

FLSMIDTH

Mission Zero

SUPPLIER CODE OF CONDUCT

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Introduction

Suppliers play an integral role in FLSmidth's operations and offerings to customers. Mutual success depends on long-standing business ties and strong relationships. We aim to align values and create trust to enable collaboration with suppliers, contractors, sub-contractors, agents, joint venture partners and distributors ('suppliers', hereafter).

Full compliance with local and national law and regulation, in letter as well as in spirit, is expected of all parties involved in any business relationship with FLSmidth. Where national law is found to conflict with this Code, a supplier is expected to adhere to the most stringent set of requirements.

FLSmidth is a signatory to the United Nations Global Compact and is guided by the United Nations Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Furthermore, FLSmidth is on a journey of decarbonized products and services, carbon-neutral operations, and a sustainable supply chain. As part of this journey, we have set Science-based targets for our own operations and our value chain. FLSmidth encourages suppliers to also commit to these frameworks and standards.

In alignment with the UN Guiding Principles on Business and Human Rights, the provisions in this Code are derived from and respect internationally recognized standards including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights.

FLSmidth expects all suppliers to adhere to the minimum standards outlined in this Code and meet the standards with regards to labour, health and safety, environment, compliance and management systems. The requirements in this Code are universal, but we understand that the methods for meeting them may differ depending on size and location. FLSmidth believes that the standards are best implemented by focusing on continual improvement, collaboration and transparency.

In order to comply with international requirements on due diligence and reporting FLSmidth regularly conducts screenings of suppliers in relation to this Code and maintains documentation. Suppliers are expected and required to collaborate on assessment and monitoring activities. These activities may include self-assessment questionnaires, supporting documentation, desktop assessments, audits or any other necessary measures.

FLSmidth is guided by the United Nations Guiding Principles on Business and Human Rights in our commitment to work towards ensuring appropriate and adequate remedy for stakeholders adversely affected by our business operations and relationships.

Suppliers must actively inform FLSmidth if non-conformities with the standards outlined in this Code are identified so relevant action can be taken to address the impact. We aim to work jointly with the relevant entity to implement a remediation plan according to a set timeline, dependent on the severity of the breach.

Suppliers are expected to promptly design and implement a remediation plan if any such non-conformities are material breaches of the standards outlined in the Code.

The Supplier and any of its employees may report their concerns confidentially to FLSmidth's Whistleblower Hotline: www.flsmidth.com/supplychain

FLSmidth expressly reserves the right to suspend or terminate supplier relationship if there is reluctance or no willingness to collaborate on assessment and evaluation in relation to the minimum standards outlined in this Code, if there is reluctance or no willingness to work on improving management systems in order to manage risk of adverse impact in relation to labour, health and safety, environment and compliance, or if a supplier fails to comply with the requirements outlined in the Code.

Labour

Supplier is committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker. The recognized standards, as set out in the References, were used in preparing the Code and may be useful sources of additional information.

The labour standards are:

1) Freely Chosen Employment

Forced, bonded (including debt bondage) or indentured labor, involuntary or exploitative prison labor, slavery or trafficking of persons is not permitted. This includes transporting, harboring, recruiting, transferring, or receiving persons by means of threat, force, coercion, abduction or fraud for labor or services. There shall be no unreasonable restrictions on workers' freedom of movement in the facility in addition to unreasonable restrictions on entering or exiting company-provided facilities including, if applicable, workers' dormitories or living quarters. As part of the hiring process, all workers must be provided with a written employment agreement in their native language that contains a description of terms and conditions of employment. Foreign migrant workers must receive the employment agreement prior to the worker departing from his or her country of origin and there shall be no substitution or change(s) allowed in the employment agreement upon arrival in the receiving country unless these changes are made to meet local law and provide equal or better terms. All work must be voluntary, and workers shall be free to leave work at any time or terminate their employment without penalty if reasonable notice is given as per worker's contract. Employers, agents, and sub-agents' may not hold or otherwise destroy, conceal, or confiscate identity or immigration documents, such as government-issued identification, passports, or work permits. Employers can only hold documentation if such holdings are required by law. In this case, at no time should workers be denied access to their documents. Workers shall not be required to pay employers' agents or sub-agents' recruitment fees or other related fees for their employment. If any such fees are found to have been paid by workers, such fees shall be repaid to the worker.

