SUSTAINABILITY REPORT 2019

- **TRIFR**: 1.6 (Down from 3.0)
- **Whistleblower cases**: 85 (Up from 65)
- **Women Managers**: 11.2% (Up from 10.4%)
- **Tonnes of carbon**: 44,862 (Down from 64,240)
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ABOUT THIS REPORT
The 2019 Sustainability Report describes the non-financial performance of FLSmidth & Co. A/S, based in Copenhagen, Denmark and supplements the 2019 Annual Report and Corporate Governance Report. The Sustainability Report has been published every consecutive year since 2010 and has been prepared in accordance with GRI:core option and it is in compliance with section 99a of the Danish Financial Statements Act. FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen.

It is possible to access previous year’s data on our website. Please visit www.flsmidth.com/sustainability

Contact: sustainability@flsmidth.com

This is our Advanced Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

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For nearly 140 years, we have reduced the energy and water footprint of our customers to help them optimise their operational expenses. With the launch of our MissionZero ambition this year, we’re accelerating how our technology and knowledge contribute to global sustainable development. We want more business at less cost to the environment.

As this decade comes to a close, it is a good time to look at the progress the world has made and to look to the future. In the past 10 years, the world has seen substantial economic growth with millions of people rising out of poverty. However, we’ve also seen the climate crisis worsen and water becoming more scarce.

The next decade will, to a large extent, be shaped by the commitment countries have made to the United Nations Sustainable Development Goals. It is expected that one billion people will move into the middle class by 2030. This will raise demand for construction materials and for minerals, which will in turn put increasing pressure on the environment. To meet this challenge, we need to find innovative solutions and new ways of working, ones that decouples environmental impacts from socio-economic growth.

As the number one provider of sustainable productivity in cement and mining, we recognise the crucial role we can play in helping these sectors make the necessary change. This is why we launched a new sustainability programme this year. MissionZero aims to enable customers to move towards operating with zero emission processes by 2030 by delivering pioneering technology backed by world-class knowledge.

We made good progress this year in improving the sustainability performance of our own operations and that of our supply chain. The diversity of our employees has improved, which we see as a productivity driver for Group level performance. Our overall safety performance has improved significantly. However, we cannot allow ourselves to ever become complacent. It is with great regret that I inform you that one of our contractors lost his life this year. We’ve taken a number of systemic steps to address this, and we will not stop until zero harm comes to everyone working under our control.

FLSmidth became a signatory to the United Nations Global Compact 11 years ago, and we have since renewed our commitment and continued our reporting at an advanced level. We are fully dedicated to supporting the Sustainable Development Goals and the Paris Climate Agreement.

We invite you to take part in our journey to enable our customers to move towards zero emissions. This will be a collaborative effort and we must all embrace the challenges to accelerate the uptake of sustainable solutions.

Vagn Sørensen and Thomas Schulz
December 2019
TOWARDS ZERO EMISSIONS IN MINING AND CEMENT

With MissionZero, we enable our customers in cement and mining to move towards zero emissions by 2030. As a leader in the cement and mining industries, we see a significant business opportunity in bringing these industries into a sustainable future.

The Zero emission cement plant
Commercially competitive with cement quality guaranteed

The Zero emission mining process
Commercially competitive with a minimised environmental footprint

Zero emissions
100% fuel substitutions
Zero waste
Zero water waste
Zero emissions
Zero energy waste
The goals of MissionZero go beyond what is feasible with technology available today. It requires a paradigm shift in how industry players collaborate and innovate. As a leader in both the cement and mining industries, we are ready to accelerate the adoption of sustainable technology to support the Sustainable Development Goals and the Paris Climate Agreement.

For the cement industry, we will have a strong focus on emissions. By leveraging all of today’s opportunities within existing technologies, innovation projects and early stage research and development, we estimate that we can reduce CO₂ emissions per tonne of cement by approximately 70 percent. The remaining 30 percent reduction will come from new solutions. Our efforts are focused on reducing carbon emissions from the fuel burning, while also finding alternatives to reducing the process emissions relating to clinker. We have already pioneered several projects that can help achieve this, including our Hotdisc, which allows for increased co-processing of alternative fuels in cement kilns, or our Low NOₓ Calciner, which can help customers meet even the most stringent emission limits.

In mining, we will have a particular focus on water. Our ambition is to offer our mining customers solutions that support zero water waste by 2030. We already have technology that enables our customers to recover up to 95 percent of their process water. This dry-stack tailings solution also solves problems associated with waste water management and is economically competitive with alternative water management options such as desalination, even for high tonnages. The need for effective water management is increasing over time as ore grades drop, since more water is needed to process the same amount of product.

For each of the two industries, we have developed a roadmap of which technologies need to be developed to support our customers to reach these goals beyond our current portfolio. To ensure continuous progress, we are developing a bespoke Key Performance Indicator framework that measure our performance against the goals for our research and development capabilities, our sales and in terms of absolute and relative reductions in emissions. At the same time, we need to work with international organisations and governmental stakeholders to create a supportive environment that facilitates the uptake of these technologies.

Some of these solutions are already on the market today, while others are early in the innovation process. We will need to accelerate the adoption of the best available technology that we can provide, as it makes a significant improvement of customers’ emission and water use when installed. We will also strengthen internal processes to bring new technologies to market that can have sustainability impact. We will actively seek new partnerships to co-create the necessary solutions required to address some of the world’s biggest environmental challenges.
FLSMIDTH AT A GLANCE

FLSmidth is a leading supplier of sustainable productivity–enhancing solutions to the global cement and mining industries. Through our unique combination of engineering, products and services, we help our customers increase their production output, decrease operating costs and reduce environmental impact.

We are the market leader in the premium segment of the cement industry. We have the most complete offering and the strongest brand. In mining, we are amongst the market leaders with one of the strongest brands and broadest offerings. We have a proven track record of quality and reliability.

**Our vision**
We drive success through sustainable productivity enhancement

**MissionZero**
With MissionZero, we enable our customers in cement and mining to move towards zero emissions by 2030.

**Countries**
A truly global company with local presence in more than 60 countries and customers in more than 150 countries.

**Employees**
Our employees use their unique process knowledge about projects, products and services to meet our customers’ needs for technical innovations, digitalization and sustainable life cycle management.

**60+**

**We are**
A supplier of everything from single machinery to complete cement and minerals processing plants, including services before, during and after the construction.

**11,765**
FLSMIDTH IN THE WORLD

7
Regional headquarters

3
Global technology centres

76
Local sales and service offices

6
Service super centres in mining clusters

23
In-house workshops (70-80% outsourced)

DENMARK
Global headquarters & cement technology center

USA
Mining technology center

INDIA
Shared technology center

Sustainability Report 2019
SUSTAINABLE PRODUCTIVITY PROVIDER #1

Customer and sustainability benefits
- Increasing output and quality
- Reducing total cost of ownership
- Increasing productivity
- Increasing resource utilisation
- Obtaining permits and social license to operate

FLSmidth key competencies
- Process and product knowledge to optimise operations
- Guaranteed equipment uptime and performance
- Proactive and predictive maintenance through innovative and digital solutions
- Driving sustainable development
- Local service and support presence

BUSINESS MODEL
A UNIQUE COMBINATION OF PROJECTS, PRODUCTS AND SERVICES

LIFE CYCLE PROVIDER
LONG-TERM CUSTOMER RELATIONS

Products
Services
Projects
THE WORLD IN 2030

People living in urban areas
The number of people living in urban areas will increase by

900 million

Exponential economic growth
The global economy is expected to grow by 63% in the upcoming decade

$84 tn $137 tn

Standards of living
As more people escape poverty, purchasing power is on the rise. By 2030, the middle class will grow by 38%.

2018 3.7 bn
2030 5.1 bn

The climate crisis
Under a business as usual scenario, CO₂ emissions will rise by 21% by 2030. To limit warming to 1.5°C as per the Paris Climate Agreement, they need to drop by 47%.

Global water stress
The number of people living in water stressed areas is expected to increase substantially by 2030.

Population growth
The current world population of 7.7 billion is expected to grow by 900 million people in 2030.

$84 tn $137 tn

Urbaniation

Source: World Data Lab (2020), ‘Middle Class Data’
Source: UNEP (2019), ‘Options for decoupling economic growth from water use and water pollution’
MINERALS AND CEMENT ARE ALL AROUND US

Economic growth and urbanisation drive increasing demand for cement and minerals. FLSmidth plays a key role in delivering sustainable productivity to the global mining and cement industries to support this.

1. Minerals for electronics
   Electronic devices and digital solutions play an increasing role in business and private life. Vast amounts of minerals are needed for the digital infrastructure and power in our smartphones, computers, home appliances, and electric vehicles.

2. Cement for construction
   With increased urbanisation comes the need for cement to build concrete structures such as houses, bridges and even wind turbines.

3. Copper for electricity
   Copper distributes electricity over long distances with little power loss. This is of growing importance in a future with electric vehicles, high-speed trains, and more offshore wind farms.
A TRULY GREEN TRANSITION

The transition to green energy increases the demand for cement and minerals. If we do not produce these materials sustainably, the demand could have a negative impact elsewhere in the value chain.

247% more windpower in 2030

Electric vehicles will play a vital role in the transition towards carbon-neutral transportation.

Source: IRENA (2019), ‘Future of Wind’
Source: World Bank (2019), ‘Climate Smart Mining’
OUR IMPACT ACROSS THE VALUE CHAIN

The products we design and build can sometimes be operated for decades by our customers. By taking sustainability into consideration from the initial stage of development, we have a substantial influence on the value chain for a long time to come.

