Sustainability Report 2023
1 January – 31 December 2023

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Sustainability Report 2023

Mission Zero Towards zero emissions by 2030

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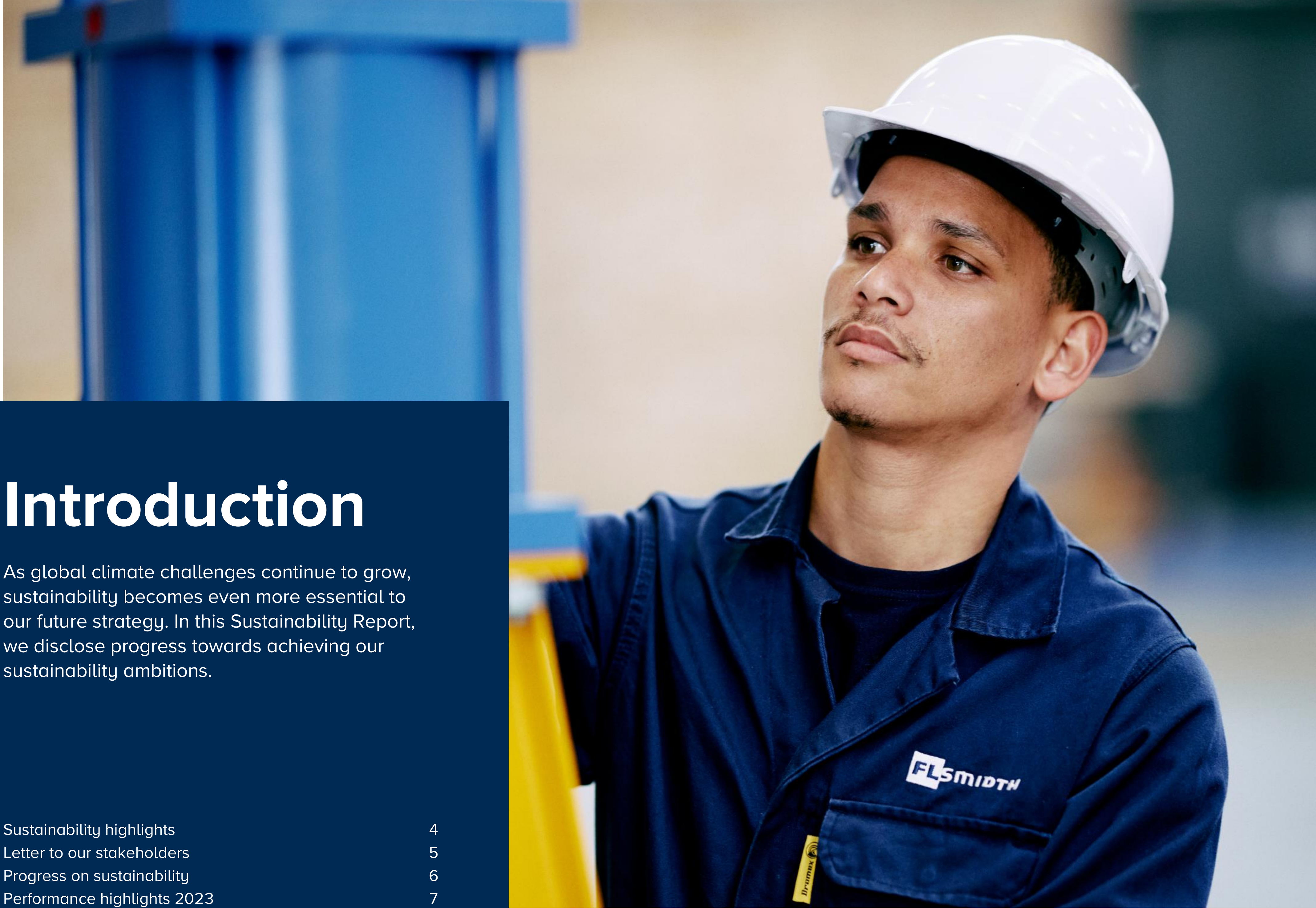
COMMUNICATION ON PROGRESS

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 2023 Sustainability Report describes the non-financial performance of FLSmidth & Co. A/S, based in Copenhagen, Denmark, and supplements the 2023 Annual Report, Corporate Governance Statement, Tax Report and Remuneration Report. The report has been published every year since 2010, guided by Global Reporting Initiative (GRI) standards. As of 2022, we no longer publish a GRI index. The report is prepared in compliance with sections 99a and 107d of the Danish Financial Statements Act and EU taxonomy regulation disclosure requirements. FLSmidth & Co. A/S is listed on NASDAQ OMX Copenhagen.

2023 reports
Our reports provide financial, operational and performance information about FLSmidth's business in 2023.



Introduction

As global climate challenges continue to grow, sustainability becomes even more essential to our future strategy. In this Sustainability Report, we disclose progress towards achieving our sustainability ambitions.

Sustainability highlights

Sustainability in mining

Enabling the energy transition

Our launch of new technologies for lithium processing is enabling more sustainable exploration of critical battery minerals.

Sustainability in cement

Removing fossil fuels from cement production

With the newly launched FUELFLEX® Pyrolyzer technology, cement producers can use more alternative fuels and reduce their NOx emissions.

Meeting our commitments

Science-based targets

We are making good progress on our science-based targets and have increased our EU taxonomy alignment, significantly advancing our climate change mitigation efforts.

Diversity, equity and inclusion

More diversity in our workplace

The percentage of women employed increased to 20.4%, reflecting improvement in our inclusive hiring and development practices.

Environmental performance

Reduced environmental footprint

Energy reduction initiatives, such as more renewable energy, are driving down our own CO_2 emissions and keeping us on track towards our 2030 targets.

Letter to our stakeholders

Accelerating the transition together

At the end of 2022, we introduced new company strategies and reinforced sustainability as a key focus area for our mining and cement businesses. During 2023, we reviewed our sustainability performance to ensure we can achieve our goals while aligning with the growing expectations of our stakeholders. As a result, we are now establishing a stronger operating model that will integrate sustainability deeper into our operations, ensuring increased cross-company accountability and coordination while moving us closer to our ESG targets and MissionZero ambition to enable zero emissions in mining and cement.

The year also witnessed the completion of the integration of the former Mining Technologies. We are seeing the value of the additional solutions from Mining Technologies, which provide customers with more opportunities to improve their sustainability footprints.

At FLSmidth, we have significant potential to contribute to global decarbonisation by enabling mining companies and cement producers to reduce their environmental impact. We will achieve this with innovative technologies that reduce emissions, water use and energy consumption, while implementing responsible sourcing practices and circularity across the value chain.

We already deliver many solutions to enhance productivity and reduce environmental impact. In mining, for example, our MissionZero Mine flowsheets for copper and lithium are important steps towards sustainable growth in critical minerals. Next-generation high-pressure grinding rolls provide up to 15% energy savings. Thickener upgrades save millions of cubic metres of water and new crusher technology reduces specific power consumption by up to 50%. In cement production, our clay calcination technology reduces CO_2 emissions by up to 40%. These are all examples of how we are walking the talk and delivering real solutions to back up our MissionZero commitments.

As the urgency to meet sustainability targets intensifies, accelerating change demands even greater commitment and collaboration from all stakeholders throughout the value chain.
In 2023, we continued to innovate together with customers, suppliers, universities and other partners, and we will continue to further our partnerships going forward.

I am pleased to see we improved and met our annual targets in most of our ESG focus areas, including water withdrawal and gender diversity, as well as our science-based targets for value chain emissions. It was, however, also a year in which safety performance fell, and we are taking actions to protect the safety and well-being of all employees.

We remain committed to the Principles of the UN Global Compact, increasingly evaluating the impacts of our business in accordance with the latest regulations and directives, including the EU Corporate Sustainability Reporting Directive. During 2024, we will further evaluate our potential and actual impacts, risks and opportunities, and take further steps to integrate biodiversity, circularity and other key topics into our policy framework.

I want to thank all colleagues and partners for their efforts. As we approach 2030, there is a lot to do, but with the progress so far, I am confident that together we will play a key role in advancing society's sustainability goals.

Mikko Keto
Group CEO

Progress on sustainability

We are making steady progress towards our 2030 sustainability goals, including our science-based targets. Our Sustainability Report 2023 reflects the full integration of Mining Technologies in our business.

In September 2022, we assumed financial control of Mining Technologies. This impacted our sustainability performance in 2023 by introducing emissions from a full year of Mining Technologies' operations into our overall emissions profile. The integration necessitated updates in our emissions calculation to encompass the full scope of our business activities. Adjustments were made to align our 2022 performance with the guidance from the upcoming Corporate Sustainability Reporting Directive regulations, emphasising emissions reporting based on financial control.

As we continuously enhance our scope 3 reporting, we have recalculated our 2019 base year figure and 2022 figures for scope 3 economic intensity according to three methodology changes:

- Inclusion of Mining Technologies' emissions and order intake
- Inclusion of electricity transmission and distribution emissions
- Correction of lifetimes of some product lines

Our economic intensity indicator represents the greenhouse gas emissions from the lifetime use of products sold in the year as a function of order intake for the same period. The updated 2019 base year figure of 9,248 tonnes CO_2e/DKKm (order intake), which is lower than the originally reported figure of 10,659, is due to the inclusion of Mining Technologies' order intake and is related to products that had a relatively lower emissions impact than the legacy FLSmidth product mix (see Figure 2). Read more about our methodology update on pages 26-27.

