’lob</td>
<td>High</td>
<td>Periodic review by the Technical ?[gbnn]’[g]Xks[l’]j’pe [lgbl]</td>
<td>O@]n[j[hl]e’i’i’siX [g]X[mX ]]mX Ze[blma][’l’i]ds mmmX bhX ZebnsX ]X mibh’ eO[bl’BL] ]L_ and water</td>
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<td>Pj[onbh’’ln][hl]e’i’sX[le]mabj’mmbnh’ibh’ @bm[lhmhnha’lhp]lpmg[lhn]hlf[blX’][ek][n’]O@’’blh’’liq X</td>
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<tr>
<td>Transitional</td>
<td>P[X ]{[bns’]X qX nhX em}</td>
<td>Increased production costs and output [l[ko]gl’]hnmn[mmnX ]{[bns’]X ogX n’]lx [eX embm] m’[b][le]X nbhnhm’elXZ[hl]nmmX bhhm</td>
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<td>K =</td>
<td>0]’[oexX mm][mmn[hn]’i’bmd exposure</td>
<td>B1Pgb[blnbnm]’a[bl]X[ek][gblm]nina]mT[le]&gt;X hfd8X’ Xn W]’lO]X qX’[l’]blh’’Q[ahb][Xe’Tliib’] C[liq]GTC’</td>
</tr>
<tr>
<td>Transitional</td>
<td>Access to capital</td>
<td>b[l]nX e[blmni’][n]j’o[X ]{]m]mn]X jbnX elo’ niab a[hpblih’gln]nhX ebg]X n</td>
<td>j’lob</td>
<td>liq</td>
<td>0]’[oexX mm][mmn[hn]’i’bmd exposure</td>
<td>eb’h’h]l[hnobnd]smmnnX bhX Z[ex][h’]mmnX h’][mX ]l]m @bm[lhmhnha’lhp]lpmg[lhn]hlf[blX’][ek][n’]O@’’blh’’liq X</td>
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<tr>
<td>Physical</td>
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<td>PriligmX h’{[e]ih’m]X hbg’X ]mno[eh]aX [bl’’productions capacity, as well as with jh[blnhbnmhXh’][hn]nhmnh’inbi’nh’g[ex kmm]</td>
<td>liq</td>
<td>liq</td>
<td>K [in]lj[bl’]hX[kX]’ g[bl]X hmbnh’b[ek]’</td>
<td>&gt;nagblbh’’h’[h]’[g][]hnjehX hnmX hi’X ]X nbhXmX ]]X eX nblep</td>
</tr>
<tr>
<td>Physical</td>
<td>Drought</td>
<td>Drought leading to water scarcity, operational disruptions and increased operating costs</td>
<td>liq</td>
<td>High</td>
<td>&gt;b[hnhX eX n][bl]mbX mm][mmn[Xn’]l]hblX gaX nh</td>
<td>O@]n[j[hl]e’i’i’siX [g]X[mX ]]mX Ze[blma][’l’i]ds mmmX bhX ZebnsX ]X mibh’ eO[bl’BL] ]L_ and water</td>
</tr>
</tbody>
</table>
Customers

We are in continuous dialogue with customers about how we can support them in achieving their sustainability ambitions. This includes discussions about technology and innovation, but also about how demand for green minerals, metals and cement can be stimulated. We are increasingly adopting a partnership approach when it comes to innovation and bringing customers into our R&D cycle at an earlier stage.

Financial institutions

In the last few years, environmental, social and governance (ESG) factors have rapidly become crucially important for securing financing for high-value contracts in cement and mining. FLSmidth has strong competences and enjoys long-standing cooperation with financial institutions that help customers to finance their projects, at the same time as ensuring that the projects make a positive contribution to sustainability. Examples include Denmark’s Export Credit Agency (EKF), the Investment Fund for Developing Countries (IFU) and international financial institutions such as the World Bank and the International Finance Corporation (IFC). These institutions require that all transactions comply not only with all applicable national legislation, but also with world-class practices such as the Equator Principles and the International Finance Corporation’s performance standards for environmental and social sustainability.

As part of the MissionZero programme, we engage in active dialogue with these financial institutions, which finance the solutions needed to increase investment in innovative sustainability technologies and increase adoption of these technologies, particularly in developing countries. Going forward, the role of the EU Taxonomy will have an impact on the financing of green technologies, including the cement sector.

Read more about the EU Taxonomy and how we calculate our eligibility on page 22.

Outsourcing partners

Our suppliers provide 80% of our manufacturing. Building strong and reliable relationships with our suppliers is key to our business. In addition, working strategically with our suppliers strengthens our MissionZero programme, as this allows for the co-development of new technologies, adding to our existing portfolio. During the course of the year, we joined the Copper Mark as a partner. The Copper Mark is an international framework established to demonstrate the copper industry’s responsible production practices and the industry’s contribution to the United Nations SDGs.

Knowledge is central to our existence. Outsourcing partners, knowledge exchange and our ongoing efforts to improve the sustainability of our products are key elements of our strategy to achieve our zero-emission goal by 2040.
acquire new knowledge and develop innovative ideas. It is a crucial investment in the future of the business. As an organisation with a strong focus on research and development, we have a large number of university partnerships relating to specific topics.

