

SUSTAINABILITY REPORT 2021

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COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

ABOUT THIS REPORT

The 2021 Sustainability Report describes the non-financial performance of FLSmidth & Co. A/S, based in Copenhagen, Denmark, and supplements the 2021 Annual Report and Corporate Governance Report. The Sustainability Report has been published every year since 2010 and has been prepared in accordance with GR!:core option and in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act. FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen.

INTRODUCTION

Our annual Sustainability Report continues to be the key communication to our stakeholders about our progress on sustainability. This year, we are reporting for the first time on our new Science Based Targets and other 2030 ESG targets, as we continue to implement our MissionZero programme.



In this section

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HIGHLIGHTS 2021



Science Based Targets

Our Science Based Targets were officially validated



Carbon capture

We launched partnerships with Carbon8 Systems and Chart Industries to accelerate carbon capture solutions



MissionZero Mine

We launched our technology vision of the mine of the future

Europe's first full-scale clay calcination installation

FLSmidth will provide significant reductions in carbon emissions at Vicat's French cement plant



Digitally enabled sustainability solutions

We are accelerating with digitally enabled sustainability solutions, including LoadIQ and ESC/ProcessExpert®

CEO LETTER

With our MissionZero programme, we aim to deliver critical sustainability solutions to the cement and mining sectors. We do this by putting sustainability at the core of our business strategy. As we report on the progress we made during the year, we can only conclude there is a need to accelerate collective efforts to address the challenges across our industries and society at large.

In 2022, we are marking our company's 140th anniversary. I am honoured to take over as CEO at a time in history when the focus on sustainability across every business sector, including mining and cement, has never been higher on the agenda.

Both our industries face significant environmental challenges, including climate change, water scarcity, energy consumption and waste. Under the leadership of my predecessor, Thomas Schulz, we introduced MissionZero, our sustainability programme that aims to enable our customers to move towards zero water- and energy-waste mines and zero-emission cement plants by 2030.

We made good progress during 2021 in providing game-changing innovations that will help make MissionZero a reality.

In order to address the global challenges, we need to accelerate the adoption of new innovations. How do we do this? Through collaboration and partnerships across our industries and by working with relevant policymakers to speed up the adoption of these solutions and increase demand for green minerals, metals and cement.

Across both the mining and cement industries, we are seeing how the recognition of the sustainability challenges are being turned into concrete goals. Many industry bodies and individual companies have now committed to achieving net-zero carbon emissions by 2050, some even faster, and are now planning and investing in their transition.

Likewise, I am encouraged to see policymakers around the world proactively looking at how to support the transition in these traditionally "hard-to-abate" sectors, as we witnessed at COP26. At the same time, we need to acknowledge that much more work is needed to translate ambition into action. Through MissionZero, FLSmidth is playing a key role in this transition.

So what exactly have we done in 2021?

Leveraging our technology leadership in mining

Mining represents the major part of our business, and we are accelerating the introduction of technologies to enable miners to reduce their environmental footprint. Digital solutions play a key role in this transition.



For instance, LoadIQ, a digital tool that uses data from the mill to optimise mill load, allows mining companies to increase throughput at the same time as reducing power consumption.

Saving water, especially in water-scarce areas, is a crucial challenge for miners. Our dry tailings management solutions can recirculate up to 95% of process water, dramatically reducing the need to draw on scarce water resources and significantly cutting operating expenses.

In September 2021, we launched the MissionZero Mine – which outlines our 2030 vision for sustainable mines by tying ambition to current and near-future solutions. The concept will be the roadmap for our R&D work and help deliver on our MissionZero goals to move towards zero energy waste, zero emissions and zero water waste in mining.

Introducing new technologies to deliver on net-zero cement

Given the current level of emissions from cement production, accelerating the move towards green cement is important. I am pleased that, together with our industry partners, we are making demonstrable progress.

Replacing clinker with calcined clay – a lower-carbon alternative – is something the industry can now do safely. In June 2021, Vicat became the first major cement producer to order a full-scale clay calcination plant in Europe. We are very proud to deliver this technology, which will enable the company to produce cement with a 16% lower carbon footprint compared with existing processes.


We're committed to enabling the green transition in mining and cement by offering the necessary solutions.



The need to replace fossil fuels with alternative fuels continues to grow. In partnership with Ssangyong Cement in Korea, we took an important step with our new HOTDISC-S, which allows firing of 85% waste fuel, opening up alternative fuels as a real option for producers everywhere.

Increasingly, we are looking to innovate together with other technology leaders. In 2021, we established partnerships with Carbon8 Systems and Chart Industries to utilise and accelerate the potential of their carbon capture and storage (CCS) technologies in the cement industry.

Making progress in our own operations

While we are well positioned to reduce our customers' environmental impact through our core offerings, we are also making our own commitment clear through environmental, social and governance (ESG) excellence. We reaffirmed our commitment to the United Nations Global Compact and started to implement actions to progress towards our 2030 targets for our key areas, including safety, environment and diversity.

Our environmental targets were validated by the Science Based Targets initiative in April 2021, confirming our commitment to be carbon-neutral in our own operations by 2030 and to cut customer-associated emissions by 56% within the same timeframe.

In April, we also joined the Copper Mark, an international framework established to demonstrate the copper industry's responsible production.

I am pleased to see we are progressing on our gender diversity target but, at the same time, recognise a need to attract more diverse talent to our two industries.

In some areas, however, we are not satisfied with our performance. We saw an increase in the number of safety incidents in the first half of 2021 – a trend that we have eventually reversed, but which reminded us of the need for continued focus. To turn this around, we further stepped up our safety awareness training and added new tools to gain intelligence on potential workplace hazards and near-miss observations. In September, our Group Executive Management team led a Group-wide “Stand up for Safety” campaign, where every employee was asked to renew their personal commitment to safety.

I would like to conclude by restating FLSmidth's continued and increased commitment to helping our customers and industries minimise their environmental impact and footprint by creating and offering the solutions needed. I am excited by the opportunity to lead this work as the new Group CEO and look forward to working with every one of you – customers, employees and other stakeholders – to ensure that we achieve zero-emission mining and cement while contributing to a more sustainable society globally.

Mikko Keto
Group CEO

AT A GLANCE



We are a leading supplier of productivity and sustainability solutions to the global mining and cement industries.

We enable our customers in mining and cement to move towards zero emissions by 2030.



1882

Danish company founded in 1882 with 140 years of discovering potential



10,117

Our more than 10,000 employees use their unique knowledge to meet our customers' needs



150+

We serve customers in more than 150 countries across most continents



60+

A truly global company with local presence in more than 60 countries



17.6bn

Group revenue of DKK 17.6bn in 2021

SUSTAINABILITY PERFORMANCE HIGHLIGHTS 2021

MISSIONZERO

Spend with SBT-committed suppliers % of total supplier spend



4.9

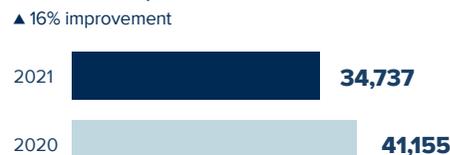


Our upstream Scope 3 SBT (Science Based Target) is to have 30% of our spend with SBT-committed suppliers by 2025. We tracked this data for the first time in 2021. We have started a process to onboard suppliers to collaborate on reducing greenhouse gas emissions.

Scope 1 & 2 GHG emissions tCO₂e (market-based)



34,737

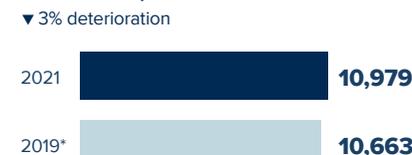


We met our 2021 target to improve our combined Scope 1 and Scope 2 CO₂e emissions by 10% versus 2020. This improvement was mostly due to our ongoing renewable energy purchasing programme, which improved our Scope 2 emissions and offset a slight increase in our Scope 1 emissions.

Scope 3- economic intensity (use of sold products) tCO₂e/DKKm order intake



10,979



We introduced a new target in 2021 to reduce our economic intensity by 56% between 2019 and 2030. This target measures GHG emissions from customers' use of our products per DKKm order intake. We are in the early stages of implementing actions and expect to accelerate progress as we implement our MissionZero programme.

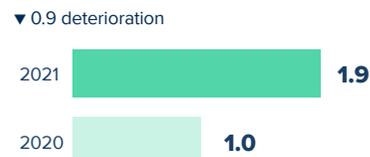
*Baseline year

ESG

Safety (TRIR)

Total Recordable Incident Rate/million working hours

1.9

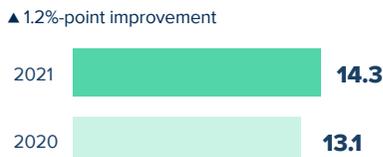


Despite strong focus on mitigating actions, total number of incidents increased during the first half year, and we did not achieve the target of 10% improvement from 2020. We increased our efforts during H2 2021 to maintain and improve our best-in-class record.

Women managers

%

14.3

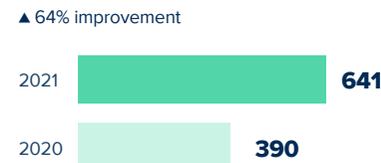


Our 2030 target is to have 25% of woman managers, and due to our active recruitment and career development strategy, we increased our share of women managers in 2021.

Suppliers assessed for sustainability

No.

641



Easing of travel restrictions during 2021 in most areas related to the pandemic allowed us to finally visit suppliers again – enabling the completion of sustainability screenings. Combined with the increased focus on sustainability throughout FLSmidth, this led to a good result in 2021.

KEY FIGURES

| DKKm | 2017 | 2018 | 2019 | 2020 | 2021 | | |
|--|---------|---------|---------|---------|---------------------|------------------|------------------|
| INCOME STATEMENT | | | | | | | |
| Revenue | 18,000 | 18,750 | 20,646 | 16,441 | 17,581 | | |
| Gross profit | 4,597 | 4,693 | 4,849 | 3,865 | 4,180 | | |
| EBITDA before special non-recurring items | 1,732 | 1,826 | 2,008 | 1,134 | 1,401 | | |
| EBITA | 1,515 | 1,585 | 1,663 | 771 | 1,030 | | |
| EBIT | 1,115 | 1,220 | 1,286 | 428 | 668 | | |
| Financial items, net | (319) | (161) | (115) | (47) | (81) | | |
| EBT | 796 | 1,059 | 1,171 | 381 | 587 | | |
| Profit for the year, continuing activities | 417 | 811 | 798 | 226 | 374 | | |
| Loss for the year, discontinued activities | (343) | (176) | (22) | (21) | (17) | | |
| Profit for the year | 74 | 635 | 776 | 205 | 357 | | |
| ORDERS | | | | | | | |
| Order intake (gross), continuing activities | 19,170 | 21,741 | 19,554 | 18,524 | 19,233 | | |
| Order backlog, continuing activities | 13,654 | 16,218 | 14,192 | 14,874 | 16,592 | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 targets | 2030 targets |
| SUSTAINABILITY KEY FIGURES | | | | | | | |
| Safety, Total Recordable Injury Rate, TRIR (including contractors)* | 3.2 | 3.0 | 1.6 | 1.0 | 1.9 | 10% year on year | 10% year on year |
| Scope 1 & 2 GHG emissions (tCO ₂ e) market-based | | | | 41,155 | 34,737 | 10% year on year | Carbon-neutral |
| Scope 3, (use of sold products) economic intensity (GHGs in tonnes CO ₂ -equivalents/DKKm order intake) | | | 10,663 | | 10,979 ¹ | | 56% vs 2019 |
| Water withdrawal (m ³) | 241,651 | 227,272 | 221,613 | 197,346 | 201,997 | | |
| Spend with SBT-committed suppliers | | | | | 4.9% | | 30% ² |
| Suppliers assessed for sustainability | 113 | 195 | 689 | 390 | 641 | 600 | 1,000 |
| Women managers | 10.5% | 10.4% | 11.2% | 13.1% | 14.3% | 15.7% | 25% |

1. In 2021, we had our Science Based Targets approved by the Science Based Targets initiative (SBTi), with a target baseline in year 2019. In accordance with the SBTi requirements, we are from this year on annually reporting our scope 3 greenhouse gas emissions, together with the 2019 baseline numbers, to show progress against our targets.

2. Target to be reached by 2025



HOW OUR SCIENCE BASED TARGETS HELP US TRACK OUR MISSIONZERO PROGRESS

In April 2021, our Science Based Targets (SBTs) were validated by the Science Based Targets initiative. Our targets address the emissions from our supply chain (upstream – Scope 3), our own operations (Scope 1 + 2) and at our customers (downstream – Scope 3).

Our upstream Scope 3 target is to have 30% of our spend with SBT-committed suppliers by 2030. We have started a process to onboard suppliers to collaborate on reducing greenhouse gas emissions in our supply chain.

We continued efforts to reduce emissions from our own operations (Scope 1 and 2) and met our target for 2021. But we need to accelerate our efforts to meet our 2030 carbon-neutral target.

Our economic intensity target indicates whether we are successful in decoupling the growth of our business from the growth in emissions resulting from the use of our products by our customers. It is an important indicator in demonstrating whether MissionZero is successful. By 2030, we aim to reduce our economic intensity by 56% vs the 2019 baseline.

Following the approval of this target in 2021, we are now in the early stages of implementing actions to achieve this target. While our 2021 economic intensity was 3% higher than our 2019 baseline, we expect to see progress as we develop and expand our MissionZero solutions.

ADDRESSING OUR VALUE CHAIN IMPACT

We are setting long-term targets and implementing year-on-year initiatives to manage risk and improve the sustainability of our business across the value chain.

MISSIONZERO-RELATED SDGS

Through our MissionZero programme, we contribute to achieving the Sustainable Development Goals (SDGs). Of the 17 SDGs, there are four where we believe we can make a particularly significant contribution.



UPSTREAM

SUPPLIER EMISSIONS

We have set a target to have 30% of our spend with suppliers with Science Based Targets by 2025. We are implementing an engagement programme to collaborate with suppliers and reduce our upstream Scope 3 emissions. Read more on [page 38](#).

SUPPLIER AUDIT

We are continuously monitoring, screening and addressing sustainability issues within our supply chain. Since 2018, we have been running a dedicated supplier sustainability programme to ensure compliance with our Supplier Code of Conduct. Read more on our progress in 2021 on [page 39](#).

OUR OPERATIONS

COMPLIANCE

During the year, we focused on creating an understanding of our compliance framework through training as well as initiatives to increase transparency. More than 90% of our people completed our training programme. Read more on [page 40](#).

ENVIRONMENTAL MANAGEMENT

Our 2030 Science Based Target is to be carbon-neutral for our Scope 1 and 2 emissions. Through local efficiency programmes and dedicated investments, we are progressing towards this – but more efforts are needed. Read more about our performance and challenges on [page 24](#).

SAFETY

Zero Harm to our people and those who work at our sites or for us remains our core priority. During the year, we needed to intensify our efforts to ensure we keep our focus. Read more about our “Stand up for Safety” campaign and our progress against our targets on [page 30](#).

DIVERSITY

As a global company with more than 100 nationalities, we value diversity. We set new gender diversity targets and launched a series of initiatives to make progress towards achieving them across issues such as pay, inclusivity, recruitment and engagement. Read more on [page 26](#).

DOWNSTREAM

99%

Of our carbon footprint is in our downstream Scope 3 emissions and comes from the use of our products at our customers' sites. Our Science Based Target is to reduce our economic intensity by more than 50% by 2030 through our MissionZero programme compared with our 2019 baseline. Read our first update on our progress on [page 9](#).



ENABLING A SUSTAINABLE TRANSITION

FLSmidth has had many different roles in its 140-year history, and yet its most important one still lies ahead: fuelling the green energy growth with sustainably mined minerals and meeting future infrastructure demand with zero-emission cement.



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THE GREEN TRANSITION RELIES ON MINERALS AND CEMENT

Global economic development and the green transition increase the demand for minerals and cement. For this development to be truly green, we must reduce the environmental impact from the production of these materials.

75%

of the global infrastructure needed in 2050 has not yet been built



Cement for construction

The world's floor area is set to double by 2060, and globally we need to construct 230 billion m² of buildings. Already today, the global average cement consumption per capita is 521 kg.