As our scope 3 economic intensity continues to fall, we are on track to meet our 2030 target of a 56% reduction against the updated base year figure. In addition, we are seeing steady progress in our scope 1 and 2 emissions performance, despite the inclusion of Mining Technologies (see Figure 1). We are on track to reduce our absolute scope 1 and 2 GHG emissions by 100% by 2030 from a 2019 base year.

We are seeing steady, positive progress in our scope 1, 2 and 3 performance. With sustainability fully integrated in our company strategies, we expect to continue to progress on our key targets by offering more sustainable solutions to customers, improving our environmental, social and governance performance, and engaging with customers, suppliers and other partners.

Figure 1: Scope 1 and 2 greenhouse gas emissions (market-based)

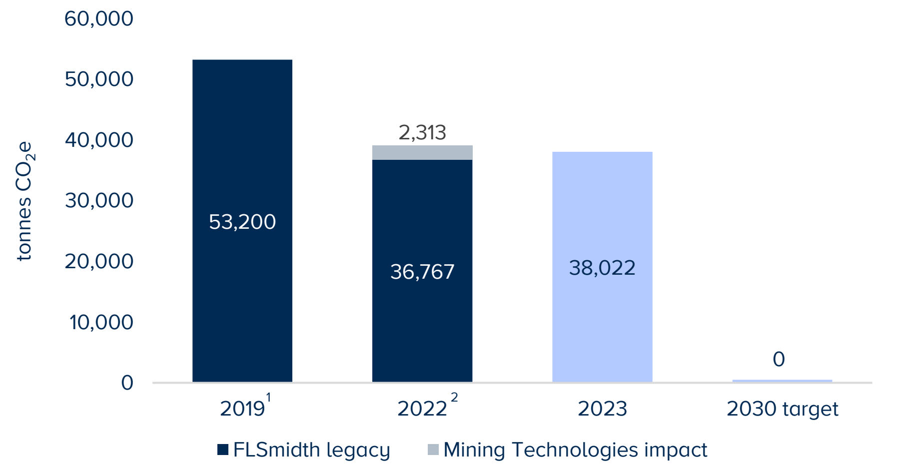
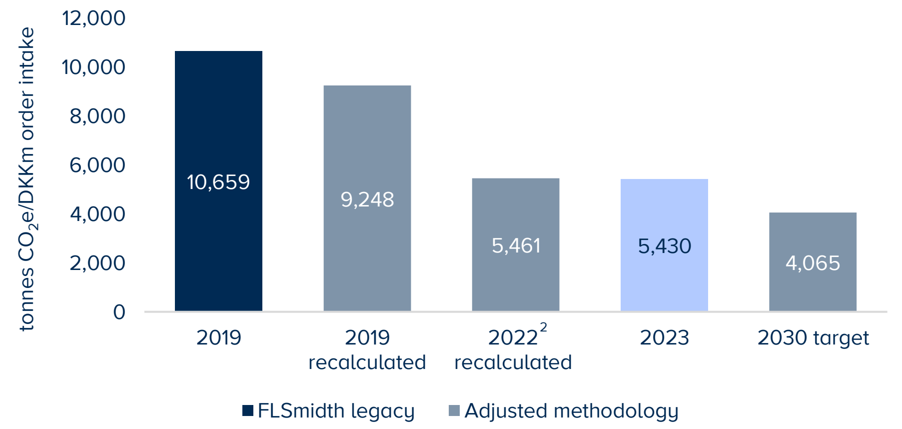


Figure 2: Scope 3: Economic intensity (use of sold products)



1. The 2019 scope 1 and 2 figure used the location-based approach and was restated in our 2020 Sustainability Report.
2. Includes the impact of Mining Technologies over the last four months of 2022.

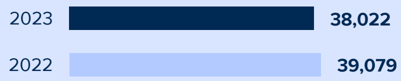
Performance highlights 2023

We align our business with the core principles of environmental, social and governance responsibilities. In 2023, we progressed in all our sustainability performance indicators except safety. All performance figures include Mining Technologies as of 1 September 2022.

Scope 1 and 2 greenhouse gas emissions[1]
tCO_2e (market-based)

38,022

2.7% improvement

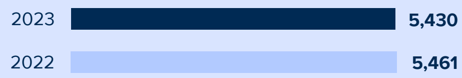


Scope 1 and 2 CO_2 emissions fell within our 2023 target. Despite the integration of Mining Technologies in 2023, emissions decreased due to site consolidation and ongoing emissions reductions initiatives. This includes scope 2 (market-based) emissions decreasing as renewable electricity coverage increased from 21% to 26%.

Scope 3: Economic intensity (use of sold products)[2]
tCO_2e/DKKm order intake

5,430

0.6% improvement

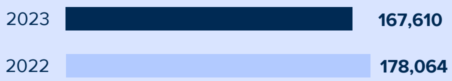


Scope 3 economic intensity improved from 2022, maintaining the strong reduction shown in the previous year. This is due to the sales split between less emissions-intensive products in Mining versus high emissions-intensive products in Cement remaining stable. Economic intensity decreased by 41.3% from our 2019 base year, placing us significantly ahead of the trajectory to meet our 2030 goal of a 56% reduction.

Water withdrawal
m^3

167,610

5.9% improvement

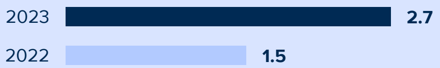


Water withdrawal was reduced by 5.9% from 2022. However, water withdrawal from water-stressed areas increased as our exposure to water stress grew with acquired Mining Technologies sites and as other regions experienced high water stress. Expanding on our water reduction initiatives, we will launch a water conservation plan aligned with local and regional regulations in 2024.

Safety (Total recordable injury rate)
Total recordable injury rate/million working hours

2.7

1.2 deterioration

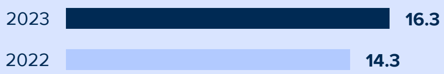


Safety performance significantly deteriorated during the year, primarily due to increased frequency of incidents at manufacturing sites, organisational changes resulting in loss of knowledge, and greater use of third-party contractors. We remain committed to our Zero Harm safety ambition and are implementing more knowledge-sharing activities and training.

Women managers
%

16.3

2.0%-point improvement

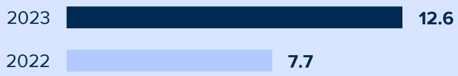


We achieved our 2023 target and are progressing well towards our 2030 target of 25%. This reflects the success of our inclusive and focused hiring practices and more women promoted into leadership.

Spend with suppliers with science-based targets
% of total supplier spend

12.6

4.9%-point improvement



We surpassed our 2023 target for spend with suppliers with science-based targets. This was mainly due to more of our larger suppliers committing to the Science Based Targets initiative and reflects our ongoing engagement with suppliers to promote environmentally responsible practices. Our 2025 target is for 30% of our spend to be with suppliers that have set science-based targets.

EU taxonomy-aligned revenue
% of total revenue

6.2

4.8%-point improvement

The increase in EU taxonomy-aligned revenue was driven by a successful technical screening in compliance with relevant standards, specifically the completion of a life cycle assessment of additional technologies in 2023. We expect aligned revenue to continue to grow as we complete more life cycle assessments of MissionZero products and improve our ESG standards across the value chain.

Notes:
1. To align with upcoming CSRD reporting requirements, scope 1 and 2 emissions data in 2022 is updated to reflect our financial control of Mining Technologies. Emissions data from Mining Technologies was disclosed separately in our 2022 Sustainability Report.
2. In 2023, we updated our scope 3 calculation methodology. The 2022 figure is updated to reflect this and the inclusion of Mining Technologies.

Management review

Through advanced technologies, efficient resource management and innovative solutions, we aim for a more sustainable future in mining and cement, aligning with rigorous environmental, social and governance standards.

Business strategy and sustainability

FLSmidth supplies technologies and services to mining and cement operations throughout the world, serving customers in more than 150 countries and with a local presence in over 60 countries. We help our customers improve their operational performance while reducing the environmental impact of their operations by providing know-how, innovative technology and tailored services. With sustainability a core component of our company strategies, we aim to encourage and enable sustainable business practices across the mining and cement industries. Our ambition is to enable our customers to operate with zero emissions by 2030.

Mining for a sustainable world

The mining industry plays a pivotal role in the transition towards sustainable energy, supplying critical minerals, such as copper, lithium, nickel, cobalt and rare-earth minerals, necessary for electric vehicles and renewable energy. With the shift towards net-zero emissions, the demand for these minerals is projected to surge.

But with this growth comes challenges. The industry must contend with geological complexities, including declining ore grades, access to deposits and environmental sensitivities. It needs to reduce emissions, energy use, water consumption and pollution while adopting circular economy practices to reduce waste. Overcoming supply chain disruption, actively enhancing biodiversity and considering the needs of local communities are key steps towards achieving sustainable, long-term value. For the mining industry to fulfil its role in shaping a more sustainable global economy, it must seamlessly integrate these environmental, social and governance (ESG) factors into its core business strategies.

