

SUSTAINABILITY REPORT 2020



CONTENTS

Enabling zero emissions in key industries

Letter to our stakeholders	3
FLSmidth at a glance	5
FLSmidth in the world	6
Strategy	7
Towards zero emissions in mining and cement	8
Our 2030 goals and targets support the SDGs	9
Our impact across the value chain	11
Science-based targets and how they will lead us towards zero	12

Delivering solutions to our customers

Minerals and cement are all around us	14
Global development drivers	15
Sustainable solutions to our mining customers	16
Sustainable solutions across the cement flowsheet	17
Solutions for a green transition	18
Cement – enabling low-impact cement production	19
The road to zero emissions in cement	20
The cement process	21
Roadmap towards zero CO ₂ emissions in cement	22
Cases	23
Mining – the need to extract commodities responsibly	24
The road to low-impact mining	25
The mining process	26
Towards a zero water mine	27

Improving our operational sustainability

Pandemic impact and actions	29
Governance and sustainability risk management	30
Stakeholder engagement	33
Cases	35
Safety	36
Compliance	38
People	41
Environment	44
Human rights	46
Supply chain	48

Summarised reporting and notes

Performance summary	51
Accounting practices	53
SDG targets	56
New and descoped indicators	58
Standards and disclosures	59
Independent auditor's limited assurance report	60
Global Reporting Initiative (GRI)	61



COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

ABOUT THIS REPORT

The 2020 Sustainability Report describes the non-financial performance of FLSmidth & Co. A/S, based in Copenhagen, Denmark, and supplements the 2020 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 in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act. FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen.

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 towards a sustainable future. **READ MORE ON PAGE 9**



LETTER TO OUR STAKEHOLDERS

TECHNOLOGY AS THE KEY TO SUSTAINABILITY

Mining and cement are key in the transition to a sustainable and low-carbon future. FLSmidth's MissionZero programme will accelerate this transition by providing technology that help enable 100% fuel substitutions, zero emissions, zero waste, and zero water and energy waste from mining and cement production.



**ZERO WATER
WASTE**



**ZERO
EMISSIONS**



**100% FUEL
SUBSTITUTIONS**



**ZERO
WASTE**



**ZERO ENERGY
WASTE**



LETTER TO OUR STAKEHOLDERS

A sustainable future for us all will require more and better infrastructure, better housing, increased electrification and more renewable energy. Due to the increase in urbanisation and economic development, we will see higher demand for cooling of food, electronics, datacentres and buildings. None of which can happen without cement and mining. Yet, the environmental impact from the cement and mining industries is substantial and urgently needs to move towards zero emissions.

MissionZero builds on FLSmidth's legacy of discovering technology and solutions that help our customers produce more with less. The vocabulary might have been different, but productivity, energy efficiency and operational excellence were terms which our business was founded on almost 140 years ago. Today, we have the technology and the competences to accelerate the process and drive the mining and cement industries towards a more sustainable future. In the next 10 years, we need to deliver more productivity improvements than in the previous 140 years. This is both an ambitious target and a huge business opportunity.

We launched FLSmidth MissionZero in November 2019, and in 2020 we have seen leading mining and cement companies announce their zero-emission targets. With many of these targets focused around carbon neutrality and minimised emissions and footprint by 2050, solutions need to be ready by 2030 to facilitate the technology shift needed to deliver on these ambitions.



Reaching the goals of MissionZero requires collaboration among all stakeholders within our industries.

Collaboration across the value chain

The launch of MissionZero was therefore well timed. Now we need to increase our dialogue with customers, deliver and sell more of our flagship offerings and at the same time continue to develop new and better technology. We will do so by accelerating our R&D efforts towards more sustainable solutions and by utilising the power of digitalisation to constantly improve energy efficiency and enhance best practice. We will continue to co-develop technology with customers, suppliers, universities and other partners.

Reaching the goals of MissionZero requires collaboration among all stakeholders within our industries. And looking back at the first year of the programme, we have seen strong interest in co-creating solutions from several parties. An example of this is our cooperation with VICEM,

the leader in cement production in Vietnam, to work jointly towards sustainable cement production in Vietnam.

Sustainability is not new to us. It has been 12 years since we became a signatory to the United Nations Global Compact, and we continue to support its principles. Since the introduction of the Sustainable Development Goals (SDGs) in 2015, we have taken them into account when planning and reporting on our work. We are now taking the next step in our sustainability efforts by announcing a new set of targets for 2030. Perhaps the most prominent of those will be our forthcoming decarbonisation targets which are being developed under the Science Based Targets initiative to ensure that our activities to reduce emissions meet the goals of the Paris Agreement. Ensuring progress on these targets and on MissionZero will be part of the management's long-term incentive programme from 2021 onwards.

Maintaining our focus

COVID-19 caused economic slowdown, particularly in the cement sector. Despite all the complications, sustainability and MissionZero remained at the top of the agenda throughout the year.

COVID-19 has made health and safety an even stronger focus point than before. The safety of our employees and their families remains our top priority, and we made significant efforts during the year to safeguard them during the pandemic. Our safety performance is among the



very best in our industries, and we continue our efforts to maintain the highest standards.

Looking ahead, we are eager to continue unfolding MissionZero. We already have the technology to deliver significant sustainability improvements, and we are pushing hard to develop the next gamechanger solutions. Our employees know that we are at the heart of a sustainable and low-carbon future, where one small discovery leading to a new or modified product or solution can have a positive impact on the lives of billions. We might be 140 years old, but we have never been more relevant.

Vagn Ove Sørensen

Thomas Schulz

FLSMIDTH AT A GLANCE



MissionZero

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



60+

Countries

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



10,639

Employees

Our employees use their unique process knowledge about projects, products and services to meet our customers' needs for technical innovations, digitalisation and sustainable life cycle management



Our vision

We drive success through sustainable productivity enhancement

Our brand promise

We discover potential

Global provider of sustainability productivity

We are a leading provider of engineering, equipment and service solutions to the global mining and cement industries. We enable our customers to improve performance, drive down costs and reduce environmental impact.

Our business model is based on three strong strategic pillars: Life cycle approach, full service provider, and full flow-sheet. With our sustainability ambition, MissionZero, we enable our customers to move towards zero emissions by 2030. Our focus is clear – by using innovative technology, digital solutions and strong partnerships, we are committed to build a sustainable future for all of us.

FLSMIDTH IN THE WORLD

Effective 1 January 2021, we have six regions, as two of the smaller regions, Sub-Saharan Africa and Middle East (SSAME) and Sub-Continental India (SCIndia), have been merged.



1	2	3	4	5	6	7
South America	North America	Europe, North Africa & Russia	Sub-Saharan Africa & Middle East	Asia	Australia	Subcontinental India
Share of revenue: 23% (2019: 24%)	Share of revenue: 21% (2019: 20%)	Share of revenue: 19% (2019: 19%)	Share of revenue: 11% (2019: 10%)	Share of revenue: 9% (2019: 7%)	Share of revenue: 9% (2019: 7%)	Share of revenue: 8% (2019: 13%)
Share of employees: 18% (2019: 16%)	Share of employees: 16% (2019: 16%)	Share of employees: 25% (2019: 26%)	Share of employees: 8% (2019: 7%)	Share of employees: 5% (2019: 5%)	Share of employees: 5% (2019: 5%)	Share of employees: 23% (2019: 25%)

STRATEGY

FLSmidth continuously strives to be the leading supplier of sustainable productivity to the global mining and cement industries. We help our customers increase production, decrease operating costs and reduce their environmental footprint.

To further strengthen our position as Sustainable Productivity Provider #1, we have identified five key strategic focus areas.

Customers

FLSmidth works with customers around the world. Our customers consist of global majors and mid-sized regional players. The latter account for a large proportion of our project sales, whereas the global majors account for a considerable share of our service business.

Sustainability

Our relatively asset-light business model means that our in-house environmental footprint is very modest compared to that of our customers. A large cement producer has a carbon footprint about 2,000 times that of FLSmidth, and our annual water consumption equates to roughly two weeks of water consumed by a copper mine (100,000 tpy). While we work to minimise our in-house footprint, we have a greater impact helping our customers reduce their footprints. For

this reason, we launched MissionZero in 2019, which is an integral part of our business strategy.

Innovation and digitalisation

Our efforts in innovation and digitalisation are an important sustainability enabler. Greater scarcity of resources such as energy, water and raw materials leads to more complex and costly operations that challenge the performance of mining and cement companies. This calls for innovation, digitalisation and high-end technical solutions, which is where FLSmidth has a leading position and a competitive edge.

Life cycle approach

To achieve a sustainable productivity improvement, companies need to adopt an end-to-end process and integrate the whole value chain. Forces must be activated simultaneously from multiple directions to create the kind of momentum that leads to sustainable change. Through a life cycle approach, we enable our customers to lower their total cost of ownership.

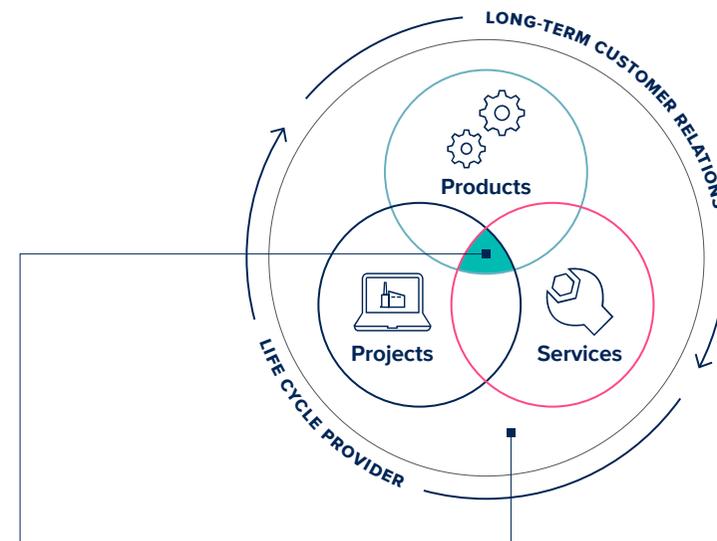
Standardisation

Through value engineering and modularisation, we rethink the designs of our products to increase reliability and reduce costs and complexity without compromising on quality and functionality.

Our standardisation programme has yielded substantial results. We have, in recent years, standardised products such as our vertical roller mills, coolers, burners, feeders and concentrators, allowing for a higher degree of configuration and less customisation.

BUSINESS MODEL A UNIQUE COMBINATION OF PROJECTS, PRODUCTS AND SERVICES

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 licences to operate

FLSmidth key competences

- 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



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 leading supplier to the cement and mining industries, we see a significant business opportunity in bringing these industries towards a sustainable future.

THE ZERO-EMISSIONS CEMENT PLANT

Commercially competitive with cement quality guaranteed



ZERO EMISSIONS



100% FUEL SUBSTITUTIONS



ZERO WASTE

THE ZERO-EMISSIONS MINING PROCESS

Commercially competitive with a minimised environmental footprint



ZERO WATER WASTE



ZERO EMISSIONS



ZERO ENERGY WASTE

OUR 2030 GOALS AND TARGETS SUPPORT THE SDGs

As a leading supplier to the mining and cement industries, we are in a position to significantly contribute to achieving the Sustainable Development Goals (SDGs) by delivering sustainability solutions in two environmentally intensive industries.

Accelerated development and adoption of these solutions are urgently needed as both sectors are also playing a crucial role in the transition towards a low-carbon society. Many solutions are already available but more work, often in partnership, is needed to ensure the right pathway for decarbonisation. Our MissionZero programme is aimed at delivering and implementing these solutions in partnership with our customers and others inside and outside our industry.

The goals that underpin the MissionZero programme are inspired by and contribute directly to some of the SDGs, including those related to water, affordable and clean energy, industry and innovation, responsible consumption and climate action.

Furthermore, we have set targets specifically for our own operations and for our suppliers, including targets on gender equality, that are in support of specific SDGs.

Recognising the importance of all 17 SDGs, we have prioritised three levels, reflecting:

- The SDGs and specific SDG targets where we can play a major role as enabler – and where we have main value chain impacts – the MissionZero-related SDGs and targets
- The SDGs and specific SDG targets where we have a high internal and/or supply chain focus, through operational sustainability
- The rest of the SDGs where we have less impact, with a focus on compliance and mitigating negative impacts



In early 2021, FLSmidth joined the inaugural United Nations Global Compact's Young SDG Innovators Programme, YSIPP. Two of our up-and-coming talents joined their counterparts from other leading companies to develop new sustainable business ideas and strengthen our movement towards reaching the UN Sustainable Development Goals: www.unglobalcompact.org/sdgs/young-sdg-innovators



MISSIONZERO-RELATED RELATED SDGs



6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION

OUR 2030 GOALS AND TARGETS SUPPORT THE SDGs*

THE ZERO-EMISSIONS CEMENT PLANT

Commercially competitive with cement quality guaranteed



Zero emissions



100% fuel substitution



Zero waste



12.4



13.2



7.2



12.2, 12.4, 12.5



OPERATIONAL SUSTAINABILITY

THE ZERO-EMISSIONS MINING PROCESS

Commercially competitive with a minimised environmental footprint



Zero water waste



Zero emissions



Zero energy waste



6.3, 6.4



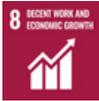
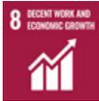
12.4



13.2



7.3

<p>Safety</p> <p>2030 ambition Zero harm</p> <p>2030 targets LTIF (incl. contractors): 10% Y-o-Y improvement TRIR (incl. contractors): 10% Y-o-Y improvement</p> <div style="text-align: center;">  <p>8.8</p> </div>	<p>People diversity</p> <p>2030 ambition A diverse and inclusive organisation</p> <p>2030 targets % of women total: 30% ** % of women managers: 25%</p> <div style="text-align: center;">  <p>5.5</p> </div>	<p>Environment</p> <p>2030 ambition Enable zero emissions</p> <p>2030 targets CO₂ emissions Scope 1 and 2: Carbon-neutral Scope 3 downstream: Economic intensity 7% Y-o-Y improvement</p> <div style="text-align: center;">  <p>13.2</p> </div>	<p>Human rights</p> <p>2030 ambition Safeguard standards</p> <div style="text-align: center;">  <p>8.5, 8.7</p> </div>	<p>Compliance</p> <p>2030 ambition Transparency and compliance</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>10.3</p> </div> <div style="text-align: center;">  <p>16.5, 16.6</p> </div> </div>	<p>Supplier management</p> <p>2030 ambition Reduced footprint</p> <p>2030 targets Suppliers setting science-based targets: 30% of spend</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>12.6, 12.7</p> </div> <div style="text-align: center;">  <p>13.2</p> </div> </div>
---	--	--	---	---	---

* Please see table on page 56 with detailed SDG targets.

** As part of our white-collar employees base.

Science Based Targets - Pending validation

OUR IMPACT ACROSS THE VALUE CHAIN

As a leading supplier of production facilities, equipment and service solutions to the cement and mining industries, we have a substantial influence on our value chain.

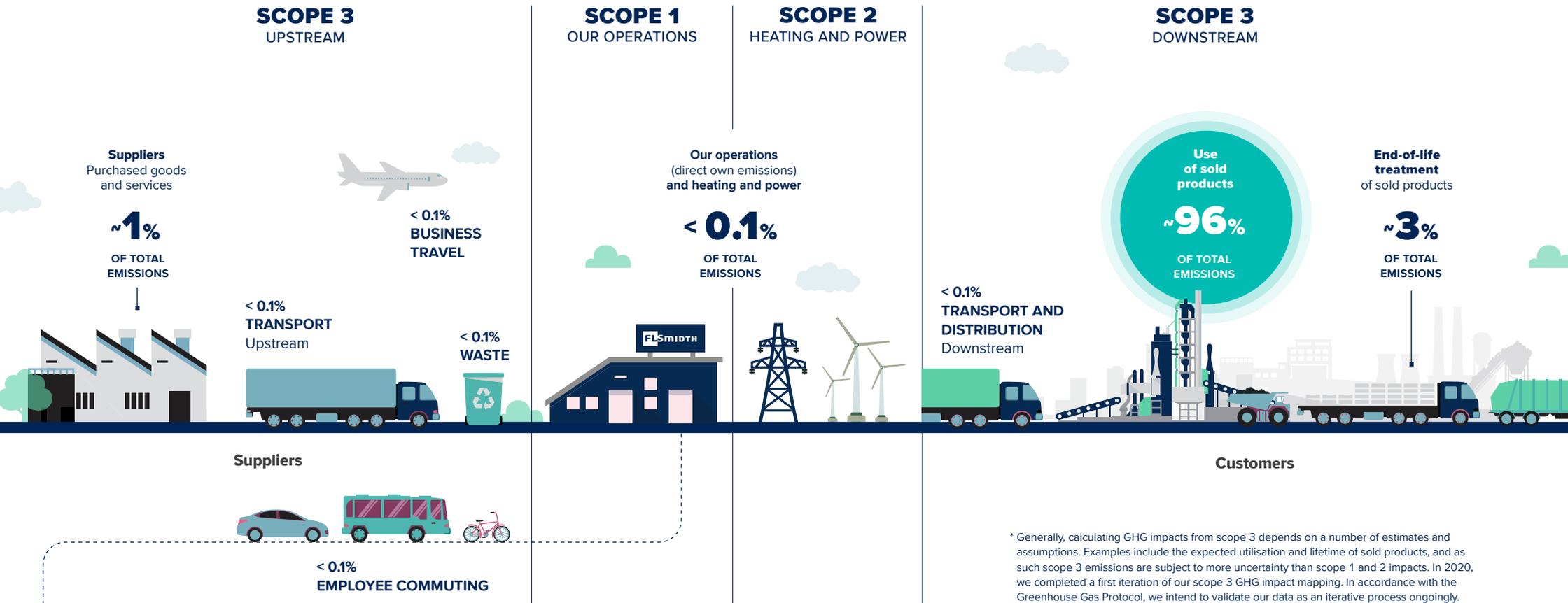
We calculate our GHG emissions based on the standards of the Greenhouse Gas Protocol, which provides a standardised framework to measure greenhouse gas (GHG) emissions, both for direct emissions from our own company and from our entire value chain.

The GHG Protocol includes impacts for a number of GHGs, expressed as CO₂-equivalents (CO₂e). This means they are expressed as the amount of CO₂ that would give the same GHG impact.