2) Young Workers

Child labor is not to be used in any stage of manufacturing. The term "child" refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. Supplier shall implement an appropriate mechanism to verify the age of workers. The use of legitimate workplace learning programs, which comply with all laws and regulations, is supported. Workers under the age of 18 (Young Workers) shall not perform work that is likely to jeopardize their health or safety, including night shifts and overtime. Supplier shall ensure proper management of student workers through proper maintenance of student records, rigorous due diligence of educational partners, and protection of students' rights in accordance with applicable laws and regulations. Supplier shall provide appropriate support and training to all student workers.

In the absence of local law, the wage rate for student workers, interns, and apprentices shall be at least the same wage rate as other entry-level workers performing equal or similar tasks. If child labor is identified, assistance/remediation is provided. The supplier shall put in place a remediation plan should instances of child labour be found to occur within their own operations or their supply chain.

3) Working Hours

Studies of business practices clearly link worker strain to reduced productivity, increased turnover, and increased injury and illness. Working hours are not to exceed the maximum set by local law. Further, a workweek should not be more than 48 hours, excluding overtime, or 60 hours per week, except in emergencies or unusual situations. All overtime must be voluntary. Workers shall be allowed at least one day off every seven days.

4) Wages and Benefits

Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. For each pay period, workers shall be provided with a timely and understandable wage statement that includes sufficient information to verify accurate compensation for work performed. All use of temporary, dispatch and outsourced labor will be within the limits of the local law.

5) Humane Treatment

There is to be no harsh or inhumane treatment including violence, gender-based violence, sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, bullying, public shaming, or verbal abuse of workers; nor is there to be the threat of any such treatment. Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers.

6) Non-Discrimination/Non-Harassment

Supplier should be committed to a workplace free of harassment and unlawful discrimination. Companies shall not engage in discrimination or harassment based on race, color, age, gender, sexual orientation, gender identity and expression, ethnicity or national origin, disability, pregnancy, religion, political affiliation, union membership, covered veteran status, protected genetic information or marital status in hiring and employment practices such as wages, promotions, rewards, and access to training. Workers shall be provided with reasonable accommodation for religious practices. In addition, workers or potential workers should not be subjected to medical tests, including pregnancy or virginity tests, or physical exams that could be used in a discriminatory way. This was drafted in consideration of ILO Discrimination (Employment and Occupation) Convention (No.111).

7) Freedom of Association

In conformance with local law, supplier shall respect the right of all workers to form and join trade unions of their own choosing, to bargain collectively, and to engage in peaceful assembly as well as respect the right of workers to refrain from such activities. Workers and/or their representatives shall be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation, or harassment.

8) Security Staff

Employment of security staff as well as any site or facility service staff must be compliant with national labour law. Any use of force by security personnel must be authorised and monitored systematically, and arms must be carried only in compliance with national law and following training in their appropriate use in compliance with international standards.

Health and safety

Supplier recognizes that in addition to minimizing the incidence of work-related injury and illness, a safe and healthy work environment enhances the quality of products and services, consistency of production and worker retention and morale. Supplier also recognizes that ongoing worker input and education are essential to identifying and solving health and safety issues in the workplace.

Recognized management systems such as ISO 45001 and ILO Guidelines on Occupational Safety and Health were used as references in preparing the Code and may be useful sources of additional information.

The health and safety standards are:

1) Health and Safety Permits and Reporting

All required health and safety permits, approvals, and registrations are to be obtained, maintained, and kept current and their operational and reporting requirements are to be followed.