We help the mining industry meet its sustainability challenges by supplying innovative technology and services for minerals processing. Building on extensive industry knowledge and close partnerships, our solutions allow miners to enhance productivity and align with ESG commitments by focusing on reducing energy usage, water consumption and emissions.

Driving the green transition in cement

The growth in urban infrastructure is driving transformation in cement production methods. While the cement industry faces several short-term challenges from global macroeconomic and geopolitical uncertainties, the most pressing concern lies in its environmental impact, with industry emissions comprising roughly 7% of global emissions. To combat this, the industry needs to reduce energy consumption, adopt emission-curbing technologies, such as fuel substitution, clinker substitution and carbon capture, adopt circular economy practices, and prevent biodiversity loss. Balancing these challenges is the need to cut costs, maintain quality and attract qualified labour, all while navigating evolving regulatory pressures.

With a proven track record as a leading technology and service provider, we aim to significantly reduce the carbon intensity of cement production through innovative design, new technologies and strategic partnerships. To drive the adoption of green cement technology, we are committed to ongoing research and development to pioneer further innovations while working with partners along the value chain to stimulate demand for low-carbon cement.

The impact of our business

We are part of the mining and cement industries, both known for their substantial environmental and social impacts locally and globally. The industries combined contribute approximately 10% of the world's CO_2 emissions, and the operations of mining and cement companies are often prominent in their local communities, emphasising the need for sustainable practices. This is a key reason we take a value chain approach to evaluating the impact of our business. Our impact goes far beyond our own operations and is directly tied to the operations of our suppliers and customers. It is particularly significant that 99% of our value chain emissions are generated from customers' use of our products over their operational life.

Materiality and stakeholders

Our value chain approach enables us to identify potential material issues and opportunities, which we disclose in our sustainability reporting. We welcome the greater attention on harmonisation of sustainability requirements and disclosures by customers, analysts and regulators. We are increasingly evaluating the impacts of our business in accordance with the latest regulations and directives. To prepare for the upcoming EU Corporate Sustainability Reporting Directive (CSRD) requirements on double materiality, we have completed an impact materiality assessment as an update to our previous materiality assessment. When updated and finalised, the results of the double materiality assessment will help us prioritise future activities and disclosures.

To ensure all potential impacts were identified, we thoroughly assessed all sector-agnostic topics within the European Sustainability Reporting Standards (ESRS) together with additional sector-specific topics stemming from GRI, the Copper Mark and other relevant sources. The findings are also based on our due diligence processes, Task Force on Climate-related Financial Disclosures (TCFD) assessment, human rights salience assessment and employee surveys.

We also consider a broad range of perspectives through continuous dialogue with various stakeholder groups, such as industry associations, peers, suppliers, customers, communities and more. This dialogue is necessary for us to achieve a supportive policy environment, active involvement from civil society and strong collaboration across the value chain.

The impact assessment has not only reinforced our current strategic focus areas, but also allowed us to identify and prioritise additional impact areas across our value chain, which we will report on from 2024. Our assessment revealed that we have impacts within topics of increasing materiality to our business, including biodiversity and ecosystems, resource use and circular economy, and affected communities. We will further address these topics by refining appropriate actions in 2024 as part of our CSRD compliance.

Our current impact areas under focus in this report are described in the illustration on page 12. Once the double materiality assessment is finalised, new identified areas will be introduced in next year's report.

Governance structure

Operating model

Following a thorough strategic review of our sustainability approach in 2023, we are implementing a new operating model to further embed sustainability in our business and our organisational culture, ensuring clear accountability and coordination across the company. The model involves embedding ESG criteria into the capital expenditure approval and budgeting processes, integrating sustainability KPIs into business processes and incentive schemes, and establishing global sustainability standards across products, services and sites and at Group level.

Accountability

A strong governance structure is essential for embedding sustainability in our organisation. The Board of Directors addresses sustainability updates every quarter and conducts an annual sustainability review to ensure it can effectively guide ongoing developments. This includes reviewing and approving our various policies annually. Group Executive Management acts as the company's Sustainability Board and holds overall accountability for the direction, progress and focus of our sustainability work, while the daily implementation of the strategy, underlying ambitions and policies to support sustainable development lies with relevant functions and ESG policy owners.

Key to our governance structure are targets and corresponding KPIs that are cascaded throughout the business. Our long-term incentive plan connects the remuneration of FLSmidth's senior management with progress in "economic intensity", which links our business growth with selling more energy-efficient, less CO_2-intensive products. The weighting of the sustainability KPI for Group Executive Management is 20%.

As part of the newly introduced operating model, we are progressively introducing sustainability-based performance objectives within relevant employees' annual performance and development plans. Sustainability is included in the bonus programme for employees working in selected sales functions.

What is double materiality?

A double materiality assessment consists of two main elements: how our activities impact society and the world, and how the world around us impacts our financial performance. To date, we have completed an update to the assessment of how our activities impact society, with the financial assessment to be updated and concluded in early 2024.

How we create sustainable value

Our assessment of impacts, risks and opportunities to date has reinforced a significant opportunity for us to address key global sustainability issues, particularly related to climate change mitigation. We aim to achieve this by helping the mining and cement industries address their environmental impact. The insights gained from our assessments shape our ambitions as we strive to be a key sustainability partner for our stakeholders, driving sustainable business practices across the industry value chains.

Our approach to sustainability, shown in the Sustainability Wheel, focuses on two broad areas: helping our customers reduce their environmental impact through technological solutions (MissionZero), and continually improving our own environmental, social and governance performance (ESG) across our value chain.

MissionZero

MissionZero is our technology-based sustainability programme in which we help customers accelerate towards more sustainable operations, reduce their environmental footprint and benefit from the green transition and global infrastructure development. The programme focuses on helping customers reduce emissions, energy consumption, water consumption and use, and waste. Given the significance of downstream emissions in our value chain, their reduction is crucial to our long-term business performance. Our scope 3 downstream greenhouse gas (GHG) emissions reduction target is aligned with the Science Based Targets initiative and is part of our commitment to working towards the UN Sustainable Development Goals (SDGs).

Read more about our priorities and actions related to MissionZero on page 13 and our performance in these areas on page 19.

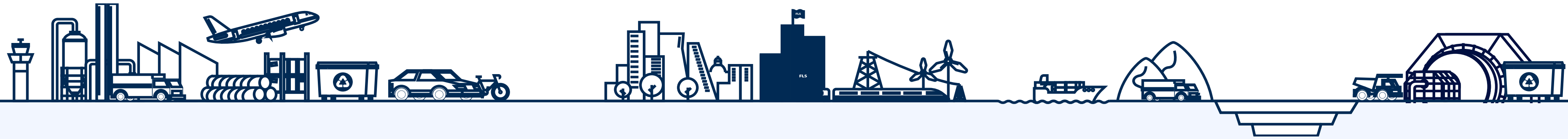
Environmental, social and governance

Through our ESG efforts, we address the impact of our own operations, and those of our customers and suppliers, across the entire value chain. We set measurable targets and specify corresponding actions for material issues. These include addressing our scope 1, 2 and 3 GHG emissions in accordance with the Science Based Targets initiative; cultivating a safe, diverse and inclusive workplace for our people; implementing clear standards for our suppliers; and upholding rigorous compliance and human rights standards. Our ESG commitments and targets are closely connected to the SDGs. We manage these material issues through clearly defined responsibilities and standardised processes to drive progress and effectiveness. Our approach encompasses continuous performance monitoring to identify potential issues and determine necessary actions.

Read more about our ESG priorities and actions on pages 14-17 and our performance in these areas on pages 20-24.

Through our technology-based sustainability programme MissionZero, we help our customers reduce the environmental impact of their operations. We take a holistic approach to ESG, integrating stringent governance and human rights standards, developing a diverse, inclusive workplace, and engaging collaboratively with customers and suppliers.

Our impacts across the value chain



	Supply chain Upstream	Own operations	Customers Downstream
Emissions	**Production of materials** Page 17	**Energy and heating** Page 14	**Lifetime use of our products** Page 19
Water	**Production of materials** Page 17	**Offices and sites** Page 14	**Mining and cement operations** Page 13
Circularity	**Recovering, reusing and recycling materials** Page 23	**Developing new products** Page 13 **Waste management** Page 14	**End-of-life treatment of our products** Page 13
Health and safety	**Manufacturing work environment** Page 17	**Work environment** Page 15	**Use of our products** Page 13
Human rights	**Manufacturer employee rights** Page 17	**Employee rights** Page 15	**Mining and cement operations** Page 15
Diversity		**Equal opportunities for employees** Page 15	
People development		**Empowering and upskilling employees** Page 15	
Corruption and bribery	**Business practices in supply chain** Page 17	**Whistleblower process** Page 23	**Business practices in mining and cement operations** Page 16

MissionZero

Mission Zero Towards zero emissions by 2030

Through our MissionZero programme, we help mining and cement companies to reduce their environmental footprints by developing more sustainable technologies and optimising production processes.