In short, the GHG Protocol divides a company's value chain GHG emissions into three scopes:

1. Direct GHG emissions from own facilities and vehicles
2. Indirect GHG emissions from purchased electricity, steam, heating and cooling
3. Indirect GHG emissions from the value chain, including both upstream emissions (e.g. purchased goods and services, upstream transportation and distribution, and business travel) and downstream emissions (e.g. downstream transportation and distribution, use of sold products and end-of-life treatment of sold products)

The figure below shows all of the Scope 3 categories that are individually responsible for more than 0.1% of our value chain impact, as well as categories chosen for illustrative purposes*.



* Generally, calculating GHG impacts from scope 3 depends on a number of estimates and assumptions. Examples include the expected utilisation and lifetime of sold products, and as such scope 3 emissions are subject to more uncertainty than scope 1 and 2 impacts. In 2020, we completed a first iteration of our scope 3 GHG impact mapping. In accordance with the Greenhouse Gas Protocol, we intend to validate our data as an iterative process ongoingly.

SCIENCE-BASED TARGETS AND HOW THEY WILL LEAD US TOWARDS ZERO

With MissionZero, we have a clear ambition to do our part in limiting global warming to 1.5°C. Fulfilling this ambition requires a systematic approach to reducing greenhouse gases. We are now setting science-based targets.

In early 2021, we committed to and submitted science-based global carbon reduction targets which are now pending validation by the Science Based Targets initiative. Having an independent body validate our targets reinforces our long-term commitment and our determination to reach our targets. The systematic approach helps us break the main target into tangible, yet ambitious steps.

Targets across the value chain

Downstream is where we have our largest impact. That is why with MissionZero, our target is to enable our customers to produce cement and minerals with zero emissions.

However, we are including science-based targets for the entire value chain.



Upstream

We work with our suppliers to **move towards greenhouse gas emission reductions by 2030**. By 2025, 30% of our suppliers, based on spend, need to have set their own targets for reducing greenhouse gas emissions.

Own operations

From our own direct emissions, we have set a target to **reduce our Scope 1 and Scope 2 emissions to 0** and be carbon-neutral by 2030. Those emissions stem from our manufacturing and transportation, and the energy we use in our offices and production.

Downstream

Our downstream target is a **7% year-on-year reduction in carbon emissions per unit of revenue** from a 2019 baseline until 2030. It is calculated as tonnes of CO₂-equivalents divided by revenue in DKK.

By far our largest environmental impact stems from the use of our products by our customers.

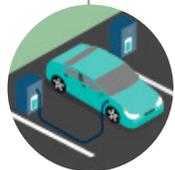
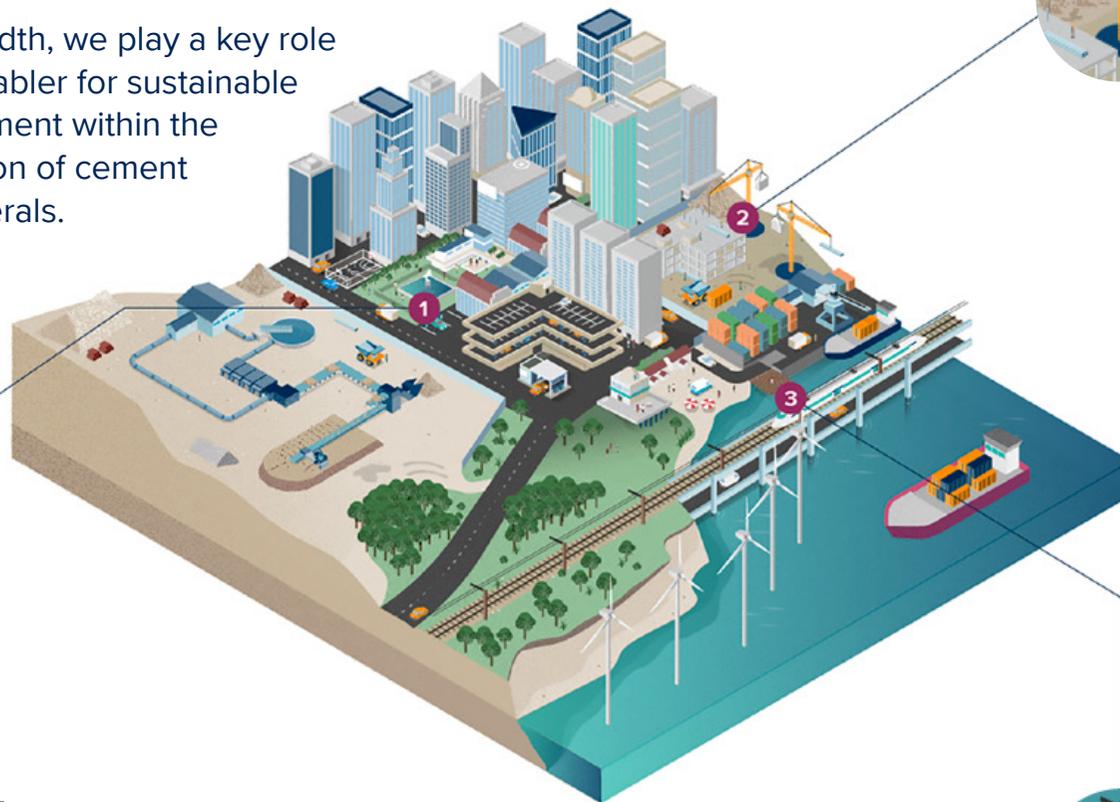
An aerial photograph of a city skyline, likely Atlanta, Georgia, featuring a dense cluster of skyscrapers and modern buildings. In the foreground, a large, lush green park with a winding river and several baseball fields is visible. The sky is bright blue with light, wispy clouds.

DELIVERING SOLUTIONS TO OUR CUSTOMERS

As the leading productivity provider for the mining and cement industries, we can take a leadership position in delivering sustainability solutions to our customers to enable them to responsibly meet the increasing demand for cement and minerals.

MINERALS AND CEMENT ARE ALL AROUND US

At FLSmidth, we play a key role as an enabler for sustainable development within the production of cement and minerals.



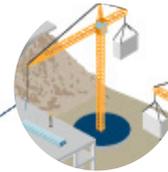
1- Minerals are a necessity

Copper, lithium, nickel, rare earth minerals, silver, cobalt and manganese are among the many minerals needed for wind and solar energy, smartphones, computers, home appliances and electric vehicles.

8 times

Electric vehicles alone are forecast to increase demand for lithium by eight times by 2030. Extended solar and wind capacity also requires more lithium.

Source: Bloomberg



2- Cement for construction

The world's floor area is set to double by 2060, and globally we need to construct 230 billion m² of buildings.

521 kg

Already today, the global average cement consumption per capita is 521 kg.

Source: The Global Cement Report

1%

emission reduction in the cement industry



22 Mt

CO₂ reduction per year

Equivalent to

emissions sequestered by a forest **105,000 km²**, 2× the size of Denmark.

Or equivalent to

2.3 Million households' annual electricity use powered by fossil fuels.



3- Copper for electricity

Copper is essential for distributing electricity and electrical components. Research forecasts predict that in the next decade, electric vehicles will more than double the need for copper to 250,000 tonnes per year.

1.5 Mt

Smart home systems are forecast to need 1.5 million tonnes annually from 2030, up from 38,000 tonnes in 2018.

Source: International Copper Association

GLOBAL DEVELOPMENT DRIVERS

ECONOMIC GROWTH

The global economy is expected to grow by more than 30% in the next five years. To decouple economic growth from environmental degradation, we must enable more sustainable production of needed resources such as cement and minerals.



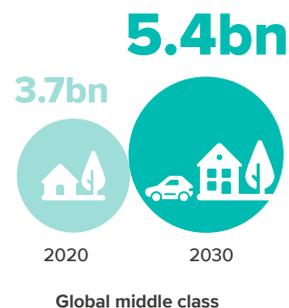
Source: IMF, World Economic Outlook Database. GDP current prices



STANDARDS OF LIVING

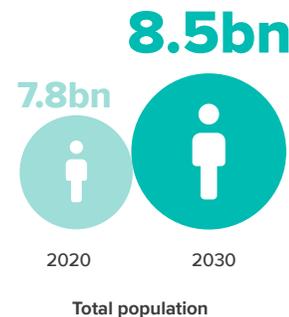
By 2030, the middle class will grow by 43%. As more people escape poverty, purchasing power is on the rise, and so is the need for better housing and electronic devices.

Source: World Data Lab (2020), Middle Class Data



GROWING POPULATION

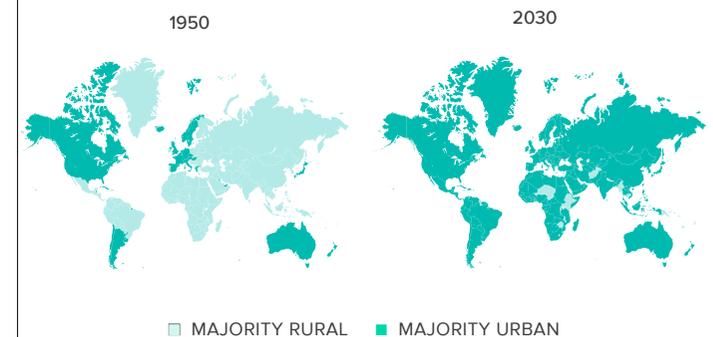
The current world population of 7.8 billion is expected to reach 8.5 billion by 2030. Cement and minerals are required to ensure proper housing and universal access to affordable, reliable and modern energy services.



Source: UNDESA, World Populations Prospects 2019

URBANISATION

The number of people living in urban areas will increase by 800 million between 2020 and 2030. More sustainable production of cement and minerals is needed to ensure adequate, safe and affordable housing, transport and energy without compromising the environment.



Source: UN-Habitat, World's Cities Report 2020



With MissionZero, we promote inclusive and sustainable industrialisation and foster innovation in order to meet the increased demand for cement and minerals in the most sustainable way.

SUSTAINABLE SOLUTIONS TO OUR MINING CUSTOMERS



ZERO WATER WASTE

FILTERED TAILINGS

Filtered tailings **enable sustainable water use and smart tailings management**. Eliminating wet tailings dams and the reuse of process water minimise environmental impact, cut complexity and help miners attain a social licence to operate.

ADVANTAGES:

- **Water reclamation (up to 95%)** and reduction in freshwater intake reduces costs
- The footprint of the waste/tailings **can be less than 50%** of a conventional facility
- Reduction in closure costs at end of mine life: progressive closure is possible, whereby the site can be restored and revegetated
- Reduced tailings risk improves safety
- A lower impact aids licence to operate

6 × 

The AFP2525 filter press, featuring leading-edge technology, uses high pressure and low cycle times to achieve significantly larger single-machine capacities compared to other filter types. Able to recover more than 200 m³ of water per hour, the filter is specifically designed to optimise large-scale filtered tailings dewatering. This means that in a typical mine operating at over 21,000 tonnes a day, a filter installation will recover enough process water to fill six Olympic swimming pools every 24 hours.

RFC™ – REFLUX™ FLOTATION CELL

The RFC™ is a solution in the flotation area of the mining flowsheet that has good potential for **reducing energy and water use**. Preliminary results from pilot-scale studies indicate that RFC technology can help mines use **~20% less energy**.

Flotation is a key, water-intensive area where valuable minerals are separated from other materials. **RFC has a higher throughput and improved separation efficiency** compared to traditional methods.

RFC GRANTS:

EIT RawMaterials, which is funded by an EU body, awarded EUR 5.4 million (EUR 2.8m to FLSmidth) to help upscale and commercialise the RFC technology.

RFC was part of the project that received a 2020 **Horizon grant**, enhancing knowledge of flotation technology.



ZERO ENERGY WASTE

DIGITALISATION

Advanced optimisation

The new version of our process control solution, **ECS/ProcessExpert® V8.5**, was launched in 2020. The solution aims to cut energy use by ~6%, while boosting productivity by a similar amount.

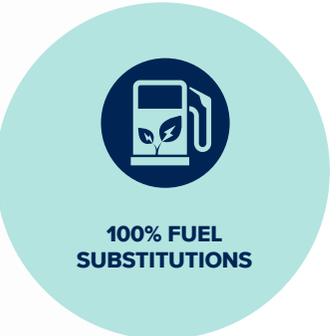
Newly integrated **AI cognitive technologies** provide an understanding of a mining process by finding patterns in the raw process data. This combined with operator knowledge is then used to solve problems that help improve performance and sustainability.

Another new feature of PXP V8.5 is a range of **sustainability dashboards that report the system's performance in terms of environmental KPIs** (key performance indicators). With these dashboards, operators can see how process improvements, such as more efficient use of energy, translate into lower CO₂ emissions.



ZERO EMISSIONS

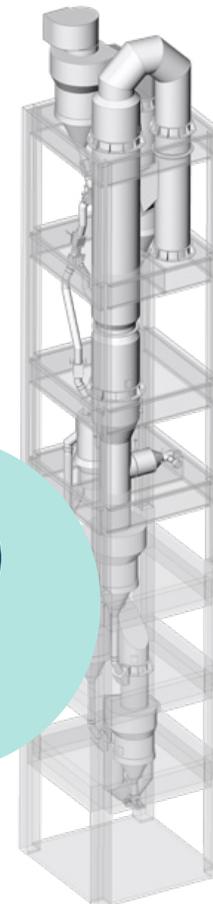
SUSTAINABLE SOLUTIONS ACROSS THE CEMENT FLOWSHEET



CLAY CALCINATION

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

Manufacturing clinker is energy- and emission-intensive. The less clinker you can use, the less impact you have on the environment.



DIGITALISATION

Automated sample preparation reduces emissions

Increasing sample throughputs with the **FLSmidth QCX Centaurus** ensures better control and higher efficiency – in the range of 2% – leading to fuel savings and lower emissions.

With the launch of **ECS/ProcessExpert® V8.5**, we are bringing artificial intelligence technologies to advanced process control.

Intelligent process control solutions, such as the ECS/ProcessExpert platform, stabilise and optimise processes, enabling our customers to achieve up to 100% alternative fuels, reduce emissions by up to 5% and increase production by up to 6% – while maintaining product quality.



ALTERNATIVE FUEL

Alternative fuel has the potential to deliver 12% of the cumulative CO₂ emissions savings required to meet the 2°C scenario of the Paris Agreement.

The **HOTDISC® Combustion Device** is the best way to substitute calciner fuel with a wide range of coarse alternative fuels – letting producers use everything from sludge to whole truck tyres.

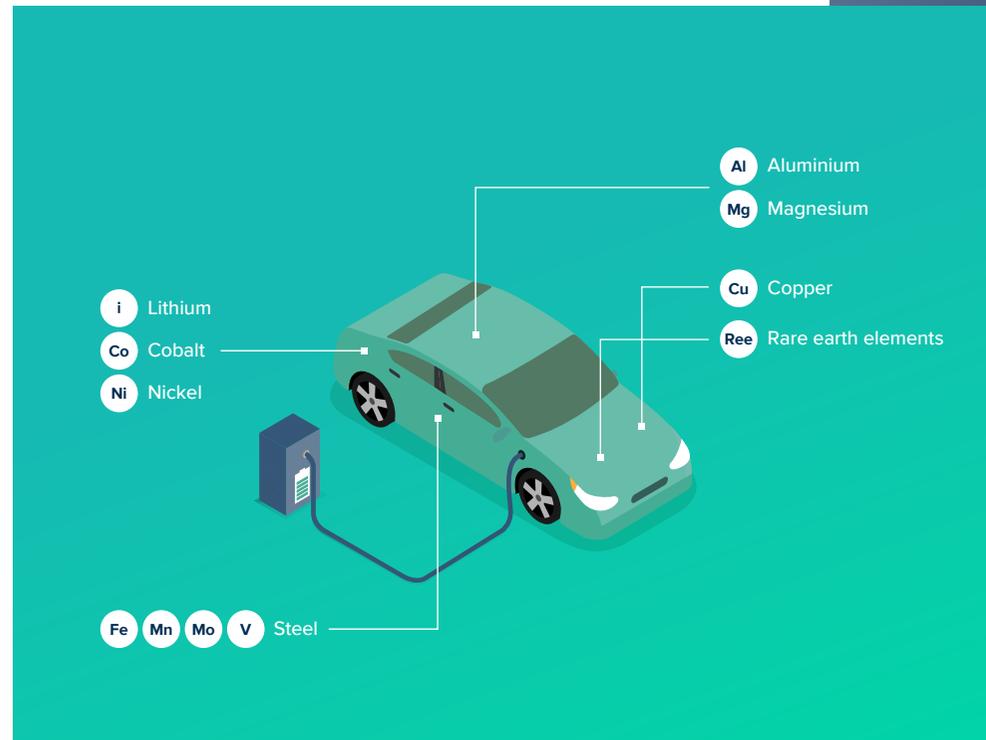
"... EU countries are currently experiencing a second wave of alternative fuels uptake that's driving substitution rates towards 100%."



12% OF CO₂ SAVINGS IN CEMENT = APPROXIMATELY 33% OF GERMANY'S TOTAL CO₂ FOOTPRINT

SOLUTIONS FOR A GREEN TRANSITION

Even the transition to green energy increases the demand for cement and minerals. For the transition to be truly green, we must reduce the environmental impact from the production of these materials.



Sources:
IRENA (2019), Future of Wind
World Bank (2019), Climate Smart Mining

CEMENT AND MINERALS FOR WIND TURBINES

Renewable energy comes with a cost to the environment. With MissionZero, we enable a more sustainable way of producing the vast amount of materials needed for wind turbines.

* Cumulative installed wind power capacity needed to achieve the Paris climate goals.

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 to power our smartphones, computers, home appliances and electric vehicles.

CEMENT

ENABLING LOW-IMPACT CEMENT PRODUCTION

At the centre of building our societies, cement plays an important social and economic role. Continuous urbanisation and economic growth only increase the demand for cement.



THE EMISSION CHALLENGE

7% GLOBAL CO₂ EMISSIONS

With 7% of global CO₂ emissions coming from cement 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.



OUR 2030 GOAL

A ZERO-EMISSIONS CEMENT PLANT

Our target is to enable cement production with close to zero emissions. We will achieve this by accelerating our sustainability-focused R&D and in partnerships with others.

