



Supplier Code of Conduct

April 2024

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).

FLSmidth is a member of the Responsible Business Alliance (RBA)¹, as part of our commitment to social responsibility, sustainability and compliance as reflected in the Supplier Code of Conduct, which aligns closely with the principles outlined in the RBA Code of Conduct.

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. In this way FLSmidth is guided by international standards in our commitment to work towards ensuring appropriate and adequate remedy for stakeholders adversely affected by our business operations and relationships.

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 assessments of suppliers in relation to this Code and maintains documentation. Suppliers are expected and required to collaborate on assessment, monitoring and capacity building activities. These activities may include self-assessment questionnaires, supporting documentation, desktop assessments, audits, supplier capacity building or any other necessary measures.

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 nonconformities 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 which you find here 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.

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¹ <https://www.responsiblebusiness.org/>

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Section 1 Human Rights and Labour

Suppliers commit to respect human rights of all people, including workers and the communities in which they operate. This applies to all workers including temporary, migrant, student, contract, direct employees, and any other type of worker or person affected by the suppliers' operations. Suppliers commit to making a formal statement on respecting human rights, conduct adequate due diligence and provide access to remedy when negative impacts occur. This commitment is elaborated further in this Code.

The human rights and labour standards are as follows:

1.1 Prohibition of Forced Labour

Forced labour in any form, including but not limited to, bonded (including debt bondage) or indentured labour, involuntary or exploitative prison labour, slavery or trafficking of persons is not permitted. This includes transporting, harbouring, recruiting, transferring, or receiving persons by means of threat, force, coercion, abduction or fraud for labour 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, or in a language the worker can understand, 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 shall be voluntary, and workers shall be free to leave work at any time or terminate their employment without penalty if reasonable notice is given, which shall be clearly stated in workers' contracts. Suppliers shall maintain documentation on all leaving workers. 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. Notwithstanding the foregoing, employers can only hold documentation if necessary to comply with the local law. In this case, at no time shall 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.

1.2 Child Labour and Young Workers

Child labour shall not 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. 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 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. 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 labour is identified, assistance/remediation shall be provided.

1.3 Working Hours

Working hours shall not exceed the maximum set by local law. Further, a workweek shall not be more than 48 hours normal time and 12 hours of overtime, except in emergencies or unusual situations. All overtime shall be voluntary. Workers shall be allowed at least one day off every seven days.

1.4 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. All workers shall receive equal pay for equal work and qualification. All workers should at the least receive a minimum wage for their work, however payment of living wage is advised, for the workers to afford a decent standard of living for the worker and their family. 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 labour shall be within the limits of the local law.

1.5 Non-Discrimination/Non-Harassment/Humane Treatment

Supplier shall commit to a workplace free of harassment and unlawful discrimination. There shall 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. Companies shall not engage in discrimination or harassment based on race, colour, age, gender, sexual orientation, gender identity or 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. Disciplinary policies and procedures in support of these requirements shall be clearly defined and communicated to workers. Workers shall be provided with reasonable accommodation for religious practices and disability. 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).

1.6 Freedom of Association and Collective Bargaining

Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. 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. In alignment with these principles, suppliers 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. Where the right of freedom of association and collective bargaining is restricted by applicable laws and regulations, workers shall be allowed to elect and join alternate lawful forms of worker representations.

1.7 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.

Section 2 Health and Safety

Suppliers recognize that in addition to minimizing the incidence of work-related injuries and illnesses, a safe, healthy and ergonomic working environment enhances the quality of products and services, consistency of production and worker retention and morale. Suppliers also recognize that ongoing worker input and education are essential to identifying and solving health and safety issues in the workplace.

The health and safety standards are as follows:

2.1 Health and Safety Permits and Reporting

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

2.2 Occupational Health and Safety

Worker potential for exposure to health and safety hazards (chemical, electrical and other energy sources, fire, vehicles, and fall hazards, etc.) shall be identified and assessed, mitigated using the Hierarchy of Controls. Where hazards cannot be adequately controlled by these means, workers shall be provided with appropriate, well-maintained, personal protective equipment, and educational materials about risks to them associated with these hazards. Gender-responsive measures shall be taken, such as not having pregnant women and nursing mothers in working conditions, which could be hazardous to them or their child and to provide reasonable accommodations for nursing mothers.

2.3 Emergency Preparedness

Potential emergency situations and events shall 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 shall be executed at least annually or as required by local law, whichever is more stringent. Emergency plans shall 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.

2.4 Occupational Injury and Illness

Procedures and systems shall be in place to prevent, manage, track and report occupational injuries and illnesses, 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. Suppliers shall allow workers to remove themselves from imminent harm, and not return until the situation is mitigated, without fear of retaliation.

2.5 Industrial Hygiene

Worker exposure to chemical, biological, and physical agents shall be identified, evaluated, and controlled according to the Hierarchy of Controls. When hazards cannot be adequately controlled, workers shall be provided with and use appropriate, well-maintained, personal protective equipment free of charge. Suppliers shall provide workers with safe and healthy working environments, which shall be maintained through ongoing, systematic monitoring of workers' health and working environments. Suppliers shall provide occupational health monitoring to routinely evaluate if workers' health is being harmed from occupational exposures. Protective occupational health programs shall be ongoing and include educational materials about the risks associated with exposure to workplace hazards.

2.6 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 shall be identified, evaluated, and controlled.

