

## **FLSmidth Modern Slavery Statement 2020**

*This is the 2020 Modern Slavery Statement of the FLSmidth Group. It is prepared pursuant to the reporting obligations of FLSmidth & Co. A/S (FLSmidth) and relevant subsidiaries under the UK Modern Slavery Act and FLSmidth Pty Ltd (henceforth, FLSmidth Australia) under the Australian Modern Slavery Act 2018 (Cth). This statement covers the activities of all FLSmidth's subsidiaries, including those in Australia and the United Kingdom (UK).*

*The statement targets human rights risks in FLSmidth's value chains, particularly addressing 'modern slavery' as defined in section 54 of the UK Modern Slavery Act 2015 and part 2 section 12 in the Australian Modern Slavery Act 2018 (Cth) respectively.*

*The present document has been prepared by FLSmidth's Group Compliance in collaboration with Group Procurement and FLSmidth Australia and outlines the measures taken by FLSmidth in relation to the risks of Modern Slavery during the reporting period of the 1 January – 31 December 2020 calendar year, as well as priorities for 2021.*

## 1. Organization and Supply Chain

FLSmidth offers market-leading engineering, equipment and service solutions to the cement and mining sectors. With more than 10,700 employees and offices in over 60 countries, FLSmidth operates across the globe and has divided its operations into six regions. FLSmidth's total revenue in 2020 amounted to DKK 16,4 billion.

Due to increasing urbanization and geographical concentration of mining opportunities, we operate in a wide range of countries that are classified as *high-risk*. Our internal production sites are primarily located in China, India, USA and South Africa, but we also engage with over 30,000 suppliers across the globe to ensure timely and flexible deliveries. More specifically, FLSmidth has 750,000 supplier deliveries and 250,000 customer deliveries annually.

FLSmidth Australia<sup>1</sup> forms part of FLSmidth's global network of wholly owned subsidiaries. The Australian operations subsume under the Australia Region (including Australia, Pacific Islands, New Zealand and Papua New Guinea), one of the six regions reporting to the global headquarters in Valby, Denmark. FLSmidth Australia supplies our regional mining and cement customers with engineering, equipment and service solutions, employs 580+ employees across 8 operational sites<sup>2</sup> and has an annual consolidated revenue of AUD 350-400 million. Like the other identified regions, the Australian procurement functions are integrated within FLSmidth's Group Procurement, resulting from FLSmidth's universal usage of the globally shared and managed supply chain.

Based on internal risk assessments, the main risk of modern slavery in the FLSmidth Group supply chain is related to geographical regions in countries where we operate. However, we are also aware of the potential risk of modern slavery within the operations of our customers and suppliers. Acknowledging the breadth of our global supply chain, the most significant risks of modern slavery from a supplier perspective are; use of short-term contracts and outsourcing, use of migrant workers and business partners located in geographical locations with inadequate protections for workers. Such perils are especially relevant to assess in particularly high-risk contexts, identified and prioritized via our internally produced human rights risk score (cf. image below).

The Australia Region overall entails a low risk profile with regards to customers, except from the estimated medium risk-level of Papua New Guinea. As further explained in section 4, customers in such augmented risk contexts undergo systematic due diligence screenings to assess and mitigate potential risks.

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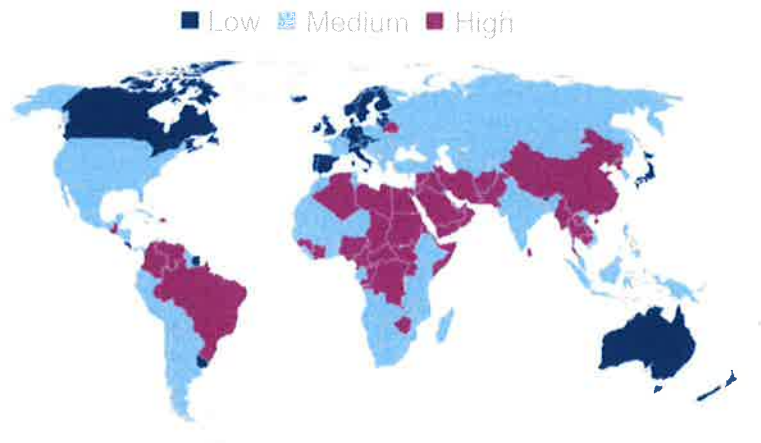
<sup>1</sup> FLSmidth's Australian Structure: FLSmidth Pty Ltd (ABN 85 000 221 590), an Australian incorporated proprietary company, is the primary operating entity of the FLSmidth Group in Australia and is the relevant reporting entity for the purposes of the *Modern Slavery Act 2018* (Cth).