C

ement is one of the most consumed products globally – second only to water. And the demand will only increase in the future as a consequence of rapid urbanisation and growing populations. Under the International Energy Agency (IEA) Reference Technology Scenario (RTS2), the industry would increase its direct emissions by 4% globally, with a corresponding increase of 12% in global cement production by 2050.

Since 1990, the cement sector has continuously improved its efficiency but now needs to accelerate its efforts. This need to accelerate is reflected in the ambition from the Global Cement and Concrete Association (GCCA) to deliver carbon-neutral concrete by 2050.

Producing approximately 7% of the world's CO₂ emissions, the sector can significantly contribute to the ambition of the Paris Agreement to limit global warming to well below 2°C.

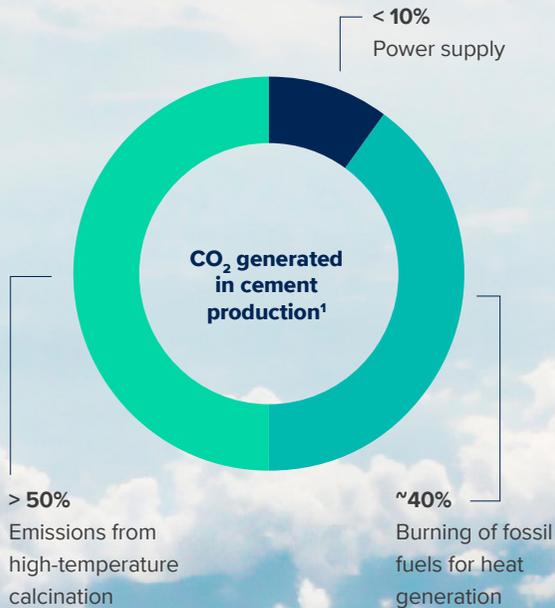
With limited alternatives to cement that currently can reach significant scale, a key focus is to accelerate the ongoing sustainable transition of the cement industry through innovation in low-emission technologies.

As a technology leader, we have always been in the business of helping our customers produce cement more productively and sustainably. And with the launch of MissionZero, we are accelerating solutions to help our cement customers towards the zero-emission cement plant.

Sources:

www.mckinsey.com/industries/chemicals/our-insights/laying-the-foundation-for-zero-carbon-cement
www.iea.org/reports/technology-roadmap-low-carbon-transition-in-the-cement-industry

1 Introduction | Chatham House – International Affairs Think Tank (p. 4, figure 4; split: 50:40:10)



THE ROAD TO ZERO EMISSIONS IN CEMENT

Producing cement with zero emissions will be possible by 2030. That is the promise we are making with MissionZero. With solutions we already offer today and the innovations that we are working on in our R&D centres, we have identified ways to reduce net emissions per tonne of cement produced by approximately 70% by 2030. Furthermore, we are establishing partnerships to develop solutions to close the remaining 30%. For the 70% reduction to happen, we need to increase the rate of adoption of the best available technology. This is, however, a complicated matter for cement producers as it requires a mix of many different technologies.

What generates the CO₂ and what are the levers to address the issues?

In general, the CO₂ is generated by three different processes: high-temperature calcination (55%), burning of fossil fuels for heat generation (32%) and power supply (13%).

Optimised processes, increased energy efficiency, alternative raw materials, use of renewable energy and alternative fuels, greenhouse gas emission-reducing solutions and carbon capture are levers to address this. Today, we deliver key technology and solutions for alternative fuels, as well as high-efficiency and low-emission products that save energy and produce more cement with the lowest possible environmental impact.

Much of our immediate efforts are focused on replacing limestone in cement production with clay. At FLSmidth, we foresee that the limestone-based cement industry will develop into a multi-commodity industry where besides limestone and clay, other minerals have an essential role in producing cement. Based on our multi-commodity mining and long-standing cement expertise, FLSmidth is in a core position to cross-utilise competences towards zero emissions in cement.



Enabling cement producers to supply cement in a responsible way is our responsibility. And it's a responsibility we take seriously”

CARSTEN RIISBERG LUND,
CEMENT INDUSTRY PRESIDENT, FLSMIDTH

INDUSTRY ASSOCIATIONS SHARING OUR AMBITION

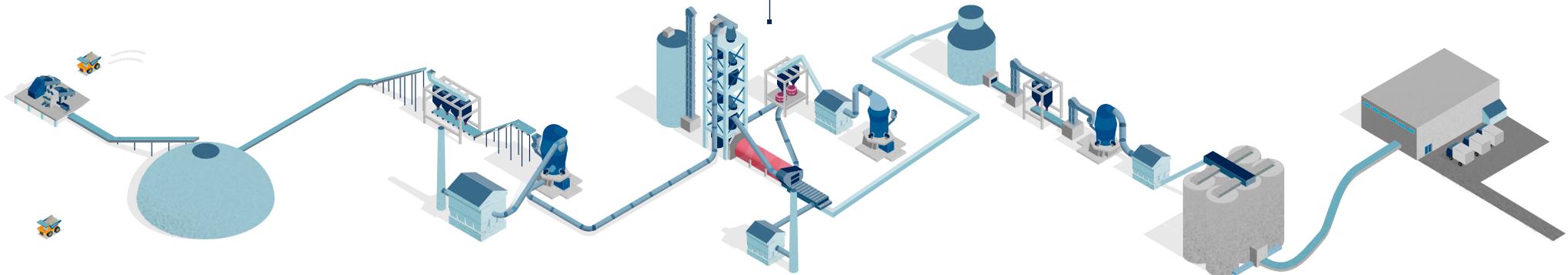
Global Cement and Concrete Association (GCCA)
GCCA's ambition is to supply society with carbon-neutral concrete by 2050.

CEMBUREAU - the European Cement Association
CEMBUREAU's Carbon Neutrality Roadmap sets out the cement industry's ambition to reach net zero emissions along the cement and concrete value chain by 2050.

THE CEMENT PROCESS

Finding ways to reduce the amount of clinker, introduce more energy-effective equipment and enable 100% alternative fuels are among our actions to make cement production more sustainable.

Pyroprocessing is by far the most impactful cement production process stage in terms of climate change impact. In an LCA study conducted in 2020 for FLSmidth by Quantis, the climate change impact of pyroprocessing contributed approximately 90% of the total CO₂e emissions in a specific cement plant.



1. Quarrying and crushing

The main raw material utilised in the production of cement is limestone. Limestone is calcium carbonate, CaCO₃, and is 44% CO₂ by weight. Deposits are drilled, blasted or ripped using heavy machinery, and the materials are then transported to the crusher to reduce the size of the rocks. This is the first step where FLSmidth equipment is involved.

2. Drying and raw grinding

The materials are fed into the raw mill, ground to the right particle size and dried to the right moisture content. The outcome, raw meal, is stored in a silo and further homogenised to ensure a consistent chemical composition. This is a main driver for better performance of the kiln system and final clinker quality. The process requires a lot of power.

3. Pyroprocessing

When the raw meal reaches the calciner at the bottom of the pre-heater tower, it has a temperature of 890°C. Heating the materials releases the CO₂ contained in the limestone. These are inevitable calcination emissions. The material then enters the rotary kiln and is heated to 1450°C. The heating melts the rocks to form clinker, the main component of cement.

4. Clinker and cement grinding

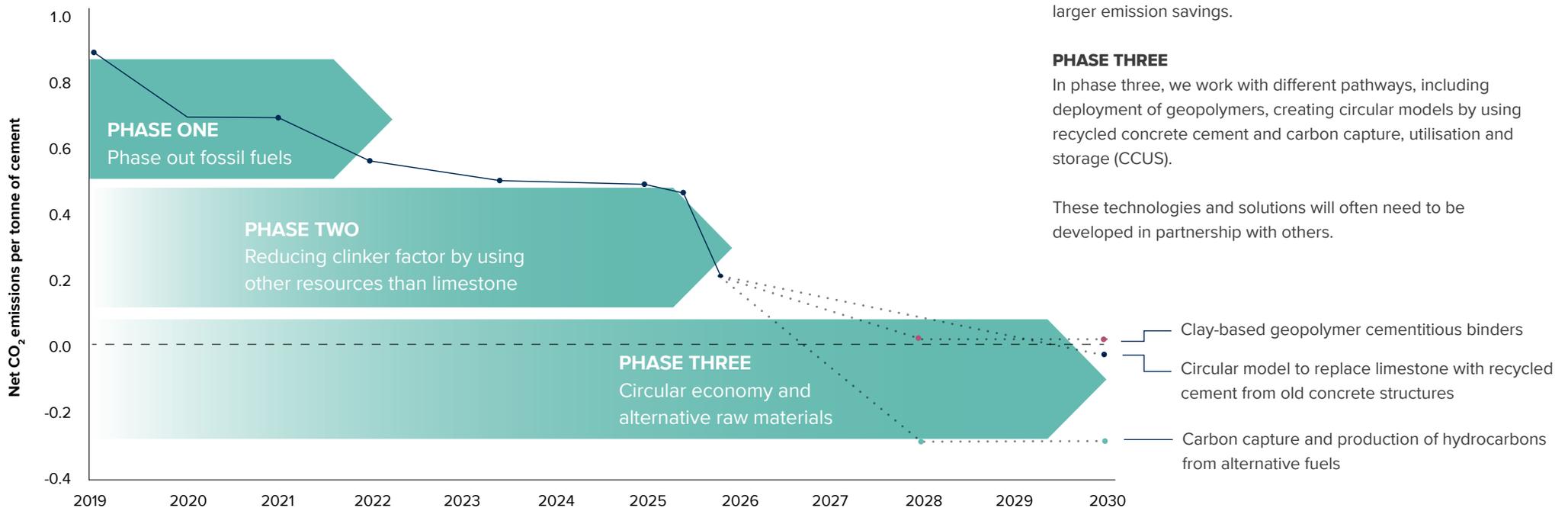
The clinker is ground in a mill to reduce its particle size. Clinker has a high carbon footprint, and a focus area is to reduce the amount of clinker in the final product. This can be achieved by blending in additives. Different cements are used for different applications, so clinker and additives are 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 various bag sizes and loaded onto trucks, or it can be shipped by bulk tankers, rail or ship. Ultimately it is mixed with water, sand and gravel to form concrete, which is used to build the infrastructure around us.

ROADMAP TOWARDS ZERO CO₂ EMISSIONS IN CEMENT

In order to achieve our CO₂ emissions goal as part of our MissionZero programme, we developed a roadmap to accelerate our R&D focus in this area. The roadmap consists of three phases that address the main CO₂ emission sources from cement production. This will guide our work in the coming decade – both in terms of where we will focus our innovation efforts and in terms of creating partnerships with our customers, academia and others who can ensure we achieve our goal.



PHASE ONE

In phase one, we will deliver solutions to achieve 100% alternative fuel firing and complete fuel flexibility. Fuel flexibility describes the ability to fire a variety of fuel types to avoid relying on a single source. Refuse-derived fuel (RDF) is an example of an alternative fuel.

PHASE TWO

Phase two focuses on lowering the volume of carbon-intensive clinker by accelerating the deployment of clay calcination and other mineral resources. By combining the calcined clay solution with alternative fuel-firing technologies we can achieve ever larger emission savings.

PHASE THREE

In phase three, we work with different pathways, including deployment of geopolymers, creating circular models by using recycled concrete cement and carbon capture, utilisation and storage (CCUS).

These technologies and solutions will often need to be developed in partnership with others.

- Clay-based geopolymer cementitious binders
- Circular model to replace limestone with recycled cement from old concrete structures
- Carbon capture and production of hydrocarbons from alternative fuels



Our World-class Dania research facilities in Mariager, Denmark play a crucial role in the development of our calcined clay solution

CASE

INNOVATING FOR SUSTAINABILITY

REMOVING CLINKER TO REDUCE EMISSIONS

We currently have a patent pending on one of our newest innovations: a clay calciner system that provides a cost-effective, more sustainable alternative to clinker while maintaining the high strength and quality standards of cement.

Aside from the enormous sustainability advantage, other benefits include excellent colour control and lower capital and operating costs.

40%

Reducing emissions from cement production by up to 40%. That is possible if we replace limestone in cement with clay.



Vietnam is one of the fastest growing economies in terms of cement production and one of the biggest global exporters of cement.

CASE

TOWARDS SUSTAINABLE CEMENT PRODUCTION IN VIETNAM

COOPERATING TO SPEARHEAD SUSTAINABLE SOLUTIONS IN CEMENT

In early 2020, we formed a partnership with the leading cement producer in Vietnam, the Vietnam National Cement Corporation (VICEM), to pioneer new solutions to significantly improve the sustainability of the cement sector in Vietnam.

The goals of the partnership with VICEM are to implement technologies that radically reduce emissions, pioneer solutions for using alternative fuels and improve air quality.

To make a significant difference, FLSmidth and VICEM have committed to cooperating on developing industry-scale innovations that will accelerate sustainable cement production. “We’re proud that we’ve signed this important partnership with the leading cement producer in Vietnam with the goal of developing breakthrough innovations that will significantly increase the sustainability of the Vietnamese cement industry,” says Per Mejnert Kristensen, Region President for Asia at FLSmidth.

MINING

THE NEED TO EXTRACT COMMODITIES RESPONSIBLY

Infrastructure, cars, technology. The list of everyday necessities that rely on the mining industry is long. And along with the demand for these products, the need for minerals is continually increasing. We need to enable customers to deliver responsibly on that demand.



THE MAIN CHALLENGE

WATER

Contamination of groundwater, tailings dam failures and scarcity are risks that make water management a challenge in mining.



OUR 2030 GOAL

ZERO WATER WASTE

We are working towards a mining process with zero water waste by 2030.

Water is a major theme when it comes to mining. About 70% of mines operated by the major mining companies are located in countries where water stress is considered a major risk. And with ore grades declining, more water is needed just to keep up with production rates.

The three biggest risks associated with water and mining are scarcity, contamination of groundwater and tailings dam failures. That is why we are working towards a mining process that creates zero water waste by 2030.

Water is not the only environmental challenge in mining. Scope 1 and Scope 2 CO₂ emissions from mining amount to 1% of global CO₂ emissions. And if we include fugitive methane emissions from coal mining, mining is estimated to be responsible for 4-7% of total global greenhouse gas emissions. We have set targets that will enable miners to move towards zero greenhouse gas emissions within 10 years.

As a leading solutions provider to the mining industry, we are now accelerating the development and implementation of new technologies to allow our customers to navigate the challenges in the industry to enable them to operate both responsibly and productively. Because doing so is the key to mining companies' long-term success.

Source www.mckinsey.com/business-functions/sustainability/our-insights/climate-risk-and-decarbonization-what-every-mining-ceo-needs-to-know#

THE ROAD TO LOW-IMPACT MINING

Mining is an energy-intensive industry that requires a lot of water and emits a significant amount of greenhouse gases. Solutions are needed to address these issues in order to make mining more sustainable, and in order for the industry to obtain and maintain licences to operate. Obtaining a licence to operate has been a main risk for mining companies for years, as authorities, local communities and investors alike are all demanding more sustainable solutions.

Mineral processing often involves a lot of water – often in areas where water is scarce. That has consequences for production costs and for the licence to operate.

In tailings dams, water management meets health and safety issues. Tailings dams are built to hold back water-based waste from mineral processing, often for decades. But for varying reasons, dams have a risk of failures which cause terrible destruction to surroundings and potentially the loss of human life. Improved water management solutions are needed to eliminate the risk of dams collapsing in the future.



It's imperative that we supply our customers with the products and solutions that let them **operate their mines more sustainably and productively** – for the good of the environment, local communities and society. And for our customers, who will secure their licence to operate.”

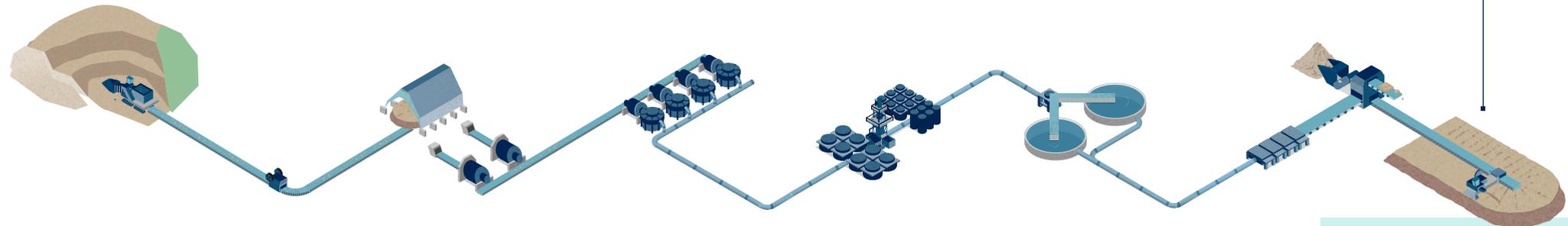
MIKKO KETO,
PRESIDENT, MINING INDUSTRY, FLSMIDTH



THE MINING PROCESS

To make mining more sustainable, our focus is on the development of energy-efficient processes and the reduced need for diesel-powered mobile equipment. The industry must also find new ways to allow for increased water recirculation and an overall reduction in freshwater intake.

In 2020, we received an order to deliver an integrated paste-fill and filtered tailings solution to a lead-zinc mine operated by Hindustan Zinc Ltd. in Rajasthan, India. Our technology will remove water from the mine's waste tailings, enabling the recovery and reuse of up to 85% of process water. This will not only cut the tailings footprint but also lower the mine's freshwater needs, meaning lower costs and lower environmental impact.



1. Extraction

Ore, the rock that contains one or more valuable metals or minerals, is generally mined using two methods: underground or open-pit mining. Open-pit mining is a faster and less expensive extraction method and often involves drilling, blasting, loading and hauling – often with diesel-powered mobile equipment.

Primary crushing of the ore in the pit and transporting it to the mill via electrically-driven conveyors, rather than haul trucks, can greatly reduce a mine's greenhouse gas emissions.

2. Comminution

To separate the valuable components of an ore from the waste rock, the minerals must be physically liberated from their interlocked state by crushing and then grinding.

Size reduction begins with crushing the rock, normally a dry process, through a series of crushers and sizers. Fine grinding is traditionally a wet process involving energy-intensive mills.

Comminution accounts for about half the energy used on a mine site and is estimated to consume up to 3% of all electric power globally.

Increasing energy-efficiency and dry milling are key sustainability focus areas.