To guide and measure the progress of our MissionZero programme, we have aligned our business targets with the 2015 Paris Agreement and have validated science-based targets against the 1.5°C scenario. Our targets address our scope 1, 2 and 3 GHG emissions. Our downstream scope 3 emissions, which account for 99% of our value chain emissions, are specifically linked to our MissionZero programme. We have set an economic intensity target to decouple the growth of our business from the growth in emissions. Economic intensity represents the annual emissions of products sold as a function of order intake. Our 2030 target is to reduce economic intensity by 56% against a 2019 baseline.

Innovative technologies

We focus our research and development activities on developing more sustainable solutions. For our mining customers, we optimise flowsheets for processing copper, gold and lithium. This includes enabling mining companies to reduce energy consumption in the comminution process, one of the most energy-intensive stages in mining. This contributes to a reduced environmental footprint while also reducing costs. Our technologies also help mining companies to drastically reduce water usage. In cement, we enhance the use of alternative, less carbon-intensive fuels and integrate calcined clay into production processes. We also focus on applying carbon capture technologies to mitigate the heavy carbon emissions associated with cement production.

Our approach is collaborative. We have strong technical partnerships with customers, universities, start-ups and other organisations. Working together, we can accelerate innovation and bring more sustainable solutions to market. Partnerships are also important as we contribute to establishing a supportive public policy. We engage with international organisations who help to stimulate demand for green minerals, metals and cement through, for example, green public procurement.

Life cycle services

Our life cycle services involve a comprehensive approach to improving customers' operations and making them more sustainable. We focus on improving runtime and increasing recovery rates – improving the recovery of valuable material from waste rock – enabling customers to process more material efficiently, reducing waste and optimising resource use. Key to this are our advanced analytics and digital tools for fine-tuning equipment performance. This approach minimises downtime and maximises operational efficiency, ensuring that equipment runs for longer and more reliably, with less downtime and lower emissions and energy consumption.

Our insights into operational processes allow us to optimise workflows to help customers achieve optimal throughput levels. This is achieved by efficiently managing resources and processes to maximise production capacity.

With innovative technologies and methodologies, we improve ore recovery, enabling mining customers to maximise yield by extracting more from their raw materials. To help customers extend equipment life, we support them with upgrades to existing equipment and retrofits with new technology. These services improve performance, efficiency and compliance with environmental regulations. In addition, our advanced diagnostics and analytics are core to our predictive maintenance services, which help prevent unscheduled downtime.

Product stewardship

We continue to improve how we measure the environmental performance of our products. This involves a holistic approach to development, sales and implementation. We conduct assessments to assess the environmental performance of products across their entire life cycles. Increasingly, we consider circularity across the various stages of product life cycles. Our R&D teams design products for durability, recyclability and resource regeneration. Through product upgrades, we aim to extend a product's lifetime while improving performance.

As part of our commitment to providing quality products that meet industry standards and relevant statutory requirements, our deliveries undergo safety assessments according to legal requirements and our product safety baseline covering design, construction, erection, commissioning, servicing and disposal.

With the growth of digital solutions, we adopt a comprehensive approach to cybersecurity: integrating secure design and development practices, employing responsible operation techniques, ensuring data integrity, adhering to regulatory compliance, and implementing ongoing security management.

Through our value chain approach, we focus on responsible business practices at our suppliers.

Supported UN Sustainable Development Goals

6 CLEAN WATER AND SANITATION: 6.3, 6.4

7 AFFORDABLE AND CLEAN ENERGY: 7.2, 7.3

12 RESPONSIBLE CONSUMPTION AND PRODUCTION: 12.2, 12.4, 12.5

13 CLIMATE ACTION: 13.2

Environment

As a global company with local offices around the world, we acknowledge the impacts and risks that we pose to the surrounding environment and climate. We are committed to reducing absolute scope 1 and 2 GHG emissions 100% by 2030 in line with our science-based targets. Our strategy to mitigate climate change and pollution focuses on reducing emissions and minimising waste and water pollution.

Our strategy involves rolling out emissions, water and waste reduction programmes every year. All our sites implement initiatives that enhance energy efficiency, water and waste reuse, and recycling. Our key focus is reducing the environmental footprint at our manufacturing facilities and service centres, particularly those with the highest energy consumption. Additionally, circular economy principles guide our waste reduction activities, emphasising reuse, recycling, repair, remanufacturing and leasing as well as water recirculation and treatment.

Our sustainability roadmaps are aligned with company goals to reduce pollution and costs, ensure regulatory compliance, drive innovation and motivate employees. Our roadmaps and strategy target high-impact areas, enabling us to fine-tune policies and procedures and boost the effectiveness of initiatives. Locally run communication campaigns and training promote sustainable practices, advancing our environmental goals and building a responsible company culture.

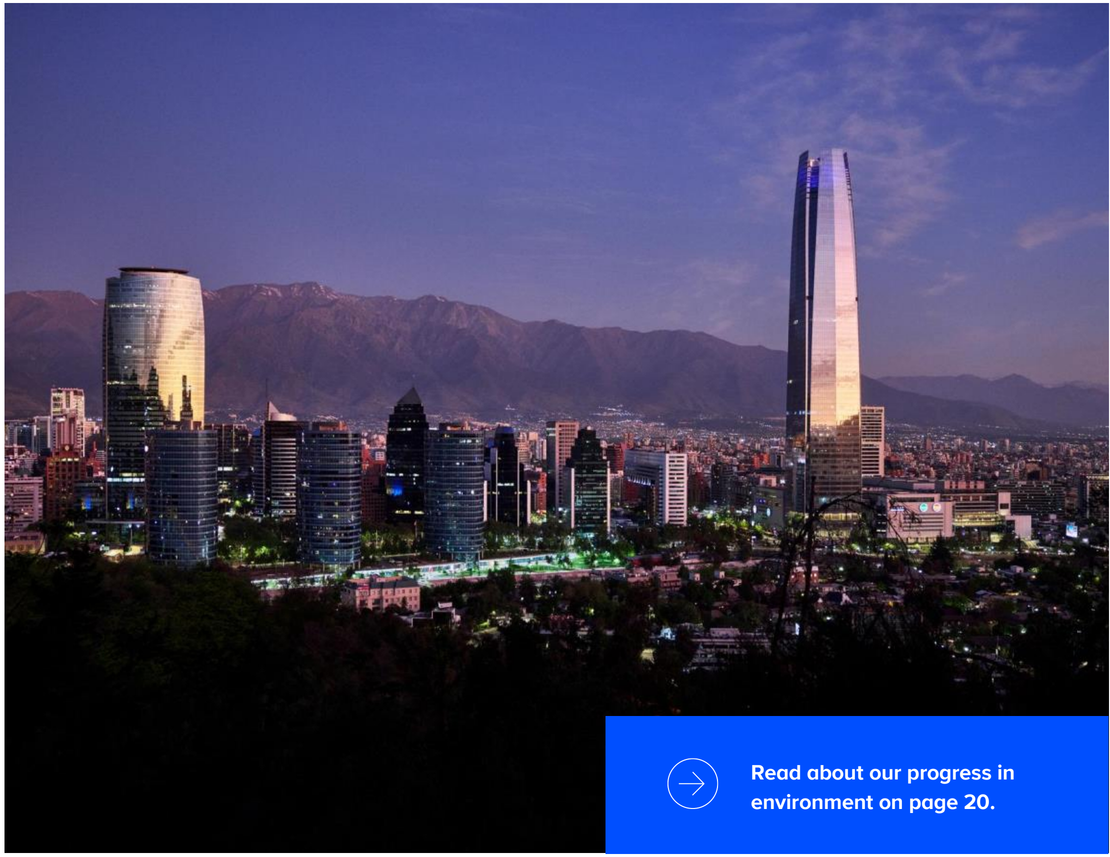
To track and monitor our environmental performance, we report monthly on all key performance indicators, such as scope 1 and 2 emissions, water and waste. Analysis of reports helps identify risks and opportunities for further reduction initiatives.

Our environmental reporting is governed by stringent procedures in compliance with the Greenhouse Gas Protocol and GRI standards, and we have started our journey to incorporate the European Sustainability Reporting Standards (ESRS). We are working towards refining and expanding our reporting on GHG emissions, water, circular economy, pollution and biodiversity. We are also using an integrated management system for consistency and efficiency. This supports complying with defined processes for data accuracy and accounting for transparent reporting through our global reporting system, Sustainability Performance Indicators (SPI). This allows us to manage and track various environmental data, including fuels, electricity, water, waste and incidents such as fuel or chemical spills.

Emissions

Our emissions reduction programme includes several initiatives for reducing scope 1 and 2 emissions. Key to achieving our target of 10% year-on-year improvement is the use of renewable energy sources. Where possible, we seek to obtain renewable energy through onsite generation and certificates in regions.

Other activities include the shift to more energy-efficient equipment, such as compressor systems, welding and assembly machinery, and replacing conventional lighting with LED lighting.



Read about our progress in environment on page 20.

Waste

The main objective of our waste reduction programme is to reduce landfill waste, including hazardous waste. With a key focus on minimising waste generation, we employ strategies such as reuse, recycling, remanufacturing and leasing. Targeted local initiatives include the reuse, upcycling and recycling of wood, steel, plastic, paper and other types of business waste.

Water

We work with water initiatives through our water reduction programme, in which we aim to reduce freshwater withdrawal by 5% every year. Our water-saving efforts include monitoring our water use at all sites, increasing rainwater harvesting and recirculating water in our process operations. Sites implement reduction initiatives, such as water-efficient devices. The feasibility and return on investment of initiatives are evaluated before implementation.