In the mining industry, we sponsor and collaborate with various institutions across a number of countries to tackle the MissionZero challenges, including research into dewatering and tailings, eco-efficient comminution and beneficiation.

We continued to work with a consortium of customers and technical partners focused on reducing energy and resource use in the global mining industry involving a new flotation process called RFC – REFLUX™ Flotation Cell. The project is supported with a grant from the European Institute of Innovation and Technology (EIT).

FLSmidth is also involved in several innovation communities within the mining industry, including EIT Rawmaterials, AMIRA, ERMA and ARC.

In the cement industry, FLSmidth has ongoing engagements with the Technical University of Denmark, the Indian Institute of Technology universities of Madras and Delhi, as well as the Vellore Institute of Technology. These collaborations focus primarily on the development of new process solutions for low-clinker cements.

FLSmidth is a founding member of the Innovandi research network, which includes more than 40 academic and 20 industrial partners from the cement sector. Within this network, FLSmidth mentors projects related to clay activation, electrification, artificial intelligence of clinker reactivity and carbon capture.

Civil society and public sector

Stimulating demand for green minerals, metals and cement requires a supportive policy environment with a specific role for public procurement. We actively engage in discussions with policymakers on this topic.

We are a member of the United Nations Leadership Group for Industry Transition (UN LEADIT). The group is supported by the World Economic Forum (WEF), Stockholm Environmental Institute and the governments of India and Sweden. The group focuses on establishing workable policy incentives and enabling investment in low-carbon technology and infrastructure.

We also chair the policy working group of the Concrete Action for Climate (CAC) initiative by the WEF, Mission Possible Platform and GCCA (Global Cement and Concrete Association). The CAC is helping to coordinate global climate action and innovation in the cement and concrete industry.

Industry associations

We are members or actively engage with industry associations and advocacy groups. We are a founding member of the Compliance in Mining Network, a collaboration between mining companies, mining equipment producers and EPC providers in the mining industry, working to improve compliance standards in the global industry.

We are a member of the Women in Mining initiative, which aims to promote diversity within the industry.

To further stimulate research in low-carbon technologies, we participate in the Innovandi global cement and concrete research network through the GCCA.

Presenting several

opportunities to meet with influential stakeholders and push the broader agenda for sustainability in industry, COP26 was an important event in the 2021 calendar. FLSmidth was an active participant in the Danish pavilion, where we organised a series of events to highlight our MissionZero ambition, the results achieved to date and what is needed from policymakers to ensure zero-emission mining and cement becomes mainstream practice.

Our former CEO, Thomas Schulz, also had the opportunity to participate in a UN summit focused on industrial transition (LeadIT). Alongside other CEOs representing heavy industries committed to decarbonisation, he made a call for action to climate and energy ministers from India, Sweden, France, Germany, the US and other countries involved in LeadIT.
SUPPLY CHAIN

By working together with our suppliers on their sustainability practices, we have a real opportunity to create lasting change. Through our supplier sustainability programmes, we identify and reward like-minded businesses, encouraging environmental ambition across our supply chain. Similarly, we are continuing to monitor social standards at suppliers’ premises and take actions where necessary.

Screening and awareness-raising

Our sustainability screening programme has been running since 2018 and is continuing to grow in scope and awareness. In 2021, we screened 641 different suppliers. The scope of the screening is to ensure that they:

- Adhere to the laws within the jurisdiction in which they operate
- Provide a safe and healthy working environment
- Comply with basic human rights
- Meet all applicable environmental laws and industry standards.

We are pleased to say that the results from these screenings remain stable, with very few suppliers found to be in breach of our Code of Conduct. Every time we complete one of these screenings, we signal to our suppliers that these principles are critical to our business relationship. Each time they sign a purchase order with FLSmidth, they confirm, again, that they comply with our Code of Conduct. And every time our employees carry out the screening questionnaire, they are reminded of what we expect from our partners. This repetition builds awareness internally and externally of the path we are forging towards Zero Harm.

Preferred supplier programme

We are continuing to consolidate the number of suppliers we use, with an increased focus on our preferred suppliers, which number around 500. Consolidation is an ongoing project.
on monthly discussions among our supply chain team. Preferred suppliers are chosen based on a variety of factors, including quality, delivery, cost-effectiveness and spend. Ultimately, this preferred supplier programme will enable us to concentrate our business partnerships on those companies that share our core value of sustainable productivity.

Starting a chain reaction

In 2022, we will focus on aligning group procurement with our Science Based Targets (SBTs). Within the next three years, our aim is to increase spending with suppliers that have similar decarbonisation targets to 30% of our total spend. This means that, by 2025, 30% of our spending will be with suppliers that have their own SBTs. This would be a sixfold increase in the current figure of approximately 5% of spend. Though our supply chain accounts for only 1% of our emissions – a very low figure in comparison to emissions from our customer base – 1% of our total carbon footprint is still a significant amount and worth tackling. It is also valuable to consider the chain reaction these SBTs have. We are encouraging our suppliers to create their own SBTs and, as a result, they will be asking their supply chain to do the same. And on it goes – potentially all the way back to our customers again, creating a virtuous circle of ambitious emission targets.