Source: The Global Cement Report

Global demand for refined copper is expected to increase by

31%

by 2030



Copper for electricity

Copper is essential for distributing electricity and electrical components. In the next decade, electric vehicles are expected to more than double the need for copper to 250,000 tonnes per year. By 2030, smart home systems are forecast to need 1.5 million tonnes per year, up from 38,000 tonnes in 2018.

Sources: International Copper Association, Australian Government's DISER

8x

expected increase in demand for lithium driven by electric vehicles alone by 2030



Minerals for electronics

Copper, lithium, nickel, rare earth minerals, silver, cobalt and manganese are all needed for wind and solar energy, smartphones, computers, home appliances and electric vehicles. Extended solar and wind capacity also requires more lithium.

Source: Bloomberg

Global installed wind power capacity is expected to grow around

10x

by 2050 compared to 2018



Minerals and Cement for wind turbines

An average 3 MW turbine requires 4.7t copper, 335t steel, 3t aluminium, 2t rare earth minerals and 1,200t concrete plus other materials.

Sources: IRENA (2019), Future of Wind, World Bank (2019), Climate Smart Mining

PROGRESS ON MISSIONZERO

Our MissionZero programme is designed to enable a sustainable mining and cement industry through technological solutions. In 2021, we introduced new technologies and set programme-specific targets to better measure our progress against our 2030 ambition.

Beyond technological innovation, achieving transformative goals requires a rethink of organisational processes, reinvented business models and deeper customer relationships. We have made good progress in these areas over the last two years, but need to continue accelerating our efforts together with the industry.

Over the last two years, we have been actively working on integrating MissionZero into our core business activities. Our research and development (R&D) work remains at the core of the programme.

Where we are on our journey

As not all the technologies necessary to deliver the MissionZero promise exist today, we started by developing solution roadmaps with our R&D

teams. This exercise helped us to assess the technology gap we needed to close in order to achieve our goal and then develop the pipeline of solutions needed for both the cement and mining industries. This work is integrated into the MissionZero Mine and the Green Cement Plant concepts, which concretise how we bring the MissionZero ambition to life from a technology point of view between now and 2030. We are excited to have already introduced some of the technologies from these roadmaps to our customers in 2021, such as the calcined clay solution, which enables a reduction of up to 40% in CO₂ emissions in the area of cement.

Achieving MissionZero also requires us to rethink our approach to partnerships in order to fast-track the development and deployment of breakthrough solutions at the same time



as bridging our competence gap. Examples include the carbon capture and storage (CCS) collaboration with Carbon8 Systems and Chart Industries and the development of new flotation technology with the University of Newcastle in Australia.

Integrating and measuring progress

On the product and service side, we are integrating sustainability metrics as a standardised element into our product and service lines. This process will enable a broader, sustainability-based dialogue with our customers, who are increasingly setting ambitious targets.

We have seen tremendous potential in applying our digital solutions to a sustainability context, especially in the areas of performance

management and real-time data collection. Our pilot projects demonstrated the value that digital solutions can bring to those customers wanting to decarbonise their activities. This led to greater collaboration across our industries with the sustainability team.

As a company, we have adopted the Science Based Targets (SBTs) as a framework to guide and measure our progress in delivering on MissionZero. At an organisational level, we have introduced a series of KPIs at functional, commercial and management levels to further integrate MissionZero into our operations. Starting 2022, our Science Based Target on reducing Scope 3 emissions is now part of our long-term incentive plan (LTIP) and converted into targets for our salespeople.

Our challenges

We see three main challenges ahead facing the integration of MissionZero:

1. Ensuring sustainability ownership

Sustainability is something that is at the core of our company, and many of our people feel a personal commitment to this. However, ensuring functional and individual ownership of sustainability issues requires significant training and capacity-building investment in a number of areas. It is important that people are given the skills and knowledge required to understand how they can deliver on our mission as individuals. This will be an ongoing focus in the years to come.

2. Data collection and progress tracking

With a broad portfolio of products, maintenance and service lines, estimating the footprint of

especially our downstream Scope 3 emissions is a complex challenge, requiring full life cycle analysis and sophisticated tracking mechanisms. Following the validation of our Science Based Targets, we must equip numerous teams with the tools and processes to drive and track progress on our Science Based Target for our downstream Scope 3 economic intensity.

3. Integrating sustainability KPIs across our decision-making process

Almost all our core business processes, product design, supplier selection, product portfolio management, sales targets, R&D and partnerships must be made to contribute to our sustainability objectives. This requires a careful cascading of targets across different functions and the integration of sustainability as a tangible decision-making criterion.

Our focus for 2022

We will accelerate our efforts to systematically integrate sustainability management at product line management levels across our portfolio.

In order to harness the potential of digital solutions to deliver on sustainability, we will kick off a dedicated and cross-functional initiative centred around data collection and performance management.

A key priority will be to accelerate the adoption of new technologies in partnership with our customers, supported by engaging with our suppliers, as well as to drive demand for green minerals, metals and cement in dialogue with policymakers.

Our future in coal

We support the sustainable energy transition and the long-term phasing-out of coal.

Realistically, the phasing-out of coal worldwide will take decades and require a concerted effort between governments, intergovernmental bodies, utilities and private corporations to avoid disrupting power production and access to energy.

As part of the launch of our MissionZero programme, we ended our R&D activities targeted at providing new solutions specifically for the coal industry. Furthermore, we are not entering into new, greenfield coal-related projects, and are aiming to end our involvement in coal mining by 2030.



THE MISSIONZERO MINE

Demand for minerals is expected to double by 2050, and it is essential that governments and industry ensure that supply is sustainable, as the urgency of dealing with climate change accelerates. To illustrate how we can support mining’s journey through technology, innovation and digitalisation, we developed the MissionZero Mine: our vision of the mine of the future.

Increasing numbers of FLSmidth customers are adopting ambitious climate and water reduction targets. As a leading technology provider in the mining industry, it is our responsibility to support miners in their transition towards a more resource-efficient future. Many solutions exist today for our customers to reduce their environmental footprint at the same time as increasing their productivity. Others still need to be developed and brought to market.

This is the purpose of our MissionZero Mine concept – to show what it means for miners in terms of innovation, digital/data optimisation and the adoption of currently available technologies. This concept brings the MissionZero ambition to life, exploring how we can already help customers to reduce their environmental footprint and make resource use more efficient in terms of cost and impact, as well as looking ahead to future technologies that can be real game changers for the industry.

WHAT BENEFITS COULD THE MISSIONZERO MINE DELIVER?

There will be benefits in each section of the mining flowsheet, but the real benefit will come from the combined impact of solutions and optimisations across the mine site.

We modelled what the impact would be if we replaced a traditional wet milling SABC circuit, standard flotation cells and cyclone sand tailings dam with the MissionZero Mine flowsheet for a 100,000 tpd plant.

30%↑
increase in plant throughput

30%
overall energy consumption reduction

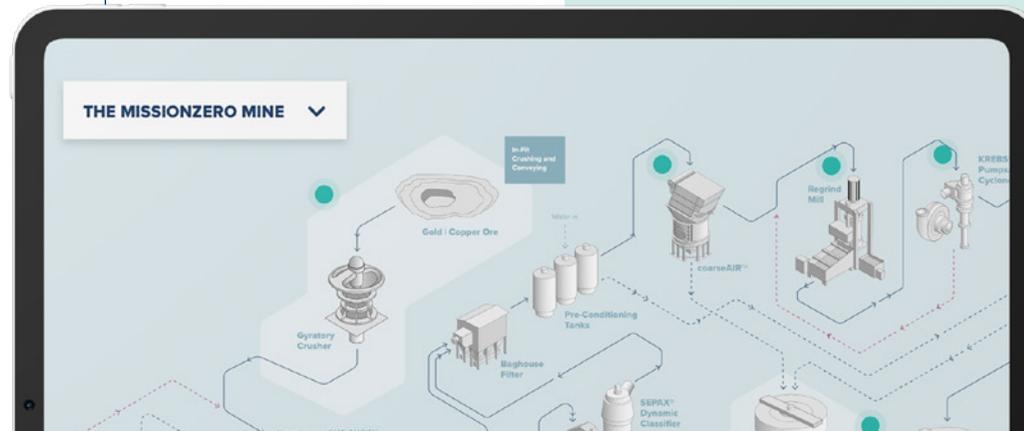
35%↑
increase in revenue from metals recovered

35%↓
reduction in grinding energy per kWh/t

45%↓
reduction in flotation energy per kWh/t

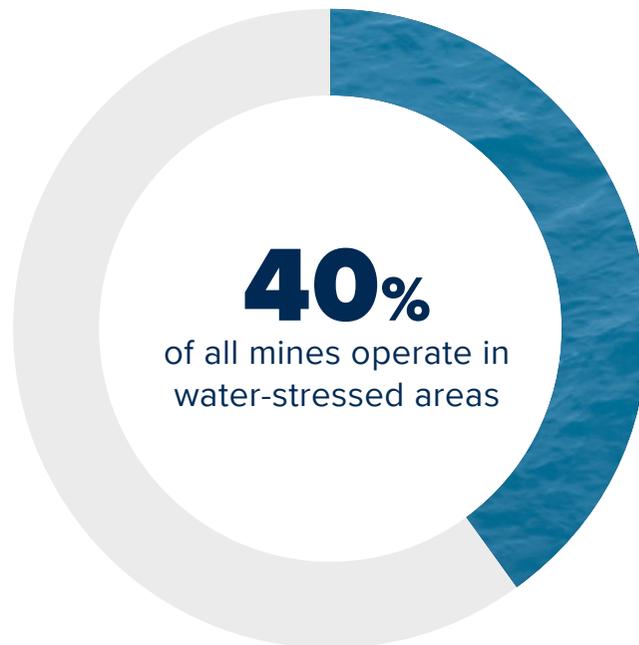
80%↓
reduction in water consumption

See the MissionZero Mine in action
missionzeromine.com



LEVERS OF CHANGE – INDUSTRY STANDARDS

Mining operations can be water-intensive. Solutions that can reduce the amount of water needed exist already, and we would like the mining industry to be at the forefront of change.



In October 2021, we congratulated the members of the International Council on Mining and Metals (ICMM) on setting a goal of achieving net-zero Scope 1 and 2 greenhouse gas (GHG) emissions by 2050 or sooner, in line with the ambitions of the Paris Agreement. With our MissionZero programme, we can help to deliver on this goal by developing technology to enable zero emissions by 2030.

OPINION

WHY WE NEED AN INDUSTRY SHIFT IN TAILINGS MANAGEMENT

The conversation relating to the management of wet tailings has progressed enormously over the last five years. Water is increasingly scarce in many of the regions where mining is particularly active, such as Chile, South Africa and eastern and western Australia, for example.

In other areas, the challenges relate to the management and stability of wet tailings dams or the potential for seepage into the groundwater. These are topics on the agenda for governments, NGOs, investors and local communities alike.

Some steps have been taken to address tailings management. For instance, in 2020, the International Council on Mining and Metals (ICMM), the UN Environment Programme (UNEP) and Principles for Responsible Investment (PRI) released their Global Industry Standard on Tailings Management. The report reviewed current best practices in the mining industry, developing an international standard for safer and more secure tailings storage facilities (TSFs).

While the report was a genuine step forward, much still needs to be done and more ambitious goals need to be set. Technologies already exist that can remove most of the water from tailings, such as dry stack or filtered tailings. FLSmidth is working hard to innovate and make these technologies even more cost-effective and efficient.

As regulators and mine owners become aware of these new alternatives – and as they are proven technologically feasible – filtered tailings will become the sustainable choice. The next step will be to accelerate the rate of adoption.

INNOVATIONS IN MINING



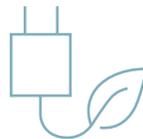
HIGH PRESSURE GRINDING ROLLS AND OK™ MILLS

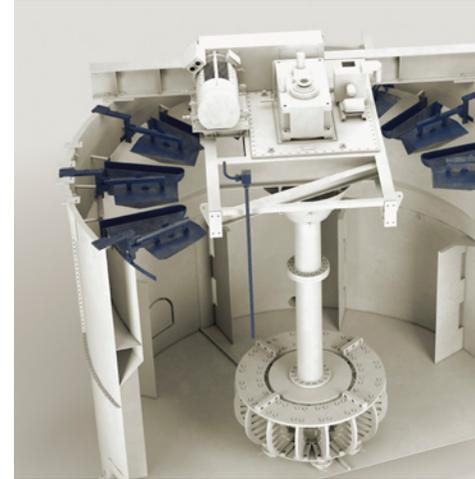
High Pressure Grinding Rolls (HPGRs) and Vertical Roller Mills (VRM) have proven to be the most efficient grinding tools available. They minimise the environmental impact and eliminate the traditional inefficiencies of horizontal grinding mills that produce a lot of random actions inside mills causing a lot of wasted energy. Both are dry grinding machines.

100% 
towards a zero water waste
comminution circuit

LOADIQ – OPTIMAL MILL LOADING WITH SMART SENSOR TECHNOLOGY

Comminution (crushing, milling and grinding) accounts for over 30% of a mine's total energy consumption. Via smart sensor technology and machine learning, the digital solution LoadIQ can determine the optimum mill load and thereby increase throughput by 3-6%. This can help mines reduce power consumption, extend the life of wear parts and increase operational stability.

3-6% 
increase in throughput



AFP2525 AUTOMATIC FILTER PRESS

As ore grades decline, more water is needed to process more material just to keep up with production rates. This creates more water use and tailings to manage and a greater environmental impact. In a typical mine operating at over 21,000 tonnes a day, a filter installation will recover enough process water to fill six Olympic swimming pools every 24 hours. The AFP2525 Automatic Filter Press allow miners to recycle and reuse a significant amount water, as it achieves 93% availability and up to 95% recovery of process water.

95% 
recovery of process water

REFLUX™ FLOTATION CELL

Flotation systems consumes a high amount of energy. Processing efficiency forms the core of the REFLUX™ Flotation Cell (RFC™), a ground breaking technology that reduces plant footprint as well as water, air and energy requirements. The RFC™ reduces CAPEX by 35% and with no direct power input to the RFC™, this can help miners use up to 60% less energy in their flotations circuit. Improved kinetic efficiency also reduces the amount of water used in the recovery process.

60% 
less energy use in a flotation circuit



THE GREEN CEMENT PLANT

Emissions from the production of cement account for 7% of global CO₂ emissions. With MissionZero, we made a promise to develop all the solutions needed to enable zero-emission cement production by 2030. This promise is brought to life by our Green Cement Plant concept.

75% of the infrastructure that will exist in 2050 has not been built today. Ensuring this infrastructure is built in a sustainable manner is critical for global economies to achieve the goals of the Paris Agreement. A true hard-to-abate sector, the cement industry did not have readily available and scalable decarbonisation solutions... until recently.

Demand from our customers for solutions that reduce their environmental impact is increasing. Likewise, regulators are also increasing their requirements with regard to environmental performance. Overall, civil society is calling for greater transparency regarding product life cycle emissions and is becoming increasingly focused on the cement industry's global impact. As a leading sustainable solution provider for the cement industry, we are currently deploying available solutions delivering significant emission reductions to our clients, while investing in research and development to create the next phase of innovations on the cement flowsheet.

See the MissionZero cement plant solutions [Mission Zero in cement](#)



ROADMAP TOWARDS ZERO-EMISSION CEMENT

To deliver on our promise to the cement industry, we have developed a roadmap towards zero-emission cement. This will guide our work in the coming decade – both in terms of where we will focus our innovation efforts and in terms of creating partnerships with our customers, academia and others who can ensure we achieve our goal.