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<th>Customers</th>
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<td>Above industry standards</td>
<td>Supplier audits</td>
<td>Use of our products and services</td>
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<td>Sustainability Impact</td>
<td>Full</td>
<td>Medium</td>
<td>Large</td>
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<td></td>
<td>Small</td>
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The cement sector plays a key role in global urbanisation and economic growth. However, with 7% of all global emissions coming from its production, and no substitution at scale in sight for concrete that has the same versatility and functionality, the world is faced with a significant challenge. The industry will need some radical shifts in order to contribute to the Sustainable Development Goals and the Paris Climate Agreement.

Cement producers are adapting to these changing global megatrends. This presents new business opportunities for FLSmidth, as we collaborate across the value chain to bring sustainable solutions to light.
1. Quarrying and crushing
- The main raw materials needed to make cement are limestone and clay
- Limestone is calcium carbonate, CaCO₃, and is 44% CO₂ by weight
- Deposits are drilled, blasted or ripped using heavy machinery
- The material is then transported to the crusher to reduce the size of the rocks – this is the first step where FLSmidth equipment is involved
- After crushing, the raw materials are evenly mixed and controlled for quality

2. Drying and raw grinding
- The materials are fed to the raw mill, where they are ground to the right particle size and dried to the right moisture content
- The outcome is raw meal, which is stored in a silo where they are further mixed to ensure a consistent chemical composition
- This is a main driver for better performance of the kiln system and final clinker quality
- This process requires a lot of power, and energy efficiency of the equipment can reduce the carbon footprint

3. Pyro-processing
- The raw meal is fed into the top of the pre-heater tower. When it reaches the calciner at the bottom, it will have a temperature of 1000°C. Heating the material decomposes CaCO₃, thereby releasing the CO₂ contained in the limestone. These are ‘calcination’ emissions, and are inevitable
- It then enters the rotary kiln, a rotating furnace, where the kiln burner heats the material to 1450°C. By substituting alternative fuels (often waste) for fossil fuels, it allows for a reduced net carbon footprint
- The heating further decomposes the material and the rocks melt to form clinker
- Clinker is the main component of cement. The clinker is then cooled

4. Clinker & cement grinding
- The clinker is ground in a mill to reduce its particle size along with other raw materials such as gypsum, slag, fly ash, limestone or natural pozzolans
- The clinker has a high carbon footprint, and therefore a focus area of sustainability is to reduce the amount of clinker in the final cement product. This can be achieved by mixing it with additives (supplementary cementitious materials)
- Different cements are used for different applications, so clinker and additives must be mixed in the right quantities to get the right type and quality

5. Dispatching
- The cement is then ready to be dispatched
- It can be packed in 50kg bags and loaded onto trucks
- It can be shipped by 25t bulk tankers
- It can be shipped by rail or ship
- Ultimately, it is mixed with water, sand and gravel to form concrete, which is used to build the infrastructure around us.

Social impacts: Safety, human and labour rights, capability building, community relations, diversity
Economic impacts: Compliance, supply chain, local hiring, tax, wages
Environmental impacts: CO₂, gaseous emissions (NOₓ, SO₂ etc.), waste, water, biodiversity

NB: Impacts we can influence
With the growing global population and increasing urbanisation, cement production will only rise over time. Assuming production techniques remain relatively constant, the CO₂ footprint of the industry is projected to increase by 4 percent under a business-as-usual scenario. However, to limit global warming to a 2°C increase, the industry must decrease absolute emissions by 16 percent by 2030. This will not be an easy feat.

To be truly sustainable, the environmental impacts of cement must be decoupled from growth in the sector. This will be done by addressing the net emissions from cement, meaning the CO₂ emitted per tonne. It will need to decrease by 21 percent over the next decade, and this will come from accelerating the adoption rate of more sustainable technologies and production methods.

FLSmidth is meeting this challenge head-on with Mission-Zero, where we help our customers on their journey towards zero environmental impact. Plants with high efficiency typically have a lower environmental impact and lower operating costs, simply because they use less power and less fuel. Higher productivity in plants using the same amount of resources also means lower net emissions per tonne. In some cases, a plant’s ability to use waste-derived fuels can even be a separate revenue stream.

The three main levers to focus on to reduce a plant’s environmental footprint are electric power consumption, fuel for heating, and calcination. With our world-class knowledge and strong presence in the industry, we feel confident that we can reduce net emissions per tonne by 70 percent by 2030 if we start on the journey now. Some of the solutions are already on the market today, we just need to increase the rate of adoption of the best available technology.

However, the goals of MissionZero go beyond what is feasible using the technology available today. To reduce net emissions per tonne for the remaining 30 percent requires a shift in how we collaborate and innovate. We will be accelerating our research and development into zero emissions cement plants, while actively seeking partners who can support us.

To provide future generations with quality housing, roads and other infrastructure, we in the industry have a responsibility to make cement production more sustainable. We are motivated, we are passionate, and we are committed to doing our part in moving the cement industry towards carbon neutrality.

Jan Kjærsgaard, Group Executive Vice President, Cement Industry
# TOWARDS ZERO EMISSION CEMENT

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<th>What generates the CO₂?</th>
<th>What are the levers to address the issues?</th>
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<td><strong>32%</strong> Burning fuels – heat generation (coal, coke or gas)</td>
<td><strong>Alternative fuels</strong></td>
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<td><strong>55%</strong> Process emissions (high-temperature calcination)</td>
<td><strong>Cement producers drive carbon-neutral cement production</strong></td>
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Low NO\textsubscript{X} Calciner

While CO\textsubscript{2} emissions from cement production pose a global challenge, NO\textsubscript{X} (nitrous oxides) emissions are more of a local challenge. NO\textsubscript{X}-related issues, such as smog pollution, have a direct impact on local public health in communities located close to cement facilities. This is why cement producers around the world are aiming to lower NO\textsubscript{X} emissions. Adding to this important reason, reducing NO\textsubscript{X} emissions is closely linked to a cement producers’ “license to operate,” because local authorities are tightening health and environmental regulations.

As part of MissionZero, we have focused on research and collaboration to meet the demand for cleaner cement production. An example of this effort is our newly designed Low NO\textsubscript{X} Calciner.

SUSTAINABLE INNOVATION

THE BENEFITS

- Significant reduction in NO\textsubscript{X} emissions
- Optimised for alternative fuels
- Lower operational expenses

RESEARCH PARTNERSHIP

By leveraging all of today’s opportunities within existing technologies, innovation projects and early stage research and development, we estimate that we can reduce CO\textsubscript{2} emissions per kilo of cement produced by approximately 70 percent. The remaining 30 percent reduction will come from new solutions. We know that for MissionZero to be a success, it will be very important to work in collaboration with organizations and customers.

This year, we joined the Global Cement and Concrete Association’s newly founded Innovandi research network. It aims to connect the cement industry with scientific institutions to find innovative, sustainable solutions. A total of 24 companies have joined the network, including cement and concrete manufacturers, and equipment suppliers. Through working closely across the value chain and bringing in the right external expertise, we see this opportunity as a catalyst for improved industrial performance.

Sustainability Report 2019
Escalating demand for electronic products and increasing standards of living are causing an exponential increase in demand for minerals. Central to meeting this consumer demand is the mining industry, which is being asked to increase production in an ever-more challenging landscape.

Greater scarcity of resources such as energy, water and raw materials – along with declining ore grades and stricter regulations – are leading to more complex and costly operations. It’s becoming clear that the mining companies navigating these challenges effectively are the ones that will succeed in the long run.
1. Extraction, size reduction and size control

- Ore is the term applied to rocks containing enough minerals to be considered financially viable to extract
- The goal of mineral processing is to produce maximum value from a given ore
- All mines have different operating conditions due to varying types of ore deposits. This diagram is a simplified one.
- Mining can take place either above ground in open-pits, or below ground
- Ore is drilled and blasted and can be trucked to a crusher, or crushed in a pit and conveyed out, which is more energy efficient
- The ore is then crushed to reduce the particle size to a broad range
- The crushed ore must be fed into a mill where it is powdered, or pulverised
- Most often, this is a wet process that facilitates transportation as a slurry
- Once milled, the material goes through a series of screens and cyclones that separate the coarse and fine material. Coarse material is then sent back to the mill.
- Mills are highly energy-intensive, representing about half of the energy consumed by an entire mine. This is estimated to account for 3% of all global electricity use.

2. Enrichment and upgrading

- During these stages, the valuable minerals are separated and concentrated, while the left-over materials called tailings are dewatered and stored. This involves flotation, concentration, clarification, thickening, filtration and tailings management.
- A flotation cell is used to remove the impurities to concentrate the valuable minerals. Chemicals and oils are used to coat the minerals so they can stick to air bubbles. The bubbles form froth containing the valuable concentrate, which is then skimmed off the top. Tailings accumulate at the bottom and are removed to be dewatered.
- The concentrate is then sent for further upgrading, for example solvent extraction and electrowinning, depending on the ore.
- The remaining portion, the tailings, is separated to recover the water. They are moved to clarifiers and thickeners, where the particles settle at the bottom and the water can be recovered and re-used
- Filter presses are then used to remove additional water, leaving filter cake. It is mixed with waste rock and stored as “dry stack tailings”, the most environmentally-sound method of managing tailings.

Social impacts: safety, human and labour rights, capability building, community relations, resettlement, diversity

Economic impacts: Compliance, supply chain, local hiring, tax, wages

Environmental impacts: Water, effluents, CO₂, gaseous emissions (NOₓ, SO₂ etc.), tailings, waste rock, acid rock drainage, hazardous materials, land use, biodiversity

NB: impacts we can influence
The industry is facing broader stakeholder demands, not just from local communities, but from investors too. Working conditions, water management, emissions and other sustainability issues have become core business challenges for miners. Obtaining a social licence to operate along with access to capital are now among the greatest risks to mining companies.