3. Concentration

There are many methods to increase the concentration of the valuable minerals in the milled ore. These depend on many different physical and chemical properties of the minerals to be separated.

Flotation, performed in large tanks containing milled slurry, is a widely used separation method for the concentration of fine-grained minerals.

Today, many mining companies are faced with more difficult ores to process. We are developing novel mineral processing techniques that aid in the recovery of these challenging minerals as well as helping reduce pollution and lower chemical use.

4. Dewatering

Concentrates must be dewatered to allow them to be transported easily and to allow for further processing. The waste material, known as tailings, needs to be disposed of in a manner that is safe and has the least environmental impact.

Dewatering is generally carried out in a stepwise process using screens, thickeners, clarifiers and filter presses. The final product, that has up to 85% of the water removed, is known as a filter cake.

Recovering and recycling water from the process streams are particularly valuable to mining operations, especially in water-scarce regions where the cost of freshwater is high.

5. Tailings management

Mines have unique considerations when choosing the best and safest tailings disposal method. Filtered (or dry stack) tailings is one of the most sustainable options. It eliminates tailings dam risk, allows high water recovery/reuse and creates a smaller tailings facility. It can also enable faster land reuse post-closure.

Co-mingling waste rock with filtered tailings creates an even more stable solution. We call this EcoTails®. This has the advantages of filtered tailings but creates a still smaller footprint, reduces drainage risk (which can affect local water quality) and can be used at large mines, even in areas of high seismic activity.

TOWARDS A ZERO-WATER MINE

Zero water waste from mining is within our reach. With existing solutions, it is already possible to reduce waste water significantly.



CURRENT

Large paste thickeners

Smaller tailings dams downstream
Reuse of tailings in mine backfill



2020

Advanced large-scale filter presses

Increasing pressure on operators to obtain licence to operate



FLSmidth's focus

Dry stack tailings



2025

Dry grinding and dry classification presses

Leverage experience from cement industry to reduce water consumption in comminution and sizing

Coarse flotation

Introduction of coarse particle flotation technologies with the dual benefit of reduced grind requirements, allowing for fast-filtered tailings



2050

Dry mineral separation

No wet flotation
Breakthrough technology to be discovered
Dry waste downstream



IMPROVING OUR OPERATIONAL SUSTAINABILITY

PANDEMIC IMPACT AND ACTIONS

The COVID-19 pandemic had a significant impact on our industries, customers, company and employees. We continue to monitor the situation and take swift action where necessary to ensure the safety of our employees and their families, protect the interests of our customers and secure our supply chain.

Internal operational impact

Ensuring the safety of our employees and their families has always been our most important priority. Following the outbreak and spread of the pandemic, we established crisis management teams at group and regional levels and undertook continuous risk assessments in order to ensure that actions taken were proving effective in minimising infection rates. These measures included providing personal protective equipment, ensuring safe employee transportation and implementing travel bans, contact tracing programs, temperature screenings and entrance testing, depending on location.

As of end-2020, almost 100% of our blue-collar employees were on-site at our manufacturing, assembly and warehouse sites, while around 50% of our global office employees were working from home. We have unfortunately had to reduce our workforce significantly during the year. In light of the pandemic, the increased degree of flexible working arrangements and an expected slow recovery within cement, we have decided to

revisit our plans for building a new campus in Copenhagen, Valby.

Travel restrictions continue to impact the capacity utilisation for our global service technicians, and the lockdowns and travel restrictions put in place as a result of the latest wave of COVID-19 cases will continue to impact our business during the first half of 2021. Our regional offices, which are responsible for compliance to local regulations, are monitoring the situation and reporting weekly to Group Management on changes to local restrictions.

Customer impact

Most of our customers have maintained business continuity during the pandemic. However, in order to reduce the risk of COVID-19 transmission within their workforces, many of them have chosen to run their operations with minimal staff onsite, and several have closed site access to suppliers. Roughly 97% of mine sites and 95% of cement plants are currently back in operation, but many cement plants run at reduced capacity utilisation and

access to sites remains difficult for suppliers. The pandemic has accelerated customer demand for digital optimisation, with the number of hours spent on digital troubleshooting for customers doubling since the beginning of the year. A growing number of customers are now enjoying the benefits of our remote condition monitoring tools and services and are in regular contact with our 24/7 remote technical support staff. Our on-site solutions have also proved their value to customers during the pandemic. For example, with our SiteConnect mobile app, customers are able to monitor asset performance and health data without having to be on site or in the control room. Though restricted site access has made it challenging to install new digital solutions on-site, we have successfully implemented remote software upgrades and plant improvements.

Supply chain impact

As a global business, the timing and extent of the pandemic's impact on our operations has varied across our locations. In response, we have endeavoured to maintain resilience and flexibility within our global supply chain and the ability to source from suppliers across all regions. As a result, while we have incurred some additional costs, there has been very little disruption within our global supply chain during the pandemic. Where sub-suppliers have struggled to deliver, we have been able to successfully switch to suppliers in other parts of the world.

To simplify and focus the supply base, we have been steadily reducing the number of suppliers we work with. Fewer than 1,500 suppliers now collectively account for 90% of the global supplies. These suppliers are evenly split among geographies to reduce transportation, lead-time

COVID-19



Customers

- Travel restrictions and limited site access
- Deferred capital investments
- Operation at reduced capacity



Operational impact

- Reduced operational activity
- Travel restrictions
- Working from home
- Reduced capacity



Supply chain impact

- Largely undisrupted
- Reduction in number of suppliers
- Resilient and flexible supply chain

and improve agility with stronger delivery capability. Two thirds of the suppliers are based in low-middle income countries. Along with the partnership approach, this allows for better screening of suppliers and improved customer experience. In total FLSmidth uses 7,500 suppliers, which is a reduction from more than 15,000 a few years ago.

GOVERNANCE AND SUSTAINABILITY RISK MANAGEMENT

Understanding sustainability risks and opportunities as well as the expectations from our stakeholders is key to the way we work with sustainability in our company. Combined with growing sustainability challenges across the sectors in which we operate, this requires a robust governance structure to ensure we are understanding, assessing and ultimately managing the risks and opportunities across our value chain.

In 2020, we strengthened our governance and risk management in relation to sustainability. In this section, we outline the key elements of our governance structure and risk management approach to sustainability in general and climate change in particular. This is all central to being able to continually improve our sustainability impacts.

Governance overall

The Board of Directors establishes the mandate for the sustainability programme and receives quarterly updates. It also approves the Sustainability Report, ensuring that it is aligned with the long-term strategy of the company. The Board of Directors also has an annual strategy session to validate the long-term strategic direction of the sustainability work.

At executive level, our Group Executive Management (GEM) is responsible for setting the strategic direction for our MissionZero programme and our operational sustainability approach. KPIs are established on a year-on-year basis in addition to our long-term targets. In 2020, we set new targets to guide the long-term strategic direction of our sustainability efforts. On average, the GEM receives an update on our sustainability work six times a year.

Responsibility for our operational sustainability is assigned to relevant corporate functions, which are responsible for continual improvements with a special focus on policy implementation. We update our policy framework annually to ensure that our policies are always relevant and to avoid conflicts between functions.

Our sustainability policy is the umbrella for each of the functions' clear commitments. This enables us to align the corporate sustainability strategy, goals and incentive structures between the functions. We can ensure clearer communication between functions and identify where they complement each other, and where there may be trade-offs. And we can effectively communicate our policies to relevant business partners.

In 2021, we will establish a more robust data management and KPI system aligned with our new 2030 targets. KPIs are cascaded across the organisation to individual functions.

Materiality

To map the social and environmental topics with the largest impact throughout our value chain, we conducted an extensive internal materiality assessment in 2017. Our findings were supported by a desk review of customers', peers' and suppliers' sustainability disclosures. In 2020, we reviewed these material topics and developed long-term targets to guide our efforts to improve our impact. In 2021, we intend to perform our next materiality assessment with a specific focus on our MissionZero programme.

MissionZero implementation

In 2019, we introduced our new MissionZero programme with the objective of enabling customers in cement and mining to operate with zero emissions by 2030. In order to deliver on this ambition, we are establishing a company-wide measurement system. At Group level, progress will be measured against our Scope 3 science-based target to reduce emissions downstream at our customers' sites. This is further described below.

Organisationally, the progress of the programme will be tracked against specific KPIs we are setting for the technical ability side of the programme – which focuses on the R&D projects and engineering work across our portfolio and for the commercial delivery. This work focuses on delivering solutions to our customers and the savings that are achieved through these solutions. During 2021, we will start measuring against these KPIs for the first time – with a view to obtaining some learnings

GOVERNANCE AND SUSTAINABILITY RISK MANAGEMENT



Sustainability governance model



Materiality assessment (most recent update 2017)

and improving towards a full KPI framework starting in 2022.

Setting science-based targets

It is our ambition to enable the decarbonisation of the cement and mining sector and establish FLSmidth as a future carbon-neutral company. To reflect this, in early January 2021, we committed ourselves to setting science-based targets according to the Science Based Targets initiative (SBTi) to reduce emissions in line with climate science. At the same time, we have submitted our category impact assessment for

our Scope 1, 2 and 3 emissions for validation by SBTi. Our main findings demonstrated that more than 99% of our footprint occurs downstream with the use of products at our customers’ sites. To address this, our MissionZero programme was established. The focus is to decouple our emissions from the growth in revenue by selling increasingly more energy-efficient equipment. Our intended target for our Scope 3 emissions will therefore be to reduce the economic intensity of our emissions. We intend to communicate our targets during 2021.

Task Force on Climate-related Financial Disclosures (TCFD)

We are constantly aiming to better understand, manage and disclose the impacts of climate change – both in terms of risks to our own business and to our customers. To do this, as well as identify potential opportunities due to stronger demand for climate-related solutions, we are aligning our practices and reporting using the TCFD recommendations. To that end, in late 2020 we performed a climate risk and opportunities analysis together with a selected focus group in our organisation. This process

was facilitated by E&Y. In addition, we performed a gap analysis to see any gaps in our disclosure with the TCFD. The findings of these two exercises can be found on page 32. We have integrated some of the initial findings into our 2020 report and will further align our disclosure with the TCFD recommendations during 2021.

GOVERNANCE AND SUSTAINABILITY RISK MANAGEMENT

MAPPING OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

Type	Topic	Description	Risk exposure	Opportunity level	Governance	Current and planned actions
Transitional	Carbon taxes and regulations	Countries introducing or planning on introducing carbon pricing and or trading schemes	Low	High	Monitoring on regular basis, quarterly briefing to senior management	FLSmidth has solutions which enables customers to emit less emissions. We are continuously developing new solutions with a lower carbon impact
Transitional	Disclosure	Enhanced disclosure requirements for environmental-related reporting from investors and customers	Low	Low	Quarterly updates to Board of Directors and Senior Management	Further map requirements and enhance ESG-related reporting Analyse new requirements from responsible sourcing schemes and standards
Transitional	Product-specific environmental regulations	Introduction of the EU Taxonomy to classify environmentally sustainable activities	Low	Medium	Monitoring on regular basis	Perform cross reference to product portfolio and gap analysis on data and documentation requirements
Transitional	Demand for green products	Substitution of existing products and services with lower emission options	Medium	High	Periodical review by the technical committee (board level committee)	R&D technology roadmaps are established for key sustainability areas including CO ₂ , NO _x and water Scouting for technology partnerships is ongoing Discontinue investment in coal- related R&D going forward
Transitional	Scarcity of raw materials	Increased production costs, output requirements due to scarcity of raw materials in specific locations or global constraints	Medium	N/A	Regular assessment of risk exposure	We maintain a flexible and agile supplier base that allows for substitutions and /or diversification if required
Transitional	Reputational impact	Company is negatively perceived as part of a polluting industry	Medium	N/A	Regular engagement with key stakeholders on group and local levels	FLSmidth is a technical advisory to key international organisations including the UN and International Energy Agency (IEA) We are in regular dialogue with relevant financial organisations about transitional role FLSmidth plays
Transitional	Access to capital	(Sectoral) Risk to reduce access to capital due to high environmental impact	Medium	Low	Regular assessment of risk exposure	Alignment with key sustainable finance standards Discontinue investment in coal- related R&D going forward
Physical	Storms and Cyclones	Storms and cyclones can impact supply chain and production capacity, as well as labor conditions and construction of new plants	Low	Low	No specific governance mechanism in place	Both mining and cement plants and operations are relatively resilient to extreme weather events due to the robustness of the equipment
Physical	Drought	Drought leading to water scarcity, operational disruptions and increased operating costs	Low	High	Biennial water risk assessment	R&D technology roadmaps are established for key sustainability areas including CO ₂ , NO _x and water

STAKEHOLDER ENGAGEMENT

Our dedication to sustainability requires us to identify and understand all major sustainability impacts, opportunities and risks throughout our value chain. Doing so relies on engagement with all relevant stakeholders through transparency, open communication channels and meaningful dialogue. Insights into stakeholders' expectations enable us to continuously improve. Our commitment to this is clearly laid out in our Sustainability policy.

Stakeholder management has always been a clear element of our strategy and way of doing business, whether at local level or global level. Today, we already have many strong relations and collaborations with relevant organisation including relations with universities, industry collaborations and structured dialogue with financial institutions and governments.

During 2020, as we started to implement our MissionZero programme, engagement with stakeholders took on a new dimension. It became evident that a holistic societal approach was required in order to accelerate and adopt sustainable solutions in the cement and mining

sectors. We are therefore intensifying our engagement with key stakeholders and aim to form partnerships to deliver against our ambition.

Customers

Understanding the challenges of our customers is paramount to solving the greatest sustainability challenges in the industry and living up to our MissionZero commitment of enabling zero emissions in both of our industries. Increasingly, our customers are setting long-term sustainability targets, and we are engaging with them to understand how MissionZero can best support them. This includes technological developments,

financing and regulatory frameworks. We are also engaging with our customers in relation to operational sustainability areas, including safety.

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 (IFC) Performance Standards for Environmental and Social Sustainability. Along with both customers and financial institutions, we work to ensure that projects adhere to the standards required. Increasingly, we are discussing with financial institutions which finance solutions are needed to increase investment in innovative sustainability technologies as well as enable customers in developing countries to improve their environmental footprint.

Outsourcing partners

Our suppliers provide 80% of our manufacturing. Reliable partners are central to our ability to deliver products, projects and services to our customers. We rely on trusted partners to achieve our goals. By having close contact with our suppliers, in all categories, our supplier relationship management is a real driver for results.

Universities

Knowledge is central to our existence. Collaborating and interacting with academia is important for ensuring consistent knowledge flows and innovation in the company. Close collaboration with universities, specifically engineering programmes and projects and 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 focus on research and development, we have many university partnerships on specific topics. In 2020, these included:

- ProBu: process technology with production of sustainable building materials, with the Technical University of Denmark and ROCKWOOL.
- CADEL: CO₂ capture by electrolysis, with the Technical University of Denmark and Aalborg Portland Cement.
- IIT Chennai: projects including cement blending and material science.
- In the mining industry, we are sponsors of 14 university collaborations across eight countries. One example is the ARC Centre of Excellence for Enabling Eco-Efficient Beneficiation of Minerals, where FLSmidth joins the University of Newcastle (AUS) and others as a founding member. The centre aims to reduce the environmental footprint of minerals processing technologies and improve resource recovery, by supporting key technologies such as coarse particle flotation.
- FLSmidth is also proud to join Helmholtz-Zentrum Dresden Rossendorf and the Norwegian University of Science and Technology in supporting the European Innovation Trust's RawMaterials KAVA Upscaling Projects in commercialising the REFLUX™ Flotation Cell technology that replaces traditional flotation and decreases operational energy consumption by 50%.

Civil society

The stakeholder group of civil society consists of communities, non-governmental

STAKEHOLDER ENGAGEMENT

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 for how to solve global challenges.

During the year, we received a number of inquiries about our potential involvement with (planned) coal related mining projects from civil society organisations. We maintain an open dialogue with these organisations.

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 see the Compliance section to learn more.

We are a member of the Innovandi global cement and concrete research network through the Global Cement and Concrete Association (GCCA).

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

International organisations

Within our industries, stakeholders look to us for state-of-the-art technology and services.

Our world-class expertise in mining and cement production means that stakeholders rely on us to help set the standards for sustainability in our industries. It is important to us that we use our 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. FLSmidth values open and collaborative dialogue with tax authorities in each of our countries of operation to ensure compliance with national laws.

Community development and charity

It is essential to us that the added value we create is 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 our taxes. Dialogues are a main driver in overcoming potential resistance, and they create a trustworthy relationship with local communities.

The FLSmidth Donation Fund in Denmark donates up to DKK 600,000 to worthy causes annually, including humanitarian work, environmental projects and education and training. In 2020, donations were made to

educational organisations and engineering associations, amongst others.

Our Indian offices supported a wide-array of local programmes. These included upgrading of a government primary school at Ambarishipuram, Arakkonam, Tamil Nadu; setting up library facilities at the Government Girls Senior Secondary School at Bawal, Haryana that will benefit 1500 girl students; and a contributions to PanIIT Alumni Reach

for India Foundation (PARFI) focused on skill upgradation training for underprivileged youth in Kancheepuram district of Tamil Nadu and Bokaro, Dhanbad and Jamshedpur districts of Jharkhand.

In the United States, our teams organised several charity events, including food bank drives, clean-ups of the environment, science fairs, toy drives and tree planting under COVID-19 compliant conditions.

INVESTORS

In 2020, FLSmidth & Co. A/S received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment, putting us in the top 17% in our industry. Our performance is strong on issues such as safety and compliance, and we have a very robust governance structure in place. We also improved our CDP score to Level C. We are witnessing an increased focus on environmental, social and governance-related (ESG) topics among investors and are having regular dialogues with our investors on how we manage ESG at FLSmidth.

CASE

INDUSTRY PARTNERSHIP FOR SUSTAINABILITY

COLLABORATING FOR LOWER EMISSIONS

As part of our commitment to help achieve the goals of the Paris Agreement, FLSmidth is a member of LeadIT, the membership group for industry transition.

Launched by the governments of Sweden and India at the UN Climate Action Summit in September 2019, LeadIT is a forum that brings together countries and companies committed to taking action to achieve the goals of the Paris Agreement.

The goals are ambitious, especially for energy-intensive industries such as mining and cement. We know that we have a responsibility to act. One way in which we do so is by being on the LeadIT Technical and Expert Committee.