PHASE 1

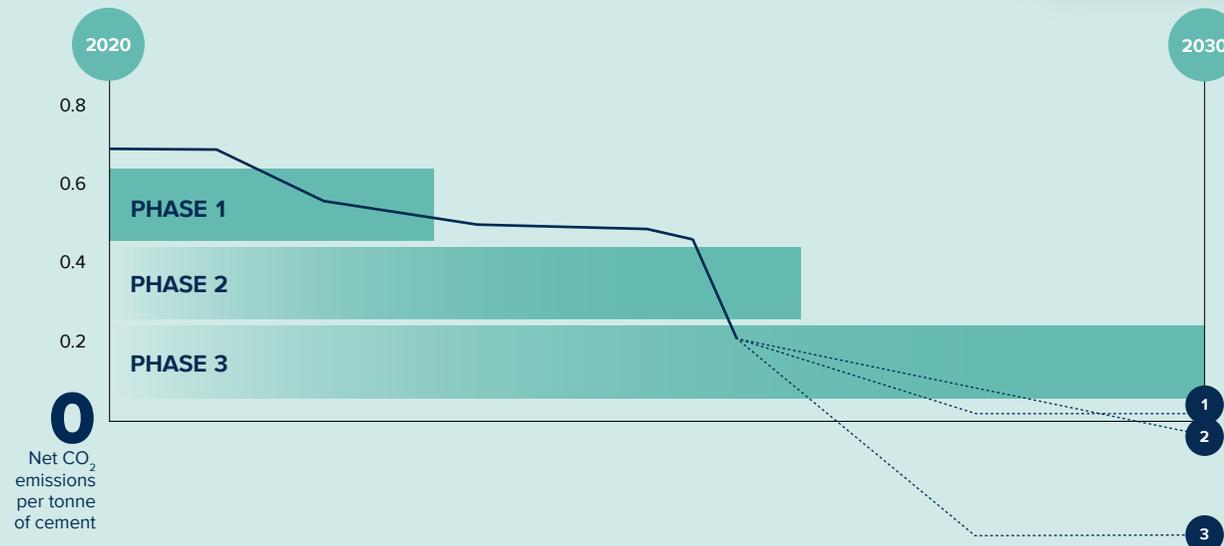
Phase out fossil fuels

PHASE 2

Reduce clinker factor by using resources other than limestone

PHASE 3

Achieve a circular economy and alternative raw materials



TECHNOLOGY PATHWAYS

1. Clay-based geopolymer cementitious binders
2. Circular model to replace limestone with recycled cement from old concrete structures
3. Carbon capture and production of hydrocarbons from alternative fuels

LEVERS OF CHANGE – GREEN PUBLIC PROCUREMENT

In order to meet the targets of the Paris Agreements, CO₂-intensive industries need to reinvent themselves. We believe the public sector has the potential to unlock transformative change in cement.

**CEMENT
IS RESPONSIBLE
FOR ABOUT
7% OF GLOBAL
ANNUAL GHG
EMISSIONS**



OPINION

SUPPORTING DEMAND FOR LOW-CARBON CEMENT WITH GREEN PUBLIC PROCUREMENT

Governmental expenditure on works, goods and services is estimated to represent 14% of GDP in the EU and up to 30% of GDP in developing countries. At least 40% of all cement is purchased through public procurement.

With green public procurement (GPP), public authorities can use their purchasing power to procure cement with a reduced environmental impact throughout its life cycle, stimulating the market and rewarding producers that have invested in the production of cement with a reduced environmental impact.

A recent study by LEADIT calculated the GPP potential for reducing the GHG emissions of cement. Assuming that around 40% of cement is used for public construction globally, it concluded that GPP with a 10%, 30% or 50% reduction in cement CO₂ intensity can result in an annual CO₂ emissions of 93, 280 and 470 million tonnes of CO₂ respectively.

Awareness of the relevance of GPP is increasing. At COP26, the United Kingdom, India, Germany, Canada and the UAE pledged to adopt green procurement principles focusing on cement and steel and to work together to develop a set of targets for 2030, to be launched by mid-2022. We are looking forward to seeing these ambitions translated into actionable policies.

INNOVATIONS IN CEMENT



CARBON CAPTURE

The development of new carbon capture solutions is progressing rapidly. Through new industry partnerships, we provide customers access to solutions tailored to the cement industry offering a significant leap forward in our joint efforts to deliver on the sustainability ambitions for the industry.

The 2021 launch of Carbon8 Systems to cement customers, is the results of such a partnership. The proven and readily available technology is set to accelerate the industry's efforts to decarbonise.

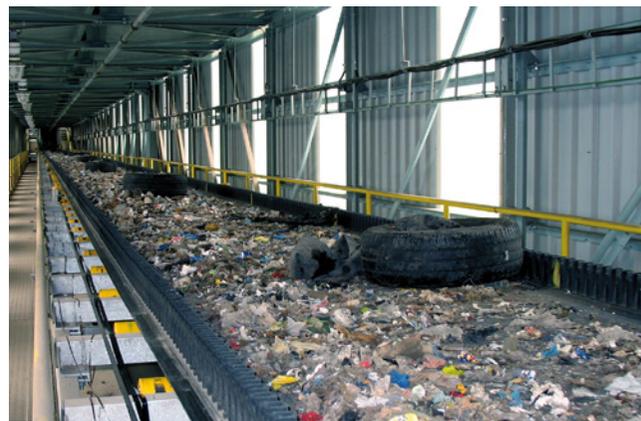
In 2021 we also announced a partnership with Chart Industries, which has developed a promising pilot phase cryogenic carbon capture technology.

ALTERNATIVE WASTE TO ENERGY SOLUTION

As the cement industry transitions away from carbon dioxide intensive fuels such as coal, the introduction of waste to energy solutions are becoming increasingly attractive environmentally and financially. Particularly in regions struggling with landfilling and waste management.

With its ability to handle a wide range of alternative fuels the HOTDISC is a flagship solution in our MissionZero programme. With a redesign it allows cement producers operating separate line calciners to install the HOTDISC beneath the calciner.

The new design was first tested at Ssangyong Cement's Donghae and Yeongwol plants in Korea with results surpassing expectations. The guarantee of 85% waste fuel replacement in the calciner with solid recovered fuel was exceeded at both sites' commissioning.



CLAY CALCINATION SYSTEM

Most of the CO₂ emissions coming from the cement processes occurs during the limestone calcination. Clay is a widely available, naturally occurring mineral, which can be activated into a supplementary cementitious material and can replace 30% of calcined limestone.

With the new FLSmidth Clay Calciner System, cement producers can reduce emissions from the calcination process by up to 40% and get a cost effective, quality product that meets strength and colour standards all while reducing operating costs.

In August 2021, French cement producer, Vicat, was the first customer to order what will become Europe's first full scale clay calcination installation.



PRODUCT SUSTAINABILITY

MissionZero is our sustainability programme to enable zero emissions in mining and cement by 2030. To deliver on these objectives, and to meet increasing demand from customers and more stringent regulations, we are putting sustainability at the heart of our products. Our first EU Taxonomy disclosure reflects the integration of sustainability into our product portfolio.

To support our clients' ambitious targets as well as our own, we are embedding sustainability principles in our products. Upcoming regulations, such as the EU Taxonomy, and the development of carbon pricing legislation, such as the EU ETS, are putting more focus on the degree of product and service sustainability from organisations.

Bringing a 360 vision of sustainability to our products

To deliver on our MissionZero promise, we are looking to integrate a set of core principles and features into our products and services.

Knowing our environmental impact: following a full life cycle approach

With our products sold Scope 3 emissions making up 99% of our total emissions, it is imperative that we know the environmental performance of our equipment to a high degree of accuracy. As our customers are adopting Science Based Targets, we must be able to provide them with reliable sustainability data.

Consequently, we are undertaking a series of changes in our organisation aimed at anchoring a full life cycle approach with regard to sustainability. We are building in-house Life



Cycle Analysis (LCA) capabilities able to deliver assessments compliant with relevant regulations and standards, such as ISO 12067:2018 and ISO 14064-1:2018. In addition, we are planning to roll out internal tools across relevant teams (product development, R&D, sales) to streamline the integration of LCA findings into our decision-making processes. These competences will be put to good use in the light of the upcoming EU Taxonomy. Finally, this work on LCA is being synergised with our digital solutions described below, enabling us to capture relevant performance data for our installed equipment, frequently and accurately.

Commitment to product stewardship: recycling and upgrades

The mining and cement industries rely on equipment with a long lifetime. This equipment must be maintained over time, which can generate significant waste, mostly due to wear and replacing maintenance parts. In addition, storing discarded equipment can represent a safety hazard at our clients' sites. Although recycling circuits already exist for the most common minerals (steel, copper), emerging technologies that rely on composite materials can create recyclability challenges for our clients and for smelters or refiners. We have initiated

research and development on the design of products to enable them to be recycled more readily and are currently focusing on composite liner parts, assessing various processes for dismantling and recycling their components.

Product upgrades represent another opportunity to contribute to a circular economy by extending the lifetime of equipment while improving its performance. We offer product upgrades, enabling us to deliver improved productivity for our clients' equipment. One example is our "cyclone rebuild programme", which restores our clients' equipment and identifies wear patterns.

Monitoring and maintaining performance over time: digital and services

As a KPI, environmental performance of equipment is as important as throughput. Zero-emission mining sites and cement plants will require real-time tracking capabilities in relation to emissions and performance as well as continuously maintained optimal performance. FLSmidth is harnessing the possibilities offered by digitalisation to deliver sustainability outcomes. Our data collection and analysis services allow for predictive maintenance, which reduces unexpected downtime and maintenance costs.

Ensuring product safety

FLSmidth is committed to providing its customers with quality products that meet their expectations, contract specifications, industry standards and relevant statutory requirements. It is FLSmidth's ambition to deliver products and equipment to all customers that at least meet the essential health and safety requirements laid down in relevant EU product directives or regulations. Therefore, FLSmidth products have to be designed, constructed, erected, commissioned, serviced and disposed of with a high level of health and safety. Since 2019, FLSmidth has been using dedicated product safety software. All product risk assessments are performed in the software in compliance with the harmonised standard - EN ISO 12100 General principles for design - Risk assessment and risk reduction”.

A value chain approach: responsible sourcing

Our responsibility spans our value chain. We must ensure that our suppliers work to stringent human and environmental standards. In recent years, we have compiled a set of corporate policies and processes aimed at conducting business responsibly. These policies cover our Supplier Code of Conduct, our HSE policy and our recent Conflict Minerals policy.

EU TAXONOMY

Context

The EU Taxonomy framework is part of the EU Green Deal and serves as a core enabler to deliver on the EU's ambitious climate goals for 2030. The EU Taxonomy is a classification system establishing a list of environmentally sustainable economic activities. The goal is to redirect investments towards sustainable projects. The EU Taxonomy represents a significant opportunity for us to support our customers in reducing their environmental footprint, while demonstrating the environmental performance of our MissionZero portfolio.

Part of the taxonomy is a mandatory reporting requirement to identify our business activities “in scope”, also known as “eligible” activities, across our revenue, CAPEX and OPEX.

Eligibility is not a measurement of our sustainability performance. Rather, it is an identification process within the current confines of the EU Taxonomy framework, which is still a work in progress.

The framework contains six planned environmental goals. Only two of these goals

are in scope for our initial assessment. The two goals relate to activities specifically reducing greenhouse gas emissions or adapting to climate change. Consequently, a significant proportion of our business activities are not yet in scope for assessment.

Looking ahead

Based on the current EU Taxonomy framework, our eligible revenue reflects revenue associated with our MissionZero products and digital portfolio supporting a substantial reduction in greenhouse gas emissions for our customers. Our eligible CAPEX and OPEX mostly reflect our R&D activities supporting these products.

We expect the percentage of our eligible business activities to increase significantly when the four remaining environmental goals and the full EU Taxonomy framework have been implemented, and as our MissionZero solutions develop and expand.

A detailed deescription of our interpretation of the Taxonomy can be found on page 49.

Eligibility 2021

16.2%
of revenue

17.5%
of OPEX

23.5%
of CAPEX

OUR ESG PERFORMANCE

The way we manage our operations says as much about us as the products we sell. Meeting rapidly increasing demands from our regulators, investors, customers and civil society related to ESG performance is at the core of our sustainability strategy.



In this section

Environment

24 Environmental management

Social

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32 Community

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34 Sustainability governance
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40 Compliance



ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

Our ambition to deliver world-class sustainability solutions to reduce our customers' footprint also requires us to reduce our own emissions and the impact of our own operations. MissionZero starts from within, and we are progressing on our Science Based Target to be carbon-neutral by 2030.

You cannot manage what you do not measure. For many years we have worked to reduce emissions from our operations. To take the next steps, we committed to setting a Science Based Target to be carbon-neutral for our Scope 1 and 2 emissions by 2030 in line with our MissionZero programme ambition. The target was validated in May 2021 and we are implementing short-term actions and long-term plans to meet our target.

A big effort to strengthen the governance and systems around our data – allowing us to better identify potential improvements – has been ongoing.

In 2021, our new Sustainability Performance Indicators (SPI) platform went live, enabling us to monitor and analyse all our environmental

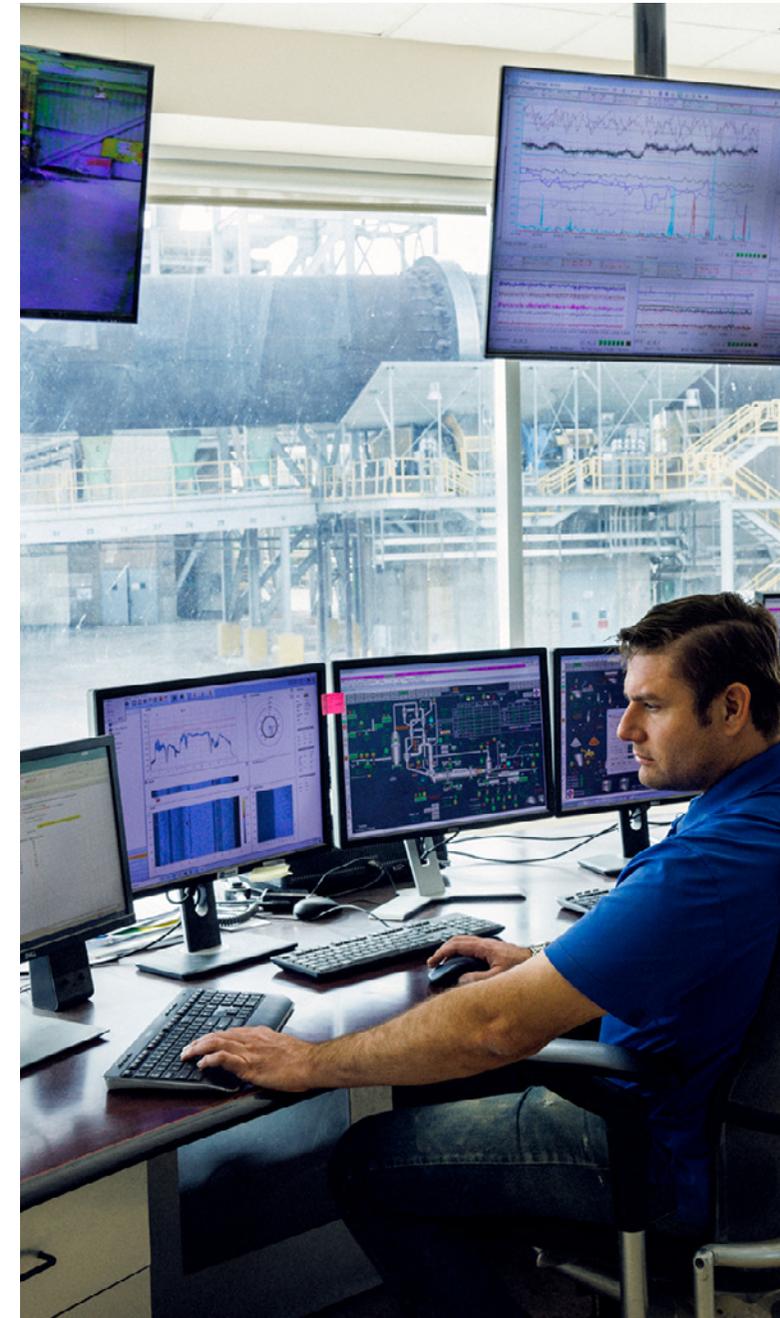
data. This system will maximise transparency and help us see where we are succeeding in relation to our targets and where improvements are needed.

We also launched our Emission Reduction Programme this year, encouraging all our locations to develop and implement emission reduction initiatives, such as improving energy efficiency, reducing fuel consumption and increasing recycling. Regular monitoring and sharing of best practices take place so that, globally, we become stronger.