**SUMMARY**

**WHAT WE DID IN 2021**

- Continued supplier screenings on compliance, health and safety, environment and human rights
- Had our supplier engagement target validated by the Science Based Targets initiative

**CHALLENGES**

- Disruptions of supply chains due to COVID-19

**PLANNED 2022 ACTIVITIES**

- Continue progress towards our Science-Based Targets related to supply chain

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Our ESG Performance | Governance

FLSmidth - Sustainability Report 2021
The new compliance policy framework introduced in 2020 comprises four core areas of operations: Code of Conduct, trade compliance, human rights and competition law. 2021 has seen us raising awareness of this new framework, with a number of initiatives to improve transparency and accessibility.

Achieving compliance by empowering people

Firstly, we have put all the information and relevant policies on our website, where they are available to all stakeholders. Secondly, we have continued to educate our people about the new framework through live training (in-person, where possible, or else online), together with e-learning. When we launched the framework, we committed to getting every employee through both the live training and e-learning courses by the end of 2021. We reached a completion rate of 81.8% for the e-learning course and 83.5% for the in-person training by the end of the year and thus did not meet our target. However, feedback on the e-learning courses has been encouraging. We recognise the immense efforts of our HR team in delivering the e-learning courses and tracking uptake through the new software platform. But the work does not end there. We will continue efforts to build awareness throughout our business. This is also a key part of our onboarding process.

See it, say it

In addition to raising awareness about our compliance framework, we actively encourage our people to report actions that fail to meet expectations. We received 78 reports through the whistleblower hotline or other means, resulting in the same number of internal investigations. Every case that comes up is investigated, and actions are taken when necessary.

All our policies are only as good as our compliance - and achieving compliance relies on two things: transparency and awareness. Throughout our business and across our supply chain, we aim to be clear about our expectations as well as how to report shortcomings.

Our ESG Performance | Governance
Although the number of investigations has remained stable, our response times were significantly improved, in large part thanks to the addition of a full-time investigation specialist.

One of the areas we still struggle with, however, is reports that do not include sufficient details to investigate. This is an issue that we are tackling via the training offered as well as in specific communications on this topic, so that our people understand what they need to put in a report in order for us to be able to properly investigate and respond.

On 22 July 2021, a customer informed that it intends to initiate arbitration against FLSmidth and certain partners for alleged contractual breaches ('the Tunisia contract'). FLSmidth will reject a potential claim.

**Plans for 2022**

In 2022, we will complete an external review of trade compliance, to ensure we are dealing appropriately with international sanctions. Although this is not a new area for us – we have been working in sanctioned countries for decades – it is important to be sure we are following both the spirit and the letter of the law as we continue to support the cement and mining businesses in these areas.

Going forward, we are adding conflict minerals to our compliance framework as a new sub-policy in 2022. While we have exercised due diligence in this area before, we have encountered new challenges in this area in 2021.

In terms of training, 2022 will see the launch of four new e-learning courses on donations, competition law, human rights and fraud. We are also exploring ways of automating fraud detection, which will better enable us to analyse data on anomalies. Technologies such as this could make a huge difference to how quickly and easily we spot fraudulent transactions, and could make the difference between money lost and saved.

**Expanding third-party screening**

As part of our continued push for the highest possible standards across our supply chain, we have expanded the scope of our third-party due diligence. We already screen all sales agents and intermediaries and relevant customers and contractors against specific criteria. In 2021, we began the process of adding suppliers to this reporting process. This work is carried out in partnership with our procurement team, which already audits suppliers with regard to health and safety.

**Tackling workplace harassment**

We saw an increase in reported harassment cases in 2021. Whether this is because there is greater awareness of the issue among our people as a result of the training we have provided or whether this is linked to global trends, we cannot be sure, but we are working with HR to provide anti-harassment workshops and we are continuing to ask our employees to report and respond to problematic behaviour in line with our policy.

**SUMMARY**

**WHAT WE DID IN 2021**

- Continued awareness-raising and training
- Increased transparency regarding our policies and sub-policies
- Expanding the third-party due diligence scope to include our supply chain

**CHALLENGES**

- Lack of or insufficient data in reported whistleblower cases
- Increased number of harassment cases reported

**PLANNED 2022 ACTIVITIES**

- Conduct an external review of our trade compliance
- Provide new training courses on compliance-related issues
- Assess automatic fraud detection systems
- Provide harassment prevention workshops
SUMMARISED REPORTING AND NOTES

In this section

43 Reporting Tables
45 Accounting Practices
50 SDGs
52 New and Descoped Indicators
53 Standards and Disclosures
54 Auditor’s Statement
# PERFORMANCE SUMMARY

## SAFETY

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2021 target</th>
<th>2022 target</th>
<th>2030 target</th>
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<tr>
<td>Lost Time Injury Frequency Rate (including contractors)</td>
<td>0.6</td>
<td>0.5</td>
<td>0.8</td>
<td>%</td>
<td>$</td>
<td>$</td>
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<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Recorded Injury Rate (including contractors)</td>
<td>1.6</td>
<td>1.0</td>
<td>1.9</td>
<td>2.0</td>
<td>10% year-on-year improvement</td>
<td>10% year-on-year improvement</td>
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## PEOPLE