FLSmidth Pty Ltd is a wholly owned subsidiary of the FLSmidth Group, for which FLSmidth & Co A/S (Denmark) is the ultimate parent company. During the 2020 calendar year, two wholly owned subsidiaries of FLSmidth Pty Ltd (being FLSmidth ABON Pty Ltd ABN 20 004 703 002 and IMP Group Pty Ltd ABN 79 093 328 315) were active trading entities in Australia, however these are integrated within the Region management and operations of FLSmidth Pty Ltd and are subject to the same FLSmidth Group Procurement and Group Compliance frameworks, policies and procedures. The procurement activities of these entities are overseen by the Head of Procurement for the Australia Region, consulted as a representative of Regional management in relation to the preparation of this statement.

FLSmidth Pty Ltd is also the holding company of several dormant, non-operational legacy subsidiaries (16 total) that did not trade during the reporting period. IMP Group Pty Ltd holds an interest in Intertek Robotic Laboratories Pty. Ltd pursuant to an acquired joint venture but does not maintain day to day operational control of this entity.

<sup>2</sup> FLSmidth's Australian Locations: QLD: Pinkenba (Main Office), Carole Park, Mackay, Rockhampton; WA: Welshpool (Supercentre), Kalgoorlie; NSW: Beresfield; VIC: Airport West.

We acknowledge the potential presence of modern slavery risks in our business partners' operations and have implemented solid systems to eliminate any such misconduct from FLSmidth's supply chain. These systems are described in further detail below.



## 2. Policies and Governance

Modern slavery prevention within FLSmidth forms an integral part of Group Compliance's responsibilities via a dedicated human rights function. FLSmidth's human rights function oversees the Modern Slavery Statement as well as the related processes to identify, inform and mitigate modern slavery risks in FLSmidth's operations and business relationships. These processes allow for appropriate remediation action to be taken by Region and Group management in the event of identified cases of modern slavery.

The *Human Rights Policy*<sup>3</sup> defines FLSmidth's commitment to ensuring that our business operations result in no harm. As a part of this commitment, we adhere to fundamental human rights as outlined by the UN Guiding Principles on Business and Human Rights. In addition, we conduct business in accordance with the International Labor Organisation's Core Labour Standards, which highlight the elimination of all forms of forced and compulsory labor.

The Human Rights policy is supplemented by the *Grievance Mechanism Procedure*, which describes how to file a human rights grievance report. All FLSmidth employees are encouraged to report any suspected human rights abuse via the Grievance Mechanism – including violations occurring at business partners' sites. As such, we aim to provide access to remedy for anyone that has witnessed or been affected by a potential human rights violation connected to our conduct or business activities.

Besides that, FLSmidth's *Supplier Code of Conduct*<sup>4</sup> ensures a responsible sourcing approach by outlining our expectations on suppliers. We thereby use our leverage as a buyer by demanding compliance with human rights frameworks in our supply chain. This entails a zero-tolerance policy towards any kind of modern slavery, including forced, bonded, compulsory and debt labor.

<sup>3</sup> <https://www.flsmidth.com/en-gb/company/sustainability/policies-and-priorities>

<sup>4</sup> <https://www.flsmidth.com/en-gb/company/sustainability/policies-and-priorities>

The beforementioned policies and governance scheme apply throughout the FLSmidth Group, including to FLSmidth Australia and FLSmidth (UK) Limited (henceforth, FLSmidth UK) and the direct interactions of those entities with their respective customers and business partners.

### **3. Risk Assessment and Management**

Like many other global enterprises, FLSmidth operates within regions where risks of modern day slavery are prevalent. In FLSmidth, we prioritize risk assessments of business partners in such regions. Through due diligence and assessments, we have not identified any direct occurrences of modern slavery in the locations where our products or services are utilized, nor where we supply from.

Due to COVID-19, we were not able to conduct any on-site human rights impact assessments in 2020. However, our target for 2021 is to conduct ten off-site human rights assessments of FLSmidth's business relationships, as well as two on-site audits<sup>5</sup>. To map countries where the prevalence of trafficking and modern slavery is particularly high, we have created an internal Human Rights Risk Index. The index is based on seven different human rights indices<sup>6</sup>, including the Global Slavery Index. FLSmidth incorporates the index as an influential factor in decisions concerning in-depth assessments of FLSmidth business partners.

