

**FLSmidth Group**

# **Trade Compliance Policy**

## **1 Introduction and scope**

The Trade Compliance Policy is a set of rules and principles for how we need to ensure compliance with international sanction and embargo regulations.

The Policy applies to FLSmidth & Co. A/S and all of its subsidiaries, offices and sites worldwide (henceforth 'FLSmidth') and includes all members of the Board of Directors, executives, officers and employees, irrespective of location. It also applies to any company acting on behalf of or in the name of FLSmidth, including all employees. Compliance with this policy is a condition of employment in FLSmidth and non-compliance may result in sanctions.

FLSmidth has put in place a number of Sub-Policies and Procedures to the Code of Conduct, which further detail and interpret the rules and procedures for specific topics. Please note that there may be local or regional policies that puts in place stricter rules on top of this group level Policy.

## **2 Rules**

### **2.1 Compliance with laws**

All FLSmidth employees must comply with the laws and regulations of the European Union, no matter their location, nationality or employment status. These include, but are not limited to, the EU dual use regulation; Council Regulation (EC) No 2021/821 including amendments, the Consolidated list of persons, groups and entities subject to EU financial sanctions, and European Union Restrictive measures (sanctions) in force.

Secondly, all individuals or goods subject to the United States of America (U.S.) Export Regulations must comply with U.S. Export Regulations including, but not limited to, the Commerce Control List, the U.S. Department of the Treasury Office of Foreign Assets Control Sanctions Program, and the Specially Designated Nationals And Blocked Persons List (SDN).

### **2.2 Local laws**

In addition to EU and U.S. Export Control Regulations, local laws may also affect an order. Such laws are not extraterritorial, and thereby only affect FLSmidth if the export is executed between two countries for which a regulation or trade restriction exists. Local laws can apply to both export and import.

### **2.3 Export definition**

A violation can occur when executing an 'export'. In terms of trade compliance, an 'export' is defined as to ship a commodity / good to other countries or places for sale, as well as sending documents, ideas, drawings, data etc. by any mean (email, printed document, verbal or visual communication, etc) to another place or country (in a material or immaterial form). The sharing of information to someone who has more than one citizenship or nationality is considered an 'export' of the information to all the countries of citizenship or nationality of that person.

An export furthermore includes temporary exports, such as measurement or service equipment to be used on-site by FLSmidth service engineers. It does not matter if the equipment is shipped or part of the employee's luggage.

In addition, the temporary transit of goods or technology through one or several third countries<sup>1</sup> is considered a form of export / import in each one of those transit countries. Each of those temporary export operations is subject to the same export control laws and regulations. Such transit countries are considered 'countries involved in the order or transaction'.

The export from any country in the world of any product or technology that is 'US-origin' is considered as an export from the U.S. and is therefore subject to the US Export Controls Regulations as if it was exported directly from U.S.

### **3 Procedures**

#### **3.1 Red flags**

It is each employee's responsibility to be aware of red flags, that is, warning signals indicating that something is out of the ordinary for an order. The presence of a red flag does not necessarily stop an order, but if an employee identifies a red flag, Group Compliance should be contacted immediately.

Examples of potential red flags include:

- The customer / end-user is unknown to FLSmidth and information about the customer / end-user is not readily obtainable.
- The customer / end user is a military institution or has connections to military institutions.
- The customer is reluctant to offer information about end use or end user.
- The FLSmidth product(s) or technology requested do not match the customer line of business or do not fit the customer's stated end-use,
- The customer has little or no business background.
- A freight forwarding firm is listed as the equipment's destination.
- The desired shipping route is abnormal for the equipment and destination.
- The customer / end-user's address is suspicious, e.g. a hotel address or logistic hub.
- The customer agrees to unusually favourable payment terms, such as unreasonable high prices, full payment in advance, or want to do a full cash payment even when financing is offered.
- Payment is made by other parties than the customer or stated intermediaries, or payments follow another route than the products.
- The customer refuses to accept clauses related to compliance with sanctions or export controls laws and regulations in the contract.
- Routine assistance, training or maintenance services are declined, even if included in the price of the products.
- There are unusual requirements for excessive confidentiality about final destinations, or third parties involved (e.g. customer's customer), or specifications of items.
- Inspections, or right to (external) audit are systematically denied.

#### **3.2 Requests and approvals**

The procedures for requesting and getting approval for orders and exports, as well as internal Standard Operating Procedures can be found on HowToDo (D4) or by contacting Group Compliance.

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<sup>1</sup> 'third country' means any country, territory or region that is not the country of origin (exporting country) or the country of final destination (importing country).

### 3.3 The general procedure

For all orders, no matter the destination, it is important that all FLSmidth employees ask themselves the following four questions:

- 1. Is the business permitted by EU law?**  
All FLSmidth entities must follow the same export control and sanction laws of FLSmidth A/S, which is regulated by the EU.
- 2. Is the order subject to U.S. regulations?**  
The order is subject to U.S. regulations, and U.S. export control and sanctions laws apply if any U.S. equipment, employee, entity or currency have been involved in the order.
- 3. Do local sanctions apply?**  
In addition to EU and U.S. laws, it is important to consider the laws of the country where the FLSmidth entity handling the order is located as well as the laws of the country where the order is executed.
- 4. Have you identified any red flags? And if so, have you informed Group Compliance?**  
All red flags could potentially be a risk to FLSmidth. It is therefore important that such red flags are informed to Group Compliance prior to execution or signing.

These four steps can be seen illustrated in the picture below:



## 4 Implementation

It is the responsibility of each individual FLSmidth employee to sign up for Trade Compliance Training (Export Control Awareness Training). The training is available to all employees, online, and at several offline locations. The training schedule is communicated through the trade compliance news letter.

The training gives a general overview about export control, sanctions and embargoes, as well as internal procedures.

All third parties located in embargo or sanctioned countries must be approved by Group Compliance prior to any order. Approvals of customers can be requested by contacting Group Compliance.

## 5 Governance

This policy is approved by the Group CEO. The policy is maintained, implemented and updated by Group Compliance. Note that there may be local or regional policies that puts in place stricter rules on top of this group level policy.



Mikko Keto,  
Group CEO



Tom Knutzen,  
Chair of the Board of Directors