<table>
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<tr>
<th></th>
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<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>% women total</td>
<td>15.5%</td>
<td>15.9%</td>
<td>17.2%</td>
<td>25%</td>
<td></td>
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<tr>
<td>% women white-collar workers</td>
<td>19.9%</td>
<td>21.8%</td>
<td>23.2%</td>
<td>22.4%</td>
<td>30%</td>
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<td>% women blue-collar workers</td>
<td>3.9%</td>
<td>4.0%</td>
<td>4.7%</td>
<td></td>
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</tr>
<tr>
<td>% women managers</td>
<td>11.2%</td>
<td>13.1%</td>
<td>14.3%</td>
<td>14.3%</td>
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<tr>
<td>Internal participants training hours in corporate development programmer</td>
<td>36,671</td>
<td>25,000</td>
<td></td>
<td></td>
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<tr>
<td>% employees receiving performance and development reviews</td>
<td>87.6%</td>
<td>86.6%</td>
<td>97.1%</td>
<td>90%</td>
<td>95%</td>
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## COMPLIANCE

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2030</th>
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<tbody>
<tr>
<td>Total number of whistleblower reports submitted</td>
<td>85</td>
<td>99</td>
<td>78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of which admissible</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of which type: Compliance</td>
<td>17%</td>
<td></td>
<td></td>
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<tr>
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<td>21%</td>
<td></td>
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<tr>
<td>% of which type: Human Resource</td>
<td>31%</td>
<td></td>
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<tr>
<td>% of which type: Other</td>
<td>9%</td>
<td></td>
<td></td>
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<tr>
<td>Number of operations assessed for risks related to corruption</td>
<td>32</td>
<td>34</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Number of in-depth due diligence screenings conducted</td>
<td>755</td>
<td>274</td>
<td>255</td>
<td>250</td>
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<tr>
<td>Incidents of discrimination and harassment, and corrective actions taken</td>
<td>4</td>
<td>13</td>
<td>14</td>
<td></td>
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</tbody>
</table>

## PERFORMANCE SUMMARY

<table>
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<tr>
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<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number and percentage of in-person training for employees who have received training on anti-corruption</td>
<td>6,782 / 75%</td>
<td>7,056 / 79%</td>
<td>8,855 / 83.5%</td>
<td>85%</td>
<td>90%</td>
</tr>
<tr>
<td>Number of white-collar employees that have completed E-Learning courses on anti-corruption</td>
<td>1,271 / 15%</td>
<td>6,381 / 81.8%</td>
<td>95%</td>
<td>95%</td>
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## COMPLIANCE

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of in-depth due diligence screenings conducted</td>
<td>274</td>
<td>255</td>
<td>250</td>
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</tbody>
</table>

## PERFORMANCE SUMMARY

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2030</th>
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<tbody>
<tr>
<td>Incidents of discrimination and harassment, and corrective actions taken</td>
<td>4</td>
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</table>
## PERFORMANCE SUMMARY

### ENVIRONMENT

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2021 target</th>
<th>2022 target</th>
<th>2030 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 GHGs (in tonnes CO₂-equivalents)</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>18,775</td>
<td>10,888</td>
<td>11,130</td>
<td>10,234</td>
<td></td>
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</tr>
<tr>
<td>% Abatement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Carbon-neutral</td>
</tr>
<tr>
<td>Scope 2 GHGs (in tonnes CO₂-equivalents) – location-based calculation</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>34,425</td>
<td>25,943</td>
<td>26,700</td>
<td>24,386</td>
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<tr>
<td>% Abatement</td>
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<td></td>
<td></td>
<td></td>
<td>Carbon-neutral</td>
</tr>
<tr>
<td>Scope 2 GHGs (in tonnes CO₂-equivalents) – market-based calculation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>30,267</td>
<td>23,607</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>% Abatement</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Carbon intensity, Scope 1 &amp; 2 (GHGs in tonnes CO₂-equivalents/DKKm revenue) – Scope 2 location-based</td>
<td></td>
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<td></td>
<td>2.58</td>
<td>2.24</td>
<td>2.2</td>
<td></td>
<td></td>
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<tr>
<td>Carbon intensity, Scope 1 &amp; 2 (GHGs in tonnes CO₂-equivalents/DKKm revenue) – Scope 2 market-based</td>
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<tr>
<td></td>
<td>2.50</td>
<td>2.0</td>
<td></td>
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<tr>
<td>Scope 3, total (All categories) GHGs (in tonnes CO₂ equivalents) - excluding process emissions</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>210,300,000</td>
<td>212,400,000</td>
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<tr>
<td>Scope 3, Category 1 (Purchased goods and services) GHGs (in tonnes CO₂- equivalents)</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td>1,800,000</td>
<td>1,200,000</td>
<td></td>
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<tr>
<td>Scope 3, Category 6 (Business Travel) GHGs (in tonnes CO₂- equivalents)</td>
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<tr>
<td></td>
<td>42,066</td>
<td>11,887</td>
<td>10,089</td>
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<tr>
<td>Scope 3, Category 11 (Use of sold products) GHGs (in tonnes CO₂- equivalents)</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>208,500,000</td>
<td>211,200,000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Scope 3, Category 11 (Use of sold products) GHGs (in tonnes CO₂- equivalents) – including process emissions</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>334,600,000</td>
<td>343,200,000</td>
<td></td>
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<tr>
<td>Scope 3, Category 11 (use of sold products) economic intensity (GHGs in tonnes CO₂-equivalents/DKKm order intake)</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>10,663</td>
<td>10,979</td>
<td>56% reduction versus 2019</td>
<td></td>
<td></td>
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<tr>
<td>Water withdrawal (m³)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>221,613</td>
<td>197,346</td>
<td>201,997</td>
<td>187,479</td>
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<tr>
<td>Water withdrawal in high water-stress areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>58%</td>
<td>61%</td>
<td>61%</td>
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### SUPPLY CHAIN

