FLS

Embargo and Sanctions Sub-Policy

1 Introduction and scope

The Embargo and sanctions Sub-Policy is a set of rules and principles for how we need to ensure compliance with international sanction and embargo regulations, while conducting business in countries affected by various sanctions or trade embargoes.

The Sub-Policy applies to FLSmidth & Co. A/S and all of its subsidiaries, offices and sites worldwide (henceforth 'FLS') 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 FLS, including all employees. Compliance with this policy is a condition of employment in FLS and non-compliance may result in sanctions.

2 Rules

2.1 Introduction to embargoes and sanctions

The following sections will give an overview of the main differences between embargoes and sanctions and how it affects FLS and how we work.

2.1.1 Embargoes

An embargo is a complete prohibition of commerce and trade with a country, region, city or a group of countries.

FLS defines embargo countries as countries subject to 'Embargoes and Other Special Controls' by the United States (U.S.) Government. The list of embargoed countries can be obtained by contacting Compliance.

2.1.2 Sanctions

A sanction is to be seen as a commercial and financial penalty applied by one or more countries against a targeted country, group, or individual.

The main difference between an embargo and a sanction is that whereas an embargo completely restricts trade, some degree of trade is still possible with a sanctioned country, as long as we are in compliance with the sanction laws.

There are many different levels of sanctions. In FLS we adhere to three sanction jurisdictions: sanctions from the European Union, the U.S. and from the United Nations. In addition, local sanction regulations may apply.

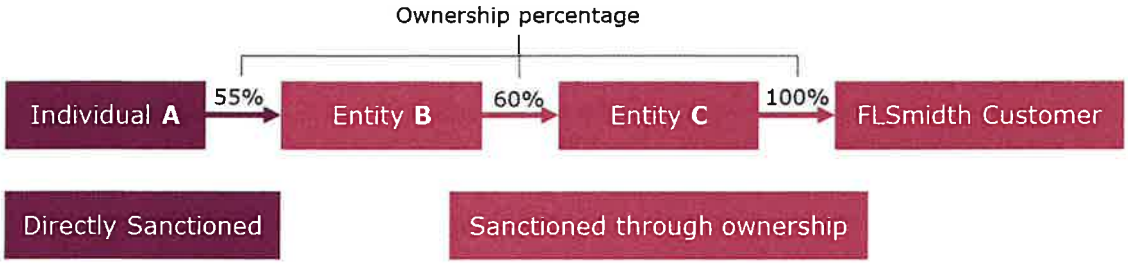
A sanction against a country or region can have many different levels, and not all sanctions affect FLS. Many sanctions affect the trade of weapons, nuclear related equipment and items used for internal repression. Such sanctions do not affect FLS directly, but it often indicates that country in question is a high-risk country.

Finally, individuals and entities can also be sanctioned. All EU sanctioned individuals or entities are restricted from doing business with FLS. If other sanctions apply, any business will be decided on a case-by-case basis (see section 3.2).

2.1.3 Sanctioned ownership

In addition to being directly listed on a sanction list, entities may also be sanctioned through ownership. If an entity is owned 50% or more by a sanctioned individual or entity, that entity is also to be considered as sanctioned.

An example is illustrated below. In this example, all of the companies are to be considered sanctioned due to the ultimate beneficial ownership of individual A who is directly listed on a sanction list.



Sanctioned ownership research is conducted by Compliance upon request and through the sanctioned screening program. All entities in countries under sanctions or embargoes must be researched for sanctioned ownership and approved by Compliance prior to any export.

2.2 Subject to U.S. export regulations

When dealing with a U.S. embargo country or sanctioned entity, it is important that every U.S. item, person, entity or currency is completely excluded from the order in question. For such orders it is important that all employees involved are aware of these principles:

The following is considered an item subject to U.S. export regulations:

- All items situated in the U.S.
- All items of U.S. origin. That is; items made in the U.S. made by U.S. companies or items based on U.S. schematics or drawings.
- Foreign-made items that incorporate more than de minimis amounts of controlled U.S. content. The *De Minimis* is a percentage limit, e.g. 25%, of a product that has to be subject to U.S. regulations before the combined product can be consider a U.S. product. The *De Minimis* limit varies between countries.
- Foreign-made items that includes or is based on U.S. origin technologies, U.S. patents or intellectual property of a U.S. person.
- Foreign-made items that transit through the U.S. (not necessarily being imported), e.g. in the course of transportation from the origin to the destination country.