Supported UN Sustainable Development Goal

Social

We consider the impact of our operations on employees, suppliers and other key stakeholders. In addition to focusing on the health and safety of all employees, we provide the opportunity to grow in an international working environment, and we offer many activities and initiatives that build a culture of diversity, equity and inclusion across the organisation. This includes our training and development programmes, which embrace leadership skills and professional development.

Our people

In a competitive employment landscape, the key to our success lies in attracting and retaining the right individuals. Prioritising the right talent strategies is therefore essential for building the necessary conditions for our workforce to continuously grow and thrive. The risk of failing to secure and maintain the right talent is an ongoing challenge. We strive to provide a safe and inclusive working environment where all employees can achieve their full potential and career ambitions through equal access to career, learning and development opportunities. Our company values of *trust*, *empowerment*, *accountability*, *collaboration* and *honesty* (TEACH) guide the culture of our organisation and how our strategic ambitions are to be achieved.

Diversity, equity and inclusion

We believe that fully embracing diversity, equity and inclusion (DE&I) through our global workforce will improve our performance and support us in attracting future talents. Diversity has many different dimensions, and we focus on ensuring representation across gender, background, education, nationality, age and other dimensions. This commitment applies to every level, from our Board of Directors and Group Executive Management to managers and general employees, underlying its importance for our company's continued success.

Our aim is for 25% of all our jobs, 30% of our white-collar jobs and 25% of managerial positions to be held by women by 2030. We are working towards this by filling at least 33% of new positions with women. In addition, we have set internal targets and actions for individual business areas. With diversity comes the responsibility of equity and inclusion. Key to this is establishing structural approaches that enable inclusive policies and processes that mitigate for bias. This encompasses practices such as inclusive hiring practices, equitable pay and fair living wages, and equal opportunities for advancement and development. Further enhancing this is the cultivation of an organisational culture and people behaviours that support these principles.

Training and development

We invest in people development to create a culture of growth and to retain talent. Our development approach is founded on strong leadership and a training philosophy aimed at cultivating the skills and behaviours that employees need to thrive.

Health and safety

Since we operate in various work environments, including offices, manufacturing facilities and service centres, our employees are exposed to a range of potential safety risks due to the diverse nature of these settings.

Our Zero Harm ambition acknowledges these risks and expresses a strong commitment to achieving operations where no harm comes to individuals. We believe that a safe, healthy workplace is conducive to productivity, where employee well-being is closely associated with company performance. Core to this is a robust safety culture encompassing both physical safety, concerned with avoiding accidents and injuries, and personal well-being, focusing on mental and emotional health.

Through strategic initiatives aligned with international standards and industry best practices, and driven by our core values, we aim to embed safety practices into our attitudes and behaviours. Recognising the impact of mental health and stress management, we offer programmes to enhance employee well-being and maintain a productive, healthy workplace.

Human rights

As a global company operating in the mining and cement industries, we acknowledge potential risks related to human rights in our value chain. Respecting human rights is a central tenet of conducting responsible business. We are committed to upholding all internationally recognised human rights of our employees, customers, suppliers, other business partners and the communities in which we operate, including freedom of association and the effective recognition of the right to collective bargaining; eliminating all forms of forced or compulsory labour; abolishing child labour; eliminating discrimination in employment and occupation; and providing a safe, healthy working environment. Our due diligence processes are aligned with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

We support and advocate increased human rights governance in the mining industry, and we continue to better equip the organisation to improve our human rights activities. This includes looking towards the upcoming reporting requirements on the CSRD and Corporate Sustainability Due Diligence Directive (CSDDD). This involves many different people, hence our focus on stakeholder engagement and capacity building. In addition to inaugurating the cross-functional Human Rights Working Group, we have access to more tools and resources to guide and improve our business practices as a result of our membership of the Responsible Business Alliance (RBA) and Business for Social Responsibility.

Community engagement

Our commitment to social responsibility extends beyond our business operations to encompass meaningful community engagement. We aim to create a lasting, positive impact on the communities we are a part of by investing in community education, health and social projects.

Supported UN Sustainable Development Goals

5 GENDER EQUALITY
5.5

8 DECENT WORK AND ECONOMIC GROWTH
8.7, 8.8

Governance

Our approach to governance embodies integrity and accountability, guiding our operations and strategic decisions. We emphasise transparency, ethical conduct and compliance with laws and regulations, ensuring we meet stakeholder expectations. This foundation supports our mission to drive sustainability and build trust across all aspects of our business.

Compliance

Our compliance practices reflect our commitment to responsible business practices in the mining and cement industries, upholding high standards and achieving sustainability goals in all aspects of our operations.

Our approach to compliance is built on six pillars: top-level commitment; due diligence; risk assessment; policies and organisation; communication; and training, monitoring and review. We identify and mitigate compliance-related risks, aligning our efforts with global standards in anti-bribery and corruption, trade compliance, human rights and competition law. Relevant business partners are thoroughly screened to ensure they meet our standards. All projects exceeding a defined threshold undergo thorough due diligence, with an emphasis on general concerns, sanctions risks or human rights risks.

Adherence to the law, our Code of Conduct and relevant policies form the foundation of our business operations. We engage stakeholders through a comprehensive compliance programme. We provide extensive training on applying anti-corruption legislation to ensure compliance in day-to-day activities.

Our confidential whistleblower hotline strengthens our internal investigative capabilities, ensuring a secure platform for employees to voice their concerns.

Employees receive training in our Code of Conduct, which also covers basic understanding of sanctions, human rights and how to use the whistleblower hotline. Where appropriate, employees also receive specialised training in trade compliance, human rights and other compliance issues.

Our Board of Directors and Group Executive Management are deeply involved in our compliance programme. Compliance provides regular updates to the Audit, Risk and ESG Reporting Committee, Board of Directors and Group CEO. The Board oversees crucial decisions, sets long-term targets and supports our MissionZero sustainability programme.

Due diligence

Our due diligence practices are aligned with our broader commitment to responsible and sustainable business practices. We are continually improving these practices in our efforts to uphold international due diligence standards and have implemented various policies, including our Code of Conduct, Supplier Code of Conduct and a dedicated Due Diligence Sub-Policy, which applies to all members of the Board of Directors, executives, officers and employees, irrespective of location.

Our approach is based on assessing risks across all aspects of our business operations and value chain. This guides us in establishing and implementing the necessary processes for identifying, preventing,

Read more about our progress in Governance on pages 23-24.

mitigating and accounting for both actual and potential adverse impacts on the environment, society and individuals associated with our operations. Based on the identified impacts, we define appropriate preventative actions and mitigate risks related to our activities. In doing so, we focus on ensuring sustainable development and respecting human rights.

Due diligence is an integrated part of the sales process, and we apply a consistent due diligence process before entering into a new contract with customers. All customers and contractors over a certain threshold undergo a due diligence screening conducted by a dedicated team. Most types of third party that require due diligence are managed and undergo screening and approval procedures in dedicated third-party management tools, such as Exiger Insight, Compliance Catalyst and others. To ensure that risks associated with pursuing a business relationship are properly understood and mitigated, we adopt a tiered approach to assessing customers based on estimated annual revenue and country-specific risks. As part of our standard due diligence assessment, various reputable sources are consulted, including government records, company statements, regulatory filings and publicly available information. Additional procedures include, but are not limited to, questionnaires, dialogue and monitoring of implementation of mitigating actions.

These criteria inform the level of due diligence and necessary approvals. The risk assessment, evaluation and governance process ensures our ability to implement appropriate measures and track both the process and the results. Our due diligence screenings cover, but are not limited to, trade sanctions, corruption, human rights violations, environmental issues, litigation cases, adverse media and basic company registration documentation. For further information, see our Due Diligence Sub-Policy.