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022 target</th>
<th>2030 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers screened for sustainability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>689</td>
<td>390</td>
<td>641</td>
<td>400</td>
<td>600</td>
</tr>
<tr>
<td>Number of supplier screenings resulting in a new finding / non-conformity</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>170</td>
<td>25</td>
<td>128</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>% of findings/non-conformities that have improvement plans agreed upon with suppliers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>54.1%</td>
<td>56.0%</td>
<td>80%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>% of “new” high-risk suppliers screened for sustainability</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>11%</td>
<td>4%</td>
<td>4%</td>
<td>20%</td>
<td>95%</td>
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</table>

### HUMAN RIGHTS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022 target</th>
<th>2030 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights reviews (off-site)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>52</td>
<td>59</td>
<td>108</td>
<td>60</td>
<td>80</td>
</tr>
<tr>
<td>Human rights impact assessments (on-site audits)</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total number of white-collar employees who have received e-learning training on human rights</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>28</td>
<td>94%</td>
<td>98%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ACCOUNTING PRACTICES

### SAFETY

- **Lost Time Injury Frequency Rate (including contractors)**
  - The lost-time injury frequency (LTIF) is calculated as the number of lost-time injuries and fatalities per one million hours worked. An LTI accident resulted in absence for more than one scheduled work day following the day of the accident. Subcontractors working hours are calculated based on actual hours reported by suppliers, hours written in tenders or actual/estimated hours for suppliers. Working hours for FLSmidth employees is calculated based on headcount and normal work week hours.

- **Total Recorded Injury Rate (including contractors)**
  - TRIR accidents include fatalities, Lost time incident (LTI), medically treated injuries (MTI) and Restricted Work cases (RWC). The total recordable injury frequency rate (TRIR) is calculated as the number of TRI accidents per one million hours worked.

### COMPLIANCE

- **Total number of whistleblower reports submitted**
  - Includes reports submitted through FLSmidth’s formal whistleblower hotline or by other means, such as e-mail, letter or in person. The figures include total number of reports received, as well as the number of admissible cases, i.e. cases that fall within the scope of topics allowed by whistleblower hotline reporting in accordance with the data privacy laws of the country in question.

- **Number of operations assessed for risks related to corruption**
  - Reported as an accumulated number since 2016, as an annual figure since 2019.

- **Total number and percentage of in-person training for employees who have received training on anti-corruption**
  - Employees no longer employed, and therefore not active in the human resource management tool, will not be counted as having completed the course, regardless of their previous status.

- **Total number and percentage of white collar employees that have completed E-Learning courses on anti-corruption**
  - The number of people completing the mandatory compliance e-learning courses. Employees no longer employed, and therefore not active in the human resource management tool, will not be counted as having completed the course, regardless of their previous status. Contingent workers are included.

- **Number of in-depth due diligence screenings conducted**
  - Includes in-depth due diligence reports on customers, intermediaries, contractors and occasionally other third parties. Reports included in this overview include in-depth human due diligence reports, ownership analysis due diligence reports and automated (DDIQ) reports with human interpretation. Reported as a yearly number from 2020. Prior to this, we reported an accumulated number since 2016.

- **Incidents of discrimination and harassment, and corrective actions taken**
  - Includes reports on discrimination and harassment submitted to FLSmidth’s Group Compliance department through the formal whistleblower hotline or by other means, such as e-mail, letter or in person.

### PEOPLE

- **% women total**
  - All employee types who are on FLSmidth’s payroll and active on the date of the report. Excludes contractors but includes part-time employees and temporary workers.

- **% women white-collar workers**
  - Employees primarily performing professional, managerial or administrative work. Share of White collar women by year-end divided by all White collar employees at year-end.

- **% women blue-collar workers**
  - Employees primarily performing manual labour. Work includes manufacturing, mining, construction, warehouse work, etc. Share of Blue collar women by year-end divided by all Blue collar employees at year-end.

- **% women managers**
  - Women Employees with one or more direct reports. Share of Women managers by year-end divided by all managers at year-end.

- **Internal participants training hours in corporate development programmes**
  - We measure on number of hours spent on internal learning programmes for all employees in FLSmidth. This includes both digital and blended (face-to-face) courses created by any country, region or function in the organization.