Along with 15 other companies on the committee, FLSmidth advises the Management Board, which is made up of representatives from Sweden, India and the World Economic Forum. LeadIT is grounded in the conviction that collaboration between the public and private sectors is central to achieving industry transition. The goal is to achieve lower emissions in energy-intensive industries. A difficult, but attainable task.



FLSmidth CEO Thomas Schulz speaking at the LeadIT Leadership Summit on climate action, 1 December 2020, alongside Shri Prakash Javadekar, Indian Minister of Environment, Forest and Climate Change, Isabella Lövin, Swedish Minister for Environment and Climate and Deputy Prime Minister of Sweden, and Kwasi Kwarteng, the UK Minister for Business, Energy and Clean Growth.

A step towards achieving MissionZero goals

Participating actively in LeadIT is in line with our MissionZero ambitions of enabling close to zero emissions in the cement and mining industries. And it is also in line with UN Sustainable Development Goal number 17, Partnership for the goals.

Joining forces to discuss potential technical solutions to the sustainability challenge is a necessary and important measure to achieve more sustainable mining and cement production.



USING DATA FOR SUSTAINABILITY

BOOSTING PRODUCTIVITY AND ENERGY EFFICIENCY

The FLSmidth ECS/ProcessExpert® software solution is a platform for improved and energy-efficient performance.

It enables customers to reduce energy usage by up to 6% while improving productivity by a similar amount. ECS/ProcessExpert makes a notable difference in the cement and mining industries for which it is specifically designed.

ECS/ProcessExpert connects instruments in a plant and collects data. It uses the data to regulate and optimise key parameters, giving our customers substantial productivity and sustainability benefits.

With ECS/ProcessExpert, our customers experience less downtime, fewer unplanned stops, and can switch to alternative fuels without compromising on quality. In addition, they receive a final product of a higher quality and with less deviation.

SAFETY

Ensuring the safety of our people is our top priority. For many years, we have been investing in creating a strong safety culture and robust systems. These investments translate into one of the strongest safety records in the industry today. Our 2030 ambition is zero harm – and this means we need to continue to improve even more to create safe working conditions for our employees and anyone working under our supervision. During 2020, we achieved our targets and set new, more ambitious ones to ensure we realise our ambition.

Delivering on our commitment

We see safe working conditions as a precondition for sustainable productivity. Central to our approach is creating constant awareness around safety and continuous improvement. At FLSmidth, every meeting starts with a “safety share” – a reminder or suggestion about how to improve safety conditions at sites and in offices.

For many years, we have focused on continuous improvements. Top leadership commitments, strong systems and procedures, including for contractors, and targeted initiatives have led to significant improvements. Our Total Recordable Injury Rate (TRIR) has improved for nine consecutive years.

In 2019, we introduced our Incident & Injury reduction programme for all our manufacturing, assembly, warehousing and construction sites. The programme already showed a significant effect in 2019, and in 2020 we continued the effort of embedding the programme into our

culture. The result is a TRIR reduction of 34% compared to last year.

Building a common culture

We also strengthened cooperation across the seven regions through the regional heads of Health, Safety and Environment (HSE), who were heavily engaged in building a common safety culture.

All employees of FLSmidth play a key role in actively taking individual responsibility to prevent and address unsafe behaviours or conditions. For our leaders, this includes demonstrating visible leadership by speaking openly and honestly with colleagues and engaging in conversations about areas for improvement in our safety standards.

We followed up on our commitments from 2018 and safety culture programmes in 2019, where we dug deeper into understanding why we are motivated to work safer, but occasionally lose



focus or engage in unsafe behaviour despite experience and training.

The safety campaign was rolled out at the end of 2020, including a new safety culture survey translated into 15 languages. This was linked to our four culture statements: open dialogue, visible leadership, employee engagement and individual responsibility.

Overall satisfaction with our safety standards has increased by 12% over the last two years, which is also reflected in a significant reduction in our Total Recorded Injury Frequency Rate (TRIF) of 66.6%, down from 3.0 to 1.0.

HSE campaigns in 2019 and 2020 were mainly focused on employee engagement activities

and open dialogue, resulting in an improvement of 24% for engagement and of 18% for open dialogue. Our employees' perception of our management's visibility increased by 10%.

The 2020 safety campaign also included a drawing competition for children of employees, resulting in more than 160 entries being submitted, a safety lunch dialogue initiated by the immediate manager and an incident prevention competition for our safety award 2020, which was won by our team in South America.

To keep safety top of mind, we have safety information screens across more than 57 locations, totalling more than 10,000 in 24 countries. The screens communicate safety messages to drive awareness and results.

SAFETY

	2018	2019	2020	2020 target	2021 target	2030 target
SAFETY						
Lost Time Injury Frequency Rate (including contractors)	1.3	0.6	0.5	≤ 1.0	10% year-on-year improvement	10% year-on-year throughout improvement
Total Recorded Injury Rate (including contractors) ¹	3	1.6	1.0	≤ 2.5	10% year-on-year improvement	10% year-on-year throughout improvement

1 The total recordable injury frequency rate (TRIR) is calculated as the number of TRI accidents per one million hours worked.

We have established our internal sustainability commitment for 2030, which will replace our HSE roadmap for 2020-2023, supporting the implementation of our new IT platform. The Quality-Non-Conformance Report (Q-NCR) and HSE incident applications were rolled out in 2020.

With collaboration being one of our corporate values, we increased efforts to develop cross-functional working groups across regions. Their tasks included aligning policies and procedures, upgrading ISO certifications and digitalisation, and we mapped all core competences across the HSE community. Individual development is measured through our annual performance development review.

During 2020, we outsourced our Group Travel Security function to ISOS and merged Group QA and Group HSE. Responsibility for our ISO standards (ISO 9001 – Quality, ISO 45001 – OHS, and ISO 14001 – Environmental) now rests with Group HSE&QA.

During the COVID-19 lockdown, many of our sites deemed essential, i.e. manufacturing, assembly and warehouses, remained in operation, but under strict protocols to avoid infection. The

pandemic added another dimension to health and safety and, like other corporations around the world, we quickly established new procedures and protocols to keep our business going without compromising the health and safety of our employees.

All basic risks associated with COVID-19 were evaluated, and actions were taken to mitigate these risks. A global response plan was established based on these risk analyses and became FLSmidth’s minimum requirements for its COVID-19 response around the globe.

Our actions included:

- Strong daily communication during the first three months of the pandemic, ensuring commitment from employees and encouraging a spirit of “we will get through this together”.
- Focusing on employees’ mental well-being and health through leadership training and surveys.
- Group crisis management and local crisis management teams were established, and the situation continues to be closely monitored.
- The development of KPI and COVID-19 dashboards to ensure close monitoring to ensure fast reactions and mitigation of risk.
- Ensuring a strong programme was in place

when the travel ban was lifted. Approximately 65% of employees had completed our “Travel security” e-learning course within two months, giving it a high satisfaction score of 4.5 out of 5. Communications related to travel security training were read by more than 7,500 employees.

At the same time, a new risk assessment tool for travel, the Travel Risk Approval Form, was rolled out to ensure employees who travel assess the risks before booking trips.

The COVID survey, measuring employees’ perception of our COVID precautions, shows that 80% of employees are satisfied with the precautions we have taken.

Occupational safety risks

Our risk management systems are in place to identify main hazards which include falling from heights and traffic accidents, working with power tools, ergonomic overexertion and collisions. Related injuries are bone fractures, cuts and/or open wounds, and lacerations. Robust registration and action planning following incidents plays an important part in our systems to correct unsafe conditions.

Assessment of results

Our LTIFR and TRIR numbers shows a significant improvement. A strong focus on preventing and mitigating risk through our incident and injury reduction programmes, 24-hour calls and quarterly campaigns as well as due to the pandemic. 86% of our 2020 incident and injury reduction initiatives have been completed, 7% are still in progress, and the rest (7%) are postponed until 2021, due to COVID-19.

What to expect in 2021

We will continue our efforts to achieve zero harm and build on our performance over the last couple of years.

Our main focus areas for improvements are:

- Strengthening awareness and building a safety culture
- Incident reduction and reporting
- ISO 45001 certification
- Upgrading our product and functional safety procedure
- Absence monitoring
- Near miss/safety incident observation
- Upgrading our risk assessment/method statement procedure

COMPLIANCE

2020 was our first full year of working according to our new compliance policy framework that guides our four core areas of operations: Code of Conduct, trade compliance, human rights and competition law. The framework also includes a number of sub-policies and procedures related, for instance, to gifts, hospitality, bribery, embargo countries and donations. A new long-term target is for all third parties to undergo due diligence.

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 our 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 the 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 certain whistleblower cases.

Training continues to be a top priority. We have worked on cascading the policy framework throughout the organisation by launching e-learning courses. We continue to provide in-person training for new employees, although COVID-19 had a negative effect on the number of employees receiving in-person training in 2020. In December 2020, we launched eight e-learning courses covering the most important compliance policies, available in six languages. All white-collar employees globally will be required to complete the eight courses.

Third-party due diligence processes are another major focus area. At FLSmidth, all customers and third parties are screened against more than 100 sanction lists through a software package called Integration Point.

This includes all applicable US, EU and UN sanction lists. Ownership research is conducted for all entities located in sanctioned countries.

All EU-sanctioned individuals or entities are restricted from doing business with FLSmidth. If



COMPLIANCE

other sanction regimes apply, any business will be decided on a case-by-case basis and carried out in compliance with applicable regimes.

The sanction and embargo procedures are supported by the Trade Compliance policy, the Embargo and Sanctions sub-policy and the Prevention of Violating Transactions caused by Sanctions or Embargoes sub-policy.

Close to 100% of our sales agents have undergone a rigorous due diligence screening and approval procedure. We have expanded the scope of third parties undergoing due diligence to now include all sales agents, all important customers above certain thresholds, which vary according to country risk, and all major contractors. Prior to this, only sales agents and selected customers underwent due diligence.

Our whistleblower hotline is a tool for reporting concerns in confidence. The hotline is regularly promoted to ensure that everyone knows of its existence. We conducted 97 internal investigations in 2020, which is higher than in any previous year. This increase prompted us to strengthen the organisation and process for internal investigations, including increasing human resources and training of delegate investigators in 2020. A result of this is that we are able to conclude a larger number of investigations quicker. In addition, we are working proactively with various Group functions and country offices to address gaps in processes and the control environment identified through cases of internal investigations. Finally, we are looking into further possibilities of using data analytics to look for abnormalities as a proactive way of identifying and avoiding incidents of fraud.

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

RESPONDING TO A CASE OF NON-COMPLIANCE

In 2010, we entered into a turnkey contract with a Turkish partner for the construction of a cement plant in Tunisia. We delivered plant equipment and subsequently operated the plant.

In 2010, we entered into a turnkey contract with a Turkish partner for the construction of a cement plant in Tunisia. We delivered plant equipment and subsequently operated the plant. In connection with entering into the contract, an FLSmith employee, in clear violation of internal rules and regulations, succumbed to a demand from the then owners to increase the sales price by EUR 2 million. The intention of the then owners would appear to have been to transfer the excess amount to the owners' own account. Once FLSmith management became aware of the situation, the interaction was stopped and the remaining amount, which accounted for the vast majority of the EUR 2 million, was put in escrow awaiting clarification regarding the rightful owner of the amount and was then returned in 2020.

Since then, the transaction has been the subject of a Tunisian court case regarding financial irregularities. As a result, a number of people have been sentenced, including one FLSmith employee. The verdict is subject to appeal. As a company, we were never charged or indicted in this case. It goes without saying that we do not condone economic crime of any kind. The irregularities of this case came to light in 2014. Since then, we have taken strong measures to further ensure that all employees operate under our Code of Conduct and continue to re-enforce our zero-tolerance policy on bribery, as well as to ensure we operate in full compliance with all regulations and requirements.

From the top down, our commitment to compliance remains a top priority, as demonstrated by the actions of our Group CEO, Thomas Schulz, who, upon joining FLSmith, intensified our efforts in a number of ways, including:

- Initiating a company-wide compliance risk assessment
- Appointing and training regional compliance representatives
- Introducing a whistleblower hotline
- Carrying out due diligence screening of sales agents and customers
- Implementing mandatory compliance training for all white-collar employees, including new hires
- Launching e-learning courses on compliance
- Introducing a new policy framework for compliance, including the Code of Conduct, the Trade Compliance policy, Human Rights and Competition Law
- Clearly stating that FLSmith has a zero-tolerance policy on bribery

Taking it a step further, we have extended our commitment and taken steps to create a positive influence among our industry peers. The Compliance in Mining Network, co-founded by FLSmith's Compliance Manager in 2017, now includes global mining majors, mining equipment producers and EPC providers, and focuses on finding shared solutions to raise the general standard of compliance within the mining industry.

COMPLIANCE

	2018	2019	2020	2020 target	2021 target	2030 target
COMPLIANCE						
Total number of whistleblower reports submitted	65	85	99			
... of which admissible	63	81	97			
Type of whistleblower report: human resource (% of total reports)		45%	44%			
Number of operations assessed for risks related to corruption (accumulated number since 2016)	32	32	34	35	36	
Total number and percentage of in-person training for white-collar employees who have received training on anti-corruption	8,514 / 92%	6,782 / 75%	-*	7,632 / 85%	85%	
Total number of employees who have completed e-learning courses on anti-corruption			1,204		95%	
Number of in-depth due diligence screenings conducted (cumulative from 2016 to 2019)	535	755				
Number of in-depth due diligence screenings conducted (per year from 2020)			274	200	250	
Incidents of discrimination and corrective actions taken	2	4	13			

*We are currently in the process of transferring training data to FLSmidth's HR system and in this process, it is not possible to provide an exact figure for this indicator this in 2020 and thus we will not we will not be reporting on this indicator this year.

Assessment of results

Mainly due to the impact of COVID-19, we did not conduct as many in-person training sessions with our employees as anticipated. Analysis of the number of our white-collar employees who have been trained in compliance will not be reported this year as we are currently in the process of transferring training data to FLSmidth's HR system and in this process, it is unfortunately not possible to provide an exact figure for this indicator this year. We exceeded our goals in terms of the number of in-depth due diligence reports on third parties.

In a survey conducted in November 2020, 82% of respondents stated that they would feel comfortable reporting through our whistleblower hotline. As a result of our efforts to encourage whistleblowing, we are receiving a significant number of whistleblower reports. Group

Compliance has focused resources on internal investigations, improved the percentage of cases closed and reduced the duration of investigations.

What to expect in 2021

Training in our policy framework will be our key priority in 2021. An important element is our updated in-person training concept, which was planned to be rolled out globally in 2020 but suffered a delay due to COVID-19. During the year, we conducted extensive trainings with both our Supervisory Board of Directors and our Group Executive Management (GEM) in compliance and anti-corruption. Furthermore, we continue to monitor employees' completion of the library of e-learning courses, and we plan to launch four new courses. Our in-person training concept puts the 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. We will also 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 2021, we will work on defining the roadmap towards our new long-term target of having all third parties undergo some form of due diligence. The due diligence programme will be expanded in 2021 to include new types of third party, such as suppliers.

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. Consequently, the business is constantly monitored and mitigating actions to reduce such risks are implemented.



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 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 have set a new long-term target for gender diversity.

Delivering on our commitment

In 2020, we introduced our Employee Value Proposition, which focuses on our sustainability ambitions in safety, well-being, diversity and inclusion.

At the end of the year, we set a new long-term target for gender equality in our workforce. By 2030, we want 25% of our entire workforce and 25% of our people managers to be women. Today, those numbers are 15.9% and 13.1% respectively.

To meet these targets in a scenario with an 8% employee turnover, we need to achieve a 30% replacement rate. This means that almost one-third of all new hires in the next decade must be women, which is ambitious considering

the demographics in the industries in which we operate.

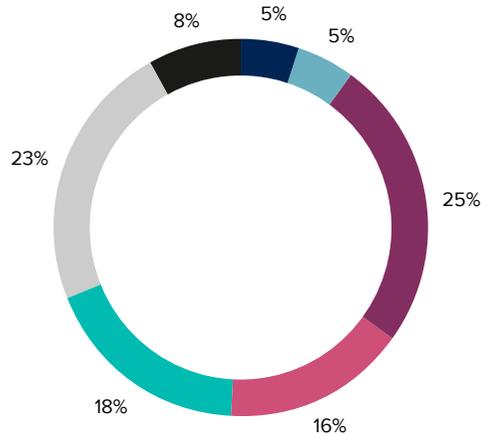
Monitoring progress towards this target will be done in the Human Resource Information System (HRIS) implemented in 2018. The system gives us transparency about our people management across all regions. We have data and analytics available to support better decision-making, and the system is driving higher performance within the organisation.

In this common HRIS, we can monitor how each region is progressing against its diversity targets. This sheds light on the effectiveness of filling open positions with candidates from diverse backgrounds and age groups. To attract a more diverse workforce, we have already

PEOPLE

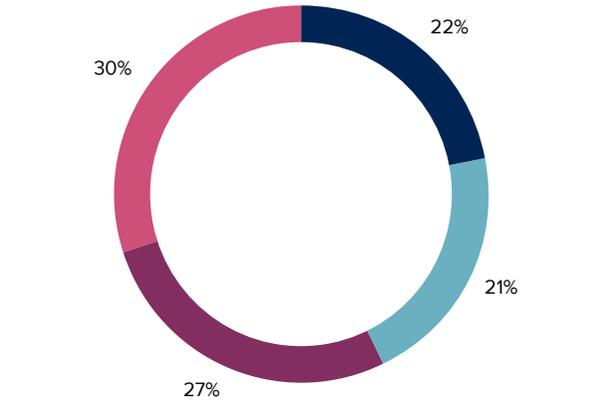
WORKFORCE DEMOGRAPHICS

Employees – Regions



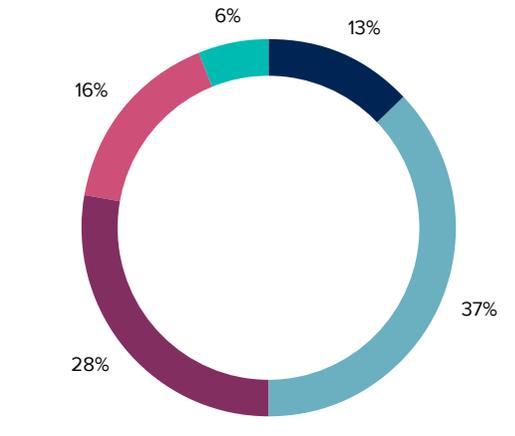
- Asia
- Australia Region
- Europe, Russia & North America
- North America
- South America
- Subcontinental India
- Sub-Saharan Africa & Middle East

Employees – Length of service



- < 2 years
- 2-4 years
- 5-10 years
- > 10 years

Employees – Age distribution



- < 30 years
- 30-39 years
- 40-49 years
- 50-59 years
- > 59 years

created gender-neutral job advertisements in recent years and rolled out unconscious bias workshops to create cultural awareness.