Mineral processing is highly dependent on water, which has implications for the cost of operations and, in extreme cases, may even threaten production altogether. Tailings dams are meant to hold the water-based waste from mineral processing for an indefinite period, usually stretching well beyond mine closure. However, due to many different factors, some dams can break, causing devastation to populations and nature downstream. Such incidents can cause social unrest and are increasingly on the agenda of regulators. This trend will only grow over time.

The difficulty in delivering the minerals demanded by society while decreasing the environmental footprint is being compounded by declining ore grades. Over time, as the most profitable deposits are depleted, the concentration of valuable minerals in the ore decreases. This has direct implications for the amounts of water and energy needed for production, increasing the environmental footprint of the mine.

It is a challenge, of course, but it also creates opportunities for us to be part of the solution. With MissionZero, our ambition is to offer our mining customers solutions that support zero water waste by 2030. We already have technology that enables our customers to recover up to 95 percent of their process water, it’s now a question of scaling it.

The task is immense, and we don’t have all the answers right now, but we have deliberately set the bar high. The goals of MissionZero require an acceleration in the adoption of new technologies. Industry players will need to actively seek new partnerships to co-create the necessary solutions required.

Sustainability will – and should – affect the way we do business across the entire industry. There are opportunities for all of us and in the roles we play across the entire mining life-cycle. I believe we can create a future where mining and minerals processing requires very little or no fresh water.

Manfred Schaffer, Group Executive Vice President, Mining Industry
TOWARDS A ZERO WATER MINE

CURRENT

Large paste thickeners
Retain 30wt% water
Smaller tailing dams downstream
Reuse of tailings in mine backfill

Advanced large-scale filter presses
Retain 15wt% water
Dry stack tailings downstream Industry adapting slowly

2020

FLSmidth Focus
Large Filter Press
Dry stack tailings

2025

Dry grinding and dry classification presses
Retain 10wt% water
Leverage experience from cement industry to develop new dry stack tailings technology downstream

2050

Dry mineral separation
Zero H₂O
No wet flotation
Breakthrough technology to be discovered
Dry waste downstream
Rapid Oxidative Leaching (ROL)

FLSmith’s discovery of the ROL technology was first announced in May 2015. This ground-breaking solution overcomes three major challenges in the mining industry (copper in particular); declining ore grades, increasing levels of arsenic and other impurities, and reduced production from existing solvent extraction and electrowinning facilities due to falling recoveries from heap leach when transitioning from oxide to sulfide ores.

We are currently testing concentrates from several interested copper miners at our pilot plant in Salt Lake City, USA, and at a third-party independent laboratory. The purpose of these tests is to establish data for the customers to determine if they would like to move ahead with pre-feasibility studies. During 2017-2018, the concentrates from one customer have been tested and indicated a positive return on investment. We have supplied the relevant equipment to this customer in 2019 in order to operate a demonstration scale ROL process plant at their facility in South America. This is an important step in scaling up and commercialising the ROL process. Preliminary operation started at end of 2019 and is expected to conclude by mid-2020.

In addition to copper, we have tested ROL with refractory gold (gold not easily recovered by standard methods), and it has proved possible to apply the technology in the laboratory to significantly improve gold recovery. We are currently working with several gold producers in research and development of this process, with the goal of potentially moving on to pilot scale testing in 2020.

Dry Stack Tailings (DST)

DST can recirculate up to 95% of mine process water and eliminate the risks of catastrophic tailings flow when a dam fails. Utilising EcoTails™, jointly developed by Goldcorp and FLSmith, we can take a large step towards reusing maximum water and eliminating wet tailings dams. This is a process which blends filtered tailings with waste rock, creating a geotechnically stable waste product and eliminating the need to keep conventional slurry tailings contained in a dam and submerged in water. The resulting environmental benefits are no tailings dams, lower fresh water use, reduced acid rock drain-age, a smaller mine footprint and significantly reduced overall risk. To make it economically viable for large mining operations to use dry stacked tailings, we have developed the 5-metre x 3-metre AFP-JV® Colossal™ filter, which is the largest in the world. This filter can dewater high tonnages to the scale of more than 120,000 tonnes of tailings a day. The EcoTails™ research and development project is in the feasibility testing phase. The next stage is a demonstration scale project.

In 2019, FLSmith won complete systems orders for Filtered Paste plants with Hindustan Zinc and Lundin Gold. In addition to this, FLSmith is supplying the world’s largest Paste Thickener plant system to a mine in Kazakhstan, which includes three Paste thickeners along with a paste pumping system. We have also entered into a collaboration with a large customer in Brazil, including a first order of 30 disc filters.
We seek to identify and understand all major sustainability impacts, opportunities and risks throughout our value chain. This relies on engagement with all relevant stakeholders, through transparency, open communication channels and meaningful dialogue. As a company whose values are competence, cooperation and responsibility, this is of great importance to us. We need insights into their expectations so that we can continuously improve. Our commitment to this is clearly laid out in our Sustainability Policy.

In 2019, we updated the stakeholder mapping that we established in our previous materiality assessment. Throughout the course of the assessment, we determined which external stakeholders our employees would speak with, including the frequency and topic. We have a rounded picture of how we interact with the outside world, and here is a view of some of the most important and notable stakeholder groups:

CUSTOMERS
Customer satisfaction is what makes our business run and it is only by delivering on our promises that we can succeed. Close collaboration with our front line is essential, as is understanding market trends. This is paramount for understanding the complexity required to solve the greatest sustainability challenges in the industry.

Some of the most important issues we discuss with our customers are safety, people development, water usage, energy efficiency and emissions, among others. Our ability to effectively solve their challenges is our unique selling point, making sure they are constantly addressed.

FINANCIAL INSTITUTIONS
We work alongside our customers on a continuous basis to secure financing for projects around the world. Numerous financial institutions require customers to adopt world-class standards related to the environment, society and the economy such as the International Finance Corporation’s Performance Standards for Environmental and Social Sustainability. We work hand-in-hand with both customers and financial institutions to ensure that projects adhere to the standards required.

OUTSOURCING PARTNERS
Our ability to deliver premium products, projects and services depends very much on our suppliers, who provide 80 percent of our manufacturing. If we are to deliver products, projects and services to our customers, we need to do it in partnership with people who we can rely on to achieve our goals. By having close contact with our suppliers, in all categories, our supplier relationship management is a real driver for results.

Please review the section “Supply chain” to gain insights into how these partners are engaged in sustainability matters.

INVESTORS
In 2019, FLSMIDTH & CO. A/S received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. Our behaviour and performance are strong on issues such as safety and corruption, and we have a very robust governance structure in place.

This year, we saw an increase in the appetite of investors, pension funds and analysts to engage directly in the topic of sustainability. We addressed the topic during roadshows, in private meetings and most importantly on our Capital Markets Day, when we launched MissionZero.

UNIVERSITIES
Collaboration and interaction with academia is important for ensuring consistent knowledge flows and innovation in the company. Having close collaboration with universities, specifically engineering programs and projects, as well as doctoral studies, helps attract top talent, acquire new knowledge and develop innovative ideas within the company. It is a crucial investment in the future of the business.
As an organisation with a strong research and development focus, we have many university partnerships on specific topics. In 2019, these included:

- **ProBu**: Process technology with production of sustainable building materials, with the Danish Technical University and ROCKWOOL.
- **CADEL**: CO₂ capture by electrolysis, with the Danish Technical University and Aalborg Portland Cement.
- **MiCeTech**: The focus of the programme is to develop fundamental tools and advanced technical solutions that will lower the environmental impact, improve the overall economy, and improve energy efficiency for processing large amounts of particulate materials in cement and minerals processes.
- **IIT Chennai**: projects including cement blending and material science.
- **In the mining industry we are sponsors of 14 university collaborations across eight countries.**

**CIVIL SOCIETY**

This stakeholder group consists of communities, mass communication, non-governmental organisations and charities, as well as trade unions and staff associations. One of our main interactions this year on sustainability was through the Confederation of Danish Industry programme – from philanthropy to business. The purpose of this partnership is to integrate the Sustainable Development Goals into our business model and to develop a long-term plan on how to solve global challenges. The programme was a catalyst for MissionZero, and we will continue collaborating throughout 2020.

**INDUSTRY ASSOCIATIONS**

As the mining industry has compliance risks that span its value chain, we are a founding member of the Compliance in Mining Network. This is a cooperation between mining companies, mining equipment producers and EPC providers in the mining industry, working to improve compliance standards in the global industry. Please review the section “Compliance” to learn more.

We also entered into the Innovandi global cement and concrete research network through the Global Cement and Concrete Association. For more details, please see the section “Cement Innovations”.

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

**INTERNATIONAL ORGANISATIONS**

Our company has a vast amount of world-class expertise in mining and cement production. Within our industries, stake-holders look to us for state-of-the-art technology and services. That is why they can rely on us to help set the standards for sustainability in our industries. It is important to us that we use this knowledge to shape how all stakeholders are considered and what the total effect of production is on the environment, society and the economy.

**PUBLIC SECTOR**

Transparency is a driver of everything we do, including tax, employment and business activities. FLSmith values open and collaborative dialogue with tax authorities in each of its countries of operation to ensure compliance with national laws.

**COMMUNITY DEVELOPMENT AND CHARITY**

It is essential to us that added value be provided to the local communities in which our operations are based. We accomplish this by listening to local expectations on matters such as local employment and paying taxes. Dialogues are a main driver in overcoming potential resistance and they create a trustworthy relationship with local communities.