- **% employees receiving performance and development reviews**
  - We measure on % of completed End of Year Reviews within the population of active employees in the Worker Sub-Types ‘Regular’ and ‘Apprentice/Trainee’. Based on number of employees as of March 2021.
**ACCOUNTING PRACTICES**

**ENVIRONMENT**

<table>
<thead>
<tr>
<th>Topic and indicator</th>
<th>Accounting practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1</strong></td>
<td>Direct emissions of greenhouse gases and are measured as CO₂-equivalents. Scope 1 emissions for FLSmidth comprise fuel and gas use for stationary combustion, mobile combustion, and fugitive emissions.</td>
</tr>
<tr>
<td><strong>Scope 2</strong></td>
<td>Indirect emissions from electricity, heat, steam, and cooling purchased and consumed by FLSmidth. We use location-based and market-based methods for calculations of Scope 2 emissions. For location-based, emission factors are derived from the International Energy Agency (IEA). For market-based, residual emission factors for Europe and North America are derived from the European Residual Mixes 2020 Association of Issuing Bodies and the Green-e Market.</td>
</tr>
<tr>
<td><strong>Scope 3</strong></td>
<td>Downstream scope 3 greenhouse gas emissions from lifetime use of sold products sold in the reporting year, divided by order intake for the same period. Process emissions are excluded. Business travel is included due to the existence of emission factors for mobile combustion.</td>
</tr>
</tbody>
</table>

**Summarised reporting and notes**
ACCOUNTING PRACTICES

Scope 3, Category 1 (Purchased goods and services) greenhouse gas emissions (in tonnes CO₂-equivalents)

Greenhouse gas emissions from purchased goods and services are estimated through amounts of purchased goods, based on spend and supplier data and product compositions. Upstream cradle-to-gate GHG emissions from the purchased goods are derived through the use of life cycle cradle-to-gate emission factors from the lifecycle databases in GaBi. Numbers have been rounded to nearest hundred thousand tonnes of CO₂-equivalents, to reflect the inherent uncertainty of scope 3 calculations.

Scope 3, Category 1 (Use of sold products) greenhouse gas emissions (in tonnes CO₂-equivalents)

This category includes the current and expected future direct use-phase GHG emissions from our products sold in the reporting year, over their entire expected lifetime. As such, these emissions are not directly comparable to reported actual greenhouse gas emissions that have already occurred.

Lifetime power and fuel consumption from the use of our sold products are converted into GHG emissions using conversion factors for electricity and fuels: For electricity, global IEA factors for GHG emissions in CO₂-equivalents per kWh, from electricity are used, including both CO₂, CH₄ and N₂O emissions. For fuels, DEFRA CO₂-equivalents conversion factors are used, including well-to-tank emissions. Greenhouse gas emissions from fuel burning is allocated to the products consuming the fuel energy. Numbers have been rounded to nearest hundred thousand tonnes of CO₂-equivalents, to reflect the inherent uncertainty of scope 3 calculations.

Scope 3, Category 1 (Use of sold products) greenhouse gas emissions (in tonnes CO₂-equivalents) – including process emissions

This covers the Scope 3, Category 1 (Use of sold products) greenhouse gas emissions, as described above, including process emissions from raw materials for the cement industry. Process emissions in cement occur due to a chemical reaction in raw materials when heated, and are a consequence of raw materials use, rather than equipment. Thus, this is included for transparency, but is not included in the total sum of Scope 3 greenhouse gas emissions.

Water withdrawal (m³)

Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumes from waterworks. The latest assessment was carried out in January 2022. For entities with shared office spaces and where consumption data are not accessible, the water use is estimated as follows: office/warehouse – 20 litres/pp/day, manufacturing facility – 35 litres/pp/day, facility with boilers in use – 50 litres/pp/day. Offices with fewer than 10 people are not included. Moreover, customer sites during project-related activities are not included since we do not have financial control over those sites.

Share of water withdrawal in high water-stressed areas

Analysis on water withdrawal in water-stressed areas: Identification of entities in low, medium, high or extreme high water-stressed areas, using the Aqueduct Water Risk Atlas tool suggested in the GRI 303: Water and effluents standards 2018. The total water withdrawal amount from extreme high and high water-stressed areas was fractionated from the total water withdrawal from all entities globally and the percentage was calculated by region and globally.

6. Business Travel

Carbon emissions from business travel is included in our Scope 3 reporting. The emission is based on the booking system of the main flight ticket provider and is collected on a quarterly basis.
ACCOUNTING PRACTICES

<table>
<thead>
<tr>
<th>Topic and indicator</th>
<th>Accounting practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUPPLY CHAIN</strong></td>
<td></td>
</tr>
<tr>
<td>K ogZ[li] &quot;mojejeb][imn][l][h]&quot; Xh bX Zbebsn</td>
<td></td>
</tr>
<tr>
<td>K ogZ[li] &quot;mojejeb][imn][l][h]&quot; Xh bX Zbebsn</td>
<td></td>
</tr>
<tr>
<td>% of findings/non-conformities that have improvement plans agreed upon with suppliers</td>
<td></td>
</tr>
<tr>
<td>% of “new” high-risk suppliers screened for sustainability</td>
<td></td>
</tr>
</tbody>
</table>

| **HUMAN RIGHTS**    |                     |
| EogX hlb ‘ann[|pb[|q|b|bn]|b |                     |
| EogX hlb ‘ann[|pb[|q|b|bn]|b |                     |
| QinX ehogZ[li] "qabn[|leeX][gj|eis][mqaiaX p] |                     |