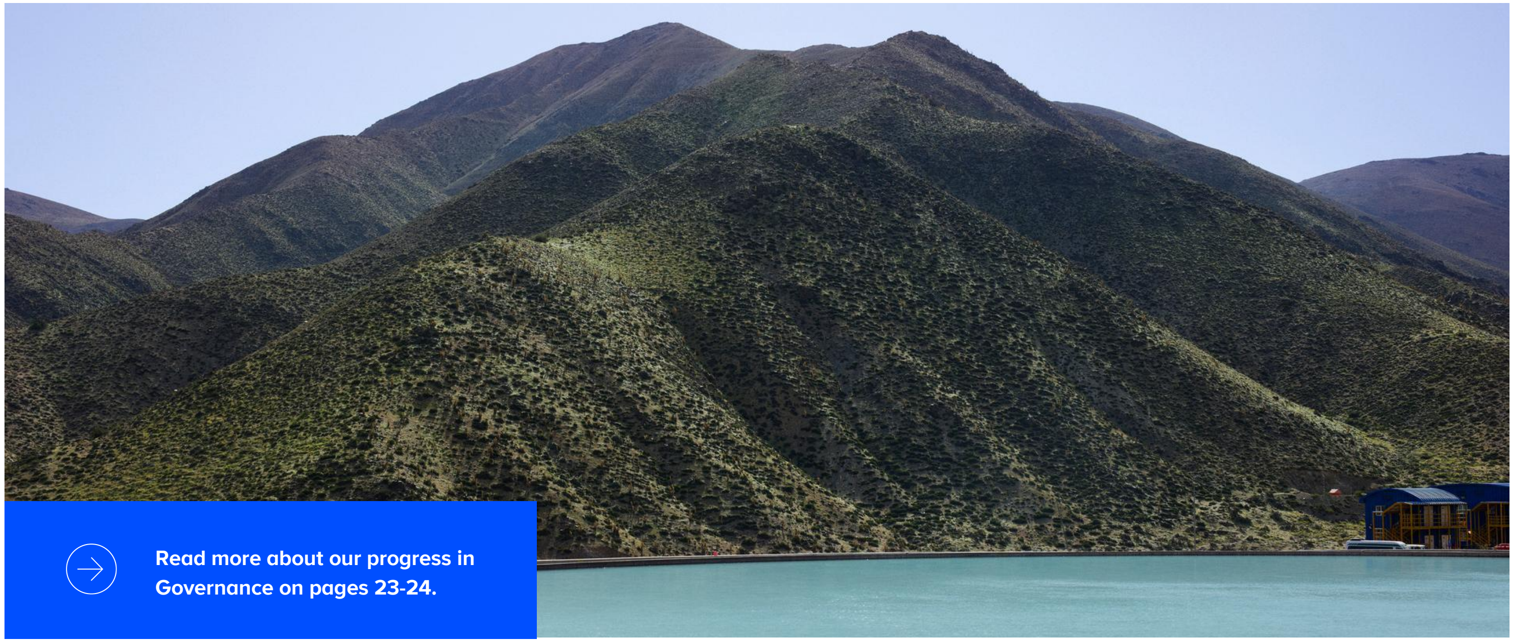
Sustainable supply chain

Our business faces risks due to our complex supply chain and sourcing from regions with high environmental and human rights concerns. To address these challenges, we adopt a proactive, collaborative approach, adhering to international standards to promote ethical and sustainable operations. This commitment is fundamental in ensuring the integrity and transparency of our supply chain.

Building on this, we aim to establish a responsible supply chain where our suppliers operate with integrity, and the materials, products and services we purchase promote responsible consumption. Our efforts are concentrated on three key activities: engaging with suppliers to uphold our high standards, promoting sustainable consumption among our stakeholders, and encouraging responsible procurement practices across our operations.

By 2025, our target is for 30% of our supplier spend to be with suppliers who have set their own climate targets. To achieve this, we are working with our suppliers to help them adopt established frameworks and approaches, including aligning with the Science Based Target initiative.

We conduct due diligence on our suppliers, aligning with global standards such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the OECD Due Diligence Guidance for Responsible Business Conduct. Our risk-based approach allows us to proactively identify and mitigate supplier site risks. Procurement and Quality employees receive dedicated training to recognise risks during supplier visits, and we monitor key suppliers for adverse media, ensuring swift responses to emerging concerns.



Read more about our progress in Governance on pages 23-24.

Supported UN Sustainable Development Goals

8.7 10.3 12.6 16.5

Sustainability performance

We are committed to sustainable practices across our operations, rigorously evaluating our progress in MissionZero and ESG activities.

MissionZero

Through our MissionZero sustainability programme, we help customers to reduce their environmental footprint, including by lowering their emissions, thus reducing our scope 3 downstream greenhouse gas (GHG) emissions. We measure our performance based on several factors, including scope 3 emissions, sales of products and technologies that help customers reduce emissions, and level of investment in sustainability-related research and development (R&D).

Innovation

We continue to invest in R&D to pioneer further innovations in mining operations and cement production. In 2023, our R&D spend on activities related to solutions for water, energy and emissions improvements accounted for 58.5% of our total R&D budget.

In 2023, we developed new flowsheets for processing lithium to maximise lithium recovery and minimise fuel consumption, which is significant given the growth of the electric vehicle battery industry. A key technology for reducing emissions and waste is the multiple hearth furnace, used to recycle calcium carbonate in the conversion of lithium carbonate to lithium hydroxide.

We have continued development of hydrogen firing and electric heating technologies to support spodumene phase conversion and sulphuric acid roasting, which will significantly reduce emissions compared with traditional fossil fuel firing.

The year also saw the release of the HPGR Pro, our latest in high-pressure grinding technology, which allows up to 20% more throughput in grinding operations while reducing energy consumption by up to 15% compared with the previous HPGR.

We also launched our FUELFLEX® Pyrolyzer technology, designed to maximise the use of alternative fuels and reduce NO_x emissions in cement production.

Digital optimisation

In 2023, more customers improved their operational efficiency using our digital optimisation solutions. For example, our KSX Advanced Process Control solution installed on a grinding circuit at a mine site increased grinding throughput and reduced energy consumption, while helping another mining operation to increase water recovery.

Economic intensity

Our economic intensity indicator represents the GHG emissions from the lifetime use of products sold in the year as a function of order intake for the same period. This year, our economic intensity was 5,430 tCO_2e/DKKm. This takes into account our updated calculation methodology, which is introduced below and explained further on pages 26-27. This is a marginal improvement on 2022 and a reduction of 41.3% compared with our revised 2019 base year (see below), while also representing significant progress towards our target of a 56% reduction by 2030.

Improved reporting

We continue to improve the accuracy and transparency of our GHG emissions disclosures. The 2022 acquisition of Mining Technologies impacted our operational scope and GHG emissions. This change has necessitated a recalculation of our 2019 base year emissions to ensure the comparability and credibility of our emissions data over time. Our updated base year emissions for 2019 are 9,248 tCO_2e/DKKm (order intake) compared with the originally reported figure of 10,659.

In addition, to increase transparency regarding the impacts associated with our products' lifetime, we have introduced an additional annualised metric that counts only the first year of use for all sold products, complementing the existing metric that includes expected lifetime emissions data. In addition, we are working to continuously improve the quality of our data.

EU taxonomy alignment

We completed a life cycle assessment of a product range, which concluded that the product makes a substantial contribution to climate change mitigation by demonstrating life cycle GHG emission savings compared to the best-performing alternative, making it an EU taxonomy-aligned product.

We have improved our eligible and aligned taxonomy revenue. In addition to reflecting our continued investment in sustainability-related R&D and alignment of our products and operations to the environmental objectives of the EU, it demonstrates that we are incorporating environmental, social and governance criteria across our products, sites and company.

Progress on targets

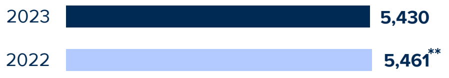
Scope 3: Economic intensity (use of sold products)

tCO_2e/DKKm (order intake)

5,430

0.6% improvement

2030 target 56% reduction from 2019*



* Base year.

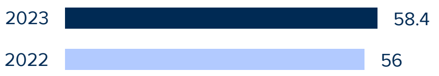
** Restated figure; see pages 26-27.

R&D spend dedicated to sustainability

%

58.4

2.5%-point improvement



EU taxonomy-aligned revenue

% of total revenue

6.2

4.8%-point improvement

Environment

In 2023, we took significant strides in transitioning towards a more sustainable and responsible business, achieving notable progress on our environmental targets.

Our environmental team has expanded with specialists in energy efficiency, water and waste management, and experts in pollution and biodiversity. This helps keep us on track to improve our environmental footprint and meet new regulations, including the EU Corporate Sustainability Reporting Directive (CSRD) and the EU taxonomy. We have conducted in-depth screenings across our sites to identify our impacts, risks and opportunities. These screenings help expand our global reporting, particularly in pollution and biodiversity, based on new regulations.

We plan to implement a new reporting system that will enhance data coverage and analysis in areas, including biodiversity, where we have previously not reported. We have conducted in-depth screenings across our sites to provide insights on global environmental issues, particularly for new material data points for disclosures based on new regulations. We are preparing to introduce new accounting practices and policies across every ESRS theme. In addition, we are launching a project for data automation of specific KPIs, aiming at more efficient and transparent reporting. We are investigating the use of smart meters and gas detectors for capturing new data points that will be included in future reporting.

These efforts to track new data points will improve our environmental performance disclosures, enabling us to implement more initiatives targeting emissions, water, waste, pollution and biodiversity. Furthermore, as part of a new global multi-site ISO certification strategy to replace our previous decentralised approach, we have obtained recertification to ISO 14001 as part of an integrated management system.

Emissions

We have reduced our annual scope 1 and 2 emissions, making good progress towards our 2030 goal. Total scope 1 and 2 emissions (market-based) were 38,022 tCO_2e, 17% below our 2023 target and a 42% reduction from our 2019 base year.

Our transition to renewable energy saw a 5% global increase in renewable energy coverage, including at sites in Brazil, Peru, Chile and India. This was achieved through purchasing renewable energy certificates, and in 2024 we will continue our transition to renewable energy through onsite renewable energy generation projects. We also focused on various energy efficiency initiatives across locations. This included energy efficiency training at service centres in Turkey, LED lighting upgrades in the Czech Republic, Poland, the USA and South Africa, and an energy efficiency pilot project at a manufacturing site in India.

Our fuel-switching initiatives have successfully reduced fuel consumption by transitioning to electric forklifts in China and India, with plans to expand these efforts.