The FLSmith Donation Fund in Denmark annually donates up to DKK 400,000 to worthy causes including humanitarian work, environmental projects and education and training. This year donations were made to educational organisations and engineering associations, amongst others.

FLSmith contributes to PanIIT Alumni Reach for India Foundation, Rural Skill Gurukuls for the underprivileged. The objective of this non-governmental organisation is to implement and scale self-sustainable models that enhance incomes of the under-privileged. The organisation provides training for skills development of school drop-outs from various rural areas, including the Naxal (radical far-left Maoists) affected districts of India, resulting in social uplift through livelihood enhancement.

As part of the Broad-Based Black Economic Empowerment (BBEEE), our South Africa offices contributed to projects including support for primary school mathematics programs and business skill development for women.

In the United States, we held many charity events, including food bank drives, clean-ups of the environment, house-building with Habitat for Humanity, science fairs, toy drives and tree planting.
To continually improve our sustainability impacts over time, we need to understand what the impacts, risks and opportunities are, where they occur, which stakeholders are affected and what their expectations are. Our commitment to doing this is clearly defined in our sustainability policy.

In 2017, we conducted an extensive internal materiality assessment to map the social and environmental topics with the largest impact throughout our entire value chain. This was further supported through a desk review of customers’, peers’ and suppliers’ sustainability disclosures. In 2019, Group Executive Management re-prioritised material topics that are important to our core business.

The most striking feature in the materiality matrix is the fact that external stakeholders rank environment as the most important topic, while we rank products and services as the most important. This clearly frames our MissionZero ambition of delivering sustainable productivity to our customers through offerings in our portfolio. It also acts as a proof point that we can have more business at less cost to the environment.

As for governance, all material topics are assigned to a relevant corporate function that is responsible for continual improvements, with a focal point for policy implementation. To ensure that policies are always relevant, and to avoid conflicts between the functions, we update our policy framework annually. Each function has a clear commitment, with an umbrella sustainability policy that covers them all. This allows for the corporate sustainability strategy, goals and incentive structures to be aligned between the functions. Coordination between them is clearer and we can identify where they complement each other and where there may be trade-offs. It also means that we can communicate our policies very effectively to relevant business partners.

Driving results in the different topics requires a strong governance framework to support decision-making at the highest levels. By setting the tone from the top, the Board of Directors establishes the mandate for the sustainability programme and receives quarterly updates. They also approve the Sustainability Report, ensuring that it is aligned with the long-term strategy of the company.

On an execution level, the Sustainability Board convenes on a quarterly basis to review progress and to steer the programme. They approve the indicators that each topic will be measured against, the short and long-term targets for each, as well as ensuring the necessary resources. This year, the sustainability board was expanded and is now comprised of all Group Executive Management. We want to ensure that operational oversight of MissionZero is grounded at the highest level of the organisation and that top leadership drives the agenda.
Ensuring the safety of our people is our top priority, which is why we are committed to achieving zero harm, as explicitly laid out in our Health, Safety and Environment policy. It is part of our culture and we see it as a precondition for providing sustainable productivity enhancement. We believe that injuries and occupational health can be managed, including anyone working under our instruction and supervision. This means that contractors are selected based on their safety culture and performance. We must all have the skills to work safely and be responsible for promoting safety at work and to follow all applicable laws.

DELIVERING ON OUR COMMITMENT

In 2019, we placed significant effort on strengthening cooperation across the seven regions. Specifically, the regional heads of Health, Safety and Environment have been heavily engaged in building a common safety culture.

Our “Incident & Injury reduction program” was introduced for all our manufacturing and construction sites. Each site implemented several initiatives focused on physical and technical risk prevention. Over 89% of all planned initiatives are in progress or have been implemented by the end of 2019, leading to a reduction of 47% in the Total Recordable Injury Frequency Rate.

A new process was established for serious incidents requiring a higher level of investigation, immediate escalation of information and to ensure appropriate corrective actions are taken.

To support our “Sustainability year 2019,” the Safety week from previous years was replaced with ongoing Health & Safety activities throughout the calendar year. The UN World Day for Health on April 7th and the UN World Day for Safety & Health on April 28th were selected to support this initiative.

The celebration of World Health Day was marked with many activities around the globe. Employees were offered different types of health activities and counselling. Flyers and posters were distributed with a personal letter from top management with tips on improving mental and physical wellbeing.

We celebrated UN World Day on Safety and Health at Work by promoting “Recognising Excellence in safety”. Specifically, we wanted to empower our employees to STOP WORK if they discover unsafe conditions and provided a toolbox in supporting them to do so. In total, 545 risks were identified and mitigated. Our workshop in Qingdao, China contributed with 180+ risks and was the winner of this year’s Safety Award.

We have introduced “Safety Info Screens” across more than 57 locations covering more than 11,185 employees in 24 countries. These screens communicate safety-messages to drive awareness and results. The ambition is to create more attention, influence safe behaviours and participate in creating a safety culture where we speak openly, sharing best practices and taking heed of lessons learned.

We’ve developed a long-term road map which will help us gain more consistency across the Group. The road map is intended to support the implementation of the new IT platform for our HSE and Quality Integrated Management System, and it will be our guideline for 2020-2023.

With collaboration being one of our corporate values, we have increased efforts on developing cross-functional working groups across regions. Their tasks have included aligning policies and procedures, upgrading ISO certifications and digitalization. The first step included mapping all core competencies across the entire HSE Community. Individual development will take place through our annual Performance Development Review.

ASSESSMENT OF RESULTS

It is with great regret that a contractor lost his life in Egypt this year. Avoiding such fatal events is priority number one for FLSmidth and only zero fatalities is acceptable. High risk operations need full attention, thorough investigation and correct safety behaviour. We have reviewed the circumstances in detail and have taken actions to mitigate future incidents.

Performance measured on the LTIFR and TRIFR show a significant decrease. This is due to the strong focus on preventing and mitigating risk through our Incident & Injury reduction programmes, 24h call and UN World Days. We believe that although this shows a major positive shift in how we manage safety, we will not stop until we achieve zero harm for everyone under our control.
WHAT TO EXPECT IN 2020

In 2015, we set a medium-term target to achieve an LTIFR of 1.0 by 2020 and we have decided to maintain this ambition, even though it is higher than our current performance. We want to ensure the significant improvement in performance in 2019 can be maintained and become embedded in our culture.

Our five main focus areas for improvements will be:
- Strengthening awareness and building culture
- Incident reduction
- ISO 45001 certification
- HSE organisational development
- Absence and Health Monitoring

RISKS

Risk management systems are in place to identify hazards, using the hierarchy of controls. Action plans are prioritised, and risk registers are maintained. Hazard reporting systems are implemented involving employees, creating a visible system for correcting unsafe conditions. Group safety standards are integrated as part of the risk management process and controls.

Based on past years of data, the main accident hazards are working with power tools, ergonomic over-exertions and collisions with moving objects. The main injuries are bone fractures and sprains/dislocations. The hazards with the highest risks are still falling from heights and traffic accidents where the severity from an accident typically is high.

<table>
<thead>
<tr>
<th>Lost Time Injury Frequency Rate (including contractors)</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
<th>2020 Target</th>
<th>Long term target</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.8</td>
<td>1.3</td>
<td>0.6</td>
<td>≤1.2</td>
<td>≤1.0</td>
<td>≤0.5</td>
<td>2023</td>
</tr>
<tr>
<td>Total Recorded Injury Frequency Rate (including contractors)</td>
<td>3.2</td>
<td>3.0</td>
<td>1.6</td>
<td>≤2.7</td>
<td>≤2.5</td>
<td>≤1.5</td>
<td>2023</td>
</tr>
</tbody>
</table>
COMPLIANCE

This year, we introduced a new compliance policy framework to guide our four core areas of operations: Code of Conduct, Trade Compliance, Human Rights, and Competition Law. We also put in place a number of sub-policies and procedures related to gifts, hospitality, bribery, embargo countries, and donations, among other things.

DELIVERING ON OUR COMMITMENT

Our key compliance-related activities are organised roughly according to the six elements of the UK Bribery Act’s Guidance document: risk assessment, policies and organisation (proportionate procedures), top-level commitment, due diligence, communication and training, as well as monitoring and review. We employ an approach that is very much risk-based, meaning that we regularly conduct assessments of the compliance-related risks, adjusting focus and resources accordingly. This is supported by a highly committed Executive Management team and Board of Directors.

The Group Compliance department is responsible for setting direction and providing the business with appropriate tools. Our lawyers who function as regional compliance representatives implement actions across the Group. We also have a trained group of finance and human resources managers who are responsible for investigating relevant whistleblower cases.

Training continues to be a top priority. We worked on cascading the new policy framework throughout the organisation by launching e-learning courses. Meanwhile, we continue to provide in-person training for new employees.

Another major focus area is third-party due diligence processes. We continue to screen all business partners for trade sanctions. Close to 100% of our sales agents have gone through a rigorous due diligence screening and approval procedure. This year, we introduced a new third-party management and due diligence screening software tool based on artificial intelligence, which has increased the capacity even further. An increasing number of the screenings include research on human rights issues and Environment Impact Assessments.

Our whistleblower hotline is a tool for reporting concerns in confidence. The hotline is regularly promoted to ensure that everyone knows it is available. In 2019, there was a significant increase in the number of reports submitted, and a greater proportion of reports came through the whistleblower hotline channel. We believe that a main factor for the higher number of reports is the increased awareness raised by our communication campaign. In addition, we expanded the hotline to function as a grievance mechanism for human rights. We have also increased the transparency in public reporting on internal investigations, providing greater details on the types of issues reported.