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.

Engaged employees are our key to success. With a strategic focus on engagement, a pilot

was conducted to test an engagement pulse survey platform that will provide us with a real-time employee engagement score.

Assessment of results

Overall, our people performance and achievements in 2020 were hindered by the COVID-19 pandemic, and most of our initial initiatives were delayed, postponed or restructured as virtual events. Specifically, our recruiting efforts decreased substantially, and

we had to reduce our workforce and furlough colleagues.

Some of the impacted positions were areas where we employ more women and, much like other companies, we see the disparate impact of the pandemic on our women colleagues resulting in a higher voluntary turnover.

We initiated new initiatives that focused on managing employees' physical and mental

health throughout the pandemic. These included mainly virtual workshops and discussions.

To support the development of our employees, we launched 161 training modules in our digital Learning Management Platform in 2020.

Training hours are below target as a consequence of cancelled classroom training due to the pandemic.

PEOPLE

	2018	2019	2020	2020 target	2021 target	2030 target
PEOPLE						
% women total	14.0%	15.5%	15.9%	16.5%		30%
% women white-collar workers	18.5%	19.9%	21.8%	21.0%	22.4%	
% women blue-collar workers	4.4%	3.9%	4.0%	4.5%		
% women managers	10.4%	11.2%	13.1%	12.5%	14.3%	25%
Internal participants having undergone corporate development programmes	1,031	911	n/a*			
Internal participants training hours in corporate development programmes			17,913		25,000	
% of employees receiving performance and career development reviews	90.3%	87.6%	86.6%			

* in 2020, we changed the reporting regarding training in corporate development programmes to be reported in hours.

What to expect in 2021

We will continue our diversity and inclusion efforts and work on a roadmap to meet our new long-term target of 25% women colleagues and people leaders. And we will continue to use our reward strategy where total rewards must contribute to the attraction and retention of a diverse talent pool. A key indicator to monitor is equal pay for equal work in the organisation. Initial analysis shows a gender pay gap of 2.45%, and this gap will be addressed with a review of rewards practices and processes, driving more equal pay. In general, the reward strategy is the foundation for initiatives to ensure and promote sustainable pay practices.

As a key element of our Employer Value Proposition, a global working group has

been developing flexible work arrangement guidelines, and we expect those to be rolled out in 2021.

After completing the pilot, we also expect our engagement survey tool to be rolled out to all employees during the first half of 2021.

Risks

To reach our overall medium-term 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 are seeing 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 an engaged workforce performing against aligned KPIs to drive collaboration and performance.

Workforce demographics

Since 2018, we are realigning our organisation to strengthen customer relations, digitalisation, productivity and sustainability offerings, and to capture growth. We now have two industries – cement and mining – spread globally across six regions.

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

- Our headcount decreased by 1707
- Share of women employed increased by 0.4%
- Share of women managers increased by 1.9%
- Blue-collar employees decreased by 14%
- White-collar employees decreased by 11.1%
- Regional split: very little change
- Length of service:
 - -7% employees with <2 years' experience
 - +4% employees with 2-4 years' experience
 - +3% employees with 5-10 years' experience
- Age: very little change

At the end of 2020, women accounted for 33% of the shareholder-elected board members, fulfilling the target that minimum 25% of the members elected at the Annual General Meeting should be female.

ENVIRONMENT

With MissionZero, we are committed to minimising all environmental impacts from our customers', our suppliers' and our own sites. For MissionZero to be a success, we need all our stakeholders in the cement and mining industries to take responsibility for the impacts on the environment. Change starts from within, and so in our own operations, our Health, Safety and Environment policy commits us to preventing pollution, utilising resources such as water and fuel in a sustainable manner and mitigating climate change. By adopting the principles of science-based targets, we have further committed to reducing emissions across the value chain.

Delivering on our commitment

The aim of MissionZero is to enable cement and minerals production with zero emissions. After assessing the principles of the Science Based Targets initiative, we have defined and submitted our targets for approval by the governing body. By setting science-based targets, we are showing our long-term commitment to reducing emissions, not only from our own production, but also from that of our suppliers and customers. This is also stated in our 2030 internal sustainability commitment.

In our own operations, we track our monthly performance in reducing CO₂ emissions and freshwater consumption to ensure transparency and data quality. All locations have a trained person responsible for measuring and reporting

local performance. On a monthly basis, we compare performance between regions to assess overall Group performance.

Our accounting practices are aligned with the Greenhouse Gas Protocol. The accounting practices include reporting of emissions from stationary combustion, mobile combustion, purchased electricity, fugitive emissions and water withdrawal. We collect data from all individual locations and compile them.

We have conducted pilot projects to reduce waste in or from our locations. We now have a system in place to start reporting on waste involving different waste categories relevant to the different locations.



FLSmidth employees at Port Punta Chungo, Chile cleaned the coastline during our 2020 global “cleanup activity”, and collected 120 kg of plastic waste.

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

Assessment of results

The global lockdown of facilities and offices due to COVID-19 is reflected in our carbon footprint. Compared to last year, our carbon intensity (Scope 1 & 2/revenue) decreased from 2.58 to 2.24 and our absolute Scope 1 and Scope 2 emissions decreased from 53,200 tonnes to 36,830 tonnes.

During 2020, we also saw a reduction in our water usage. We saw mixed reporting

associated with the effects of COVID-19. Obviously, large reductions were seen where we temporarily closed down facilities, whereas other locations actually used more water due to increased hand washing. We have designed various initiatives to reduce water usage. While some locations have implemented these initiatives, most were postponed due to COVID-19.

The reductions in water usage and carbon footprint were ahead of the target for 2020, yet this too was partly related to the effects of COVID-19.

Water withdrawal in water-stressed areas is a topic that requires specific attention. In 2020, we started implementing our initiative to install

ENVIRONMENT

	2018	2019	2020	2020 target	2021 target	2030 target
ENVIRONMENT						
Scope 1 greenhouse gas emissions (in tonnes CO ₂ -equivalents)	29,875	18,775 ¹	10,888	15,995	10,234	Carbon-neutral
Scope 2 greenhouse gas emissions (in tonnes CO ₂ -equivalents) – location-based calculation	34,395	34,425 ¹	25,943	27,970	24,386	
Scope 2 greenhouse gas emissions (in tonnes CO ₂ -equivalents) – market-based calculation ²			30,267		28,451	Carbon-neutral
Business travel (part of Scope 3) (in tonnes CO ₂)	47,864	42,066	11,887			
Carbon intensity, Scope 1 & 2 (greenhouse gas emissions in tonnes CO ₂ -equivalents/DKKm revenue) - Scope 2 location-based ³	3.43	2.58 ¹	2.24			
Carbon intensity, Scope 1 & 2 (greenhouse gas emissions in tonnes CO ₂ -equivalents/DKKm revenue) - Scope 2 market-based ²			2.50			Carbon-neutral
Water withdrawal (m ³)	227,272	221,613	197,346	217,181	187,479	
Water withdrawal in high water-stressed areas		58%	61%			

- 1 Restated from figures reported in 2019. See Accounting Principles page 54 for details.
- 2 From 2020 we will be reporting on both the location-based and market-based approach for GHG Scope 2 emissions to improve transparency.
- 3 When reporting the carbon intensity for Scope 1 & 2 in 2018 and 2019, a comma was used where it should have been a dot. This has been corrected this year.

water meters as part of our strategy to have more accurate data on our water consumption as well as to develop controls in the future.

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

What to expect in 2021

In 2021, we will begin our work towards meeting our science-based targets. On the supplier

side, we need to develop a framework for ensuring that our suppliers have committed or are committing to reductions in emissions. Downstream, our R&D will be centred around developing products and solutions that help customers honour our 7% year-on-year reduction target.

For our own operations, we need to 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 water-stressed areas. We will work to build awareness of the use of water at relevant locations and focus on water-saving initiatives in these locations.

Our system to report on waste management will be rolled out to the entire organisation.

A global system for reporting and managing environmental incidents is being implemented to improve incident response and mitigate the risks caused by environmental incidents. To further determine our impact from a life-cycle perspective, we continuously explore the opportunities to track more of our Scope 3 emissions.

Also in 2021, we will continue to run specific culture campaigns with a special quarterly focus on HSE.

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 in which we have established the process of identifying and managing 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 risk of it occurring. We apply the precautionary principle where applicable when assessing risks.



HUMAN RIGHTS

Respect for international human rights is enshrined in our Human Rights policy, as well as our human rights grievance mechanism, the Supplier Code of Conduct and Anti-Harassment policy. In addition, several other FLSmidth policies cover important topics in this regard. This includes the policies on diversity and inclusion, on health, safety and environment as well as on human resources.

Our Human Rights policy incorporates 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 Nations 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 Organization'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 serious cases, we reserve the contractual right to terminate business relations in the event of unacceptable operating practices, including forced or child labour. Finally, the grievance mechanism sub-policy outlines the process involved if 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

HUMAN RIGHTS

	2018	2019	2020	2020 target	2021 target	2030 target
HUMAN RIGHTS						
Human rights reviews (off-site)	20	52	59	30	60	
Human rights impact assessments (on-site audits)	10	7	0	10	2	

the UN Framework on Business and Human Rights, and the UN Guiding Principles for implementation. Since 2018, we have reported publicly on progress in accordance with the UK Modern Slavery Act. From 2021, we will also report according to the Australian Modern Slavery Act.

Where adverse human rights violations are found, they are addressed according to irremediability, severity, scope and scale. In 2020, we carried out a number of online human rights assessments. These assessments have provided an overview of the current state of FLSmidth's human rights impact around the globe.

The process of conducting human rights due diligence has also established greater clarity around implementing responsibility for human rights within the business. In 2020, we continued on this work through the investigation and remediation of human rights grievances and complaints submitted through our human rights grievance mechanism.

Human rights due diligence has in the past been centred mainly around own operations and customers. It is our aim to include more suppliers in these screenings, and we are working on ambitious long-term targets and defining a roadmap to meet them. The roadmap includes a human rights assessment index based on six different human rights indices such as the Freedom of the Press Index and Human Rights and Rule of Law Index. FLSmidth will focus the due diligence screenings and on-site assessment based on the severity of stakeholders' human rights score as well as their economic importance to FLSmidth.

Finally, the human rights department of FLSmidth works closely with Group Procurement in order to identify supplier risk. Starting in 2021, every supplier will be measured based on six human rights-related criteria, alongside other sustainability factors.

Assessment of results

Due to COVID-19, we did not perform any on-site human rights impact assessments.

However, data from previous conducted assessment and our off-site reviews provide valuable data and a platform for preventing possible future violations.

We did not conduct human rights training during 2020 but are currently revising our training approach and will accelerate our training effort in this area during 2021.

What to expect in 2021

In 2021, we expect to complete 10 thorough online (off-site) human rights assessments and two on-site human rights impact assessments of FLSmidth suppliers and/or customers. The scope of these assessments will be determined based on a risk to rightsholders in compliance with the UN Guiding Principles for Business and Human Rights and our Human Rights policy.

Another key focus in 2021 will be the development and delivery of targeted training on basic human rights principles for a broad group of employees. As we believe that targeted, more in-depth training will help

us mitigate risks more effectively, detailed training for selected managers at sites or in functional areas specifically relevant to human rights issues will be conducted. In 2021, we will also launch a human rights e-learning module targeted at all managers and affected employees.

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.

SUPPLY CHAIN

We operate an asset-light business model where we outsource 70-80% of all manufacturing and assembly. Our supplier base is spread globally, and we spend approximately DKK 10bn on procurement each year. Over half of our purchases are steel-based, including fabrications, casting and forgings. We systematically screen our suppliers to ensure that they adhere to our Supplier Code of Conduct.

As we want to build strong business ties and longstanding 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:

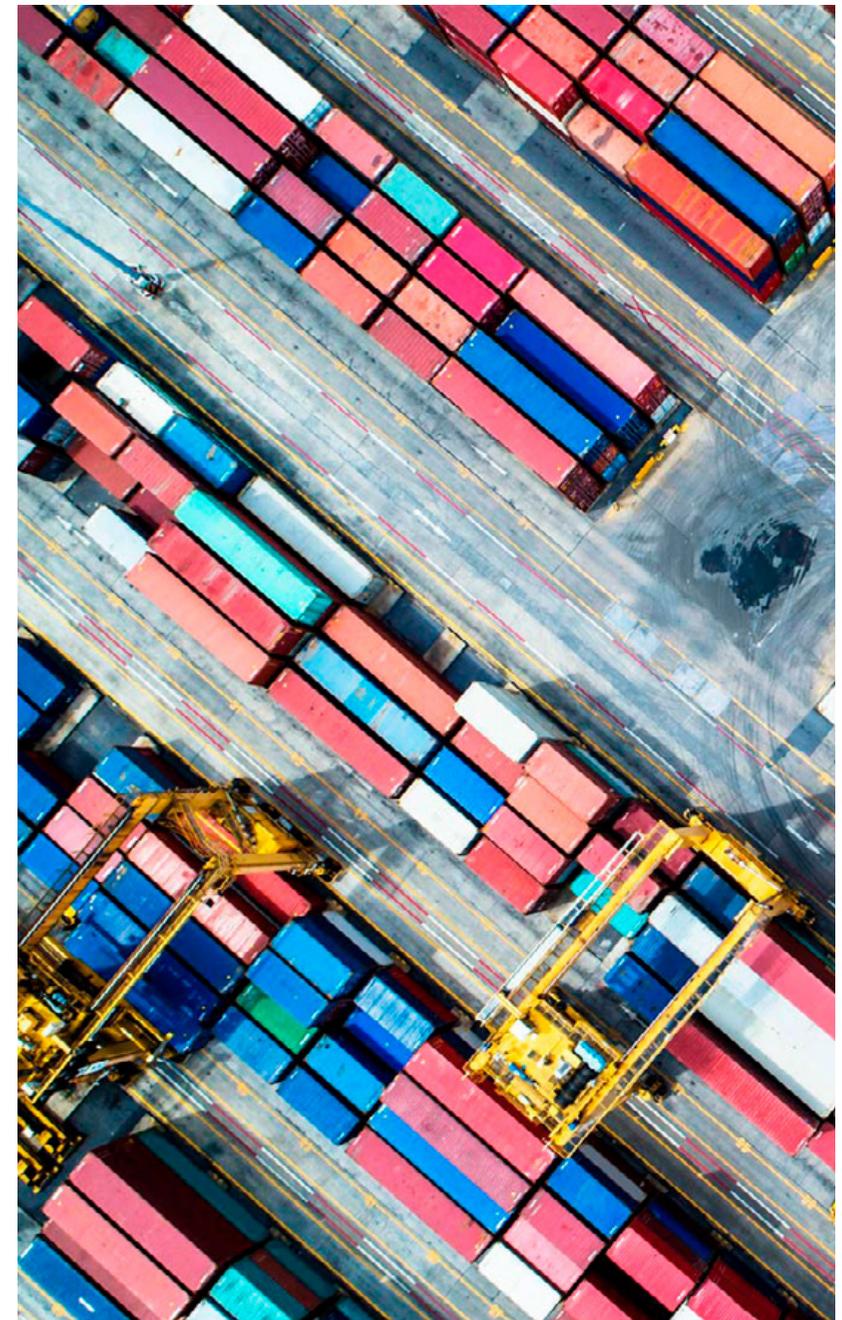
- Comply with all applicable laws in all jurisdictions in which they operate
- Provide a safe and healthy working environment for all employees
- Comply with basic human rights
- Meet all applicable environmental laws, industry standards and norms

Delivering on our commitment

All suppliers, defined as organisations that we source from, are now required 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 programme, we launched a supplier sustainability screening programme in 2018. Any employee in FLSmidth's Supply Chain or Procurement departments who visits a supplier must perform a mandatory on-site audit.

The supplier sustainability programme aims to uncover potential risks in the supply chain



SUPPLY CHAIN

	2018	2019	2020	2020 target	2021 target	2030 target
SUPPLY CHAIN						
Number of suppliers screened for sustainability	195	689	390	800	400	
Number of supplier screenings resulting in a new finding / non-conformity	64	170	25	150		100
% of findings/non-conformities that have improvement plans agreed upon with suppliers	88%	54.1%	56.0%	80.0%	80.0%	
% of "new" high-risk suppliers screened for sustainability	4.0%	11.0	4.0%	20.0%		95%

and supports the development of our suppliers within the area of sustainability. Furthermore, the programme has proved to increase internal awareness of sustainability and is driving a behavioural change in our procurement and supply chain organisation.

Using an online feedback tool, our staff screen suppliers on 21 checkpoints focused on the health and safety system and policies:

- Work-related accidents
- PPE and machine guards
- Electrical hazards
- General emergency preparedness
- Ethical equality
- Minimum age
- Environmental system and policies
- Environmental hazards and countermeasures

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.

Assessment of results

In 2020, travel restrictions due to COVID-19 reduced our ability to visit suppliers and conduct sustainability screenings. This resulted in a significantly lower number of supplier visits and screenings than planned. In addition, limited available capacity at suppliers' sites resulted in longer response times to address findings at suppliers' sites.

Despite COVID-19, over 650 screenings were completed in 2020, screening 390 individual suppliers.

All critical findings were addressed in a timely manner by the suppliers.

What to expect in 2021

We will continue the development of the FLSmidth Supplier Sustainable Programme in the coming years, and as soon as COVID-19 travel restrictions allow, we will relaunch the programme.

To complement the programme, we will introduce a self-screening tool for all suppliers. This will be a questionnaire that all suppliers need to complete in order to begin or maintain their relationship with us.

The supplier auditing/assessment programme will be revised to ensure the best fit with the sustainability screening programme and the new self-screening tool.