2.7 Machine Safeguarding

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

2.8 Sanitation, Food, and Housing

Workers shall 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 labour agent shall be maintained to be clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, adequate lighting and adequate conditioned ventilation, individually secured accommodations for storing personal and valuable items, and reasonable personal space along with reasonable entry and exit privileges.

2.9 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. Health information and training shall include content on specific risks to relevant demographics, such as gender and age, if applicable. Training shall be 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.

Section 3 Environment

Across all business functions, suppliers recognize that environmental responsibility is integral to producing world-class products. Suppliers shall identify the environmental impacts and minimize adverse effects on the community, environment, and natural resources, while safeguarding the health and safety of the public.

The environmental standards are as follows:

3.1 Environmental Permits and Reporting

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

3.2 Pollution Prevention and Resource Conservation

Emissions and discharges of pollutants and generation of waste shall 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, shall be conserved by practices such as modifying production, maintenance and facility processes, materials substitution, re-use, conservation, recycling, or other means.

3.3 Hazardous Substances

Chemicals, waste, and other materials posing a hazard to humans, or the environment shall be identified, labelled, and managed to ensure their safe handling, transport, storage, use, recycling or reuse, and disposal. Hazardous waste data shall be tracked and documented.

3.4 Solid Waste

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

3.5 Air Emissions

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

3.6 Materials Restrictions

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

3.7 Water Management

Suppliers 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 shall be characterized, monitored, controlled, and treated as required prior to discharge or disposal. Suppliers shall conduct routine monitoring of the performance of its wastewater treatment and containment systems to ensure optimal performance and regulatory compliance.

3.8 Energy Consumption and Greenhouse Gas Emissions

Suppliers shall establish and report against an absolute corporate-wide greenhouse gas reduction goal. Energy consumption and all Scopes 1, 2, and significant categories of Scope 3 greenhouse gas emissions shall be tracked, documented, and publicly reported. Supplier shall look for methods to improve energy efficiency and to minimize their energy consumption and greenhouse gas emissions.

3.9 Biodiversity Conservation

Suppliers shall identify their impacts on biodiversity and work on reducing and mitigating their footprint wherever possible.

Section 4 Compliance

To meet social responsibilities and to achieve success in the marketplace, suppliers and their agents shall uphold the highest standards of compliance including the following:

4.1 Business Integrity

The highest standards of integrity shall be upheld in all business interactions. Suppliers shall have a zero-tolerance policy to prohibit 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.

4.2 No Improper Advantage

Bribes or other means of obtaining undue or improper advantage shall not 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.

4.3 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.

4.4 Disclosure of Information

All business dealings shall be transparently performed and accurately reflected in the supplier's business books and records. Information regarding supplier's labour, health and safety, environmental practices, business activities, structure, financial situation, and performance shall 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.

4.5 Intellectual Property

Intellectual property rights shall 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 shall be safeguarded.

4.6 Fair Business, Advertising and Competition

Standards of fair business, advertising, and competition shall be upheld. No conflict of interest can occur between the supplier and any FLSmidth employee or entity. Conflicts of interest may arise in cases where the individuals controlling or owning the supplier company are related to an employee in FLSmidth via family, friendship or romantic relations. Conflict of interest may also arise if key employees in the supplier company, or other employees involved in cooperation with or decisions regarding FLSmidth, are related to an employee in FLSmidth via family, friendship or romantic relations.

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.

4.7 Protection of Identity and Non-Retaliation

Programs that ensure the confidentiality, anonymity, and protection of supplier and employee whistleblowers² shall be maintained unless prohibited by law. Supplier shall have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

4.8 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, gold, and cobalt 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. FLSmidth has a sub-policy on conflict minerals which in line with the above-mentioned guidelines. The sub-policy is available at www.flsmidth.com.

4.9 Privacy

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

² 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.

Section 5 Management Systems

Suppliers 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 shall also facilitate continual improvement.

The management system shall contain the following elements:

5.1 Company Commitment

Suppliers shall establish human rights, health and safety, environmental and compliance policy statements affirming supplier's commitment to due diligence and continual improvement, endorsed by executive management. Policy statements shall be applicable to the given organization, made public and communicated to workers in a language they understand via accessible channels.

5.2 Management Accountability and Responsibility

Suppliers shall clearly identify 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.

5.3 Legal and Customer Requirements

Suppliers shall adopt or establish a process to identify, monitor and understand applicable laws, regulations, and customer requirements, including the requirements of this Code.

5.4 Risk Assessment and Risk Management

Suppliers shall adopt or establish a process to identify the legal compliance, environmental, health and safety³, labour practice and compliance risks, including the risks of severe human rights and environmental impacts, associated with supplier's operations. Suppliers shall determine the relative significance for each risk and implementation of appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.

5.5 Improvement Objectives

Suppliers shall establish 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.

5.6 Training

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

³ 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.

5.7 Communication

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

5.8 Worker/Stakeholder Engagement and Access To Remedy

Suppliers shall establish processes for ongoing two-way communication with workers, their representatives, and other stakeholders where relevant or necessary. Ideally, the process includes a written trail of the communication. The process shall aim to obtain feedback on operational practices and conditions covered by this Code, and to foster continuous improvement. Workers shall be given a safe environment to provide grievance and feedback without fear of reprisal or retaliation.

5.9 Audits and Assessments

Suppliers shall conduct 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.

5.10 Corrective Action Process

Suppliers shall establish a process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations, and reviews.

5.11 Documentation and Records

Suppliers shall create and maintain documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.

5.12 Supplier Responsibility

Suppliers shall establish a process to communicate the requirements in this Code (or similar requirements) to their 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 Standards

- 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/>

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