The whistleblower sub-policy protects those reporting against retaliation. Investigations are guided by a Procedure for Internal Investigations, and we have chosen to provide a summary of the process as part of our new policies. Group Compliance reports on a regular basis to the Audit Committee, the Board of Directors, the Group CEO and Group Executive Management.

In 2019, we conducted a survey of more than 250 FLSmidth employees. The survey has given us valuable insights into the current practices amongst employees, as well as specific risks. For example, we found that 95% of gifts fall under the minimum threshold where approval is required. More than 85% of respondents reported that they would feel comfortable reporting through the whistleblower hotline. In addition, some respondents reported having witnessed some form of fraud while working for the company.

ASSESSMENT OF RESULTS

Some significant achievements have been accomplished in terms of conducting in-person training of more than 90% of our employees and screening more than 750 third-parties. We believe that this addresses a significant amount of the business partner risks that the Group faces.

We feel confident that our employees are aware of and comfortable using the whistleblower hotline. Nonetheless, we recognise that whistleblower cases are on the increase and this requires more attention for internal investigations.

This year, we used data from our new Human Resource Information System to determine the extent that our white-collar employees have been trained in compliance. The analysis resulted in a drop in coverage from 92% in 2018 to 75% in 2019. This has highlighted the need to conduct more training, and we have set more ambitious 2020 targets.
WHAT TO EXPECT IN 2020

One key priority will be communicating and training in our new policy framework. An important element in this is our updated in-person training concept, which will be rolled out globally in 2020, as well as the launch of a full library of e-learning courses. The new in-person training concept puts greater emphasis on engaging participants, while increasing the breadth of content. Particular attention will be given to new employees of FLSmidth. The e-learning courses are short courses focusing on specific topics such as gifts, bribery, trade compliance, human rights and much more. The aim of the updated training and e-learning concepts is to increase the awareness of emerging topics, such as fraud and harassment, as well as the general awareness of the new policies.

In addition, we will be reviewing our approach to and organisation of internal investigations to accommodate the increasing number of whistleblower reports. Finally, we will continue our commitment to the Compliance in Mining Network, which is a cooperation between mining companies, mining equipment producers and EPC providers in the mining industry, working to improve compliance standards in the global industry.

In 2020, we will expand the due diligence programme to include new types of third parties, such as contractors and consultants.

RISKS

Working in the cement and mining industries implies operating in countries with compliance-related risks. In particular, avoiding fraud, bribery, corruption, violation of trade sanctions, and conflict of interests is high on the agenda. Thus, there is constant monitoring of the business and implementing mitigating actions to reduce such risks.

<table>
<thead>
<tr>
<th>Total number of whistleblower reports submitted</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
<th>2020 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>... of which admissible</td>
<td>51</td>
<td>65</td>
<td>85</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of whistleblower report: compliance</td>
<td>48</td>
<td>63</td>
<td>81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of whistleblower report: finance</td>
<td></td>
<td></td>
<td></td>
<td>12.0%</td>
<td></td>
</tr>
<tr>
<td>Type of whistleblower report: human resources</td>
<td></td>
<td></td>
<td></td>
<td>28.0%</td>
<td></td>
</tr>
<tr>
<td>Type of whistleblower report: other</td>
<td></td>
<td></td>
<td></td>
<td>45.0%</td>
<td></td>
</tr>
<tr>
<td>Number of operations assessed for risks related to corruption</td>
<td>30</td>
<td>32</td>
<td>32</td>
<td>34</td>
<td>35</td>
</tr>
<tr>
<td>Total number and percentage of in-person training for white-collar employees that have received training on anti-corruption</td>
<td>8,173 / 88.0%</td>
<td>8,514 / 92.0%</td>
<td>6,782 / 75.0%</td>
<td>9,102 / 98.0%</td>
<td>7,632 / 85.0%</td>
</tr>
<tr>
<td>... of which managers or senior managers</td>
<td>1,361</td>
<td>1,375</td>
<td>1,378</td>
<td>1,600</td>
<td></td>
</tr>
<tr>
<td>Numbers of in-depth due diligence screenings conducted (cumulative from 2016)</td>
<td>398</td>
<td>535</td>
<td>755</td>
<td>750</td>
<td>200/year</td>
</tr>
<tr>
<td>Incidents of discrimination and corrective actions taken</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
This also sheds light on the effectiveness of filling open positions with candidates from a wide range of backgrounds.

Regarding diversity, equality and inclusion, we placed focus this year on setting regional targets and action plans with quarterly follow ups. We also continued our work with diversity linked to the long-term incentive programme. To attract a more diverse workforce, we created gender neutral job advertisements and rolled out unconscious bias workshops to create cultural awareness. We are also looking to expand our diversity focus to include age and nationality, which, due to GDPR, has been more challenging than expected. We are therefore evaluating to what extent we will be able to proceed with this topic.

We want to attract and retain those interested in reducing environmental impacts in Cement and Mining. For this reason, we have included text related to MissionZero in job advertisements.

We improved our leadership training by implementing 11 activities before and after the training to strengthen learning and impact through dialogue, coaching and practice. These actions were supported by impact measurement surveys before and after the leadership training and we can now see the impact on leaders’ behaviour more holistically.

### ASSESSMENT OF RESULTS

Regarding diversity and equality, in 2019 we saw improvements from our efforts. For the first time since establishing this focus, we increased the overall number of women employed by 1.5% and increased the number of women managers across the group. This strengthens our leadership pipeline in the future. Overall, the age of our population continues to be diverse and balanced. Clearly, there are regional differences where the region action plans will strengthen equality.

As for people development, our sales and service training focus combined with customer relationship management has provided a clearer overview of opportunities and improved account plans. Training continues to play an important role in our people development in 2020.

To see the effectiveness of our leadership training, we measured the impact on learning and behaviour before and after training sessions. Learning impact showed an immediate increase in knowledge from 50% beforehand to 85% at the end. Knowledge is retained, shown by a 3% drop to 82% when measuring three months later. More importantly, self-assessments show a change in behaviour demonstrating the desired leadership skills improved from 53% before training to 80% three months after training completion.

### PEOPLE

Our aim to be an employer of choice continues to drive our people strategy and agenda and is at the centre of our Human Resources policy. Attracting, retaining, and developing our workforce remains a priority. We seek to accomplish this by ensuring we have a healthy and engaging work environment that encompasses comprehensive total rewards along with development and growth opportunities. We also remain committed to equal opportunity, while improving diversity and inclusion in all areas of operations as per our Diversity and Equality policy. We recognise this topic as being an important driver for Group level performance.

### DELIVERING ON OUR COMMITMENT

In 2018, we implemented a new Human Resource Information System (HRIS) to become more effective at people management. This new system is driving higher performance within the organisation. Through the transparency of one common HRIS, we now have data and data analytics available to support better decision-making. For example, we can see how each region is progressing against their diversity targets and monitor the impact of their action plans.

### Table: Women Employment Targets

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
<th>2020 Target</th>
<th>Long term target</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Women total</td>
<td>13.5%</td>
<td>14.0%</td>
<td>15.5%</td>
<td>14.7%</td>
<td>16.5%</td>
<td>18.0%</td>
<td>2023</td>
</tr>
<tr>
<td>% Women white collar workers</td>
<td>18.5%</td>
<td>19.9%</td>
<td>19.0%</td>
<td>21.0%</td>
<td>23.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Women blue collar workers</td>
<td>4.4%</td>
<td>3.9%</td>
<td>4.7%</td>
<td>4.5%</td>
<td>5.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Women managers</td>
<td>10.5%</td>
<td>10.4%</td>
<td>11.2%</td>
<td>11.0%</td>
<td>12.5%</td>
<td>13.6%</td>
<td>2023</td>
</tr>
<tr>
<td>Internal participants having undergone corporate development programs</td>
<td>541</td>
<td>1,031</td>
<td>911</td>
<td>806</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% employees receiving performance and career development reviews</td>
<td>90.0%</td>
<td>90.3%</td>
<td>87.6%</td>
<td>90.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
WHAT TO EXPECT IN 2020

We will continue our diversity and inclusion efforts through target setting and focused regional initiatives. Through FLSmidth’s new reward strategy, we reconfirmed that total rewards must contribute to attraction and retention of a diverse talent pool. A key indicator to monitor is equal pay for equal work in the organisation and this will be established in 2020. In general, the reward strategy will be the foundation for coming initiatives to further secure and promote sustainable pay practices in the years to come.

To continue to develop and strengthen the competences across the organisation, in 2020 we will offer more digital learning to employees in support of their development, which is reflected in the increase in our target. Through our new learning platform, we will track and measure learning hours for all employees against our target.

In our people and performance processes we have improved the framework to include conversations around FLSmidth’s core behaviours and individual engagement. Besides operational goals and Key Performance Indicators, the Personal Development Review also includes the ability to establish behavioural development goals to drive sustainable performance results.

RISKS

To reach our overall midterm and long-term financial targets, it is crucial we have the technology and the competences in place at the right time. This is challenging in a market where the supply of some of these competences can be low.

Given today’s macroeconomic pressures and societal risks, we see fluctuating business results. Therefore, it is important to have a flexible cost base to be able to adapt quickly and ensure we can invest in areas that drive sustainable growth. For that we need to have an engaged workforce performing against aligned KPIs to drive collaboration and performance.

WORKFORCE DEMOGRAPHICS

In 2018, we realigned our organisation to strengthen customer relations, digitalization, productivity, sustainability offerings, and to capture growth. We now have two industries - Cement and Mining – spread globally across 7 regions.