Water

Our water withdrawal was 18% better than the 2023 target and 32% less than our 2019 baseline, mainly due to targeted water-saving initiatives. These included implementing water recirculation in operations, installing water-saving devices and rain harvesting.

In Chile, we tested water recirculation in the rubber extrusion process, saving approximately 30,000 cubic metres of water annually. We also installed water-saving devices, including aerators, showers and taps, at sites in Austria, Italy and South Africa, and rain-harvesting systems in South Africa and Australia.

In addition to continuing our water-saving efforts, we acknowledge more needs to be done at our locations in water-stressed areas. Our water withdrawal in such locations increased from 64% in 2022 to 75% in 2023. In 2024, we will launch our water conservation policy and plans to ensure we minimise our impact. We also plan to install smart water meters at manufacturing sites, service centres and larger offices.

Waste

We achieved a 22% reduction in total waste generation compared with our internal 2023 target, while landfill waste was 5% lower. Initiatives included repurposing timber and recycling metal, as we continue to seek solutions to minimise landfill waste. In Australia, we are partnering with a local organisation to reuse and upcycle timber waste. In the USA, we launched educational campaigns to encourage waste segregation. Through our global efforts, in 2023 we recycled and reused approximately 8,350 metric tonnes of materials, including metal shavings, electronics and plastics. In 2024, we will implement a global waste policy.

Progress on targets

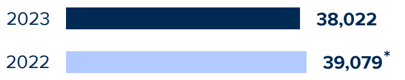
Scope 1 and 2 greenhouse gas emissions

tCO_2e (market-based)

38,022

2.7% improvement

2023 target 46,019 tCO_2e



* Updated to reflect our financial control of Mining Technologies, which was previously disclosed separately.

Social

We have made good progress in many areas of our social performance over the past year. This includes continuing to foster a more inclusive and diverse workplace culture, increasing female representation and addressing the gender pay gap. We acknowledge the areas where improvements are necessary, especially in safety performance, which experienced challenges in 2023.

Our people

Being a market leader requires a workplace culture that fosters the innovation needed for the green transition. It will take the right foundational values, strong leadership and the best talent to achieve our ambitions.

In sectors like ours, where diversity has historically been limited, it is vital to encourage greater participation of women in mining and cement. This is key to growing a broader talent pool. Recognising that this issue goes beyond our company, in 2023 we conducted a benchmarking exercise of our objectives against industry peers to further validate our existing targets.

The percentage of women employed increased in 2023 in line with our target. Although this is satisfactory, we continue our efforts to increase the proportion of women in line with our 2030 ambition. We aim for 33% of new hires to be women, and our initiatives include targeting our job postings and packages to attract candidates of all genders and gender identities.

The percentage of white-collar women increased in line with our target, while the percentage of blue-collar women decreased. Organisational restructuring and consolidation decisions resulted in redundancies in many locations. These tough decisions influenced our performance, causing short-term variations. This means that we must work steadfastly to uphold our strategies and long-term ambitions.

Having women in management positions is an important driver for improving our diversity performance. This is a focus area in our succession planning and relevant leadership training, where appropriately qualified women are targeted to receive training.

We continued efforts towards establishing living wages in our local regions, upholding competitive compensation structures, ensuring fair wage differentials and adapting to regulatory changes, despite global challenges arising from the persistent increase in living costs. Since 2022, we have made substantial progress on bridging the gender pay gap. As we integrated entities, we ensured that conditions for impacted employees were not less favourable. Where relevant, we continued efforts to improve benefit offerings and employment packages that support work-life balance and to prevent inequity. This is an ongoing task, and we will continue to focus on aligning and improving benefit offerings.

Diversity, equity and inclusion

We launched a global DE&I Council in 2023. Sponsored by Group Executive Management and run by employees, the council facilitates additional DE&I initiatives and conversations across the organisation to accelerate change.

To attract a more diverse pool of candidates, we continue to improve our recruitment practices by embedding a more inclusive process design that mitigates bias and provides equal opportunity within both general and management employment. During the talent acquisition phase for all employment types, we consider various dimensions of diversity, such as gender, age, nationality, location and personality profile. At the end of 2023, 57% of our Board of Directors and Group Executive Management were of a nationality other than Danish.

Training and development

In 2023, 129 leaders attended our Leading in FLS leadership programme, which further develops leaders to support our continuous focus on maintaining an inclusive organisation in which people feel engaged and have the ability to perform at their best. We work to ensure a gender-balanced participation of leaders in the programme. We also launched our Aspiring Leaders programme, intended to help the next generation on a pathway to leadership.

Our Chilean entity obtained certification to Chilean Standard N°3262, which regulates the gender equality management system and reconciliation of work, family and personal life. This standard is promoted by Chile's National Service for Women and Gender Equality.

Progress on targets

Women managers

%

16.3

2%-point improvement

2023 target 16.3%

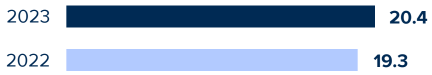
Women total

%

20.4

1.1%-point improvement

2023 target 20.4%



Safety

Safety performance significantly deteriorated over the first nine months of 2023, mainly due to a higher rate of incidents at manufacturing sites. Additional contributing factors include organisational changes that have diminished the inherent safety knowledge throughout the regions and reduced our ability to transfer knowledge to new teams, as well as greater use of third-party contractors.

Our safety organisation is being restructured in 2024 to address these critical needs. This will include greater focus on hazard risk assessment, on-the-job training and incident investigations. We believe that the new safety observation programme, Go Look See, launched in the second quarter of 2023, will increase awareness of day-to-day safety issues in the long term and reduce safety incidents at our warehouses and manufacturing sites. This programme has seen more than 800 shop-floor leaders trained in handling safety observations. We have also reintroduced our managers' safety walk programme to encourage open dialogue about safety practices.

The last three months of 2023 showed a slight improvement in safety performance. We will accelerate our efforts with the introduction of additional programmes and global standards.

We have implemented a global multi-site ISO certification strategy, moving from 58 stand-alone ISO certification contracts to four. This, together with the new document control and audit management systems, is providing a stronger collaborative framework to streamline our processes and generating data-driven insights for better decision-making.

Human rights

We completed our first full-scope salience assessment, which involved engaging internal stakeholders. The assessment identified seven focus areas: safe working environment; labour standards; forced and child labour; access to remedy; environmental impacts; discrimination, harassment and equal opportunities; and corruption. In these areas, the first issues we will address are safe working conditions, working hours (part of labour standards), forced labour and access to remedy. The first step will be assessing our current activities against relevant International Labour Organisation conventions and the UN Guiding Principles. The action plans we develop will form the basis of our new human rights performance indicators in the future.

Human rights assessments of our own operations were conducted in Arakkonam (India) and Qingdao (China). We also conducted a human rights assessment of a supplier in Qingdao, which revealed health and safety issues due to non-compliance with our Supplier Code of Conduct. This highlights the need to provide the necessary training when onboarding suppliers. In an example of effective collaboration across the organisation, we worked together with Sustainable Supply Chain to help the supplier improve its standards.

Due to greater focus on other strategic activities required by the business, we did not achieve our targets for onsite assessments and offsite reviews. We have reviewed our processes to ensure we are prepared to meet our targets in 2024.

Community engagement

Local community engagement activities took place throughout the year in many of our locations around the world. In addition to company-sponsored initiatives, such as financial grants provided by the non-profit FLSmidth & Co. A/S Donation Fund, there were various employee-driven local initiatives. These included the Christmas toy drive in Tucson (USA), the science fair in Salt Lake City (USA) and the donation of clothes to a children's home in Monterrey (Mexico). In South Africa, we achieved Level 1 Broad-Based Black Economic Empowerment (B-BBEE) certification for the second year in a row. We continued our support for the Growing Trees Network, introducing a global programme to plant a tree for each new employee in the company.

Progress on targets

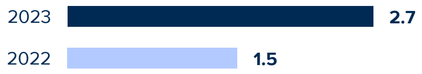
Total recordable injury rate (TRIR)

Total recordable injury rate/million working hours

2.7

1.2 deterioration

2023 target 1.2



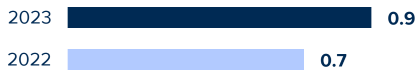
Lost-time injury frequency rate (LTIF)

Number of lost-time injuries and fatalities/ million hours worked

0.9

0.2 deterioration

2023 target 0.5



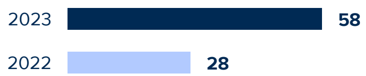
Human rights reviews

Number conducted

58

30 improvement

2023 target 75



Governance

In 2023, we continued to enhance our governance frameworks, particularly in the areas of compliance, whistleblower processes and supply chain management. Our improved due diligence screening has reinforced our commitment to ethical operations and we have intensified our anti-harassment and anti-discrimination initiatives. We continue to increase engagement with suppliers who share our climate-related goals and support the adoption of circular economy practices, and our focus on responsible sourcing of minerals highlights our ongoing commitment to corporate social responsibility within the global supply chain.

Compliance

Following the completion of all trade compliance screenings of customers in Russia and Belarus in 2022, due to the war in Ukraine we introduced intensified due diligence requirements in 2023 for countries in which there is a heightened risk of third parties having Russian ownership. All orders from contracts entered into before the war started are complete and we now have no business activities in Russia and Belarus.