2) Occupational Safety

Worker potential for exposure to health and safety hazards (chemical, electrical and other energy sources, fire, vehicles, and fall hazards, etc.) are to be identified and assessed, mitigated using the Hierarchy of Controls, which includes eliminating the hazard, substituting processes or materials, controlling through proper design, implementing engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout), and providing ongoing occupational health and safety training. Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained, personal protective equipment, and educational materials about risks to them associated with these hazards. Reasonable steps must also be taken to remove pregnant women and nursing mothers from working conditions with high hazards, remove or reduce any workplace health and safety risks to pregnant women and nursing mothers, including those associated with their work assignments, and provide reasonable accommodations for nursing mothers.

3) Emergency Preparedness

Potential emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures including emergency reporting, employee notification and evacuation procedures, worker training, and drills. Emergency drills must be executed at least annually or as required by local law, whichever is more stringent. Emergency plans should also include appropriate fire detection and suppression equipment, clear and unobstructed egress, adequate exit facilities, contact information for emergency responders, and recovery plans. Such plans and procedures shall focus on minimizing harm to life, the environment, and property.

4) Occupational Injury and Illness

Procedures and systems are to be in place to prevent, manage, track and report occupational injury and illness, including provisions to encourage worker reporting, classify and record injury and illness cases, provide necessary medical treatment, investigate cases and implement corrective actions to eliminate their causes, and facilitate the return of workers to work.

5) Industrial Hygiene

Worker exposure to chemical, biological, and physical agents is to be identified, evaluated, and controlled according to the Hierarchy of Controls. If any potential hazards were identified, supplier shall look for opportunities to eliminate and/or reduce the potential hazards. If elimination or reduction of the hazards is not feasible, potential hazards are to be controlled through proper design, engineering, and administrative controls. When hazards cannot be adequately controlled by such means, workers are to be provided with and use appropriate, well-maintained, personal protective equipment free of charge. Protective programs shall be ongoing and include educational materials about the risks associated with these hazards.

6) Physically Demanding Work

Worker exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing, and highly repetitive or forceful assembly tasks is to be identified, evaluated, and controlled.

7) Machine Safeguarding

Production and other machinery shall be evaluated for safety hazards. Physical guards, interlocks, and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.

8) Sanitation, Food, and Housing

Workers are to be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the supplier, or a labor agent are to be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate lighting and heat and ventilation, individually secured accommodations for storing personal and valuable items, and reasonable personal space along with reasonable entry and exit privileges.

9) Health and Safety Communication

Supplier shall provide workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to, including but not limited to mechanical, electrical, chemical, fire, and physical hazards. Health and safety-related information shall be clearly posted in the facility or placed in a location identifiable and accessible by workers. Training is provided to all workers prior to the beginning of work and regularly thereafter. Workers shall be encouraged to raise any health and safety concerns without retaliation.

Environment

Supplier recognizes that environmental responsibility is integral to producing world-class products. Supplier shall identify the environmental impacts and minimize adverse effects on the community, environment, and natural resources within their manufacturing operations, while safeguarding the health and safety of the public. Recognized management systems such as ISO 14001 and the Eco Management and Audit System (EMAS) were used as references in preparing the Code and may be a useful source of additional information.

The environmental standards are:

1) Environmental Permits and Reporting

All required environmental permits (e.g. discharge monitoring), approvals, and registrations are to be obtained, maintained, and kept current and their operational and reporting requirements are to be followed.

2) Pollution Prevention and Resource Reduction

Emissions and discharges of pollutants and generation of waste are to be minimized or eliminated at the source or by practices such as adding pollution control equipment; modifying production, maintenance, and facility processes; or by other means. The use of natural resources, including water, fossil fuels, minerals, and virgin forest products, is to be conserved by practices such as modifying production, maintenance and facility processes, materials substitution, re-use, conservation, recycling, or other means.

3) Hazardous Substances

Chemicals, waste, and other materials posing a hazard to humans, or the environment are to be identified, labeled, and managed to ensure their safe handling, movement, storage, use, recycling or reuse, and disposal.