Since then, we’ve seen the following changes in our workforce demographics:

- Our headcount increased by 397, including the business acquisition of IMP with its 138 employees. In January 2020, as part of our business improvement initiatives, we reduced our workforce by 500 employees.
- Women employed increased by 1.5%
- Women managers increased by 0.8%
- Blue collar employees decreased by 7.0%
- White collar employees increased by 10.0%
- Regional split: very little change
- Length of service:
  - + 5% employees with <2 years’ experience
  - - 6% employees with 2-4 years’ experience
- Age: very little change
MissionZero is grounded in our commitment to minimise all environmental impacts, whether they are at our customers’ own sites. We believe that it is only by building a culture where all our people take full responsibility for the impacts on the environment around them that MissionZero will be a true success. Change starts from within, and so in our own operations we are committed to preventing pollution, utilising resources like water and fuel in a sustainable manner and mitigate climate change.

DELIVERING ON OUR COMMITMENT

We track our performance on reducing CO₂ emissions and freshwater consumption monthly to ensure transparency and data quality. To create a sense of ownership, all locations have a dedicated and trained person responsible to measure, report and improve local performance. On a monthly basis, we compare performance between regions to assess overall Group performance and to identify best practices.

In 2019, we updated our accounting practices to further align with reporting according to the Greenhouse Gas Protocol. The accounting practices now include reporting of emissions from stationary combustion, mobile combustion, purchased electricity, fugitive emissions and water withdrawal. This resulted in a change of reported fuel use to exclude only company-owned vehicles. Project activities on construction sites and Operation and Maintenance contracts are no longer included in the calculation of Scope 1 and Scope 2 emissions. As we acquired a new company, IMP this year, we have included it in the environmental reporting system.

We recognise our impact also extends beyond the boundaries of our direct control. That is why we are refining our accounting methodology for measuring CO₂ emissions from global downstream transportation and global procurement of steel.

In 2018, we marked UN World Water Day, World Environment Day and World Soil Day to encourage our colleagues to take individual responsibility. Activities included tangible initiatives, such as the installation of water saving taps, energy screenings and installation of automatic light switches. We launched a widespread awareness campaign through the company.

ASSESSMENT OF RESULTS

During 2019, we saw a reduction in our water withdrawal and CO₂ emissions. The reduction is well ahead of the target for 2019 and contributes significantly to the overall reduction target for 2023.

The decrease in Scope 1 emissions was partially attributable to the change in accounting methodology. Also, we found there was an inaccuracy in the emission factors used for calculating the scope 2 emissions in 2018. We have therefore corrected the result and the CO₂ intensity this year.

We recognise that water withdrawal in water-stressed areas is a topic that requires specific attention in the upcoming year.

The seven regions have all identified and implemented reduction initiatives aimed to further improve their impacts. Some of the activities include the shift to more energy-efficient equipment, replacing conventional lighting with LED lighting, purchase of renewable electricity, improved efficiency of compressor systems and several awareness campaigns during the UN World Days.

WHAT TO EXPECT IN 2020

In 2020, we will further engage the organisation to execute on saving initiatives for water and CO₂ emissions.

We will follow-up on the assessment of water withdrawal from areas with water stress. We will work to build awareness of the use of water at relevant locations and focus on water-saving initiatives in these locations.

A global system to report and manage environmental incidents will be implemented to improve incident response and mitigate the risks caused by environmental incidents. To further determine our impact from a life-cycle perspective, we will explore the opportunities to track more of our scope 3 emissions.

Also, in 2020 we will continue to run specific culture campaigns with a special quarterly focus on HSE.

We will also perform a review that will include an assessment of the applicability of Science-Based Target methodology for our CO₂ footprint.
RISKS
Risk-based thinking is embedded in the organisation and environmental risk management is in place through our environmental certification programme. It covers our major business centres where we have established the process of identifying and managing of environmental aspects in our business practice. The likelihood of a major environmental incident in our own operations is low and implementation of a global system to manage environmental incidents will help us minimise the risks of it occurring. We apply the precautionary principle where applicable when assessing risks. Through improved reporting and analysis of incidents, we can improve on the ways we respond to incidents and implement actions to prevent incidents from reoccurring on a global scale.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
<th>2020 Target</th>
<th>Long term target</th>
<th>By</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO₂ emissions, scope 1 (in tonnes)</td>
<td>27,236</td>
<td>29,875</td>
<td>16,321</td>
<td>15,995</td>
<td>15,054</td>
<td>2023</td>
<td></td>
</tr>
<tr>
<td>CO₂ emissions, scope 2 (in tonnes)</td>
<td>37,031</td>
<td>34,395</td>
<td>28,541</td>
<td>27,970</td>
<td>26,325</td>
<td>2023</td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
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<td>CO₂ intensity (Scope 1 &amp; 2/Revenue)</td>
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<td>3,428</td>
<td>2,173</td>
<td></td>
<td></td>
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<td>Water withdrawal (m³)</td>
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<td>204,409</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>58.0%</td>
</tr>
</tbody>
</table>
HUMAN RIGHTS

Respect for international human rights is enshrined in our recently published Human Rights Policy as well as our new human rights grievance mechanism and anti-harassment Policy. In addition, several other FLSmidth policies cover important topics in this regard. This includes, for example, the policies on Diversity and Inclusion, Health, Safety and Environment, as well as on Human Resources.

In drafting our Human Rights Policy, we sought to incorporate the views and concerns of rights-holders through both internal and, to a lesser extent, external consultations. It respects all rights enshrined in the United Nation’s Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work.

Our Supplier Code of Conduct addresses human rights concerns as they relate to actors in the supply chain. The policy places specific emphasis on remediation and requires suppliers involved in human or labour rights violations to work in collaboration with the Group Procurement and Group Compliance teams to offer redress to victims. In extreme cases, we reserve the contractual right to terminate business relations in case of unacceptable operating practices, including forced or child labour. Finally, the grievance mechanism sub-policy outlines the process involved in case individuals inside or outside FLSmidth report human rights issues through the dedicated reporting channel.

DELIVERING ON OUR COMMITMENT

Group Compliance is responsible for performing human rights due diligence on our own operations as well as those of our business partners. Human rights due diligence at FLSmidth is undertaken in accordance with the UN Framework on Business and Human Rights, and the UN Guiding Principles for implementation. In 2018 and 2019, we reported publicly on progress in conformance with the UK Modern Slavery Act.

Where adverse human rights violations are found, they are addressed according to irremediability, severity, scope and scale. In 2019, we carried out human rights impact assessments of country operations in Asia and North Africa. These assessments have provided an overview of the current state of workers’ human rights on-site, allowing us to identify, among other things, issues involving workers’ rights in the North African region related to freedom of association, and certain sites within Asia are facing challenges in providing a fully safe work environment. With these new insights into current and potential impacts our business may have on human rights in the countries where we operate, we can now more efficiently identify and work to address specific issues.

The process of conducting human rights due diligence has also established greater clarity around implementing responsibility for human rights within the business. In 2019, we developed and expanded on this work through the investigation and remediation of human rights grievances and complaints submitted through our human rights grievance mechanism.

ASSESSMENT OF RESULTS

Our on-site impact assessments and our off-site reviews provided valuable data for internal training and provided a platform for preventing possible, future violations. It became clear after the initial impact assessments we performed this year that if we were to improve on specific issues identified, we would need to focus our efforts more narrowly. For this reason, on-site assessments were lower in number, but more granular than we had targeted for. The off-site reviews were slightly above target, and they provided a broader level of detail that allowed us to map risks and trends more effectively.

With the launch of the new compliance policy framework, all training-related efforts were dedicated to ensuring that it would be properly adopted by the organisation. Given the strong attention needed to this in late 2019, we chose to postpone the planned training in human rights to 2020 and make changes to the target groups covered.
WHAT TO EXPECT IN 2020

In 2020, we expect to complete an additional two human rights impact assessments of country operations. The scope of these assessments will be determined based on a risk to rights-holders in compliance with the UN Guiding Principles for Business and Human Rights and our Human Rights Policy.

Another key focus of 2020 will be the development and delivery of targeted training on basic human rights principles for a broad group of employees. Furthermore, we have decided to conduct detailed training only for selected managers at sites or in functional areas specifically relevant to human rights issues, rather than for all managers. We believe that targeted, more in-depth training will help us mitigate risks more effectively.

RISKS

We recognise that the industries to which we provide engineering, technology and services constitute high-risk sectors. The mining and cement industries both have large environmental footprints and may cause displacement where available mineral reserves are situated near populated areas. We evaluate these and other social, environmental and governance factors of the projects to which we supply primary equipment, services, spare parts and manpower.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
<th>2020 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights reviews (off-site)</td>
<td></td>
<td></td>
<td></td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Human rights impact assessments (on-site audits)</td>
<td>10</td>
<td>7</td>
<td>15</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Employee training on human rights policies or procedures</td>
<td>0</td>
<td>0</td>
<td>1,500</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>On-line training of managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We operate an asset-light business model, meaning that we outsource 70 – 80% of all manufacturing. Our supplier base is spread globally, and we spend approximately DKK 10b on procurement each year. Over half of our purchases are steel based, including fabrications, casting and forgings.

As we want to build strong business ties and long-standing relationships, we expect our suppliers to share our standards of responsible business conduct. Crucial to this is our Supplier Code of Conduct, which clarifies what we expect of our suppliers. Group Procurement is responsible for the policy, which has been in place since 2012 and was updated in 2018.

The main points of the FLSmidth Supplier Code of Conduct oblige our suppliers to:
- Be in legal compliance with all applicable laws in all jurisdictions in which they operate
- Provide a safe and healthy working environment for all employees
- Comply with basic human rights
- Meet all applicable environmental laws, industry standards and norms

**DElivering ON OUR COMMITMENT**
All suppliers, defined as organisations that we source from, are now obliged to sign the FLSmidth Supplier Code of Conduct, which is aligned with the four focus areas of the UN Global Compact. Furthermore, it follows the Cement Sustainability Initiative’s “Sustainable Supply Chain Principles for the Cement Sector” delivering tier 2 visibility into the supply chains of our customers. FLSmidth will not cooperate with Suppliers who fail to comply with and sign the Supplier Code of Conduct.