We succeeded in achieving our target to reduce our combined Scope 1 and 2 emissions by 10% compared with 2020. Our water withdrawal increased slightly. To ensure we stay on track with our various commitments, we are

2%
increase in water
withdrawal in 2021

22%
reduction in Scope
2 market-based
emissions in 2021



developing a long-term roadmap to achieve our target to be carbon-neutral.

During 2021, a new global system was implemented for reporting environmental incidents, such as fuel or chemical spills. This system is also used for waste management practices, covering both hazardous and non-hazardous waste, including paper, chemicals, cardboard, glass and more.

We developed a Group procedure for waste reporting in accordance with EU guidelines. Under the new system, we report on the type of waste and the disposal method. For example, waste reused, recycled, sent to landfill and so on are classified and reported separately. The more we know about our waste, the more we can do to reduce, reuse and recycle it.

Engaging employees in our sustainability journey

During 2021, we launched a new sustainability e-learning course. The course aims to explain to our employees exactly what sustainability is, outline our operational sustainability strategy and highlight ways in which they can contribute to our 2030 targets. Our sustainability work focuses on helping our customers, while our operational sustainability efforts focus on improving our own footprint. This is reflected in the strong engagement and local initiatives driven by our regional HSE managers.

Plans for 2022

In 2022, we will strive to switch to more energy-efficient technologies and renewable energy sources to assist in achieving our targeted 10% year-on-year reduction in emissions. We are planning to implement ISO 50001 certification at multiple sites, which will require a significant effort. This will be made easier by our new data management platform (for more on this, see Safety on page 30).

The roll-out in 2021 of our new software platforms for waste management and sustainable performance should bear fruit in 2022, when we will be able to further improve the robustness of our data and analyse areas for improvement. Meanwhile, we will continue our efforts to reduce waste production and water consumption.

SUMMARY

WHAT WE DID IN 2021

- Received validation of our Science Based Targets
- Set site-level emission reduction goals
- Launched our new environmental data collection platform
- Launched site-level emission reduction programme
- Increased employee awareness

CHALLENGES

- Implementation of new tools and platforms

PLANNED 2022 ACTIVITIES

- Increase ISO 50001 certification coverage
- Implement site-level emission reduction programmes
- Maintain focus on achieving our emission reduction targets and renewable energy use

SOCIAL**PEOPLE**

The success of our sustainability efforts depends on our people – on their skills, innovative ideas and engagement. We are providing the opportunity to grow and develop in an international working environment where diversity is actively sought, inclusion part of how we work and where we incentivise and reward performance.

Creating more balance

Following our new 2030 targets focused on diversity, we implemented concrete actions during 2021 that established new standards for our company.

In 2021, we conducted a comprehensive analysis to identify potential gender pay gaps, to look at where pay gaps occur as well as the procedures that contribute to this problem, such as recruitment, salary setting and promotions. We then began the task of ensuring gender pay parity, and good progress has been made. Ensuring we establish proper procedures to avoid creating this gap is a continuous focus for us, both now and in the future. Of course, equality also applies to the wages we pay all our employees. We want all our employees, wherever they live in the world, to enjoy a certain standard of living, and the wages we pay play a key role in this ambition. In 2021, for the first time, we conducted an analysis of all employees' salaries relative to the standard of living in their locations. This analysis was in-depth and at country and, in some cases, even at city level. Through our collaboration

with the Fair Wage Network, we have been working to make adjustments to salaries where necessary. This initiative will continue into 2022 and beyond, as one of our guiding principles is to ensure fair and competitive wages.

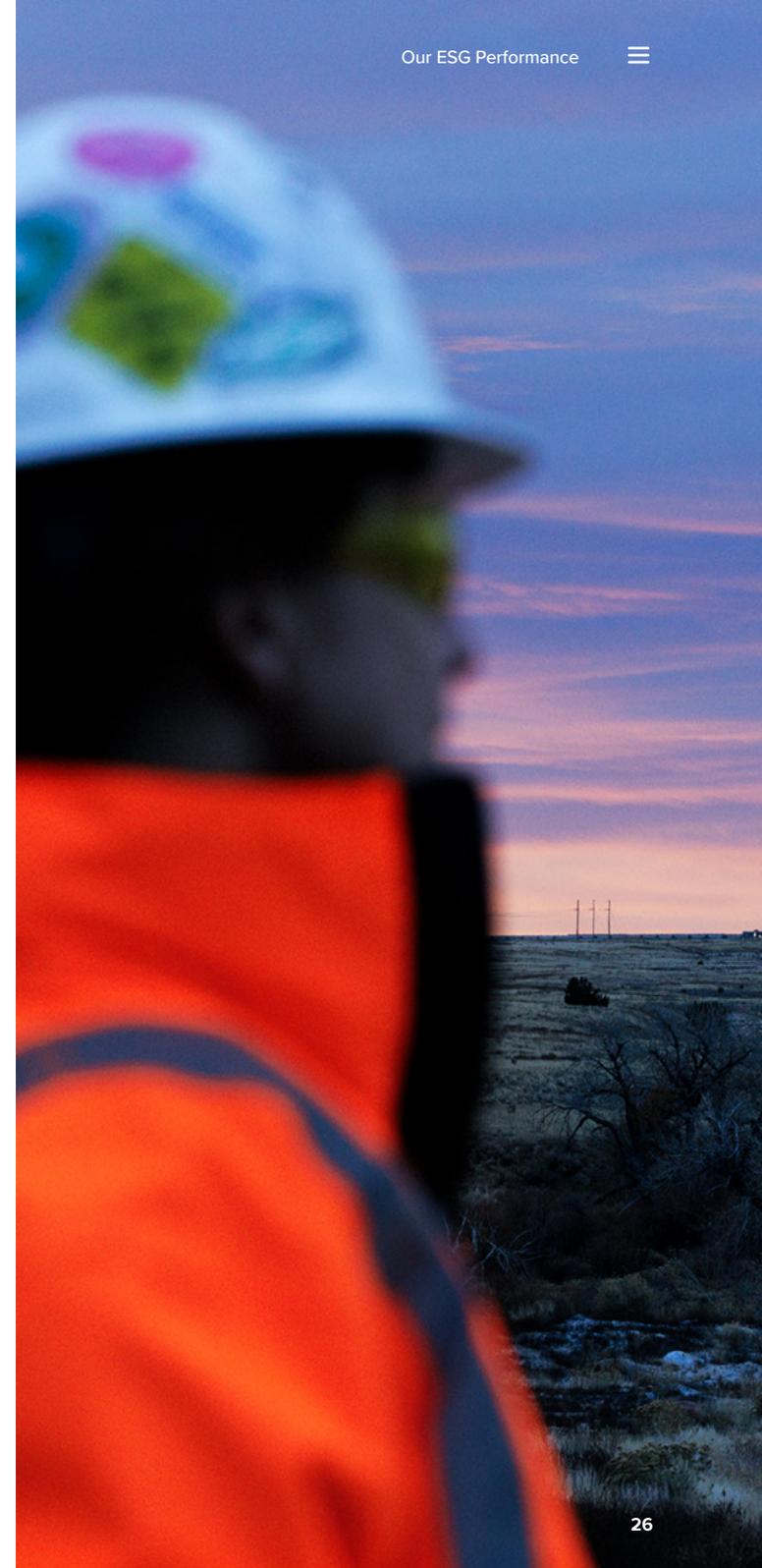
Making space for everyone

We continuously strive for a diverse workforce. In many ways, we have succeeded in achieving teams that are diverse in aspects such as nationality, age and experience. To further improve on gender diversity, however, we have set a new target that, by 2030, 30% of our white-collar jobs should be held by women and to have 25% women managers. To achieve this, we are working towards 30% of all open positions being held by women. In terms of our Board, women accounted for 33% of the shareholder-elected Board members at the end of 2021, fulfilling the target that at least 25% of the members elected at the Annual General Meeting should be women.

Looking at the employee life cycle, we are ensuring more gender-neutral language in job postings, focusing on opportunities for

14.3%
women managers

97.1%
of employees received
development reviews



women to develop and have careers and promoting the desired gender split in succession planning. With several inclusion activities and flexible work arrangements supporting life at and outside of work, we are maintaining our focus on improving our gender diversity. We are pleased these efforts helped us to meet our 2021 gender targets.

Included in our Zero Harm ambition is ensuring a safe and healthy workplace free from harassment and bullying and a culture of inclusion and respect. In 2021, we launched mandatory harassment and bullying prevention awareness and dialogue workshops for all employees. Employees discussed ways to address, avoid, detect and react to any form of harassment or bullying. Through our continued focus on diversity and inclusion, we believe we can meet our 2030 ambitions. To make this happen, however, we must still address one of the major challenges and create more opportunities for women in our industry. This includes increasing the pool of women applicants for traditional mining and cement positions.

Enabling people to grow

Continuous development through on- and off-the-job training is an important aspect of working at FLSmidth. We believe that 70% of an employee's development should come from on-the-job experiences or stretch assignments. We also believe that it is important to promote from within and are proud to report that, in 2021, approximately 25% of our positions were filled through internal promotions. We operate in fields where technologies often change, meaning that different skills are required, and so we invest in our people so that they can grow their skills. In 2021, we successfully delivered more than 35,000 hours of training, exceeding our annual target. Overall, we are proud to see that the hours spent on training have increased dramatically year on year, supporting this internal growth.

Ensuring health, well-being and engagement

During these difficult times, supporting employees and their families with access to resources for mental health and well-being has been a priority. We have provided on-site counsellors and access to virtual care.

Employee well-being is one of our KPIs and is regularly measured through employee engagement surveys. Through monthly pulse checks on employee engagement, we obtain dynamic feedback from the organisation, providing managers with real-time insight into what employees think and need. Leaders have responded by making time to discuss this feedback with their teams, and various actions have resulted in increased employee engagement.

Facilitating flexibility and creating engagement during difficult times

COVID-19 has changed the way many of us work, particularly when it comes to working remotely. We believe the future of work needs to embrace both office work and working flexibly or remotely, and so we implement policies that support that approach when the job description allows.

Throughout 2021, we continued to support our employees and their families as the devastating impact of COVID-19 continued to be felt. Apart from offering remote working opportunities, we supported access to testing and vaccinations both on- and off-site for employees and their families.

We also acknowledge that these changes have brought challenges when it comes to leading and engaging remote workers. To support our leaders, we have developed guidance to help them support remote workers effectively using digital platforms, bearing in mind the leadership aspects needed to keep engagement and inclusion high.

SUMMARY

WHAT WE DID IN 2021

- Conducted living wage and gender pay gap assessments, in partnership with the Fair Wage Network
- Implemented inclusion awareness activities and flexible work arrangements
- Supported employee mental well-being with dedicated services
- Provided 36,671 employee training hours
- Established and monitored employees' engagement through monthly pulse surveys
- Introduced sustainability as a parameter in rewards programmes, for example long term incentives and sales incentive plans

CHALLENGES

- Attracting, retaining and promoting a diverse workforce in our industries

PLANNED 2022 ACTIVITIES

- Complete all harassment and bullying prevention workshops
- Pursue initiatives to achieve our 2030 diversity targets
- Establish local employee engagement workshops and supporting initiatives
- Ensure that employee and leadership development focuses on the importance of inclusive and healthy workplace characteristics
- Ensure that a sustainability goal is set for each employee

SOCIAL

HUMAN RIGHTS

We operate in many different geographies and different cultures. Respecting and safeguarding human rights that are impacted by our business activities is a constant focus. This requires a detailed understanding of risk, remedy and the issues to be addressed across our value chain.

Empowering human rights

Respect for human rights is a core part of our culture. We acknowledge, however, that in some regions where we operate, this respect is not always as deeply embedded in local practices as we would like. We therefore face a challenge in ensuring our employees and partners both understand and are empowered to fulfil our expectations in this area.

The solution to these challenges starts with education. In 2021, we rolled out a human rights e-learning course, providing a general introduction to human rights, the challenges we face at FLSmidth, and what we can do to make a positive impact. We also conducted targeted in-person training on fundamental human rights principles for a broad group of employees. As part of this training, we included anonymised real-life case studies to help our people learn

to identify the signs of possible human rights violations.

To make our training programmes more accessible, we have translated our e-learning programmes into seven languages. We have also further integrated these translations into our internal platform, which enables us to track who has undertaken the training. This has been a challenging project, but it has helped broaden the scope and availability of training – particularly in high-risk regions. Due to the positive feedback received in 2021, the human rights e-learning course will be made mandatory for all white-collar employees in 2022.

We also make information about our human rights policy, such as our modern slavery commitments and conflict minerals due diligence, as well as the training, available on

108

human rights reviews
conducted



our internal website, with a dedicated page within the Compliance section.

Respect for human rights does not stop at our front door, however. It must also include our suppliers and customers. The COVID-19 pandemic severely impacted our ability to conduct on-site human rights impact assessments, which are a significant part of our screening process. Though online screenings have continued throughout this period, we hope to get back on track with site visits in 2022.

In 2021, we started identifying our use of tin, tungsten, tantalum and gold (the four most common possible conflict minerals, known as the 3TGs) in our supply chain. If the use of 3TGs has been identified, we will engage in dialogue with the supplier to ensure that no conflict minerals are present in our supply chain. The identification of 3TGs in our supply chain will continue in 2022, when we will publish our Conflict Minerals policy.

Plans for 2022

As the world continues to open up, we hope to complete more on-site impact assessments. We will also continue with our training roll-out, targeting the most relevant people for both e-learning and live training. by making our human rights e-learning course mandatory for all white-collar employees.

We are also aiming to engage more with customers on human rights through our key account managers.

Generally speaking, we are finding there is increased dialogue around human rights – with questions being asked by our customers, as well as the other way around. But there is still a lot of work to be done. Thanks to our efforts so far, we are proud to report that our people are much more confident in addressing this issue than they were just a few years ago.

Modern Slavery Act

Since 2016, we have published an annual modern slavery statement on our website in accordance with the requirements of the UK Modern Slavery Act 2015. This year, however, we took our modern slavery statement a step further and incorporated the requirements of the Australian Modern Slavery Act 2018. This most recent statement is the most detailed to date and includes a discussion of where our risks lie and our efforts towards modern slavery prevention.

SUMMARY

WHAT WE DID IN 2021

- Provided human rights training courses
- Published our Human Rights policies and sub-policies
- Conducted online screenings to mitigate the challenges of on-site visits due to COVID-19
- Identified 3TGs in our supply chain
- Incorporated the Australian Modern Slavery Act 2018

CHALLENGES

- Human rights standards in regions where we operate

PLANNED 2022 ACTIVITIES

- Increase our on-site assessments
- Increase engagement on human rights issues with our customers

SOCIAL

SAFETY

Building a culture that ensures the health and safety of our people and products, across our own sites and those of our customers, is core to our 2030 ambition for Zero Harm. We delivered on our 2021 targets following intensified awareness-raising activities during the year.

Taking action and ensuring accountability

We firmly believe that safety is the responsibility of all our people. For many years, we have invested in creating a strong safety culture based on establishing best-in-class standards that equip employees and engage them in our safety journey. We continued this work in 2021, rolling out a new reporting system with a more user-friendly format, and asking all our employees – from Senior Management down – to "Stand Up for Safety".

Transparency also means talking openly when we face challenges and ensuring accountability by making any necessary changes. During the first few months of the year, we saw an uptick in safety incidents. This, followed by the relaxation of COVID-19 restrictions, resulted in people returning to sites and potentially less vigilance around health and safety.

Thanks to our improved ability to track and report trends, we responded quickly to the Q2 figures. Visible Senior Management played

a key role by sponsoring a "Stand up for Safety" campaign in September. Across the globe, work was temporarily stopped so that all individuals could recommit to safe working practices. Furthermore, all regions updated their safety action plans and several activities were put in place within a short period of time, such as increased awareness of contractor management, onboarding and safety behaviour.

Despite these, and many other actions, we did not meet our 2021 target to reduce our Lost Time Injury Frequency Rate (LTIF). While our safety figures remain among the best in the industry, the learnings from 2021 have highlighted the fact that we can never be complacent on our journey to (and beyond) Zero Harm.