4) Solid Waste

Supplier shall implement a systematic approach to identify, manage, reduce, and responsibly dispose of or recycle solid waste (non-hazardous).

5) Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting substances, and combustion byproducts generated from operations are to be characterized, routinely monitored, controlled, and treated as required prior to discharge. Ozone-depleting substances are to be effectively managed in accordance with the Montreal Protocol and applicable regulations. Supplier shall conduct routine monitoring of the performance of its air emission control systems.

6) Materials Restrictions

Supplier is to adhere to all applicable laws, regulations, and customer requirements regarding the prohibition or restriction of specific substances in products and manufacturing, including labeling for recycling and disposal.

7) Water Management

Supplier shall implement a water management program that documents, characterizes, and monitors water sources, use and discharge; seeks opportunities to conserve water; and controls channels of contamination. All wastewater is to be characterized, monitored, controlled, and treated as required prior to discharge or disposal. Supplier shall conduct routine monitoring of the performance of its wastewater treatment and containment systems to ensure optimal performance and regulatory compliance.

8) Energy Consumption and Greenhouse Gas Emissions

Supplier is to establish a corporate-wide greenhouse gas reduction goal. Energy consumption and all relevant Scopes 1 and 2 greenhouse gas emissions are to be tracked, documented, and publicly reported against the greenhouse gas reduction goal. Supplier is to look for methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

Compliance

Supplier and their agents are to uphold the highest standards of compliance to meet social responsibilities and to achieve success in the marketplace. This includes:

1) Business Integrity

The highest standards of integrity are to be upheld in all business interactions. Supplier shall have a zero-tolerance policy to prohibit any and all forms of bribery, corruption, extortion and embezzlement. No gifts shall be exchanged with the intention of persuading or in any other way influencing an FLSmidth employee. Note that FLSmidth employees are likely obliged to report any gift received. This is elaborated in the FLSmidth Gift and Hospitality Sub-Policy, which is available at www.flsmidth.com.

2) No Improper Advantage

Bribes or other means of obtaining undue or improper advantage are not to be promised, offered, authorized, given, or accepted. This prohibition covers promising, offering, authorizing, giving or accepting anything of value, either directly or indirectly through a third party, in order to obtain or retain business, direct business to any person, or otherwise gain an improper advantage. Monitoring, record keeping, and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.

3) Trade Compliance, Sanctions and Export Control

FLSmidth complies with applicable international sanctions and export control laws and regulations – including those imposed or introduced from time to time by either the UN, USA, UK or EU – and make sure to implement such compliance in its business activities. Our suppliers must also observe and comply with the relevant applicable international sanctions and export control and provide FLSmidth the required information about its products, technologies and services when necessary including trade restriction or prohibitions, export control classification numbers and other applicable export control laws and regulations.

4) Disclosure of Information

All business dealings should be transparently performed and accurately reflected in the supplier's business books and records. Information regarding supplier's labor, health and safety, environmental practices, business activities, structure, financial situation, and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices. Falsification of records or misrepresentation of conditions or practices in the supply chain are unacceptable.

5) Intellectual Property

Intellectual property rights are to be respected, transfer of technology and know-how is to be done in a manner that protects intellectual property rights, and customer and supplier information is to be safeguarded.

6) Fair Business, Advertising and Competition

Standards of fair business, advertising, and competition are to be upheld. No conflict of interest can occur between the supplier and any FLSmidth employee or entity.

Note that FLSmidth employees are obliged to report any potential risk of a conflict of interest. This is elaborated in the FLSmidth Conflict of Interest Sub-Policy available at www.flsmidth.com.

7) Protection of Identity and Non-Retaliation

Programs that ensure the confidentiality, anonymity, and protection of supplier and employee whistleblowers^[1] are to be maintained unless prohibited by law. Supplier should have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

8) Responsible Sourcing of Minerals

Supplier shall adopt a policy and exercise due diligence on the source and chain of custody of the tantalum, tin, tungsten, and gold in the products they manufacture to reasonably assure that they are sourced in a way consistent with the Organisation for Economic Co-operation and Development (OECD) Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas or an equivalent and recognized due diligence framework.