**FLSmidth Sustainability Report 2021**
ACCOUNTING PRACTICES

<table>
<thead>
<tr>
<th>Topic and indicator</th>
<th>Accounting practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU TAXONOMY</strong></td>
<td></td>
</tr>
<tr>
<td>Eligible Revenue</td>
<td>FLSmidth defines revenue-generating eligible equipment and technologies as those aimed at substantial GHG emission reductions in the value proposition of the product offering. They do so by improving directly or enabling energy efficiency or enabling alternative fuels switches. Eligible revenues include the sale of product and solutions, as well as spare and wear parts. These technologies and products must meet the Article 16 requirements i.e., not leading to a lock in of assets that undermine long term environmental goals and have a substantial positive environmental impact, based on life cycle considerations. Eligible products and activities were categorized either as “3.6 Manufacture of other Low Carbon Technologies” and “8.2 Data-driven solutions for GHG emission reduction”, contributing substantially to climate change mitigation. The denominator of the revenue KPI is total revenue (Note 1.4 in the consolidated notes of the 2021 annual report).</td>
</tr>
<tr>
<td>Eligible OPEX</td>
<td>FLSmidth defines revenue-generating eligible operations expenditure (OPEX) includes any of the following types of spend: (a) related to assets or processes that are associated with Taxonomy-aligned economic activities (“3.6 Manufacture of other low-carbon technologies” and “8.2 data-driven solutions for GHG emission reduction”); (b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned; (c) related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to GHG reductions; (d) related to non-capitalised R&amp;D aligned with “Close to market research, development and innovation”. The denominator of the OPEX KPI is a subset of DIRECT non-capitalised costs relating to: • Research and development, • Building renovation measures, • Short-term leases, • Maintenance and repair, and Any other direct expenditures for the day-to-day servicing of assets of property, plant and equipment by FLSmidth, or outsourced to a third party, that are necessary to ensure the continued and effective functioning of such assets. Of the above categories, expensed R&amp;D is disclosed under note 2.2 in the consolidated notes of the 2021 annual report. Where the remaining categories identified were a minor subset of ‘production costs’; note 1.2.</td>
</tr>
<tr>
<td>Eligible Capex</td>
<td>FLSmidth defines revenue-generating eligible capital expenditure (CAPEX) includes any of the following types of spend: (a) related to assets or processes that are associated with Taxonomy-aligned economic activities; (b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned (‘CapEx plan’); (c) related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to GHG reductions. We included in the numerator of the eligible CAPEX capitalized R&amp;D, production processes, and investments in non-revenue generating activities described above. The denominator of the CAPEX KPI includes total additions to Intangibles and Tangibles (including capitalised leases), including those from business combinations (Notes 2.2, 2.4 and 2.5 in the consolidated notes of the 2021 annual report).</td>
</tr>
</tbody>
</table>

**RESTATEMENT THRESHOLD**

A threshold of 3% is used for ‘material changes’ in numbers. Changes below that threshold will not be restated. No restatements were made this year.
<table>
<thead>
<tr>
<th>SDG</th>
<th>SDG targets</th>
<th>Description</th>
<th>FLSmith targets – MissionZero</th>
</tr>
</thead>
<tbody>
<tr>
<td>☀️ CLEAN WATER AND SANITATION</td>
<td>6.3</td>
<td>By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</td>
<td>WAOL T+QAO WASTE</td>
</tr>
<tr>
<td>☀️</td>
<td>6.4</td>
<td>By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</td>
<td>BRAI PR &gt; PQFQA QFLKP</td>
</tr>
<tr>
<td>☀️ AFFORDABLE AND CLEAN ENERGY</td>
<td>7.2</td>
<td>By 2030, increase substantially the share of renewable energy in the global energy mix</td>
<td>FLSmith targets – MissionZero</td>
</tr>
<tr>
<td>☀️</td>
<td>7.3</td>
<td>By 2030, double the global rate of improvement in energy efficiency</td>
<td>WAOL AKAOCV WASTE</td>
</tr>
<tr>
<td>☀️ RESPONSIBLE CONSUMPTION AND PRODUCTION</td>
<td>12.2</td>
<td>By 2030, achieve the sustainable management and efficient use of natural resources</td>
<td>WAOL T+POA</td>
</tr>
<tr>
<td>☀️</td>
<td>12.4</td>
<td>By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</td>
<td>WAOL T+POA</td>
</tr>
<tr>
<td>☀️</td>
<td>12.5</td>
<td>By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</td>
<td>WAOL T+POA</td>
</tr>
<tr>
<td>☀️ CLIMATE ACTION</td>
<td>13.2</td>
<td>Integrate climate change measures into national policies, strategies and planning</td>
<td>WAOL T+POA</td>
</tr>
<tr>
<td>SDG</td>
<td>SDG targets</td>
<td>FLSmidth targets – operational sustainability</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-------------</td>
<td>-----------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>GENDER EQUALITY</strong></td>
<td>* **</td>
<td>A diverse and inclusive organisation</td>
<td></td>
</tr>
<tr>
<td><strong>DECENT WORK AND ECONOMIC GROWTH</strong></td>
<td>% $</td>
<td>People diversity</td>
<td></td>
</tr>
<tr>
<td><strong>REDUCED INEQUALITIES</strong></td>
<td></td>
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<td></td>
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<tr>
<td><strong>RESPONSIBLE CONSUMPTION AND PRODUCTION</strong></td>
<td>#</td>
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<tr>
<td><strong>CLIMATE ACTION</strong></td>
<td></td>
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<tr>
<td><strong>PEACE, JUSTICE AND STRONG INSTITUTIONS</strong></td>
<td># **</td>
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</tr>
</tbody>
</table>