Note that any technical service, support or documentation related to an item subject to U.S. export control regulations is also subject to the U.S. export control regulations. This also applies if the technical services, support or documents are provided, created, edited, communicated or shared by a non-U.S. person. In addition, the rule also includes non-material forms of assistance, support or documentation via emails, cloud or remote service, etc.

The following is considered a U.S. individual and thereby subject to U.S. Export Regulations:

- Any individual who is granted U.S. citizenship; or permanent residence, e.g. a green card holder; or
- Any individual residing in the U.S., either permanent or temporary, e.g. a non-U.S. individual on holiday in the U.S. or visiting the U.S. on a business trip. The moment you set foot on U.S. soil you are considered a U.S. individual, and all U.S. laws, including embargo laws, applies to you.

Exceptions to these principles exist, but such exceptions must be approved by Compliance prior to any export.

2.3 U.S. Embargo restrictions

If you, by reading **2.2**, have determined that you, as an individual, are subject to U.S. export regulations, you need to identify if you are 'facilitating' an order to a U.S. embargo country, and thereby in violation with the regulations. The following actions are seen as a 'facilitation' and thereby a violation of U.S. embargo regulations:

- If you are involved in any transaction with individuals or entities from U.S. embargo countries; or
- If you forward any inquiries or e-mails which could lead to an actual order; or
- If you assist on drawings or technical documentations regarding an order to a U.S. embargo country.

The following incomplete list is not seen as a violation to the U.S. embargo regulations, even though you have determined that you are subject to U.S. embargo regulations:

- Drinking coffee with an individual from a U.S. embargo country; or
- Having a casual conversation with an Individual from a U.S. embargo country; or
- Receiving mails / inquiries from entities / Individuals in the U.S. embargo countries. Such mails should be forwarded to Compliance and ignored.

2.4 Bank transactions

In addition to EU, U.S. and UN regulations, the banking sector has set forth restrictions against certain type of transactions. These restrictions generally affect all U.S. embargo countries and sanctioned entities or individuals.

It is important that all transactions with, either directly or indirectly, U.S. embargo countries and sanctioned entities or individuals have been approved by Treasury.

3 Procedures

3.1 Sanctioned Party Screening

In FLS, customers and other business partners are screened against relevant sanctions and watch lists periodically following a risk-based approach and in accordance with FLS's Due Diligence Sub-Policy.

Please contact Compliance for any access and training in the current sanctioned party screening software.

3.2 Approval procedure

For all orders to embargoed countries or sanctioned entities or individuals, the following three approval steps must be followed before an order can be executed. Step 'X' is only required for orders that either directly or indirectly involves sanctioned countries where FLS is not at the time conducting business. All approval steps will be handled by Compliance in close collaboration with the requester. Finally, this procedure can be decided to be necessary for any order regardless of destination on a case-by-case basis, if so determined by Compliance:

1. *Treasury approval*
   It is very likely that our corresponding banks will refuse any order to countries or sanctioned entities or individuals. It is therefore important that a money transfer approval is acquired as the first step.
2. *Compliance approval*
   Compliance will look into all affected regulations, beneficial ownership, and if necessary, other factors as well, to determine if the order is legally possible.
3. *Business Line President*
   Compliance will present the case to the Business Line President.

X. *Group CEO approval*
   Compliance will present the case to the Group CEO. This step is only for required for orders that either directly or indirectly involves sanctioned countries where FLS is not at the time conducting business.

With all approvals in place, the order can be executed. The approval will be nullified if there is a change to regulations affecting the order.

4 Implementation

It is the responsibility of each individual FLS employee to request an approval for an order to an embargo or sanctioned country.

5 Governance

This policy is approved by the Group CEO. The policy is maintained, implemented and updated by 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