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 to high-priority suppliers.

Risks

Supply chain sustainability risks include losing a stable market position due to effects on our customers, loss of reputation, damaged public image, legal action and compromising compliance, business ethics and values.

They especially include risks that would result in harm to human health, increased environmental impact and violation of human or labour rights. These risks are addressed through the supplier sustainability screening programme, managed by Group Procurement. Any critical findings with suppliers are immediately acted upon. In most cases, the risk is mitigated in dialogue with the supplier. FLSmidth assists the supplier in the development. In some cases, FLSmidth decides to terminate the relationship with the supplier to avoid the risk and send a clear signal of non-acceptance to the supplier.



SUMMARISED REPORTING AND NOTES

Performance summary	51
Accounting practices	53
SDG Targets	56
New and descoped indicators	58
Standards and disclosures	59
Independent auditor's limited assurance report	60
Global Reporting Initiative (GRI)	61

PERFORMANCE SUMMARY

	2018	2019	2020	2020 target	2021 target	2030 target
SAFETY						
Lost Time Injury Frequency Rate (including contractors)	1.3	0.6	0.5	≤ 1.0	10% year-on-year improvement	10% year-on-year throughout improvement
Total Recorded Injury Rate (including contractors)	3	1.6	1.0	≤ 2.5	10% year-on-year improvement	10% year-on-year throughout improvement
PEOPLE						
% women total	14.0%	15.5%	15.9%	16.5%		30%
% women white-collar workers	18.5%	19.9%	21.8%	21.0%	22.4%	
% women blue-collar workers	4.4%	3.9%	4.0%	4.5%		
% women managers	10.4%	11.2%	13.1%	12.5%	14.3%	25%
Internal participants having undergone corporate development programmes	1,031	911	n/a*			
Internal participants training hours in corporate development programmes			17,913		25,000	
% employees receiving performance and career development reviews	90.3%	87.6%	86.6%			
COMPLIANCE						
Total number of whistleblower reports submitted	65	85	99			
... of which admissible	63	81	97			
Type of whistleblower report: human resource (% of total reports)		45%	44%			
Number of operations assessed for risks related to corruption (accumulated number since 2016)	32	32	34	35	36	
Total number and percentage of in-person training for white-collar employees who have received training on anti-corruption	8,514 / 92%	6,782 / 75%	-	7,632 / 85%	85%	
Total number of employees who have completed e-learning courses on anti-corruption			1,204		95%	
Number of in-depth due diligence screenings conducted (cumulative from 2016 to 2019)	535	755				
Number of in-depth due diligence screenings conducted (per year from 2020)			274	200	250	
Incidents of discrimination and corrective actions taken	2	4	13			

* In 2020, we changed the reporting regarding training in corporate development programmes to be reported in hours.

PERFORMANCE SUMMARY

	2018	2019	2020	2020 target	2021 target	2030 target
ENVIRONMENT						
Scope 1 greenhouse gas emissions (in tonnes CO ₂ -equivalents)	29,875	18,775 ¹	10,888	15,995	10,234	Carbon-neutral
Scope 2 greenhouse gas emissions (in tonnes CO ₂ -equivalents) – location-based calculation	34,395	34,425 ¹	25,943	27,970	24,386	
Scope 2 greenhouse gas emissions (in tonnes CO ₂ -equivalents) – market-based calculation ²			30,267		28,451	Carbon-neutral
Business travel (part of Scope 3) (in tonnes CO ₂)	47,864	42,066	11,887			
Carbon intensity, Scope 1 & 2 (greenhouse gas emissions in tonnes CO ₂ -equivalents/DKKm revenue) - Scope 2 location-based ³	3.43	2.58 ¹	2.24			
Carbon intensity, Scope 1 & 2 (greenhouse gas emissions in tonnes CO ₂ -equivalents/DKKm revenue) - Scope 2 market-based ²			2.50			Carbon-neutral
Water withdrawal (m ³)	227,272	221,613	197,346	217,181	187,479	
Water withdrawal in high water-stressed areas		58%	61%			
SUPPLY CHAIN						
Number of suppliers screened for sustainability	195	689	390	800	400	
Number of supplier screenings resulting in a new finding / non-conformity	64	170	25	150		100
% of findings/non-conformities that have improvement plans agreed upon with suppliers	88%	54.1%	56.0%	80.0%	80.0%	
% of "new" high-risk suppliers screened for sustainability	4.0%	11.0	4.0%	20.0%		95%
HUMAN RIGHTS						
Human rights reviews (off-site)	20	52	59	30	60	
Human rights impact assessments (on-site audits)	10	7	0	10	2	

1 Restated from figures reported in 2019. See Accounting Principles page 54 for details.

2 From 2020 we will be reporting on both the location-based and market-based approach for GHG Scope 2 emissions to improve transparency.

3 When reporting the carbon intensity for Scope 1 & 2 in 2018 and 2019, a comma was used where it should have been a dot. This has been corrected this year.

ACCOUNTING PRACTICES

Topic and Indicator	Accounting practice
SAFETY	
Lost-Time Injury Frequency (including contractors)	The lost-time injury frequency (LTIF) is calculated as the number of lost-time injuries and fatalities per one million hours worked. An LTI accident resulted in absence for more than one scheduled work day following the day of the accident. Subcontractors working hours are calculated based on actual hours reported by suppliers, hours written in tenders or actual/estimated hours for suppliers. Working hours for FLSmidth employees is calculated based on headcount and normal work week hours.
Total Recorded Injury Rate (including contractors)	TRI accidents include fatalities, LTI and medically treated injuries. The total recordable injury frequency rate (TRIR) is calculated as the number of TRI accidents per one million hours worked.
PEOPLE	
% women total	All employee types who are on FLSmidth's payroll and active on the date of the report. Excludes contractors but includes part-time employees and temporary workers. Share of women by year-end divided by all employees/managers at year-end.
% women white-collar employees	Employees primarily performing professional, managerial or administrative work.
% women blue-collar employees	Employees primarily performing manual labour. Work includes manufacturing, mining, construction, warehouse work, etc.
% women managers	Employees with one or more direct reports.
Internal participants' training hours in corporate development programmes	Number of hours in corporate-available training programmes provided by Group HR.
% employees receiving performance and career development reviews	Percentage of completed performance and development reviews for active employees.
COMPLIANCE	
Total number of whistleblower reports submitted	Includes reports submitted through FLSmidth's formal whistleblower hotline or by other means, such as e-mail, letter or in person. The figures include total number of reports received, as well as the number of admissible cases, i.e. cases that fall within the scope of topics allowed by whistleblower hotline reporting in accordance with the data privacy laws of the country in question.
Number of operations assessed for risks related to corruption	Reported as an accumulated number since 2016.
Total number and percentage of in-person training for white-collar workers who have received training on anti-corruption	An accumulated number since 2016. Excludes employees who have left FLSmidth and new employees who have joined the company within the last three months. We are currently in the process of transferring training data to FLSmidth's HR system and, due to this process, it is not possible to provide an exact figure for this category in 2020 and we will thus not be reporting on this indicator this year.
Total number of employees who have completed e-learning courses on anti-corruption	The number of people completing the e-learning is for 2020. Employees no longer employed, and therefore not active in the human resource management tool, will not be counted as having completed the course, regardless of their previous status.
Number of in-depth due diligence screenings conducted	Includes in-depth due diligence reports on customers, intermediaries, contractors and occasionally other third parties. Reports included in this overview include in-depth human due diligence reports, ownership analysis due diligence reports and automated (DDIQ) reports with human interpretation. Reported as a yearly number from this year. Prior to this, we reported an accumulated number since 2016.
Incidents of discrimination and corrective actions taken	Includes reports on discrimination and harassment submitted to FLSmidth's Group Compliance department through the formal whistleblower hotline or by other means, such as e-mail, letter or in person.

ACCOUNTING PRACTICES

Topic and indicator	Accounting practice
ENVIRONMENT (Description of some indicators have been adjusted, however they are comparable to previous years)	FLSmidth is using the Financial control approach following the GHG protocol and therefore, reporting for Scope 1, Scope 2, Business travel, and Water will only include activities under our financial control.
Scope 1 greenhouse gas emissions (in tonnes CO ₂ -equivalents)	<p>Scope 1 emissions are direct emissions of greenhouse gases and are measured as CO₂-equivalents. Scope 1 emissions for FLSmidth comprise fuel and gas use for various operational activities. Scope 1 involves three different categories: stationary combustion, mobile combustion and fugitive/process emissions. In 2020, emission factors from DEFRA were updated, according to the most recent list published, to calculate activity data to CO₂ equivalents. Updates in 2020 also involved to change other emission factor sources than DEFRA used in 2019 i.e., GHG protocol tool 2015 for natural gas and IPCC second assessment for refrigerants.</p> <p>Stationary combustion. Measuring usage of fuel for power generation is based on invoices, meter readings and supplier reports, and is collected monthly for all entities. When information is unavailable, entities estimate values based on previous months. As the default emission factor for purchased fuels and gases, we use GHG cross-sector calculation tools according to the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.</p> <p>Mobile combustion. Measuring usage of fuel for internal transportation movements at our locations and company-owned modes of transportation is based on invoices, supplier reports and mileage balances, and is collected monthly for all entities. Leased cars are included only when within the financial control of FLSmidth. When information is unavailable, entities estimate values based on previous months. As the default emission factor for purchased fuels, we use GHG transportation calculation tools according to the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.</p> <p>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 based on consumption. As the default emission factor for purchased refrigerants, we use the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.</p> <p>Biogenic CO₂ emissions are not relevant in our business operations.</p> <p>Customer sites during project-related activities are not included since we do not have financial control over those sites.</p> <p>Offices with fewer than 10 people are not included since most employees work from home and emissions are insignificant.</p>
Scope 2 greenhouse gas emissions (in tonnes CO ₂ -equivalents)	<p>Scope 2 emissions include the indirect emissions from electricity, heat, steam and cooling purchased and consumed by FLSmidth. We use location-based and market-based methods for calculations of Scope 2 emissions. For location-based, emission factors are derived from the International Energy Agency (IEA). For market-based, residual emission factors for Europe and North America are derived from the European Residual Mixes 2019 Association of Issuing Bodies and the Green-e Energy Residual Mix Emissions Rates (2018). If market-based residual emissions factors for certain sites are not available, i.e. outside Europe and North America, we use location-based emission factors, cf. recommendations from the CDP web page. For market-based, if entities have purchased renewable energy as well as having certificates and/or building renewable energy on-site projects, we calculate them as having an emission factor of 0.</p> <p>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 are not accessible, the electricity use is estimated as 144 kWh/m²/year in temperate areas and 270 kWh/m²/year in subtropical areas.</p> <p>For location-based, we use IEA emissions factors, and for market-based, we use emission factors from IEA when residual factors were not available.</p> <p>Customer sites during project-related activities are not included since we do not have financial control over those sites.</p> <p>Offices with fewer than 10 people are not included since most employees work from home and emissions are insignificant.</p>
Business travel (part of Scope 3) (in tonnes CO ₂)	<p>The business travel reported only includes business travel by air. Emission factors are derived from DEFRA.</p> <p>Business travel. CO₂ emissions from business travel are included in our Scope 3 reporting. The emissions are based on the booking system of the main flight ticket provider and are collected on a quarterly basis. The coverage is 95-98% of our travel. The emissions have been extrapolated to 100%, assuming a coverage of 95%.</p>
Carbon intensity (greenhouse gas emissions in tonnes CO ₂ equivalents/Revenue)	GHG emissions divided by revenue

ACCOUNTING PRACTICES

Topic and Indicator	Accounting practice
Water withdrawal (m ³)	<p>Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumes from waterworks. The latest assessment was carried out in December 2020.</p> <p>For entities with shared office spaces and where consumption data are not accessible, the water use is estimated as follows: office/warehouse – 20 litres/pp/day, manufacturing facility – 35 litres/pp/day, facility with boilers in use – 50 litres/pp/day.</p> <p>Offices with fewer than 10 people are not included. Moreover, customer sites during project-related activities are not included since we do not have financial control over those sites.</p>
Share of water withdrawal in high water-stressed areas	<p>Analysis on water withdrawal in water-stressed areas: Identification of entities in low, medium, high or extreme high water-stressed areas, using the Aqueduct Water Risk Atlas tool suggested in the GRI 303: Water and effluents standards 2018. The total water withdrawal amount from extreme high and high water-stressed areas was fractionated from the total water withdrawal from all entities globally and the percentage was calculated by region and globally.</p>
SUPPLY CHAIN	
Number of suppliers screened for sustainability	Count of suppliers screened. Both active and potential new suppliers. A screening includes review of the suppliers Health and Safety, Environmental and Social performance.
Number of supplier screenings resulting in a finding/non-conformity	A non-conformity is identified if the supplier does not comply with any of the critical criteria in the Supplier Code of Conduct.
% of findings/non-conformities which have improvement plans agreed with suppliers	Number of suppliers with improvement plans in place divided by total number of suppliers screened with a finding. Improvement plans are made for all suppliers with critical findings/non-conformities. A non-conformity is identified if the supplier does not comply with any of the critical parameters in the Supplier Code of Conduct.
% of "new" high-risk suppliers screened for sustainability	<p>A supplier is considered "new" when no previous purchase has been placed with the supplier within the two previous years. Suppliers are categorized as high-risk if located in a geographical high-risk area and if yearly spend by FLSmidth is above 1 mDKK</p> <p>A screening includes review of the suppliers Health and Safety, Environmental and Social performance.</p>
HUMAN RIGHTS	
Human rights review (off-site)	Number of human rights compliance reviews 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.
Human rights impact assessment (on-site)	<p>Impact assessments are always conducted on site. Both human rights compliance reviews and impact assessments can, in some cases, be part of compliance due diligence reports.</p> <p>FLSmidth conducts human rights compliance reviews and impact assessments on offices, production sites and customer sites where FLSmidth has employees stationed. Compliance reviews and impact assessments concerning offices are mostly policy-focused, while operations are more process-focused.</p>
RESTATEMENTS	
ENVIRONMENT - 2019 FIGURES	
Scope 1 greenhouse gas emissions (in tonnes CO ₂ -equivalents)	<p>Scope 1</p> <p>Restatement due to an underreporting of approximately 13% in the 2019 figures. Consumption figures for certain sites were not included for all months in 2019.</p>
Scope 2 greenhouse gas emissions (in tonnes CO ₂ -equivalents) – location-based calculation	<p>Scope 2</p> <p>Restatement due to an underreporting of approximately 17% in the 2019 figures. The location-based method was applied, while counting renewable energy as zero. From 2020 we will be reporting on both the location-based and market-based approach for GHG Scope 2 emissions to improve transparency.</p>
Carbon intensity, Scope 1 & 2 (greenhouse gas emissions in tonnes CO ₂ -equivalents/DKKm revenue) - Scope 2 location-based	See as above for scope 1 and 2 restatements
RESTATEMENT THRESHOLD	A threshold of 3% is used for 'material changes' in numbers. Changes below that threshold will not be restated.

SDG TARGETS – TOP PRIORITY

**THROUGH
MISSIONZERO**

SDG		SDG targets		FLSmidth targets – MissionZero			
Icon	Name	Number	Description	Icon	Name	Description	
	CLEAN WATER AND SANITATION	6.3	By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally		ZERO WATER WASTE	MINING: Enable zero discharge and 100% re-use.	
		6.4	By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity				
	AFFORDABLE AND CLEAN ENERGY	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix		100% FUEL SUBSTITUTIONS	CEMENT: Eliminate the need for fossil fuels and deliver solutions for 100% alternative fuel.	
		7.3	By 2030, double the global rate of improvement in energy efficiency		ZERO ENERGY WASTE	MINING: Reduce energy costs and energy waste, especially from energy intensive mills.	
	RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	By 2030, achieve the sustainable management and efficient use of natural resources		ZERO WASTE	CEMENT: No waste heat, use of waste streams as raw material and circular processes	
		12.4	By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle , in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment		ZERO WASTE	CEMENT: No waste heat, use of waste streams as raw material and circular processes	
						ZERO EMISSIONS	CEMENT: Reduce emissions from fuel burning and reduce process emissions related to clinker. MINING: Eliminate emissions from use of fossil fuels in transportation and minerals processing.
		12.5	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse			ZERO WASTE	CEMENT: No waste heat, use of waste streams as raw material and circular processes
	CLIMATE ACTION	13.2	Integrate climate change measures into national policies, strategies and planning		ZERO EMISSIONS	CEMENT: Reduce emissions from fuel burning and reduce process emissions related to clinker. MINING: Eliminate emissions from use of fossil fuels in transportation and minerals processing.	

SDG TARGETS – HIGH FOCUS

THROUGH OPERATIONAL SUSTAINABILITY

SDG		SDG targets		FLSmidth targets – operational sustainability		
Icon	Name	Number	Description	Area	2030 ambition	2030 target, where applicable
	GENDER EQUALITY	5.5	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	People diversity	A diverse and inclusive organisation	% of women total: 25% % of women managers: 30%*
	DECENT WORK AND ECONOMIC GROWTH	8.7	Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms	Human rights	Safeguard standards	-
		8.8	Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	Safety	Zero harm	LTIF (incl. contractors): 10% Y-o-Y improvement TRIR (incl. contractors): 10% Y-o-Y improvement
	REDUCED INEQUALITIES	10.3	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard	Compliance	Transparency and compliance	-
	RESPONSIBLE CONSUMPTION AND PRODUCTION	12.6	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	Supplier management	Reduced footprint	Suppliers setting science-based targets: 30% of spend
		12.7	Promote public procurement practices that are sustainable, in accordance with national policies and priorities			
	CLIMATE ACTION	13.2	Integrate climate change measures into national policies, strategies and planning			
				Environment	Enable zero emissions	CO ₂ emissions Scope 1 and 2: Carbon-neutral Scope 3 downstream: Economic intensity 7% Y-o-Y improvement
	PEACE, JUSTICE AND STRONG INSTITUTIONS	16.5	Substantially reduce corruption and bribery in all their forms	Compliance	Transparency and compliance	-
		16.6	Develop effective, accountable and transparent institutions at all levels			

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

* as part of our white collar employees base

NEW AND DESCOPE

INDICATORS

LIST OF DESCOPE

SAFETY
-
PEOPLE
Internal participants having undergone corporate development programmes
COMPLIANCE
Type of whistleblower report: compliance
Type of whistleblower report: finance
Type of whistleblower report: other
"... of which managers or senior managers [% of the total number of in-person training for white-collar workers who have received training on anti-corruption]"
Numbers of in-depth due diligence screenings conducted (cumulative from 2016 to 2019).
ENVIRONMENT
-
SUPPLY CHAIN ¹
% of findings/non-conformities that led to termination of relationship with suppliers
% of high-risk suppliers screened for sustainability
HUMAN RIGHTS
Employee training on human rights policies or procedures
Online training of managers

¹ In the 2020 reporting, we have decided to focus on four main indicators for supply chain management. It is our best estimate that these three indicators are the most comprehensible, the most meaningful in terms of target setting and that they provide a fulfilling picture of the performance of the supplier sustainability screening program. The descoped indicators for reporting are still used internally to ensure progress.