FLSmidth's Group Compliance collaborates closely with Group Procurement, including procurement professionals working for FLSmidth Australia,<sup>7</sup> in the identification of modern slavery risks among suppliers. A new risk management initiative for 2021 demands that all suppliers should be assessed based on six human rights criteria as part of FLSmidth's standard check sheet. The check sheet is always used when visiting suppliers and now incorporates a specific question dedicated to identifying modern slavery.

### **4. Due Diligence Processes**

Modern slavery risks related to our business relationships are assessed via systematic due diligence processes. We have a thorough risk-based due diligence procedure, through which we investigate risks among our third-parties, customers and contractors by the means of desk research. These due diligence reports also include the use of artificial due diligence and on-going monitoring through the AI software called Exiger DDIQ<sup>8</sup>.

In addition, we conduct dedicated human rights due diligence for business partners with a high-risk profile concerning human rights. This assessment comprises an in-depth investigation of labor rights, including modern slavery and trafficking as central aspects.

All due diligence reports include suggested actions to mitigate and take appropriate remediation action in relation to any adverse findings. Depending on the severity of the findings, this can imply changes to the contract, stakeholder consultations, or even termination of the business relationship. All human rights due diligence reports are presented to relevant internal stakeholders so that appropriate action can be taken by Region and Group management.

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<sup>5</sup> On-site assessments are dependent on the COVID-19 situation in 2021.

<sup>6</sup> Global Slavery Index 2018; Freedom of the Press Index 2017; Human Rights Score 2017; Human Rights Violations 2014; Economic Freedom Score 2016; Human Rights and Rule of Law 2020; Global Rights Index 2020

<sup>7</sup> Head of Procurement for Australia Region is a member of the Region executive leadership team of FLSmidth Australia.

<sup>8</sup> <https://www.exiger.com/ddiq/>

The risk of modern slavery within the specific supply chain of FLSmidth Australia is constituted in FLSmidth's global supply chain and thereby is part of the same risk assessment, due diligence processes and reporting as the FLSmidth Group. Investigation and reporting of these risks, as undertaken primarily by Group Compliance in collaboration with Group Procurement, flows through to the Region management of FLSmidth Australia via the involvement of the Head of Procurement for the Australia Region. As part of our on-going efforts, FLSmidth Australia's procurement team will select key suppliers to FLSmidth Australia to undergo dedicated human rights due diligence.

## **5. Ongoing Review and Continuous Improvement**

To assess the effectiveness of our actions towards combatting modern slavery, we have mapped relevant processes, that have been implemented in 2020. These new processes will be reviewed, and improved if necessary, by the end of 2021. The review will include the following aspects:

- The human rights due diligence processes
- Supplier assessments and supplier selections
- The supplier audit questionnaire
- The training material, including both e-learning and in-person training

## **6. Training on Modern Slavery and Trafficking**

We have revised our approach to modern slavery and trafficking training and are currently accelerating our training effort within human rights and modern slavery. As part of this initiative, we will launch a human rights e-learning course that targets specific cases on how to deal with suspicions of modern slavery among business partners. The course is to be completed by relevant white-collar employees across the FLSmidth Group in 2021.

Similarly, we are conducting targeted in-person training on fundamental human rights principles for a broad group of employees. The training includes guidance on how to mitigate risks of forced, bonded and compulsory labor in our supply chain. Detailed training will be provided to managers at sites or in functional areas that are particularly exposed to such issues. Additionally, a human rights e-learning, which includes cases related to bonded labor, will be made available to all FLSmidth employees in Q2 2021. Both the e-learning and in-person training will be mandatory for targeted employees in FLSmidth Australia and FLSmidth UK.

In FLSmidth, we conduct mandatory Code of Conduct training as part of the on-boarding for all employees, which incorporates guidelines on how to detect, prevent and combat modern slavery risks. FLSmidth Australia has a designated compliance representative, who, when permissible, organizes such training for new employees within the Australia Region in a live setting.

Finally, we annually conduct Code of Conduct training with the Group Executive Management. As part of this training, we include a case related to modern slavery and our methods to efficiently combat such human rights violations. This affirms FLSmidth's top-down commitment to addressing the risks of modern slavery connected to the business activities of FLSmidth and its subsidiaries worldwide.



**Signature:**

  
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