In addition to our Supplier Auditing program, we launched a supplier sustainability screening programme in 2018. Any employee in FLSmidth Supply Chain or Procurement departments who visits a supplier must perform a mandatory on-site audit. On average, our employees visit more than 1,000 supplier sites each year.

This supplier sustainability programme aims to uncover potential risk in the supply chain and supports the development of our suppliers within the area of sustainability. Furthermore, the program has proven to increase internal awareness of sustainability and is driving a behavioural change in our procurement and supply chain organisation.

Using an on-line feedback tool, our staff screen suppliers on 21 check points focused on Health & Safety System & Policies:
- Work-related Accidents
- PPE & Machine Guards
- Electrical Hazards
- General Emergency Preparedness
- Ethical Equality
- Minimum Age
- Environmental System & Policies
- Environmental Hazards & Counter Measures

The screening feedback is fed into a database and suppliers are given an overall score based on response and criticality. If a potential non-compliance is revealed during a screening, immediate action is taken with the supplier. In severe cases, this may cause an immediate stop to all activities with the supplier. In most cases, the supplier will be asked to provide a mitigation plan and initiate action within one week.

A number of our suppliers have been identified as high-risk suppliers. This is based on operational category, location and historic performance. These suppliers undergo a systematic screening process ensuring necessary actions are taken. Thus, we can support our suppliers in their efforts to meet our high standards.

**ASSESSING OUR RESULTS**
The revised supplier sustainability screening program was launched in Q3 2018 to improve screening quality and streamline follow-up procedures.

Areas where FLSmidth saw significant improvements during 2019:
- Increased coverage and improved identification of cases of potential non-compliance
- Increased focus on high-risk suppliers
- Increased awareness internally in the organisation

Looking at suppliers where non-conformities were found, the percentage of those with agreed upon improvement plans dropped in 2019. This was due to the high volume of audits conducted, which required a prioritisation of those with highest risk. We anticipate the percentage to increase once more in 2020.

More than 1,000 screenings were completed in 2019. Findings in the screening process have initiated almost 100 development initiatives in cooperation with suppliers.
WHAT TO EXPECT IN 2020

We will continue the development of the FLSmidth Supplier Sustainable Programme in the coming years.

In 2019, we developed a platform to support a dynamic screening setup, and it will be rolled out during 2020. The same platform will host self-assessments of suppliers categorised with a low or medium sustainable risk.

The supplier auditing/assessment programme will be revised to ensure best fit with the recently introduced sustainability screening programme.

Furthermore, we will continue our efforts to consolidate suppliers and reduce the supplier base. This will result in reduced risk and enable us to increase focus and allocate more resources on high priority suppliers.

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
<th>2020 Target</th>
<th>Long term target</th>
<th>By</th>
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</thead>
<tbody>
<tr>
<td>Number of suppliers screened for sustainability</td>
<td>113</td>
<td>195</td>
<td>689</td>
<td>300</td>
<td>800</td>
<td>1,000</td>
<td>2030</td>
</tr>
<tr>
<td>Number of supplier screenings resulting in a finding / non-conformity</td>
<td>64</td>
<td>170</td>
<td>100</td>
<td>150</td>
<td>100</td>
<td></td>
<td>2030</td>
</tr>
<tr>
<td>% of findings / non-conformities that have improvement plans agreed upon with suppliers</td>
<td>88.0%</td>
<td>54.1%</td>
<td></td>
<td>80.0%</td>
<td>95.0%</td>
<td></td>
<td>2030</td>
</tr>
<tr>
<td>% of findings / non-conformities that led to termination of relationship with suppliers</td>
<td>3.0%</td>
<td>2.4%</td>
<td></td>
<td>3.0%</td>
<td>0%</td>
<td></td>
<td>2030</td>
</tr>
<tr>
<td>% of high-risk suppliers screened for sustainability</td>
<td>9.0%</td>
<td>23.0%</td>
<td></td>
<td>30.0%</td>
<td>95.0%</td>
<td></td>
<td>2030</td>
</tr>
<tr>
<td>% of &quot;new&quot; high-risk suppliers screened for sustainability</td>
<td>4.0%</td>
<td>11.0%</td>
<td></td>
<td>20.0%</td>
<td>95.0%</td>
<td></td>
<td>2030</td>
</tr>
</tbody>
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### PERFORMANCE SUMMARY

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<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
<th>2020 Target</th>
<th>Long term target</th>
<th>By</th>
</tr>
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<td><strong>SAFETY</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost Time Injury Frequency Rate (including contractors)</td>
<td>1.8</td>
<td>1.3</td>
<td>0.6</td>
<td>≤1.2</td>
<td>≤1.0</td>
<td>≤0.5</td>
<td>2023</td>
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<tr>
<td>Total Recorded Injury Frequency Rate (including contractors)</td>
<td>3.2</td>
<td>3.0</td>
<td>1.6</td>
<td>≤2.7</td>
<td>≤2.5</td>
<td>≤1.5</td>
<td>2023</td>
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<td><strong>PEOPLE</strong></td>
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<tr>
<td>% Women total</td>
<td>13.5</td>
<td>14.0</td>
<td>15.5</td>
<td>14.7</td>
<td>16.5</td>
<td>18.0</td>
<td>2023</td>
</tr>
<tr>
<td>% Women white collar workers</td>
<td>18.5</td>
<td>19.9</td>
<td>19.0</td>
<td>21.0</td>
<td>23.0</td>
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<td>2023</td>
</tr>
<tr>
<td>% Women blue collar workers</td>
<td>4.4</td>
<td>3.9</td>
<td>4.7</td>
<td>4.5</td>
<td>5.7</td>
<td></td>
<td>2023</td>
</tr>
<tr>
<td>% Women managers</td>
<td>10.5</td>
<td>10.4</td>
<td>11.2</td>
<td>11.0</td>
<td>12.5</td>
<td>13.6</td>
<td>2023</td>
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<tr>
<td>Internal participants having undergone corporate development programs</td>
<td>541</td>
<td>1,031</td>
<td>911</td>
<td>806</td>
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<td></td>
<td></td>
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<tr>
<td>% employees receiving performance and career development reviews</td>
<td>90.0</td>
<td>90.3</td>
<td>87.6</td>
<td>90.0</td>
<td></td>
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<tr>
<td><strong>COMPLIANCE</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of whistleblower reports submitted</td>
<td>51</td>
<td>65</td>
<td>85</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>... of which admissible</td>
<td>48</td>
<td>63</td>
<td>81</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Type of whistleblower report: compliance</td>
<td>12.0</td>
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<tr>
<td>Type of whistleblower report: finance</td>
<td>28.0</td>
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<tr>
<td>Type of whistleblower report: human resources</td>
<td>45.0</td>
<td></td>
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<tr>
<td>Type of whistleblower report: other</td>
<td>15.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of operations assessed for risks related to corruption.</td>
<td>30</td>
<td>32</td>
<td>32</td>
<td>34</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number and percentage of in-person training for white-collar employees that have received training on anti-corruption</td>
<td>8,173 / 88.0</td>
<td>8,514 / 92.0</td>
<td>6,782 / 75.0</td>
<td>9,102 / 98.0</td>
<td>7,632 / 85.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>... of which managers or senior managers</td>
<td>1,361</td>
<td>1,375</td>
<td>1,378</td>
<td>1,600</td>
<td></td>
<td></td>
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<tr>
<td>Incidents of discrimination and corrective actions taken</td>
<td>0</td>
<td>2</td>
<td>4</td>
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<tr>
<td><strong>ENVIRONMENT</strong></td>
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<td>37,031</td>
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<td>27,970</td>
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<td>2023</td>
<td></td>
</tr>
<tr>
<td>CO₂ emissions: Scope 3, business travel (in tonnes)</td>
<td>47,516</td>
<td>47,864</td>
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<td></td>
<td></td>
<td></td>
<td>58.0%</td>
<td></td>
</tr>
</tbody>
</table>
### SUPPLY CHAIN

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2019 Target</th>
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<th>2030 Target</th>
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<td>150</td>
<td>100</td>
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<td>95.0%</td>
<td></td>
<td>2030</td>
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<td>95.0%</td>
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<td>2030</td>
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### HUMAN RIGHTS

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<tr>
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<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights reviews (off-site)</td>
<td>20</td>
<td>52</td>
<td>50</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Human rights impact assessments (on-site audits)</td>
<td>10</td>
<td>7</td>
<td>15</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Employee training on human rights policies or procedures</td>
<td>0</td>
<td></td>
<td>100</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>On-line training of managers</td>
<td>0</td>
<td>1,500</td>
<td>150</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To access the GRI table and to see our Management Approach Disclosures, please visit https://www.flsmidth.com/en-gb/company/sustainability/our-approach/
### SAFETY

<table>
<thead>
<tr>
<th>Topic and Indicator</th>
<th>Accounting practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lost Time Injury Frequency Rate (including contractors)</td>
<td>The lost-time injury frequency rate (LTIFR) 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. The number of hours worked is based on hours reported in by suppliers, hours written in tenders to suppliers or actual/estimated hours worked by FLSmidth’s own employees.</td>
</tr>
<tr>
<td>Total Recorded Injury Frequency Rate (including contractors)</td>
<td>The TRI accidents includes fatalities, LTI and medical treated injuries. The total recordable injury frequency rate (TRIFR) is calculated as the number of TRI accidents per one million hours worked.</td>
</tr>
</tbody>
</table>