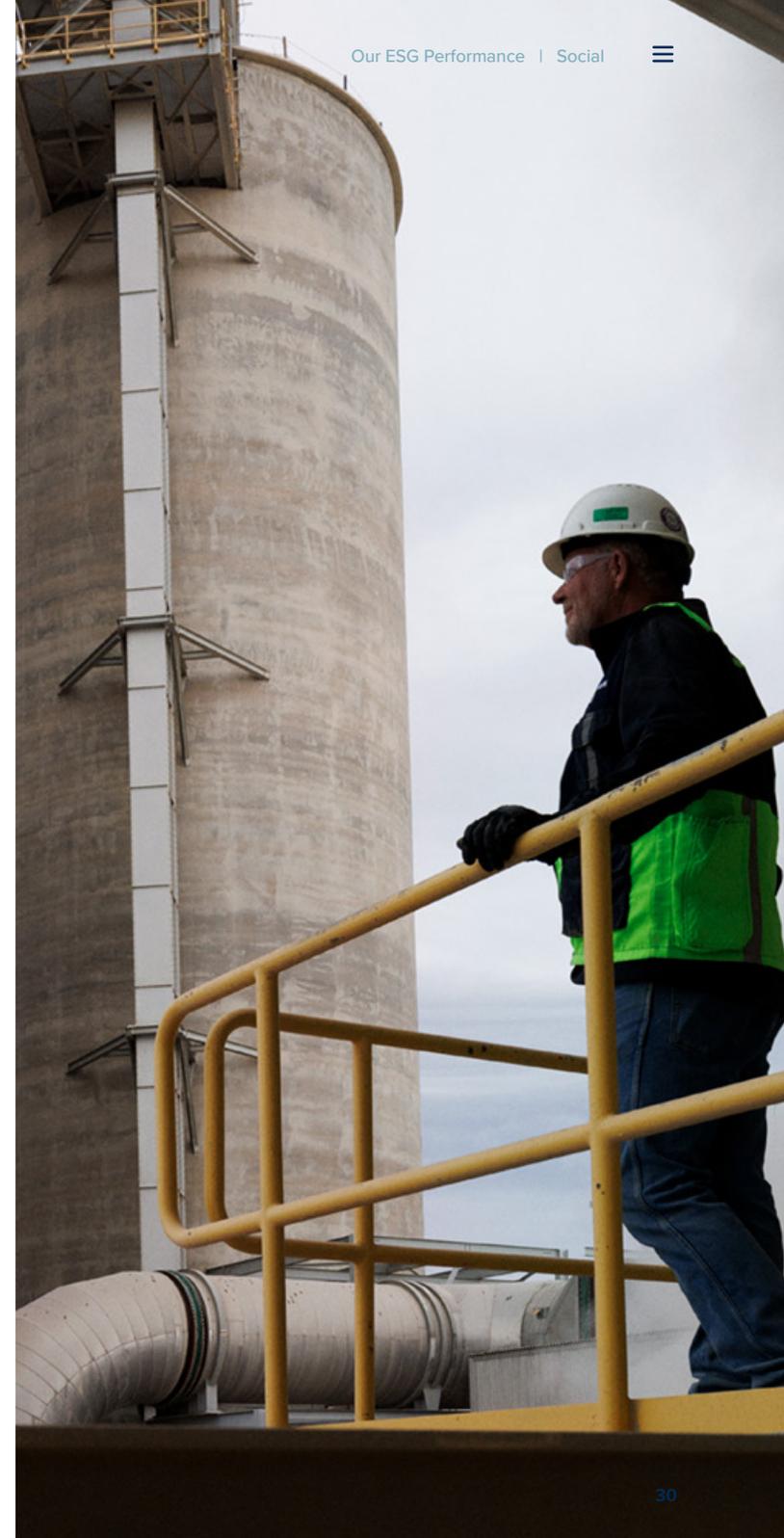
Driving progress through measurement

In 2021, we introduced a new app-based reporting system which is accessible to most of our employees, empowering them to report safety incidents viewed through their safety

0.8
Lost Time Injury
Frequency Rate

1.9
Total Recorded
Injury Rate

75%
of safety observations
resolved in 30 days



lens. The new system gives greater transparency to our safety data, enabling us to analyse and filter it in ways that we could not do previously. We can now spot trends at global, regional and operational levels, and act accordingly.

The mobile system increases opportunities for employees to engage and take individual responsibility for reporting near misses and safety observations. More than 10,000 safety observations have been reported and resolved year to date. 75% of these observations were resolved within 30 days.

We also actively track the number of incidents that have been closed, in other words where action was taken to prevent the incident recurring. This keeps us accountable for resolving safety issues and gives our people the confidence to report their concerns, knowing that we take all incidents seriously.

Policies and standards remain core to our safety approach. The majority of our sites are now covered by ISO 45001 certification. More than 65% of the workforce is covered by ISO 45001 and ISO 14001. In addition, more than 75% of employees are covered by ISO 9001 certification. These standards give employees, customers and stakeholders the reassurance that there is an external focus on reducing the company's waste, pollution and consumption, and an internal focus on reducing workplace injuries and illnesses, while managing health and safety in a responsible way. A lot of hard work goes into achieving these certifications, and we congratulate everyone involved in obtaining and maintaining these high standards. Our annual audit found no major non-conformities, and all minor observations have been remedied.

Ensuring product safety

In keeping with our responsibility to our customers and employees, we continue to review and improve

our product designs to maximise safety. We comply with the regulatory safety requirements and try to minimise maintenance needs to limit the amount of contact between people and machinery. For example, our range of gyratory crushers has been redesigned to improve safe access and reduce downtime, with customer health and safety in mind.

2022 goals

We are continuing our journey to Zero Harm, with a particular focus on behavioural programmes and standardisation of hazard risk identification, along with a new platform making it easier to store and retrieve policies and audit our adherence to these policies. This, in turn, will help us to continue our coverage under ISO standards.

Dealing with COVID-19

The continued impact of the COVID-19 pandemic has been felt across our operations. At the beginning of 2021, with the situation deteriorating in India, we offered our support by supplying oxygen and ventilators at a time when both were in short supply.

In India and elsewhere, we have also arranged testing, provided increased insurance coverage, helped with remote working arrangements and generally responded wherever we could with practical assistance. Examples include offering bereavement leave and access to mental health professionals. It is important to note that vaccinations are strongly encouraged at FLSmith, and we have supported our people, and their families, in taking up the vaccine, when offered, including arranging clinics at our sites.

SUMMARY

WHAT WE DID IN 2021

- Updated our safety incident reporting system
- Launched a global "Stand Up for Safety" campaign
- Updated regional safety action plans
- Conducted an awareness campaign for contractor management
- Increased the number of ISO-certified sites
- Improved the safety of leading product groups

CHALLENGES

- Maintaining a strong safety culture during the COVID-19 pandemic, despite site closures

PLANNED 2022 ACTIVITIES

- Focus on behavioural safety programmes
- Standardise hazard risk identification
- Implement an audit management platform

SOCIAL

COMMUNITY

Listening to and understanding the needs and expectations of our local communities is extremely important. We could not operate without their support. To give back, we regularly undertake environmental projects, education, training and humanitarian work.

Funding

Supporting local communities requires funding. This starts with the FLSmidth & Co. A/S Donation Fund, based in Denmark. Through this non-profit institution, we contribute up to USD 45,000 (DKK 300,000) per year to causes aligned with our values and vision.

In 2021, this fund contributed to a wide range of projects, including training opportunities and humanitarian initiatives.

Encouraging education

Mining is big business in Chile, but women make up just 19% of enrolments in mining-related degree programmes in the country. To help increase gender diversity in the industry, we have launched a programme specifically for female secondary school students.

The latest copper minerals processing course launched in September 2021 with 32 students who are in their final year of secondary education at the Liceo de Salamanca school in Chile's Coquimbo region. The course covers

all stages of copper minerals processing and aims to encourage young women to complete internships with FLSmidth before going on to pursue a successful career in mining.

Other education-related projects include the installation of new library facilities at the Government Girls Senior Secondary School in Bawal, Haryana, India, benefitting 1,500 students, as well as a grant to help educate underprivileged young people in the Kancheepuram district of Tamil Nadu and the Bokaro, Dhanbad and Jamshedpur districts of Jharkhand, all in India.

Healthy communities

Community healthcare has always been a priority for us, but COVID-19 has brought it into even sharper focus. In India, in particular, the second wave of the pandemic was extremely intense, stressing public and private healthcare systems to an unprecedented extent.

To help ensure that our people, their families and communities received the healthcare they

300,000

(DKK) Donation Fund contributing to training and humanitarian initiatives

1,500

students benefitting from new library facilities

3

ventilators given to the Chettinad Super Speciality Hospital

Supporting the cause of socio-economic development, FLSmidth in partnership with #AngloAmerican, had the privilege of donating 56 Qhubeka Charity bicycles to the Mahwelereng community policing forum in support of their visible policing initiative



needed, we provided special assistance on a number of occasions:

- We worked with the Confederation of Indian Industry to reinforce facilities at the Government Primary Health Centre in Kelambakkam, Chennai, near our office in India. Completed in February 2021, this project included supplying equipment such as a multipara monitor, autoclave, nebuliser, PPE kits and a 12-lead ECG machine, which has served as a valuable addition during the pandemic. We also helped improve facilities to make the centre more visitor-friendly.
- In June 2021, we donated three ventilator machines to the Chettinad Super Speciality Hospital, near our Chennai office.

In addition to COVID-19 assistance, we also helped with other basic needs, including providing new water supply facilities in three locations in the suburbs of Arakkonam in Tamil Nadu. Inaugurated and handed over to the community in March 2021, the project saw us again collaborate with the Confederation of Indian Industry providing a crucial daily water source for the village.

Safe spaces

Everyone has the right to feel safe in their community. We were privileged to be a part of two initiatives, in South Africa and Chile, that will help improve the security of communities in the vicinity of our operations.

FLSmith South Africa donated 56 bicycles to the Mahwelereng Community Policing Forum to support its visible policing initiative. The bikes were donated in partnership with Anglo American and Qhubeka Charity and delivered in December 2021 to mark the launch of the community's #ArriveAlive road safety campaign. They will help strengthen community patrol forums and community safety forums in the Mahwelereng South African Police Sector.

In the Felipe Camiroaga and Variante de Agua Santa squatter settlements in the Forestal area of Viña del Mar, Chile, vulnerable families were living without streetlights. Seeing this need, Claudio García, President of FLSmith South America, encouraged everyone in the extended executive team across the region to take part in a project called Luz a mi Barrio (Light for my Neighbourhood), which was carried out by Fundación Techo.

As part of this initiative, 20 solar-powered lights were installed in the settlements, increasing safety and security for the communities that live there and improving their quality of life. The experience also helped our team grow closer, as they worked together to achieve meaningful change.



GOVERNANCE

SUSTAINABILITY GOVERNANCE

The development and implementation of our sustainability work is supported by a robust governance structure. Key to this structure is the active involvement of our Board of Directors and Group Executive Management in the accountability and implementation of our MissionZero programme.

During the course of 2021, we took active steps to further integrate sustainability into our commercial functions and operations. We updated our materiality assessment and advanced our work around embedding the elements of the Task Force on Climate-Related Financial Disclosures (TCFD).

Governance in general

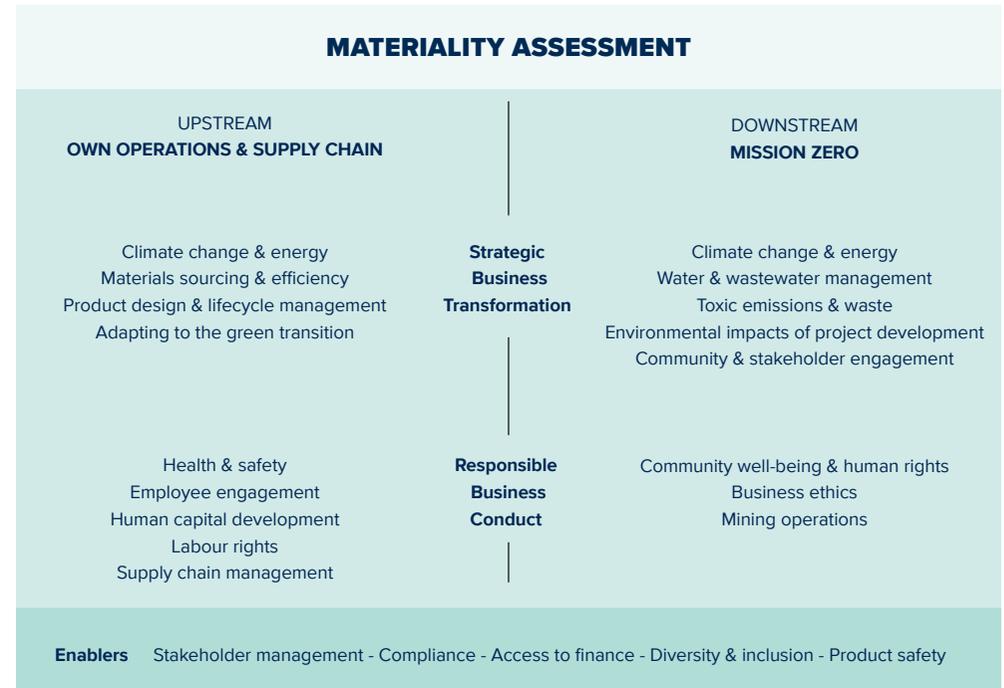
Our sustainability programme is an integral element of our business strategy and one of our long-term priorities. Consequently, we are continuously taking steps to anchor it at all levels of our organisation.

Our Board of Directors oversees and approves key strategic decisions such as long-term target setting and incentive schemes and, through the Technology Committee, oversees our R&D strategy to support our MissionZero programme. The Board receives quarterly updates on the progress of the programme.

Our Group Executive Management (GEM) is responsible for the progress of our MissionZero programme and operational sustainability performance. It plays an active role in the development of the strategic direction of the sustainability programme and cascading priorities across the organisation. Sustainability is now an integral element of the long-term incentive plan for our Senior Management.

Responsibility for activities that help us to make progress in relation to our 2030 MissionZero and operational sustainability targets is assigned to the relevant functions. This follows the structure of our sustainability and related policies.

In 2021, we introduced a new incentive structure for our salespeople linked to our Science-Based Target (SBT) of improving our economic intensity.



Materiality

In 2021, we updated our materiality assessment with a view to validating the focus of our MissionZero programme and our operational sustainability priorities. The findings from this indicated that we are aligned with key priorities that are important to both stakeholders and the business, but that there are specific areas that require a more focused approach. We are further validating the findings of our materiality assessment by reviewing current and upcoming regulations, requests from our customers and other stakeholders and bilateral dialogues with relevant organisations.

Task Force on Climate-Related Financial Disclosures (TCFD)

Understanding the risks and impacts of climate change on our company and the industries, geographies and environments in which we operate is key. To increase this understanding, we are aligning our practices and reporting using the TCFD recommendations. In 2020, we performed a climate risk and opportunities analysis to further understand the exposure of our business to climate change in terms of risks and opportunities. As we move forward, the findings of this analysis, which can be found on page 35, will be used in our business decisions and long-term strategy.