9) Privacy

Supplier is to commit to protecting the reasonable privacy expectations of personal information of everyone they do business with, including suppliers, customers, consumers, and employees. Supplier is to comply with privacy and information security laws and regulatory requirements when personal information is collected, stored, processed, transmitted, and shared.

[1] Whistleblower definition: Any person who makes a disclosure about improper conduct by an employee or officer of a company, or by a public official or official body

Management Systems

Supplier shall adopt or establish a management system with a scope that is related to the content of this Code. The management system shall be designed to ensure: (a) compliance with applicable laws, regulations and customer requirements related to the supplier's operations and products; (b) conformance with this Code; and (c) identification and mitigation of operational risks related to this Code. It should also facilitate continual improvement.

The management system should contain the following elements:

1) Company Commitment

Corporate social and environmental responsibility policy statements affirming supplier's commitment to compliance and continual improvement, endorsed by executive management, and posted in the facility in the local language.

2) Management Accountability and Responsibility

The supplier clearly identifies senior executive and company representative(s) responsible for ensuring implementation of the management systems and associated programs. Senior management reviews the status of the management systems on a regular basis.

3) Legal and Customer Requirements

A process to identify, monitor and understand applicable laws, regulations, and customer requirements, including the requirements of this Code.

4) Risk Assessment and Risk Management

A process to identify the legal compliance, environmental, health and safety^[2] and labor practice and compliance risks associated with supplier's operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.

5) Improvement Objectives

Written performance objectives, targets and implementation plans to improve the supplier's social, environmental, and health and safety performance, including a periodic assessment of supplier's performance in achieving those objectives.

6) Training

Programs for training managers and workers to implement supplier's policies, procedures, and improvement objectives and to meet applicable legal and regulatory requirements.

[2] Areas to be included in a risk assessment for environmental health and safety are production areas, warehouse and storage facilities, plant/facilities support equipment, laboratories and test areas, sanitation facilities (bathrooms), kitchen/cafeteria and worker housing/dormitories.

7) Communication

A process for communicating clear and accurate information about supplier's policies, practices, expectations, and performance to workers, suppliers, and customers.

8) Worker Feedback, Participation and Grievance

Ongoing processes, including an effective grievance mechanism, to assess workers' understanding of and obtain feedback on or violations against practices and conditions covered by this Code and to foster continuous improvement. Workers must be given a safe environment to provide grievance and feedback without fear of reprisal or retaliation.

9) Audits and Assessments

Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code, and customer contractual requirements related to social and environmental responsibility.

10) Corrective Action Process

A process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations, and reviews.

11) Documentation and Records

Creation and maintenance of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.

12) Supplier Responsibility

A process to communicate the requirements in this Code (or similar requirements) to own supply chain and to monitor their suppliers' compliance to the Code.

References

Responsible Business Alliance Code of conduct

<https://www.responsiblebusiness.org/code-of-conduct/>

United Nations Global Compact

www.unglobalcompact.org

OECD Guidelines for Multinational Enterprises

<http://www.oecd.org/investment/mne/1903291.pdf>

Universal Declaration of Human Rights

<https://www.un.org/en/universal-declaration-human-rights/>

United Nations Guiding Principles on Business and Human Rights

<https://www.unglobalcompact.org/library/2>

United Nations Convention on the Rights of the Child

<https://www.ohchr.org/en/professionalinterest/pages/crc.aspx>

United Nations Convention on the Elimination of All Forms of Discrimination Against Women

<https://www.ohchr.org/EN/ProfessionalInterest/Pages/CEDAW.aspx>

International Labor Organization's Declaration on Fundamental Principles and Rights at Work

<http://www.ilo.org/declaration/lang--en/index.htm>

ISO 14001

www.iso.org

Science Based Targets initiative

<https://sciencebasedtargets.org/>

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>

United Nations Convention Against Corruption

<https://www.unodc.org/unodc/en/treaties/CAC/>