### PEOPLE

| % Women total                                                | All employee types, who are on FLSmidth payroll and active at the date of the report. Excludes contractors but includes part-time employees and temporary workers. Share of women by year end divided by all employees/managers at year end. |
| % Women white collar workers                                 | Employees primarily performing professional, managerial, or administrative work.                                                                                                                                                                                                                                                                   |
| % Women blue collar workers                                  | Employees primarily performing manual labor. Work includes manufacturing, mining, construction, warehousing etc.                                                                                                                                                                                                                              |
| % Women managers                                              | Employees - who has one or more direct reports.                                                                                                                                                                                                                                                                                                 |

### COMPLIANCE

<table>
<thead>
<tr>
<th>% employees receiving performance and career development reviews</th>
<th>Percent of completed Performance and Development Reviews for active employees.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of whistle-blower reports submitted</td>
<td>Includes reports submitted through FLSmidth’s formal whistleblower hotline or by other means, such as email, letters or in person. The figures includes 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 data privacy laws of the country in question.</td>
</tr>
<tr>
<td>Number of operations assessed for risks related to corruption.</td>
<td>The 2019 figure is a yearly figure. Prior to this, we reported this as an accumulated number since 2016.</td>
</tr>
<tr>
<td>Total number and percentage of in-person training for white-collar employees that have received training on anti-corruption</td>
<td>An accumulated number since 2016. Excludes employees who have left FLSmidth, and new employees who have joined the company within the last three months.</td>
</tr>
<tr>
<td>Numbers of in-depth due diligence screenings conducted</td>
<td>Includes in-depth due diligence reports on customers, intermediaries, contractors and occasionally other third parties. Reports included in this overview includes in-depth human due diligence reports, ownership analysis due diligence reports, and automated (DDIQ) reports with human interpretation. Accumulated number since 2016.</td>
</tr>
<tr>
<td>Incidents of discrimination and corrective actions taken</td>
<td>Includes reports submitted to FLSmidth’s Group Compliance department, through the formal whistleblower hotline or by other means, such as email, letters or in person.</td>
</tr>
</tbody>
</table>

### ENVIRONMENT

<table>
<thead>
<tr>
<th>Scope 1 (in tonnes)</th>
<th>Scope 1 emissions is the direct emissions of greenhouse gases and are measured as CO₂ equivalents. Scope 1 emissions for FLSmidth comprise of fuel use for internal transportation movements at our locations and company-owned modes of transportation. Stationary combustion. Measuring usage of fuel for the generation of electricity, heat and/or steam is based on invoices, meter readings and supplier reports. As default emission factor for purchased fuels the emission factors embedded in the GHG cross-sector calculation tools are used, and DEFRA. Mobile combustion. Measuring usage of fuel is based on invoices, supplier reports and mileage balances. As default emission factor for purchased fuels the emission factors embedded in the GHG transportation calculation tools are used and DEFRA. This includes internal transportation movements at our locations and company owned modes of transport. Leased cars are included only when it concerns financial lease. Fugitive and process emissions. Usage of refrigerant and other greenhouse gas consumption is based on invoices or information provided by the supplier and is collected monthly for all entities within our financial control. Where information is not available we make use of estimates.</th>
</tr>
</thead>
</table>
Biogenic CO₂ emissions are not relevant in our business operations. This year emissions at customer sites during project related activities are not included. Offices with less than 10 people are not included.

**Scope 2 (in tonnes)**

Scope 2 emissions include the indirect emissions from electricity, heat, steam and cooling purchased and consumed by FLSmidth. Emission factors are derived from International Energy Agency (IEA). Renewable energy purchased are calculated as having an emission factor of 0. Electricity, purchased heat, steam or cooling consumption is based on invoices or meter readings, and is collected monthly for all entities within our financial control. For entities with shared office spaces and where consumption data is not accessible, the electricity use is estimated as 144 kWh/m²/year in temperate areas and 270 kWh/m²/year in subtropical areas.

Emission factors are derived from the International Energy Agency and use the location based methodology. Offices with less than 10 people are not included.

**Scope 3 (in tonnes)**

Scope three emissions only cover business travel with air planes. Emission factors are derived from DEFRA. Business travel CO₂ 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. Annual coverage is 80% of our travels and the remaining 20% is extrapolated. In Q3 and Q4, we only needed to extrapolate 10% of the data.

**CO₂ intensity (Scope 1 & 2/Revenue)**

Scope 1 and 2 emissions divided with revenue for FLSmidth Group.

**Water withdrawal (m³)**

Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumes from waterworks. Water stressed areas are those identified by the World Resource Institute’s aqueduct tool. The last assessment was done in December 2019. For entities with shared office spaces and where consumption data is 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 less than 10 people are not included.

**SUPPLY CHAIN**

(In 2019, the names of the indicators changed, however they are still comparable to 2018)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of suppliers screened for sustainability</td>
<td>Both active and potential new suppliers. Active suppliers have a 12-month rolling direct spend above DKK 1m.</td>
</tr>
<tr>
<td>Number of supplier screenings resulting in a finding / non-conformity</td>
<td>A non-conformity is identified if the supplier does not comply to any of the critical criteria in the Supplier Code of Conduct.</td>
</tr>
<tr>
<td>% of findings / non-conformities which have improvement plans agreed with suppliers</td>
<td>Number of suppliers with improvement plans divided by number of total suppliers screened with findings Improvement plans are made for suppliers with critical non-conformities.</td>
</tr>
<tr>
<td>% of findings / non-conformities which lead to termination of relationship with suppliers</td>
<td>Termination: no future purchase can be placed with the supplier.</td>
</tr>
<tr>
<td>% of high-risk suppliers screened for sustainability</td>
<td>Number of suppliers screened in high risk countries divided by total number of suppliers in high risk countries.</td>
</tr>
<tr>
<td>% of “new” high-risk suppliers screened for sustainability</td>
<td>A supplier is considered new when no previous purchase has been placed within the current, and the two previous years.</td>
</tr>
</tbody>
</table>

**HUMAN RIGHTS**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights review (off-site)</td>
<td>Number of human rights compliance review or impact assessments conducted in the reporting year. Human rights compliance reviews are based on written desktop reports and might lead to an on-site impact assessment. Improvement plans are made for suppliers with critical findings. All human right compliance reviews and impact assessments can in some cases be part of compliance due diligence reports.</td>
</tr>
<tr>
<td>Human rights impact assessment (on-site)</td>
<td>FLSmidth conducts human rights compliance reviews and impact assessment on offices, production sites and customer sites, where FLSmidth have employees stationed. Compliance reviews and impact assessments concerning offices are mostly policy focused, while it is more process focused with regards to operations.</td>
</tr>
<tr>
<td>Employee training on human rights policies or procedures</td>
<td>Includes employees trained in basic introduction to human rights.</td>
</tr>
<tr>
<td>On-line training of all managers</td>
<td>Includes employees trained in basic introduction to human rights.</td>
</tr>
</tbody>
</table>
Independent auditor’s limited assurance report

To the stakeholders of FLSmidth
As agreed, we have examined FLSmidth’s Sustainability Report 2019 (the Sustainability Report) for the period 1 January 2019 to 31 December 2019. FLSmidth’s Sustainability Report 2019 has been prepared in accordance with the accounting policies described on pages 40-41.

We are to conclude on whether the Sustainability Report has been prepared in accordance with the reporting approach and criteria described on pages 40-41. The degree of assurance expressed in the conclusion is limited.

Management’s responsibility
FLSmidth’s Management is responsible for the preparation of the Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standards and FLSmidth’s reporting approach and criteria (hereafter the reporting approach and criteria) described on pages 40-41. FLSmidth’s Management is also responsible for such internal control, as the Management considers necessary to enable the preparation of the Sustainability Report free from material misstatement, whether due to fraud or error.

Auditor’s responsibility
Our responsibility is to express a conclusion on FLSmidth’s Sustainability Report on the basis of our procedures. We performed our procedures in accordance with ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and additional requirements under Danish audit legislation to obtain limited assurance for our conclusion.

Ernst & Young Godkendt Revisionspartnerselskab is subject to the International Standard on Quality Control (ISQC) 1 and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards, applicable requirements in Danish law and other regulations.

We complied with independence requirements and other ethical standards under FSR - Danish Auditors’ Code of Ethics for Professional Accountants, which rely on general principles regarding integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

As part of our examination, we performed the below procedures:

- Interviews of relevant company professional responsible for sustainability strategy, management and reporting, located at FLSmidth’s headquarters in Valby.
- A visit to FLSmidth in Qingdao to review the environmental and safety data on a regional level.
- Assessment of whether data have been collected, assessed and quality-reviewed as prescribed in FLSmidth’s manual for data collection.
- Analytical reviews, including trend analyses, of data supplied by FLSmidth.
- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management.

We believe that our procedures provide a reasonable basis for our conclusion. The procedures performed in connection with our examination are less than those performed in connection with a reasonable assurance engagement.

Consequently, the degree of assurance for our conclusion is substantially less than the assurance, which would be obtained, had we performed a reasonable assurance engagement.

Limited assurance conclusion
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that FLSmidth’s Sustainability Report for the period 1 January 2019 to 31 December 2019 have not been prepared, in all material respects, in accordance with the reporting approach and criteria described on pages 40-41.

Carina Ohm
Associate Partner
Valby, 10th February 2020

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-nr. 30 70 02 28

Henrik Kronborg Iversen
Partner
State Authorised Public Accountant
mne24687
Sustainability Report 2019
1 January - 31 December 2019

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