MAPPING OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

| Type | Topic | Description | Risk exposure | Opportunity level | Governance | Current and planned actions |
|--------------|--|--|---------------|-------------------|--|--|
| Transitional | Carbon taxes and regulations | Countries introducing or planning to introduce carbon pricing and/or trading schemes | Low | High | Monitoring on regular basis, quarterly briefing to Senior Management | FLSmidth has solutions that enable customers to emit less. We are continuously developing new solutions with a lower carbon impact |
| Transitional | Disclosure | Enhanced environment-related disclosure requirements from investors and customers | Low | Low | Quarterly updates to Board of Directors and Senior Management | Further map requirements and enhance ESG-related reporting. Analyse new requirements from responsible sourcing schemes and standards |
| Transitional | Product-specific environmental regulations | Introduction of the EU Taxonomy to classify environmentally sustainable activities | Low | Medium | Monitoring on regular basis | Perform cross-reference to product portfolio and gap analysis on data and documentation requirements |
| Transitional | Demand for green products | Substitution of existing products and services with lower-emission options | Medium | High | Periodic review by the Technical Committee (Board-level committee) | R&D technology roadmaps are established for key sustainability areas, including CO ₂ , NO _x and water Scouting for technology partnerships is ongoing Discontinue investment in coal-related R&D going forward |
| Transitional | Scarcity of raw materials | Increased production costs and output requirements due to scarcity of raw materials in specific locations or global constraints | Medium | N/A | Regular assessment of risk exposure | We maintain a flexible and agile supplier base that allows for substitutions and/or diversification if required |
| Transitional | Reputational impact | Company is negatively perceived as part of a polluting industry | Medium | N/A | Regular engagement with key stakeholders at Group or local levels | FLSmidth is technical adviser to the World Bank IFC Net Zero Roadmap for Mining Technical Working Group (TWG) We are in regular dialogue with relevant financial organisations about the transitional role of FLSmidth |
| Transitional | Access to capital | (Sectoral) risk of reduced access to capital due to high environmental impact | Medium | Low | Regular assessment of risk exposure | Alignment with key sustainable finance standards Discontinue investment in coal-related R&D going forward |
| Physical | Storms and cyclones | Storms and cyclones can impact supply chain and production capacity, as well as labour conditions and construction of new plants | Low | Low | No specific governance mechanism in place | Both mining and cement plants and operations are relatively resilient to extreme weather events due to the robustness of the equipment |
| Physical | Drought | Drought leading to water scarcity, operational disruptions and increased operating costs | Low | High | Biennial water risk assessment | R&D technology roadmaps are established for key sustainability areas, including CO ₂ , NO _x and water |

GOVERNANCE

STAKEHOLDER ENGAGEMENT

The success of MissionZero requires more than technological solutions. To create systematic changes and accelerate the adoption of sustainable solutions, we need strong collaboration across the value chain, a supportive policy environment and active involvement from civil society. To this end, we are actively seeking engagement with key stakeholders.

**Customers**

We are in continuous dialogue with customers about how we can support them in achieving their sustainability ambitions. This includes discussions about technology and innovation, but also about how demand for green minerals, metals and cement can be stimulated. We are increasingly adopting a partnership approach when it comes to innovation and bringing customers into our R&D cycle at an earlier stage.

Financial institutions

In the last few years, environmental, social and governance (ESG) factors have rapidly become crucially important for securing financing for high-value contracts in cement and mining. FLSmidth has strong competences and enjoys long-standing cooperation with financial

institutions that help customers to finance their projects, at the same time as ensuring that the projects make a positive contribution to sustainability. Examples include Denmark's Export Credit Agency (EKF), the Investment Fund for Developing Countries (IFU) and international financial institutions such as the World Bank and the International Finance Corporation (IFC).

These institutions require that all transactions comply not only with all applicable national legislation, but also with world-class practices such as the Equator Principles and the International Finance Corporation's performance standards for environmental and social sustainability.

As part of the MissionZero programme, we engage in active dialogue with these financial institutions, which finance the solutions needed to increase investment in innovative sustainability technologies and increase adoption of these technologies, particularly in developing countries. Going forward, the role of the EU Taxonomy will have an impact on the financing of green technologies, including the cement sector.

Read more about the EU Taxonomy and how we calculate our eligibility on page 22.

Outsourcing partners

Our suppliers provide 80% of our manufacturing. Building strong and reliable relationships with our suppliers is key to our business. In

addition, working strategically with our suppliers strengthens our MissionZero programme, as this allows for the co-development of new technologies, adding to our existing portfolio. During the course of the year, we joined the Copper Mark as a partner. The Copper Mark is an international framework established to demonstrate the copper industry's responsible production practices and the industry's contribution to the United Nations SDGs.

Knowledge is central to our existence. Collaborating and interacting with academia is important for ensuring consistent knowledge flows and innovation within the company. Close collaboration with universities, specifically engineering programmes and projects and doctoral studies, helps us to attract top talents,

acquire new knowledge and develop innovative ideas. It is a crucial investment in the future of the business. As an organisation with a strong focus on research and development, we have a large number of university partnerships relating to specific topics.

In the mining industry, we sponsor and collaborate with various institutions across a number of countries to tackle the MissionZero challenges, including research into dewatering and tailings, eco-efficient comminution and beneficiation.

We continued to work with a consortium of customers and technical partners focused on reducing energy and resource use in the global mining industry involving a new flotation process called RFC – REFLUX™ Flotation Cell. The project is supported with a grant from the European Institute of Innovation and Technology (EIT).

FLSmidth is also involved in several innovation communities within the mining industry, including EIT Rawmaterials, AMIRA, ERMA and ARC.

In the cement industry, FLSmidth has ongoing engagements with the Technical University of Denmark, the Indian Institute of Technology universities of Madras and Delhi, as well as the Vellore Institute of Technology. These collaborations focus primarily on the development of new process solutions for low-clinker cements.

FLSmidth is a founding member of the Innovandi research network, which includes more than 40 academic and 20 industrial partners from the cement sector. Within this network, FLSmidth

mentors projects related to clay activation, electrification, artificial intelligence of clinker reactivity and carbon capture.

In addition, we are involved in other projects, such as the electric calcination of clay, a circular economy project involving pyrolysis of waste into synthetic fuel at cement plants, and ProBu, a process technology focused on the production of sustainable building materials.

Civil society and public sector

Stimulating demand for green minerals, metals and cement requires a supportive policy environment with a specific role for public procurement. We actively engage in discussions with policymakers on this topic.

We are a member of the United Nations Leadership Group for Industry Transition (UN LEADIT). The group is supported by the World Economic Forum (WEF), Stockholm Environmental Institute and the governments of India and Sweden. The group focuses on establishing workable policy incentives and enabling investment in low-carbon technology and infrastructure.

We also chair the policy working group of the Concrete Action for Climate (CAC) initiative by the WEF, Mission Possible Platform and GCCA (Global Cement and Concrete Association). The CAC is helping to coordinate global climate action and innovation in the cement and concrete industry.

Industry associations

We are members or actively engage with industry associations and advocacy groups. We are a founding member of the Compliance in Mining Network, a collaboration between mining companies, mining equipment producers and EPC providers in the mining industry, working to improve compliance standards in the global industry.

We are a member of the Women in Mining initiative, which aims to promote diversity within the industry.

To further stimulate research in low-carbon technologies, we participate in the Innovandi global cement and concrete research network through the GCCA.



Presenting several opportunities to meet with influential stakeholders and push the broader agenda for sustainability in industry, COP26 was an important event in the 2021 calendar.

FLSmidth was an active participant in the Danish pavilion, where we organised a series of events to highlight our MissionZero ambition, the results achieved to date and what is needed

from policymakers to ensure zero-emission mining and cement becomes mainstream practice. Our former CEO, Thomas Schulz, also had the opportunity to participate in a UN summit focused on industrial transition (LeadIT).

Alongside other CEOs representing heavy industries committed to decarbonisation, he made a call for action to climate and energy ministers from India, Sweden, France, Germany, the US and other countries involved in LeadIT.

GOVERNANCE

SUPPLY CHAIN

By working together with our suppliers on their sustainability practices, we have a real opportunity to create lasting change. Programmes such as the Science Based Targets initiative ensure that we identify and reward like-minded businesses, encouraging environmental ambition across our supply chain. Similarly, we are continuing to monitor social standards at suppliers' premises and take actions where necessary.

Screening and awareness-raising

Our sustainability screening programme has been running since 2018 and is continuing to grow in scope and awareness. In 2021, we screened 641 different suppliers. The scope of the screening is to ensure that they:

- Adhere to the laws within the jurisdiction in which they operate
- Provide a safe and healthy working environment
- Comply with basic human rights
- Meet all applicable environmental laws and industry standards.

We are pleased to say that the results from these screenings remain stable, with very few suppliers found to be in breach of our Code of Conduct.

Every time we complete one of these screenings, we signal to our suppliers that these principles are critical to our business relationship. Each time they sign a purchase order with FLSmidth, they confirm, again, that they comply with our Code of Conduct. And every time our employees carry out the screening questionnaire, they are reminded of what we expect from our partners. This repetition builds awareness internally and externally of the path we are forging towards Zero Harm.

Preferred supplier programme

We are continuing to consolidate the number of suppliers we use, with an increased focus on our preferred suppliers, which number around 500. Consolidation is an ongoing project, based

641

suppliers screened

128

screenings resulting in a new finding/non-conformity



on monthly discussions among our supply chain team. Preferred suppliers are chosen based on a variety of factors, including quality, delivery, cost-effectiveness and spend. Ultimately, this preferred supplier programme will enable us to concentrate our business partnerships on those companies that share our core value of sustainable productivity.

Starting a chain reaction

In 2022, we will focus on aligning group procurement with our Science Based Targets (SBTs). Within the next three years, our aim is to increase spending with suppliers that have similar decarbonisation targets to 30% of our total spend. This means that, by 2025, 30% of our spending will be with suppliers that have their own SBTs. This would be a sixfold increase in the current figure of approximately 5% of spend.

Though our supply chain accounts for only 1% of our emissions – a very low figure in comparison to emissions from our customer base – 1% of our total carbon footprint is still a significant amount and worth tackling. It is also valuable to consider the chain reaction these SBTs have. We are encouraging our suppliers to create their own SBTs and, as a result, they will be asking their supply chain to do the same. And on it goes – potentially all the way back to our customers again, creating a virtuous circle of ambitious emission targets.

SUMMARY

WHAT WE DID IN 2021

- Continued supplier screenings on compliance, health and safety, environment and human rights
- Had our supplier engagement target validated by the Science Based Targets initiative

CHALLENGES

- Disruptions of supply chains due to COVID-19

PLANNED 2022 ACTIVITIES

- Continue progress towards our Science-Based Targets related to supply chain

GOVERNANCE

COMPLIANCE

All our policies are only as good as our compliance – and achieving compliance relies on two things: transparency and awareness. Throughout our business and across our supply chain, we aim to be clear about our expectations as well as how to report shortcomings.

The new compliance policy framework introduced in 2020 comprises four core areas of operations: Code of Conduct, trade compliance, human rights and competition law. 2021 has seen us raising awareness of this new framework, with a number of initiatives to improve transparency and accessibility.

Achieving compliance by empowering people

Firstly, we have put all the information and relevant policies on our website, where they are available to all stakeholders. Secondly, we have continued to educate our people about the new framework through live training (in-person, where possible, or else online), together with e-learning. When we launched the framework, we committed to getting every employee through both the live training and e-learning courses by the end of 2021. We reached a completion rate of 81.8% for the e-learning course and 83.5%

for the in-person training by the end of the year and thus did not meet our target. However, feedback on the e-learning courses has been encouraging. We recognise the immense efforts of our HR team in delivering the e-learning courses and tracking uptake through the new software platform. But the work does not end there. We will continue efforts to build awareness throughout our business. This is also a key part of our onboarding process.

See it, say it

In addition to raising awareness about our compliance framework, we actively encourage our people to report actions that fail to meet expectations. We received 78 reports through the whistleblower hotline or other means, resulting in the same number of internal investigations. Every case that comes up is investigated, and actions are taken when necessary.

255

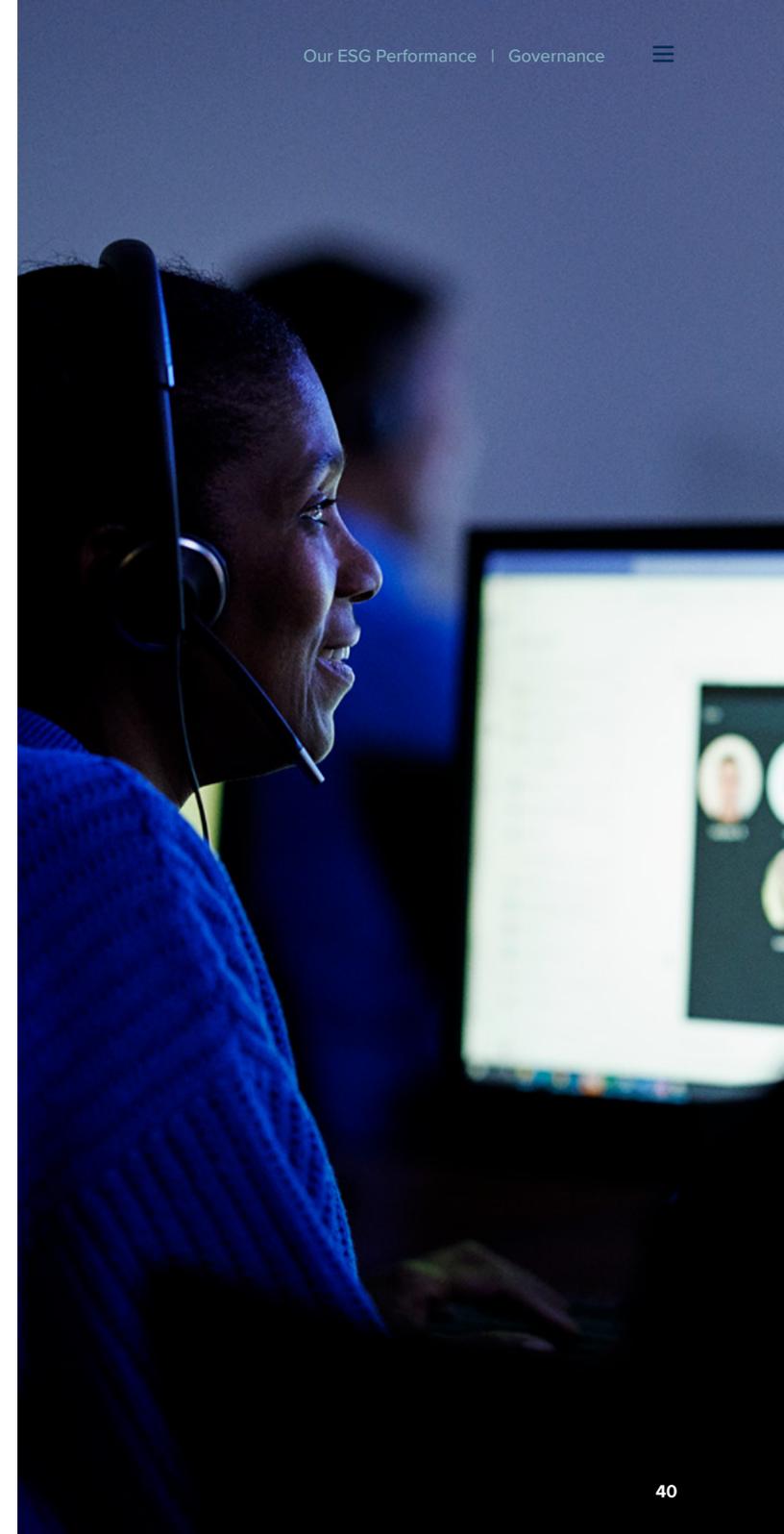
in-depth due diligence screenings conducted

81.8%

of employees trained in anti-corruption

78

whistleblower reports submitted



Although the number of investigations has remained stable, our response times were significantly improved, in large part thanks to the addition of a full-time investigation specialist.

One of the areas we still struggle with, however, is reports that do not include sufficient details to investigate. This is an issue that we are tackling via the training offered as well as in specific communications on this topic, so that our people understand what they need to put in a report in order for us to be able to properly investigate and respond.

On 22 July 2021, a customer informed that it intends to initiate arbitration against FLSmidth and certain partners for alleged contractual breaches ('the Tunisia contract'). FLSmidth will reject a potential claim.

Plans for 2022

In 2022, we will complete an external review of trade compliance, to ensure we are dealing appropriately with international sanctions. Although this is not a new area for us – we have been working in sanctioned countries for decades – it is important to be sure we are following both the spirit and the letter of the law as we continue to support the cement and mining businesses in these areas.

Going forward, we are adding conflict minerals to our compliance framework as a new sub-policy in 2022. While we have exercised due diligence in this area for several years, the new sub-policy embeds our efforts in the broader supply chain.