LIST OF NEW INDICATORS

SAFETY
-
PEOPLE
Internal participants having undergone training hours in corporate development programmes
COMPLIANCE
Numbers of in-depth due diligence screenings conducted per year
Total number of employees who have completed e-learning courses on anti-corruption
ENVIRONMENT
Scope 2 greenhouse gas emissions (in tonnes CO ₂ -equivalents) – market-based calculation
Carbon intensity, Scope 1 & 2 (greenhouse gas emissions in tonnes CO ₂ -equivalents/DKKm revenue) - market-based
SUPPLY CHAIN
-
HUMAN RIGHTS
-

STANDARDS AND DISCLOSURES

FLSmidth's Sustainability Report ('report') has been published every year since 2010. The contents, disclosures and performance data in the FLSmidth Sustainability Report 2020 are produced with reference to specific mandatory and selected voluntary standards and frameworks. This section provides a high-level overview how these standards are applied across the report, to which extend and where specific omissions are made. Where needed, reference is made to specific pages.

Boundaries

The content and topics covered in this report reflect the areas where, in terms of sustainability, our direct impact occurs. In this regard we have a special focus on the environmental, social and economic impact across our value chain. Taking a life cycle approach, we report on the impacts from the production in our supply chain, our own operations and at customers' sites. (p. 11, 46-47, 48-49)

European common enforcement priorities for 2020 annual financial reports, including non-financial statements

The 2020 Report includes disclosures for the following requirements:

- Impact of the COVID-19 pandemic on non-financial matters (p. 29)
- Social and employee matters – most notably in relation to the extensive use of remote

working arrangements and compliance with health and safety rules (p. 29)

- Business model and value creation, with the emphasis on the need to provide disclosures on the impact of the pandemic on the business model and value creation (p. 4 and 29)
- Risks relating to climate change, taking into account physical and transition risks (p. 32)

Financial Statements Act

The Sustainability Report is in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act (p. 4 and 42-43).

United Nations Global Compact – Communication on Progress

The Sustainability Report 2020 is our Advanced Communication on Progress in implementing

the principles of the United Nations Global Compact and supporting broader UN goals.

Global Reporting Initiative (GRI)

The Report has been prepared in accordance with the GRI:core standard. Please see the GRI table on p. 61.

GRI 207: Tax

FLSmidth acknowledges the introduction of the new GRI:207 reporting standard on tax. Tax is a material topic for FLSmidth. During 2021, we will complete our evaluation of how to best comply with the new standard.

Task Force on Climate-related Financial Disclosures (TCFD)

To better understand, manage and disclose the impacts of climate changes – both in terms of risks to our own business and to our customers

as well as potential opportunities due to stronger demand for climate-related solutions, we are aligning our practices and reporting with the TCFD recommendations.

To that end, in late 2020 we performed a climate risk and opportunities analysis with a selected focus group in our organisation. This process was facilitated by E&Y. In addition, we performed a gap analysis to see any gaps in our disclosure with the TCFD. The findings of these two exercises can be found on page 32. We have integrated some of the initial findings in our 2020 Report and will further align our disclosure with the TCFD recommendations during 2021.

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

To the stakeholders of FLSmidth

As agreed, we have examined FLSmidth's Sustainability Report 2020 (the Sustainability Report) for the period 1 January 2020 to 31 December 2020. FLSmidth's Sustainability Report 2020 has been prepared in accordance with the accounting policies described on p. 53-55.

We are to conclude on whether the Sustainability Report has been prepared in accordance with the reporting approach and criteria described on p. 53-55. 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 p. 53-55. 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.

EY 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 site-visit to FLSmidth in Pekin, United States, to review the environmental and safety data on a regional level
- Based on inquiries, EY has assessed whether data have been collected, assessed and quality-reviewed as prescribed in FLSmidth's manual for data collection
- Analytical review procedures, including trend analyses of sustainability data supplied by FLSmidth compared to prior period
- Review of the appropriateness of accounting policies applied 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.

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 2020 to 31 December 2020 have not been prepared, in all material respects, in accordance with the reporting approach and criteria described on p. 53-55.

Valby, 9th February 2021

EY
GODKENDT REVISIONSPARTNERSELSKAB
CVR-nr. 30 70 02 28



Henrik Kronborg Iversen

Partner, State Authorised Public Accountant
mne24687



Carina Ohm

Associate Partner

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
GENERAL DISCLOSURES 2016					
1. ORGANIZATIONAL PROFILE -2016					
102-1	Name of the organization	a. Name of the organization.	2		
102-2	Activities, brands, products, and services	a. A description of the organization's activities.	5		
		b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.	7		
102-3	Location of headquarters	a. Location of the organization's headquarters	2		
102-4	Location of operations	a. Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.	6		
102-5	Ownership and legal form	a. Nature of ownership and legal form.	2		
102-6	Markets served	a. Markets served, including:	5;6		
		i. geographic locations where products and services are offered;	5;6		
		ii. sectors served;	5;6		
		iii. types of customers and beneficiaries.	5;6		
102-7	Scale of the organization	a. Scale of the organization, including:	5;6		
		i. total number of employees;	5;6		
		ii. total number of operations;	5;6, AR:110-111 www.flsmidth.com/en-gb/offices		
		iii. net sales (for private sector organizations) or net revenues (for public sector organizations);	AR:6		
		iv. total capitalization (for private sector organizations) broken down in terms of debt and equity;	AR:6		
		v. quantity of products or services provided.	7; AR 35,69		

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
GENERAL DISCLOSURES 2016					
1. ORGANIZATIONAL PROFILE – 2016					
102-9	Supply chain	a. A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services.	5;49; AR:23		
102-10	Significant changes to the organization and its supply chain	a. Significant changes to the organization's size, structure, ownership, or supply chain, including:	AR 84-86		
102-11	Precautionary Principle or approach	a. Whether and how the organization applies the Precautionary Principle or approach.	44-45		
102-12	External initiatives	a. A list of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorses.	33-34		
102-13	Membership of associations	a. A list of the main memberships of industry or other associations, and national or international advocacy organizations.	33-34		
2. STRATEGY – 2016					
102-14	Statement from senior decision-maker	a. A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	3		
3. ETHICS AND INTEGRITY - 2016					
102-16	Values, principles, standards, and norms of behavior	a. A description of the organization's values, principles, standards, and norms of behavior.	33-34, 38-40		https://www.flsmidth.com/en-gb/company/careers/our-culture
4. GOVERNANCE - 2016					
102-18	Governance structure	a. Governance structure of the organization, including committees of the highest governance body.	30-31; AR: 47-54		
		b. Committees responsible for decision-making on economic, environmental, and social topics.	30-31; AR: 47-54		

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
GENERAL DISCLOSURES 2016					
5. STAKEHOLDER ENGAGEMENT - 2016					
102-40	List of stakeholder groups	a. A list of stakeholder groups engaged by the organization.	33-34		
102-41	Collective bargaining agreements	a. Percentage of total employees covered by collective bargaining agreements.		yes	It is part of our global policy but no numbers are available due to locally handled HR systems.
102-42	Identifying and selecting stakeholders	a. The basis for identifying and selecting stakeholders with whom to engage.	33-34;		
102-43	Approach to stakeholder engagement	"a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process."	33-34;		
102-44	Key topics and concerns raised	a. Key topics and concerns that have been raised through stakeholder engagement, including:	33-34;		
		"i. how the organization has responded to those key topics and concerns, including through its reporting;	33-34;		
		ii. the stakeholder groups that raised each of the key topics and concerns.	33-34;		
6. REPORTING PRACTICE - 2016					
102-45	Entities included in the consolidated financial statements	a. A list of all entities included in the organization's consolidated financial statements or equivalent documents.	AR: 110-111		
		b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	AR: 110-111		
102-46	Defining report content and topic Boundaries	a. An explanation of the process for defining the report content and the topic Boundaries.	2, 11, 59		
		b. An explanation of how the organization has implemented the Reporting Principles for defining report content.	59		
102-47	List of material topics	a. A list of the material topics identified in the process for defining report content.	30		
102-48	Restatements of information	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	57		
102-49	Changes in reporting	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries.	59		
102-50	Reporting period	a. Reporting period for the information provided.	1, 72		

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
GENERAL DISCLOSURES 2016					
6. REPORTING PRACTICE - 2016					
102-51	Date of most recent report	a. If applicable, the date of the most recent previous report.			10-02-2020
102-52	Reporting cycle	a. Reporting cycle.	72		
102-53	Contact point for questions regarding the report	a. The contact point for questions regarding the report or its contents.	72		
102-54	Claims of reporting in accordance with the GRI Standards	a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either: i. 'This report has been prepared in accordance with the GRI Standards: Core option';	2; 59		
102-55	GRI content index	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report.	61-72		
102-59	External assurance	a. A description of the organization's policy and current practice with regard to seeking external assurance for the report.	60		
ECONOMIC STANDARDS - 2019					
207	Tax	Tax	59	Yes	For 2021, a transitional period to defer disclosure have been adopted. See page 59

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
MANAGEMENT APPROACH DISCLOSURES					
SAFETY -2018					
103-1	Explanation of the material topic and its Boundary	a. An explanation of why the topic is material.			We operate in industries with high safety risks
		b. The Boundary for the material topic, which includes a description of:			All people under our control, including contractors - with influence on suppliers and customers through policies and standards
		i. where the impacts occur;			Throughout the value chain
		ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.			We set strict safety requirements and concrete improvement targets
		c. Any specific limitation regarding the topic Boundary.			Contractors are included in our safety numbers
103-2	The management approach and its components	a. An explanation of how the organization manages the topic.	10,36,37		We have a 2030 ambition and target
103-3	Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including:			Monthly Safety reports to Top Management
		i. the mechanisms for evaluating the effectiveness of the management approach;			Monthly Safety reports to Top Management; HSEQ community, best practice sharing
		ii. the results of the evaluation of the management approach;			Sharing best practice, focus in year-on-year planning
		iii. any related adjustments to the management approach			New long term target and ambition set
403-8	OH&S	Workers covered by an occupational health and safety management system			All FLSmidth employees need to be compliant with the FLSmidth Safety handbook
403-9	Worker related injuries	a. For all employees:	36-37		No fatalities in 2020
		b. For all workers who are not employees but whose work and/or workplace is controlled by the organization		Partially	Contractors are included in our numbers but numbers are not split out
		c. The work-related hazards that pose a risk of high-consequence injury, including	36-37, 53		
		i. how these hazards have been determined	36-37, 53		

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
MANAGEMENT APPROACH DISCLOSURES					
SAFETY - 2018					
		ii. which of these hazards have caused or contributed to high-consequence injuries during the reporting period	36-37, 53		
		iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls	36-37, 53		
		d. Any actions taken or underway to eliminate other work-related hazards and minimize risks using the hierarchy of controls	36-37, 53		
		e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked	36-37, 53		
		f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded	36-37, 53		
		g. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used	36-37, 53		
403-10	OH&S	Work-related ill health		Yes	Information unavailable: handled at local level according to local regulations
COMPLIANCE - 2016					
103-1	Explanation of the material topic and its Boundary	a. An explanation of why the topic is material.			Risks for non-compliance may occur throughout our value chain
		b. The Boundary for the material topic, which includes a description of:			
		i. where the impacts occur;			Internal and business relationships
		ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.			Caused , contribute to, linked
		c. Any specific limitation regarding the topic Boundary.			n/a
103-2	The management approach and its components	a. An explanation of how the organization manages the topic.	10, 38-40		
103-3	Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including:	38-40		
		i. the mechanisms for evaluating the effectiveness of the management approach;	38-40		
		ii. the results of the evaluation of the management approach;			Adjust policies when required with input from general council and Audit Committee
		iii. any related adjustments to the management approach			Increase training, awareness raising
205-1	Anti-corruption	Operations assessed for risks related to corruption	40	Partially	Percentage of operations assessed for risks related to corruption is not included

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
MANAGEMENT APPROACH DISCLOSURES					
COMPLIANCE - 2016					
205-2	anti-corruption	Communication and training about anti-corruption policies and procedures	40	Partially	partially reported only: Not broken down by employee category and region
205-3	anti-corruption	Confirmed incidents of corruption and actions taken	38-40		
206-1	Anti-competitive behaviour	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	38-40	Partial	
PEOPLE - 2016					
103-1	Explanation of the material topic and its Boundary	a. An explanation of why the topic is material.	30-31, 41-43		
		b. The Boundary for the material topic, which includes a description of:			People on our payroll
		i. where the impacts occur;			People on our payroll
		ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.			Contractors are part of our safety commitments and reporting. Furthermore, we assess and monitor our supply chain for human rights standards
		c. Any specific limitation regarding the topic Boundary.			n/a
103-2	The management approach and its components	"a. An explanation of how the organization manages the topic.	30-31, 41-43		
103-3	Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including:	30-31, 41-43		
		i. the mechanisms for evaluating the effectiveness of the management approach;			We have introduced a new engagement tool in 2020
		ii. the results of the evaluation of the management approach;			Monthly engagement scores are shared among people leaders
		iii. any related adjustments to the management approach			Inputs from the engagement scores will be considered in MDA
404-2	Training and education	Programs for upgrading employee skills and transition assistance programs	41-43		
404-3	Training and education	Percentage of employees receiving regular performance and career development reviews	41-43, 51		

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
MANAGEMENT APPROACH DISCLOSURES					
PEOPLE - 2016					
405-1	Diversity of governance bodies and employees	a. Percentage of individuals within the organization's governance bodies in each of the following diversity categories:	AR 49		
		i. Gender;	AR 49		
		ii. Age group: under 30 years old, 30-50 years old, over 50 years old;	AR 49		
		b. Percentage of employees per employee category in each of the following diversity categories:			
		i. Gender;	41-43		
		ii. Age group: under 30 years old, 30-50 years old, over 50 years old;	41-43		
		iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).		Yes	information unavailable; different per country and confidential
406-1	Non discrimination	a. Total number of incidents of discrimination during the reporting period.	40; 51		
		b. Status of the incidents and actions taken with reference to the following:	40; 51		
413-1	Local communities	"Operations with local community engagement, impact assessments, and development programs"	33-34		

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
MANAGEMENT APPROACH DISCLOSURES					
ENVIRONMENT - 2016					
103-1	Explanation of the material topic and its Boundary	a. An explanation of why the topic is material.	4,8, 11, 14-20, 23, 25, 44, 45		
		b. The Boundary for the material topic, which includes a description of:			
		i. where the impacts occur;	11		
		ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.	11		
		c. Any specific limitation regarding the topic Boundary.	11		
103-2	The management approach and its components	a. An explanation of how the organization manages the topic.	4,8, 11, 14- 20, 23, 25 45-45		
103-3	Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including:	30-31, 44-45		
302-1	Energy			Yes	Not applicable: Consolidated into carbon footprint
303-3 (2018)	Water		44-45, 51, 53	Partial	Water withdrawal by source not specifically reported. Will evaluate to include this in future reporting
305-1	Emissions	Direct (Scope 1) Carbon emissions	44-45, 53-55		
305-2	Emissions	Energy indirect (Scope 2) Carbon emissions	44-45, 53-55		
305-3	Emissions	Other indirect (Scope 3) Carbon emissions	44-45, 53-55		
305-4	Emissions	Carbon emissions intensity	44-45, 53-55		
305-5	Emissions	Reduction of Carbon emissions		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
305-7	Emissions	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
MANAGEMENT APPROACH DISCLOSURES					
ENVIRONMENT - 2016					
307-1	Environmental Compliance	Non-compliance with environmental laws and regulations		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
308-1	Supplier environmental assessment	% New suppliers that were screened using environmental criteria	48-49, 53-55		Screening includes environmental, social and safety criteria
308-2	Supplier environmental assessment	Negative environmental impacts in the supply chain and actions taken	48-49		no critical findings in 2020
SUPPLY CHAIN – 2016					
103-1	Explanation of the material topic and its Boundary	a. An explanation of why the topic is material.	11, 32, 48-49		
		b. The Boundary for the material topic, which includes a description of:	11, 48-49		
		i. where the impacts occur;	11		
		ii. the organization's involvement with the impacts. For example, whether the organization has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.	11		contributed to
		c. Any specific limitation regarding the topic Boundary.	11, 48-49		
103-2	The management approach and its components	a. An explanation of how the organization manages the topic.	10,11, 30-31, 48-49		
103-3	Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including:	48-49		
414-1	Supplier social assessment	New suppliers that were screened using social criteria	48-49, 53-55		Screening includes environmental, social and safety criteria
414-2	Supplier social assessment	Negative social impacts in the supply chain and actions taken	48-49		No specific negative impacts

GLOBAL REPORTING INITIATIVE (GRI)

GRI	Standard	Disclosure title	Location	Omitted	Comment, or reason for omission
MANAGEMENT APPROACH DISCLOSURES					
HUMAN RIGHTS (412)					
103-1	Explanation of the material topic and its Boundary	a. An explanation of why the topic is material.	46-47		
		b. The Boundary for the material topic, which includes a description of:	46-47, 59		
103-2	The management approach and its components	a. An explanation of how the organization manages the topic.	10, 46-47		
103-3	Evaluation of the management approach	a. An explanation of how the organization evaluates the management approach, including:	46-47		
412-3	Human rights assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		yes	not applicable

Design and layout
Make®

Sustainability Report 2020
1 January – 31 December 2020

FLSmidth & Co. A/S
Vigerslev Allé 77
2500 Valby
Denmark
Tel.: +45 36 18 18 00
Fax: +45 36 44 11 46
corp@flsmidth.com
www.flsmidth.com
CVR No. 58180912