Compliance and mitigate negative impacts: Rest of the SDGs and SDG targets

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# New and Descoped Indicators

## List of Descoped Indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>-</td>
</tr>
<tr>
<td>People</td>
<td>Internal participants having undergone corporate development programmes</td>
</tr>
<tr>
<td>Compliance</td>
<td>Numbers of in-depth due diligence screenings conducted (cumulative from 2016 to 2019).</td>
</tr>
<tr>
<td>Environment</td>
<td>-</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>-</td>
</tr>
<tr>
<td>Human Rights</td>
<td>-</td>
</tr>
</tbody>
</table>

## List of New Indicators

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>-</td>
</tr>
<tr>
<td>People</td>
<td>-</td>
</tr>
<tr>
<td>Compliance</td>
<td>Type of whistleblower report: Compliance</td>
</tr>
<tr>
<td></td>
<td>Type of whistleblower report: Finance</td>
</tr>
<tr>
<td></td>
<td>Type of whistleblower report: Other</td>
</tr>
<tr>
<td>Environment</td>
<td>Scope 3, Category 1 (Purchased goods and services) greenhouse gas emissions (in tonnes CO₂-equivalents)</td>
</tr>
<tr>
<td></td>
<td>Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO₂-equivalents) – including process emissions</td>
</tr>
<tr>
<td></td>
<td>Total Scope 3 greenhouse gas emissions (in tonnes CO₂-equivalents)</td>
</tr>
<tr>
<td></td>
<td>Scope 3 downstream (use of sold products) economic intensity (greenhouse gas emissions in tonnes CO₂-equivalents/DKKm order intake)</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>-</td>
</tr>
<tr>
<td>Human Rights</td>
<td>Online training (e-learning) for white-collar employees</td>
</tr>
</tbody>
</table>
STANDARDS AND DISCLOSURES

Boundaries
The content and topics covered in this report reflect the areas where, in terms of sustainability, our direct impact occurs. In this regard we have a special focus on the environmental, social and economic impact across our value chain. Taking a life cycle approach, we report on the impacts from the production in our supply chain, our own operations and at customers’ sites. (p. 9, 24-25)

European common enforcement priorities for 2021 annual financial reports, including non-financial statements
The 2021 Report includes disclosures for the following requirements:

- Impact of the COVID-19 pandemic on non-financial matters (p.4-5 and 28)
- Social and employee matters – most notably in relation to the extensive use of remote working arrangements and compliance with health and safety rules (p. 28 and 31)
- Business model and value creation, with the emphasis on the need to provide disclosures on the impact of the pandemic on the business model and value creation (p. 4-5 and 29)
- Risks relating to climate change, taking into account physical and transition risks (p. 37)

Financial Statements Act
The Sustainability Report is in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act.

United Nations Global Compact – Communication on Progress
The Sustainability Report 2021 is our Advanced Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

Global Reporting Initiative (GRI)
We publish a separate GRI Standard table along with our annual Sustainability Report that can be downloaded at flsmidth.com/sustainabilityreview2021

GRI 207: Tax
FLSmidth has acknowledged the introduction of the new GRI:207 reporting standard on tax. Tax is a material topic for FLSmidth.

Task Force on Climate-related Financial Disclosures (TCFD)
To better understand, manage and disclose the impacts of climate changes – both in terms of risks to our own business and to our customers as well as potential opportunities due to stronger demand for climate-related solutions, we are aligning our practices and reporting with the TCFD recommendations. Our findings can be found on page 35. We will further align on the TCFD recommendations in 2022.

EU Taxonomy
Our disclosure has been based on our best interpretation of the EU Taxonomy Regulation and delegated acts.

Science-Based Targets
Our disclosure related to our Science-Based Targets has been based on the Science-Based Target Initiative guidelines.
To the stakeholders of FLSmidth & Co. A/S

We have been engaged by FLSmidth & CO A/S ("FLSmidth") to perform a ‘limited assurance engagement’, as defined by International Standards on Assurance Engagements, to report on FLSmidth’s Sustainability Report 2021 (the “Subject Matter”) as of 1 January 2021 to 31 December 2021.

In preparing the Sustainability Report, FLSmidth applied the accounting policies (the “Criteria”) prepared in accordance with the reporting approach and criteria described on pages 45-49.

Management’s responsibilities

FLSmidth’s management is responsible for selecting the Criteria, and for presenting the the Sustainability Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject matter, such that it is free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Sustainability Report 2021 and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Interviews with relevant company professionals responsible for sustainability strategy, management and reporting located at FLSmidth’s headquarter in Valby
- Three virtual site visits, which included interviews of relevant company professionals to understand the process for collecting, collating, and quality-reviewing data on a regional level
- Checked, on a sample basis, that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Criteria
- Analytical review procedures to support the reasonableness of the data

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, nothing came our attention that causes us to believe that FLSmidth’s Sustainability Report for the period from 1 January 2021 to 31 December 2021 have not been prepared, in all material respects, in accordance with the Criteria described on pages 45-49.

Copenhagen, 16 February 2022,
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

INDEPENDENT AUDITOR’S LIMITED ASSURANCE REPORT

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Carina Ohm
Partner
Head of Climate
Change and
Sustainability
Services

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