In terms of training, 2022 will see the launch of four new e-learning courses on donations,

competition law, human rights and fraud. We are also exploring ways of automating fraud detection, which will better enable us to analyse data on anomalies. Technologies such as this could make a huge difference to how quickly and easily we spot fraudulent transactions, and could make the difference between money lost and saved.

Tackling workplace harassment

We saw an increase in reported harassment cases in 2021. Whether this is because there is greater awareness of the issue among our people as a result of the training we have provided or whether this is linked to global trends, we cannot be sure, but we are working with HR to provide anti-harassment workshops and we are continuing to ask our employees to report and respond to problematic behaviour in line with our policy.

Expanding third-party screening

As part of our continued push for the highest possible standards across our supply chain, we have expanded the scope of our third-party due diligence. We already screen all sales agents and intermediaries and relevant customers and contractors against specific criteria. In 2021, we began the process of adding suppliers to this reporting process. This work is carried out in partnership with our procurement team, which already audits suppliers with regard to health and safety and the environment.

SUMMARY

WHAT WE DID IN 2021

- Continued awareness-raising and training on our Compliance Policy Framework, achieving 82.4% employee coverage
- Increased transparency regarding our policies and sub-policies
- Expanded the third-party due diligence scope to include our supply chain

CHALLENGES

- Lack of or insufficient data in reported whistleblower cases
- Increased number of harassment cases reported

PLANNED 2022 ACTIVITIES

- Conduct an external review of our trade compliance
- Provide new training courses on compliance-related issues
- Assess automatic fraud detection systems
- Provide harassment prevention workshops

SUMMARISED REPORTING AND NOTES



In this section

- 43 Reporting Tables
- 45 Accounting Practices
- 50 SDGs
- 52 New and Descoped Indicators
- 53 Standards and Disclosures
- 54 Auditor's Statement



PERFORMANCE SUMMARY

| | 2019 | 2020 | 2021 | 2021 target | 2022 target | 2030 target |
|---|-------------|-------------|---------------|-------------|------------------------------|------------------------------|
| SAFETY | | | | | | |
| Lost Time Injury Frequency Rate (including contractors) | 0.6 | 0.5 | 0.8 | 0.7 | 10% year-on-year improvement | 10% year-on-year improvement |
| Total Recorded Injury Rate (including contractors) | 1.6 | 1.0 | 1.9 | 2.0 | 10% year-on-year improvement | 10% year-on-year improvement |
| PEOPLE | | | | | | |
| % women total | 15.5% | 15.9% | 17.2% | | | 25% |
| % women white-collar workers | 19.9% | 21.8% | 23.2% | 22.4% | | 30% |
| % women blue-collar workers | 3.9% | 4.0% | 4.7% | | | |
| % women managers | 11.2% | 13.1% | 14.3% | 14.3% | | 25% |
| Internal participants training hours in corporate development programmer | | | 36,671 | 25,000 | | |
| % employees receiving performance and development reviews | 87.6% | 86.6% | 97.1% | 90% | 95% | |
| COMPLIANCE | | | | | | |
| Total number of whistleblower reports submitted | 85 | 99 | 78 | | | |
| ... of which admissible | 81 | 97 | 76 | | | |
| ... of which type : Compliance | | | 17 | | | |
| ... of which type : Finance | | | 21 | | | |
| ... of which type : Human Resource | | | 31 | | | |
| ... of which type : Other | | | 9 | | | |
| Number of operations assessed for risks related to corruption (accumulated number since 2016) | 32 | 34 | | | | |
| Number of operations assessed for risks related to corruption – nominative figure | | | 0 | 2 | 2 | |
| Total number and percentage of in-person training for employees who have received training on anti-corruption | 6,782 / 75% | 7,056 / 79% | 8,855 / 83.5% | 85% | 90% | 90% |
| Total number and percentage of white-collar employees that have completed E-Learning courses on anti-corruption | | 1,271 / 15% | 6,381 / 81.8% | 95% | 95% | 95% |
| Number of in-depth due diligence screenings conducted (cumulative from 2016 to 2019) | 755 | | | | | |
| Number of in-depth due diligence screenings conducted | | 274 | 255 | 250 | 250 | |
| Incidents of discrimination and harassment, and corrective actions taken | 4 | 13 | 14 | | | |

PERFORMANCE SUMMARY

| | 2019 | 2020 | 2021 | 2021 target | 2022 target | 2030 target |
|--|-------------|---------|-------------|-------------|----------------------------|--------------------------------|
| ENVIRONMENT | | | | | | |
| Scope 1 GHGs (in tonnes CO ₂ -equivalents) | 18,775 | 10,888 | 11,130 | 10,234 | -10% y-o-y (Scope 1 +2) | Carbon-neutral |
| Scope 2 GHGs (in tonnes CO ₂ -equivalents) – location-based calculation | 34,425 | 25,943 | 26,700 | 24,386 | | |
| Scope 2 GHGs (in tonnes CO ₂ -equivalents) – market-based calculation | | 30,267 | 23,607 | | -10% y-o-y (Scope 1 +2) | Carbon-neutral |
| Carbon intensity, Scope 1 & 2 (GHGs in tonnes CO ₂ -equivalents/DKKm revenue) – Scope 2 location-based | 2.58 | 2.24 | 2.2 | | | |
| Carbon intensity, Scope 1 & 2 (GHGs in tonnes CO ₂ -equivalents/DKKm revenue) – Scope 2 market-based | | 2.50 | 2.0 | | | |
| Scope 3, total (All categories) GHGs (in tonnes CO ₂ equivalents) - excluding process emissions | 210,300,000 | | 212,400,000 | | | |
| Scope 3, Category 1 (Purchased goods and services) GHGs (in tonnes CO ₂ - equivalents) | 1,800,000 | | 1,200,000 | | | |
| Scope 3, Category 6 (Business Travel) GHGs (in tonnes CO ₂ - equivalents) | 42,066 | 11,887 | 10,089 | | | |
| Scope 3, Category 11 (Use of sold products) GHGs (in tonnes CO ₂ - equivalents) | 208,500,000 | | 211,200,000 | | | |
| Scope 3, Category 11 (Use of sold products) GHGs (in tonnes CO ₂ - equivalents) – including process emissions | 334,600,000 | | 343,200,000 | | | |
| Scope 3, Category 11 (use of sold products) economic intensity (GHGs in tonnes CO ₂ -equivalents/DKKm order intake) | 10,663 | | 10,979 | | | 56% reduction versus 2019 |
| Water withdrawal (m ³) | 221,613 | 197,346 | 201,997 | 187,479 | | |
| Water withdrawal in high water-stress areas | 58% | 61% | 61% | | | |
| SUPPLY CHAIN | | | | | | |
| Number of suppliers screened for sustainability | 689 | 390 | 641 | 400 | 600 | 1,000 |
| Number of supplier screenings resulting in a new finding / non-conformity | 170 | 25 | 128 | | 100 | 100 |
| % of findings/non-conformities that have improvement plans agreed upon with suppliers | 54.1% | 56.0% | 80% | 80% | 80% | 95% |
| % of "new" high-risk suppliers screened for sustainability | 11% | 4% | 4% | | 20% | 95% |
| HUMAN RIGHTS | | | | | | |
| Human rights reviews (off-site) | 52 | 59 | 108 | 60 | 80 | 5% year-on-year improvement |
| Human rights impact assessments (on-site audits) | 7 | 0 | 1 | 2 | 3 | |
| Total number of white-collar employees who have received e-learning training on human rights | | | 28 | | 95% | 98% |

ACCOUNTING PRACTICES

| Topic and indicator | Accounting practice |
|---|---|
| SAFETY | |
| Lost Time Injury Frequency Rate (including contractors) | The lost-time injury frequency (LTIF) is calculated as the number of lost-time injuries and fatalities per one million hours worked. An LTI accident resulted in absence for more than one scheduled work day following the day of the accident. Subcontractors working hours are calculated based on actual hours reported by suppliers, hours written in tenders or actual/estimated hours for suppliers. Working hours for FLSmidth employees is calculated based on headcount and normal work week hours. |
| Total Recorded Injury Rate (including contractors) | TRIR accidents include fatalities, Lost time incident (LTI) , medically treated injuries (MTI) and Restricted Work cases (RWC) .The total recordable injury frequency rate (TRIR) is calculated as the number of TRI accidents per one million hours worked. |
| PEOPLE | |
| % women total | All employee types who are on FLSmidth's payroll and active on the date of the report. Excludes contractors but includes part-time employees and temporary workers. Share of women by year-end divided by all employees/managers at year-end.(or respective quarter end). |
| % women white-collar workers | Employees primarily performing professional, managerial or administrative work. Share of White collar women by year-end divided by all White collar employees at year-end.(Year-end or respective quarter end) |
| % women blue-collar workers | Employees primarily performing manual labour. Work includes manufacturing, mining, construction, warehouse work, etc. Share of Blue collar women by year-end divided by all Blue collar employees at year-end.(Year-end or respective quarter end) |
| % women managers | Women Employees with one or more direct reports. Share of Women managers by year-end divided by all managers at year-end.(Year-end or respective quarter end) |
| Internal participants training hours in corporate development programmes | We measure on number of hours spent on internal learning programmes for all employees in FLSmidth. This includes both digital and blended (face-to-face) courses created by any country, region or function in the organization. |
| % employees receiving performance and development reviews | We measure on % of completed End of Year Reviews within the population of active employees in the Worker Sub-Types 'Regular' and 'Apprentice/Trainee'. Based on number of employees as of March 2021. |
| COMPLIANCE | |
| Total number of whistleblower reports submitted | Includes reports submitted through FLSmidth's formal whistleblower hotline or by other means, such as e-mail, letter or in person. The figures include total number of reports received, as well as the number of admissible cases, i.e. cases that fall within the scope of topics allowed by whistleblower hotline reporting in accordance with the data privacy laws of the country in question. |
| Number of operations assessed for risks related to corruption | Reported as an accumulated number since 2016, as an annual figure since 2019. |
| Total number and percentage of in-person training for employees who have received training on anti-corruption | Employees no longer employed, and therefore not active in the human resource management tool, will not be counted as having completed the course, regardless of their previous status. |
| Total number and percentage of white collar employees that have completed E-Learning courses on anti-corruption | The number of people completing the mandatory compliance e-learning courses. Employees no longer employed, and therefore not active in the human resource management tool, will not be counted as having completed the course, regardless of their previous status. Contingent workers are included. |
| Number of in-depth due diligence screenings conducted | Includes in-depth due diligence reports on customers, intermediaries, contractors and occasionally other third parties. Reports included in this overview include in-depth human due diligence reports, ownership analysis due diligence reports and automated (DDIQ) reports with human interpretation. Reported as a yearly number from 2020. Prior to this, we reported an accumulated number since 2016. |
| Incidents of discrimination and harassment, and corrective actions taken | Includes reports on discrimination and harassment submitted to FLSmidth's Group Compliance department through the formal whistleblower hotline or by other means, such as e-mail, letter or in person. |

ACCOUNTING PRACTICES

| Topic and indicator | Accounting practice |
|---|--|
| <p>ENVIRONMENT</p> <p>Scope 1 greenhouse gas emissions (in tonnes CO₂-equivalents)</p> | <p>Scope 1 emissions are direct emissions of greenhouse gases and are measured as CO₂-equivalents. Scope 1 emissions for FLSmidth comprise fuel and gas use for various operational activities. Scope 1 involves three different categories: stationary combustion, mobile combustion and fugitive/process emissions. In 2021, emission factors from DEFRA were updated, according to the most recent list published, to calculate activity data to CO₂ equivalents.</p> <p>Stationary combustion: Measuring usage of fuel for power generation, heat and/or steam is based on invoices, meter readings and supplier reports, and is collected monthly for all entities within our financial control. When information is unavailable, entities estimate values based on previous months. As default emission factor for purchased fuels, we use GHG cross-sector calculation tools according to the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.</p> <p>Mobile combustion: Measuring usage of fuel for internal transportation movements at our locations and company owned modes of transportation is based on invoices, supplier reports and mileage balances, and is collected monthly for all entities. Leased cars are included only when within the financial control of FLSmidth. When information is unavailable, entities estimate values based on previous months. As the default emission factor for purchased fuels, we use GHG transportation calculation tools according to the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.</p> <p>Fugitive/process emissions: “Usage of refrigerant and other greenhouse gas consumption is based on invoices or information provided by the supplier and is collected monthly for all entities within our financial control. When information is not available, we make use of estimates based on consumption or by calculations. As the default emission factor for purchased refrigerants, we use the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly</p> <p>Biogenic CO₂ emissions are not relevant in our business operations.</p> <p>Customer sites during project-related activities are not included since we do not have financial control over those sites.</p> <p>Offices with fewer than 10 people are not included since most of the employees work from home and emissions are insignificant.</p> |
| <p>Scope 2 greenhouse gas emissions (in tonnes CO₂-equivalents)</p> | <p>Scope 2 emissions include indirect emissions from electricity, heat, steam and cooling purchased and consumed by FLSmidth. We use location-based and market-based methods for calculations of Scope 2 emissions. For location-based, emission factors are derived from the International Energy Agency (IEA). For market-based, residual emission factors for Europe and North America are derived from the European Residual Mixes 2020 Association of Issuing Bodies and the Green-Energy Residual Mix Emissions Rates (2019). If market-based residual emissions factors for certain sites are not available i.e., outside Europe and North America, we use location-based emission factors, cf. recommendations from the CDP web page. For market-based, if entities have purchased renewable energy as well as having certificates and/or building renewable energy on-site projects, we calculate them as having an emission factor of 0. If renewable energy on-site projects are connected directly to facilities, sites do not need certificates, and this is calculated as 0 emissions for both location- and market-based approaches.</p> <p>Electricity, purchased heat, steam or cooling consumption is based on invoices or meter readings, and is collected monthly for all entities within our financial control. For entities with shared office spaces and where consumption data are not accessible, the electricity use is estimated as 144 kWh/m²/year in temperate areas and 270 kWh/m²/year in subtropical areas.</p> <p>For location-based, we use IEA emissions factors, and for market-based, we use emission factors from IEA when residual factors were not available.</p> <p>Customer sites during project-related activities are not included since we do not have financial control over those sites.</p> <p>Offices with fewer than 10 people are not included since most employees work from home and emissions are insignificant.</p> |
| <p>Scope 3 downstream (use of sold products) economic intensity (greenhouse gas emissions in tonnes CO₂-equivalents/DKKm order intake)</p> | <p>Downstream scope 3 greenhouse gas emissions from lifetime use of sold products sold in the reporting year, divided by order intake for the same period. Process emissions are excluded.</p> |
| <p>Total Scope 3 greenhouse gas emissions (in tonnes CO₂- equivalents)</p> | <p>Scope 3 greenhouse gas emissions include indirect value chain greenhouse gas emissions, in line with the standards of the Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The total Scope 3 greenhouse gas emissions reported here are the sum of the individually reported categories for scope 3. Scope 3 categories with emissions below 0.1% of total scope 3 greenhouse gas emissions are not included in the reporting. Combined, these categories make up less than 0.1% of the total scope 3 greenhouse gas emissions, according to our 2019 baseline mapping. Numbers have been rounded to nearest hundred thousand tonnes of CO₂-equivalents, to reflect the inherent uncertainty of scope 3 calculations.. Process emissions are excluded. Business travel is included due to the existence of historical data.</p> |

ACCOUNTING PRACTICES

| | |
|--|--|
| Scope 3, Category 1 (Purchased goods and services) greenhouse gas emissions (in tonnes CO ₂ - equivalents) | Greenhouse gas emissions from purchased goods and services are estimated through amounts of purchased goods, based on spend and supplier data and product compositions. Upstream cradle-to-gate GHG emissions from the purchased goods are derived through the use of life cycle cradle-to-gate emission factors from the lifecycle databases in GaBi. Numbers have been rounded to nearest hundred thousand tonnes of CO ₂ -equivalents, to reflect the inherent uncertainty of scope 3 calculations. |
| Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO ₂ - equivalents) | <p>This category includes the current and expected future direct use-phase GHG emissions from our products sold in the reporting year, over their entire expected lifetime. As such, these emissions are not directly comparable to reported actual greenhouse gas emissions that have already occurred.</p> <p>Lifetime power and fuel consumption from the use of our sold products are converted into GHG emissions using conversion factors for electricity and fuels: For electricity, global IEA factors for GHG emissions in CO₂ equivalents per kWh, from electricity are used, including both CO₂, CH₄ and N₂O emissions. For fuels, DEFRA CO₂ equivalents conversion factors are used, including well-to-tank emissions. Greenhouse gas emissions from fuel burning is allocated to the products consuming the fuel energy.</p> <p>Numbers have been rounded to nearest hundred thousand tonnes of CO₂-equivalents, to reflect the inherent uncertainty of scope 3 calculations.</p> |
| Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO ₂ - equivalents) – including process emissions | This covers the Scope 3, Category 11 (Use of sold products) greenhouse gas emissions, as described above, including process emissions from raw materials for the cement industry.. Process emissions in cement occur due to a chemical reaction in raw materials when heated, and are a consequence of raw materials use, rather than equipment. Thus, this is thus included for transparency, but is not included in the total sum of Scope 3 greenhouse gas emissions. |
| Water withdrawal (m ³) | <p>Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumes from waterworks. The latest assessment was carried out in January 2022.</p> <p>For entities with shared office spaces and where consumption data are not accessible, the water use is estimated as follows: office/warehouse – 20 litres/pp/day, manufacturing facility – 35 litres/pp/day, facility with boilers in use – 50 litres/pp/day.</p> <p>Offices with fewer than 10 people are not included. Moreover, customer sites during project-related activities are not included since we do not have financial control over those sites.</p> |
| Share of water withdrawal in high water-stressed areas | Analysis on water withdrawal in water-stressed areas: Identification of entities in low, medium, high or extreme high water-stressed areas, using the Aqueduct Water Risk Atlas tool suggested in the GRI 303: Water and effluents standards 2018. The total water withdrawal amount from extreme high and high water-stressed areas was fractionated from the total water withdrawal from all entities globally and the percentage was calculated by region and globally. |
| 6. Business Travel | Carbon emissions from business travel is included in our Scope 3 reporting. The emission is based on the booking system of the main flight ticket provider and is collected on a quarterly basis. |

ACCOUNTING PRACTICES

| Topic and indicator | Accounting practice |
|--|--|
| SUPPLY CHAIN | |
| Number of suppliers screened for sustainability | Count of suppliers screened. Both active and potential new suppliers. A screening includes review of the suppliers Health and Safety, Environmental and Social performance. |
| Number of supplier screenings resulting in a new finding / non-conformity | A non-conformity is identified if the supplier does not comply with any of the critical criteria in the Supplier Code of Conduct. |
| % of findings/non-conformities that have improvement plans agreed upon with suppliers | Number of suppliers with improvement plans in place divided by total number of suppliers screened with a finding. Improvement plans are made for all suppliers with critical findings/non-conformities. A non-conformity is identified if the supplier does not comply with any of the critical parameters in the Supplier Code of Conduct. Findings leading to termination of relationship are not included. |
| % of "new" high-risk suppliers screened for sustainability | A supplier is considered "new" when no previous purchase has been placed with the supplier within the two previous years. Suppliers are categorized as high-risk if located in a geographical high-risk area and if yearly spend by FLSmidth is above 1 mDKK. A screening includes review of the suppliers Health and Safety, Environmental and Social performance. |
| HUMAN RIGHTS | |
| Human rights review (off-site) | Number of human rights compliance reviews or impact assessments conducted in the reporting year. Human rights compliance reviews are based on written desktop reports and might lead to an on-site impact assessment. |
| Human rights impact assessment (on-site) | Impact assessments are always conducted on site. Both human rights compliance reviews and impact assessments can, in some cases, be part of compliance due diligence reports. FLSmidth conducts human rights compliance reviews and impact assessments on offices, production sites and customer sites where FLSmidth has employees stationed. Compliance reviews and impact assessments concerning offices are mostly policy-focused, while operations are more process-focused. |
| Total number of white collar employees who have received e-learning training on human rights | Includes employees trained in basic introduction to human rights through e-learning |

ACCOUNTING PRACTICES

| Topic and indicator | Accounting practice |
|------------------------------|--|
| EU TAXONOMY | |
| Eligible Revenue | <p>FLSmidth defines revenue-generating eligible equipment and technologies as those aimed at substantial GHG emission reductions in the value proposition of the product offering. They do so by improving directly or enabling energy efficiency or enabling alternative fuels switches. Eligible revenues include the sale of product and solutions, as well as spare and wear parts.</p> <p>These technologies and products must meet the Article 16 requirements i.e., not leading to a lock in of assets that undermine long term environmental goals and have a substantial positive environmental impact, based on life cycle considerations.</p> <p>Eligible products and activities were categorized either as “3.6 Manufacture of other Low Carbon Technologies” and “8.2 Data-driven solutions for GHG emission reduction”, contributing substantially to climate change mitigation. The denominator of the revenue KPI is ‘total revenue’ (Note 1.4 in the consolidated notes of the 2021 annual report).</p> |
| Eligible Opex | <p>Eligible OPEX, includes any of the following types of spend:</p> <p>(a) related to assets or processes that are associated with Taxonomy-aligned economic activities (“3.6 Manufacture of other low-carbon technologies” and “8.2 data-driven solutions for GHG emission reduction”);</p> <p>(b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned</p> <p>(c) related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to GHG reductions</p> <p>(d) related to non-capitalised R&D aligned with “Close to market research, development and innovation”</p> <p>The denominator of the OPEX KPI is a subset of DIRECT non-capitalised costs relating to:</p> <ul style="list-style-type: none"> • Research and development, • Building renovation measures, • Short-term leases, • Maintenance and repair, and <p>Any other direct expenditures for the day-to-day servicing of assets of property, plant and equipment by FLSmidth, or outsourced to a third party, that are necessary to ensure the continued and effective functioning of such assets. Of the above categories, expensed R&D is disclosed under note 2.2 in the consolidated notes of the 2021 annual report. Where the remaining categories identified were a minor subset of ‘production costs’; note 1.2.</p> |
| Eligible Capex | <p>Eligible CAPEX are investments related to the following EU Taxonomy activities: “3.6 Manufacture of other low carbon technologies”, “8.2 Data-driven solutions for GHG emissions reductions” and “Installation, maintenance and repair of energy efficiency equipment”, “ Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)”, “Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings” and “Installation, maintenance and repair of renewable energy technologies”</p> <p>Eligible CAPEX, includes any of the following types of spend:</p> <p>(a) related to assets or processes that are associated with Taxonomy-aligned economic activities;</p> <p>(b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned (‘CapEx plan’)</p> <p>(c) related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to GHG reductions</p> <p>We included in the numerator of the eligible CAPEX capitalized R&D, production processes, and investments in non-revenue generating activities described above. The denominator of the CAPEX KPI includes total additions to Intangibles and Tangibles (including capitalised leases), including those from business combinations (Notes 2.2, 2.4 and 2.5 in the consolidated notes of the 2021 annual report).</p> |
| RESTATEMENT THRESHOLD | A threshold of 3% is used for ‘material changes’ in numbers. Changes below that threshold will not be restated. No restatements were made this year. |

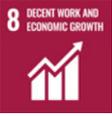
SDG TARGETS – TOP PRIORITY

**THROUGH
MISSIONZERO**

| SDG | | SDG targets | | FLSmidth targets – MissionZero | | | | |
|---|---|-------------|--|---|-------------------------|--|---|---|
| Icon | Name | Number | Description | Icon | Name | Description | | |
|  | CLEAN WATER AND SANITATION | 6.3 | By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally |  | ZERO WATER WASTE | MINING: Enable zero discharge and 100% re-use. | | |
| | | 6.4 | By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity | | | | | |
|  | AFFORDABLE AND CLEAN ENERGY | 7.2 | By 2030, increase substantially the share of renewable energy in the global energy mix |  | 100% FUEL SUBSTITUTIONS | CEMENT: Eliminate the need for fossil fuels and deliver solutions for 100% alternative fuel. | | |
| | | 7.3 | By 2030, double the global rate of improvement in energy efficiency | | | | ZERO ENERGY WASTE | MINING: Reduce energy costs and energy waste, especially from energy intensive mills. |
|  | RESPONSIBLE CONSUMPTION AND PRODUCTION | 12.2 | By 2030, achieve the sustainable management and efficient use of natural resources |  | ZERO WASTE | CEMENT: No waste heat, use of waste streams as raw material and circular processes | | |
| | | 12.4 | By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle , in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment | | | | ZERO WASTE | CEMENT: No waste heat, use of waste streams as raw material and circular processes |
| | | 12.5 | By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse | | | |  | ZERO EMISSIONS |
|  | CLIMATE ACTION | 13.2 | Integrate climate change measures into national policies, strategies and planning |  | ZERO EMISSIONS | CEMENT: Reduce emissions from fuel burning and reduce process emissions related to clinker. MINING: Eliminate emissions from use of fossil fuels in transportation and minerals processing. | | |

SDG TARGETS – HIGH FOCUS

THROUGH OPERATIONAL SUSTAINABILITY

| SDG | | SDG targets | | FLSmidth targets – operational sustainability | | |
|---|---|-------------|--|---|--------------------------------------|---|
| Icon | Name | Number | Description | Area | 2030 ambition | 2030 target, where applicable |
|  | GENDER EQUALITY | 5.5 | Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life | People diversity | A diverse and inclusive organisation | % of women total: 25% % of women managers: 30%* |
|  | DECENT WORK AND ECONOMIC GROWTH | 8.7 | Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms | Human rights | Safeguard standards | - |
| | | 8.8 | Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment | Safety | Zero harm | LTIF (incl. contractors): 10% Y-o-Y improvement TRIR (incl. contractors): 10% Y-o-Y improvement |
|  | REDUCED INEQUALITIES | 10.3 | Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard | Compliance | Transparency and compliance | - |
|  | RESPONSIBLE CONSUMPTION AND PRODUCTION | 12.6 | Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle | Supplier management | Reduced footprint | Suppliers setting science-based targets: 30% of spend |
| | | 12.7 | Promote public procurement practices that are sustainable, in accordance with national policies and priorities | | | |
|  | CLIMATE ACTION | 13.2 | Integrate climate change measures into national policies, strategies and planning | | | |
| | | | | Environment | Enable zero emissions | CO ₂ emissions Scope 1 and 2: Carbon-neutral Scope 3 downstream: Economic intensity 7% Y-o-Y improvement |
|  | PEACE, JUSTICE AND STRONG INSTITUTIONS | 16.5 | Substantially reduce corruption and bribery in all their forms | Compliance | Transparency and compliance | - |
| | | 16.6 | Develop effective, accountable and transparent institutions at all levels | | | |

Compliance and mitigate negative impacts: Rest of the SDGs and SDG targets

* as part of our white collar employees base

NEW AND DESCOPED INDICATORS

LIST OF DESCOPED INDICATORS

SAFETY

-

PEOPLE

Internal participants having undergone corporate development programmes

COMPLIANCE

Numbers of in-depth due diligence screenings conducted (cumulative from 2016 to 2019).

ENVIRONMENT

-

SUPPLY CHAIN

HUMAN RIGHTS

LIST OF NEW INDICATORS

SAFETY

-

PEOPLE

-

COMPLIANCE

Type of whistleblower report: Compliance

Type of whistleblower report: Finance

Type of whistleblower report: Other

ENVIRONMENT

Scope 3, Category 1 (Purchased goods and services) greenhouse gas emissions (in tonnes CO₂- equivalents)

Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO₂- equivalents) & Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO₂- equivalents) – including process emissions

Total Scope 3 greenhouse gas emissions (in tonnes CO₂- equivalents)

Scope 3 downstream (use of sold products) economic intensity (greenhouse gas emissions in tonnes CO₂-equivalents/DKKm order intake)

Taxonomy Eligible Revenue

Taxonomy Eligible Opex

Taxonomy Eligible Capex

SUPPLY CHAIN

% of supplier spend with Suppliers that have a Science-Based Target

HUMAN RIGHTS

Online training (e-learning) for white-collar employees

STANDARDS AND DISCLOSURES

FLSmidth's Sustainability Report ('report') has been published every year since 2010. The contents, disclosures and performance data in the FLSmidth Sustainability Report 2021 are produced with reference to specific mandatory and selected voluntary standards and frameworks. This section provides a high-level overview how these standards are applied across the report, to which extend and where specific omissions are made. Where needed, reference is made to specific pages.

Boundaries

The content and topics covered in this report reflect the areas where, in terms of sustainability, our direct impact occurs. In this regard we have a special focus on the environmental, social and economic impact across our value chain. Taking a life cycle approach, we report on the impacts from the production in our supply chain, our own operations and at customers' sites. (p. 9, 24-25)

European common enforcement priorities for 2021 annual financial reports, including non-financial statements

The 2021 Report includes disclosures for the following requirements:

- Impact of the COVID-19 pandemic on non-financial matters (p.4-5 and 28)
- Social and employee matters – most notably in relation to the extensive use of remote working arrangements and compliance with health and safety rules (p. 28 and 31)

- Business model and value creation, with the emphasis on the need to provide disclosures on the impact of the pandemic on the business model and value creation (p. 4-5 and 29)
- Risks relating to climate change, taking into account physical and transition risks (p. 37)

Financial Statements Act

The Sustainability Report is in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act.

United Nations Global Compact – Communication on Progress

The Sustainability Report 2021 is our Advanced Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

Global Reporting Initiative (GRI)

We publish a separate GRI Standard table along with our annual Sustainability Report that can be downloaded at flsmidth.com/sustainabilityreview2021

GRI 207: Tax

FLSmidth has acknowledged the introduction of the new GRI:207 reporting standard on tax. Tax is a material topic for FLSmidth.

Task Force on Climate-related Financial Disclosures (TCFD)

To better understand, manage and disclose the impacts of climate changes – both in terms of risks to our own business and to our customers as well as potential opportunities due to stronger demand for climate-related solutions, we are aligning our practices and reporting with the TCFD recommendations. Our findings can be found on page 35. We will

further align on the TCFD recommendations in 2022.

EU Taxonomy

Our disclosure has been based on our best interpretation of the EU Taxonomy Regulation and delegated acts.

Science-Based Targets

Our disclosure related to our Science-Based Targets has been based on the Science-Based Target Initiative guidelines.

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT

To the stakeholders of FLSmidth & Co. A/S

We have been engaged by **FLSmidth & CO A/S** ("FLSmidth") to perform a 'limited assurance engagement', as defined by International Standards on Assurance Engagements, to report on on FLSmidth's Sustainability Report 2021 (the "Subject Matter") as of 1 January 2021 to 31 December 2021.

In preparing the Sustainability Report, FLSmidth applied the accounting policies (the "Criteria") prepared in accordance with the reporting approach and criteria described on pages 45-49.

Management's responsibilities

FLSmidth's management is responsible for selecting the Criteria, and for presenting the the Sustainability Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject matter, such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on our procedures and the evidence we have obtained. We conducted our engagement in

accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000') and additional requirements under Danish audit legislation. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria.

We have maintained our independence and confirm that we have met the requirements of the ethical standards under International Ethics Standards Board for Accountants' international guidelines for Professional Accountants (IESBA), which rely on general principles regarding integrity, objectivity, professional competence and due care, confidentiality, and professional conduct, and have the required competencies and experience to conduct this assurance engagement. EY Godkendt Revisionspartnerselskab also applies International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance

engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Sustainability Report 2021 and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Interviews with relevant company professionals responsible for sustainability strategy, management and reporting located at FLSmidth's headquarter in Valby
- Three virtual site visits, which included interviews of relevant company professionals to understand the process for collecting, collating, and quality-reviewing data on a regional level
- Checked, on a sample basis, that the calculation criteria have been correctly

applied in accordance with the methodologies outlined in the Criteria

- Analytical review procedures to support the reasonableness of the data

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, nothing came our attention that causes us to believe that FLSmidth's Sustainability Report for the period from 1 January 2021 to 31 December 2021 have not been prepared, in all material respects, in accordance with the Criteria described on pages 45-49.

Copenhagen, 16 February 2022,
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
Partner,
State Authorised
Public Accountant
mne24687



Carina Ohm
Partner
Head of Climate
Change and
Sustainability
Services

Sustainability Report 2021
1 January – 31 December 2021

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