We reviewed the process of due diligence screening to improve planning, procedures and documentation. As a result, we are establishing a stricter centralised process for decision-making in line with the company's new organisational structure. In addition, we have extended our due diligence screening to include distributors.

Continuing our efforts to prevent harassment and discrimination based on gender, religion, ethnicity, race, sexuality, disability or other characteristics, we have established a new protocol for thoroughly investigating harassment, working in close collaboration with People and Sustainability.

147 investigations were opened in 2023. 133 of these were substantiated, of which 50 were harassment cases. We will continue to monitor the situation through surveys and address underlying issues together with the relevant parts of the organisation. To increase awareness around matters related to harassment, we will continue the roll-out of harassment prevention workshops for both existing and new employees.

Due to changes in priorities during the year, our work in rolling out a global programme for registering conflicts of interest has been postponed. As we continually strengthen our compliance work to reflect ongoing developments in global business, we revised and updated all our compliance-related policies in 2023.

Whistleblower process

Effective communication is vital for successful compliance initiatives and maintaining a positive work environment. Our confidential whistleblower hotline empowers employees to report concerns. This strengthens our internal investigative capabilities, ensuring a secure platform for employees to voice their concerns.

A 2023 internal survey of 800 employees revealed that 86% of employees are aware of the whistleblower hotline and that 83% feel comfortable reporting through it. We aim to further enhance awareness through a dedicated campaign in 2024, building on ongoing efforts to improve communications by making better information resources available to employees.

We are implementing relevant procedures to ensure compliance with the European Whistleblower Directive. These have been in full force for EU-based entities since December 2023.

Supply chain

With 12.6% of our spend with suppliers directed towards those who have established climate-related targets, we are making significant progress towards our 2025 target. It is encouraging to see more suppliers, especially larger ones, aligning themselves with the Science Based Targets initiative. This progress indicates a commitment to supporting environmentally responsible practices within our supply chain.

We updated our supply chain-based performance indicators in 2023 to reflect greater efforts in engaging suppliers and to align with material issues related to improving responsible business conduct. Three indicators were discontinued, with four new indicators and corresponding targets introduced.

Building capacity in our organisation and at our suppliers is key. We developed resources for colleagues and suppliers that are aligned with guidelines set by the Science Based Targets initiative. 665 employees completed training during 2023, and we offered more support to suppliers to help them develop their understanding of climate targets. We engaged with the equivalent of 16.5% of our supplier spend.

Progress on targets

Due diligence screenings
Number conducted

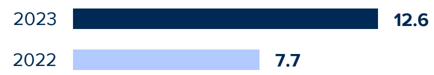
111

289 deterioration
2023 target 150

Spend with suppliers with science-based targets
% of total supplier spend

12.6

4.9%-point improvement
2025 target 30%



Currently, 30% of our supplier spend is in countries where the risk of forced labour is high, which indicates a potential human rights issue. We focus explicitly on this specific portion of our spend by monitoring our suppliers to mitigate the human rights risk associated with these regions. We introduced a new performance measure in 2023 to monitor our onsite supplier assessments, in which we evaluate our suppliers' sustainability performance in relation to labour, health and safety, environment, compliance and management systems. To optimise our efforts, we selected 204 suppliers to be assessed based on certain risk-based criteria, and in 2023 we assessed 80% of these suppliers.

Expanding on our engagement with external stakeholders and industry initiatives, we joined the Responsible Business Alliance, which is the world's largest industry coalition dedicated to corporate social responsibility in global supply chains. Through this membership, we are seeking to strengthen our work on a responsible supply chain, including the responsible sourcing of minerals.

We aim to adopt more circular economy practices within our value chain, building on a number of local circularity initiatives currently in place. One of these is at FLSmidth ABON® operations in Melbourne, Australia, in which steel offcuts and other waste material are upcycled by a supplier and cast as new parts. Another example is the rebuild and exchange programme for pumps, cyclones and valves, which enables the reuse of metal parts that would otherwise go to waste. We are looking to expand such programmes more widely in our global supply chain.

Conflict minerals

As part of our increasing commitment to addressing conflict mineral concerns, we launched a digital tool to manage and document relevant efforts. This is helping us to engage more closely with suppliers to gain a better understanding of the potential challenges. We are also documenting the due diligence process around conflict minerals, which will serve as an important internal resource, enhancing consistency and clarity in our approach. In 2024, we will update our conflict minerals policy to more accurately reflect current processes. The scope of supplier requests will include the 3TG minerals (tantalum, tin, tungsten and gold) and cobalt.

EU taxonomy

Part of the European Green Deal, the EU taxonomy is a core enabler to deliver on the EU's ambitious environmental goals for 2030.

We continue to report according to the EU taxonomy framework, which demonstrates how we support customers in reducing their GHG footprints. Of the six environmental objectives defined by the EU taxonomy, only "climate change mitigation" and "climate change adaptation" are in scope for our 2023 reporting. This year we have assessed the other four environment goals and concluded that our activities are not currently in scope within these objectives.

Progress in 2023

In line with expectations, alignment across revenue, OPEX and CAPEX increased during 2023. This was driven by more core product technologies fulfilling the in-depth technical screenings required to show our technologies contribute to climate change mitigation. We expect continued growth in alignment numbers.

Revenue

Total aligned revenue in 2023 increased to 6.2% of total revenue. This was driven by more mining technologies passing the technical screenings under economic activity 3.6 'Manufacture of other low carbon technologies'. Mining and Cement account for 5.4% and 0.8% of aligned revenue respectively. Non-Core Activities accounts for no aligned revenue. Eligible, non-aligned revenue totalled 24.1%; including aligned revenue, total eligible[1] revenue[2] was 30.3% an increase from 2022. This was partly driven by increased sales of eligible products and an increase in eligible products. New eligible products in 2023 contributed 4% of the total increase.

CAPEX

Aligned CAPEX reflects annual additions related to our investments in our aligned product portfolio, including R&D and production equipment, and additions to tangible assets such as land and buildings. Aligned CAPEX in 2023 increased to 6.6%, representing DKK 42m of additions, of which DKK 36m is driven by R&D activities for developing products meeting alignment criteria. Eligible, non-aligned CAPEX decreased from 61.7% in 2022 to 46.5% in 2023. This was mostly driven by a fall in additions related to Land and Buildings, under economic activity 7.7 'Acquisition and ownership of buildings', which was elevated in 2022 due to the acquisition of Mining Technologies.

OPEX

Aligned OPEX increased to 2.3% in 2023 as more products passed screenings for alignment and more of our plant and equipment used for the manufacture of products became aligned. All aligned OPEX activities relate to economic activity 3.6 'Manufacture of other low carbon technologies'. Eligible, non-aligned OPEX increased to 32.2% in 2023. This reflects the remaining direct costs related to the production of eligible products, including expensed R&D activities that were not aligned.

1. Total eligible revenue, OPEX and CAPEX represent both "Aligned" and "Eligible and non-aligned".
2. We use the term revenue instead of turnover to align with the terminology in our financial reporting.

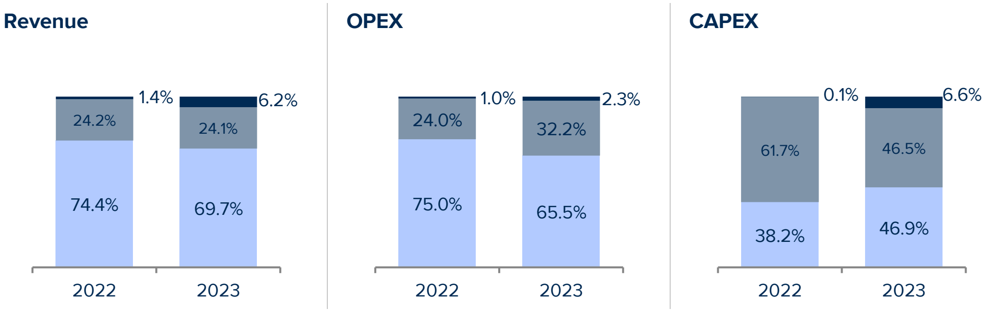
Measuring eligibility (in scope activities) is not a measure of sustainability performance, but the initial identification process of economic activities* that could support the EU's green transition. In 2023, we identified three eligible economic activities across revenue, CAPEX and OPEX: 3.6 'Manufacture of other low carbon technologies', 8.2 'Data-driven solutions for GHG emissions reductions', and 7.7 'Acquisition and ownership of buildings'.

Measuring alignment defines environmentally sustainable activities under the EU Taxonomy framework and requires further assessment of the identified eligible activities. To be considered sustainable under the framework, the three KPIs need to pass screening criteria. The screenings for alignment included proving substantial contribution to one of the environmental objectives; doing no significant harm (DNSH) to the remaining five objectives; and meeting minimum safeguards.

To document significant contribution, products screened for alignment must demonstration substantial contribution through a third-party-approved life cycle assessment. We assess relevant manufacturing sites against the DNSH criteria, using a risk-based approach, meaning that we have focused on identifying significant risk within climate adaptation, water, circular economy, pollution prevention and biodiversity. Furthermore, we have assessed our compliance at company level with the minimum safeguards as defined by the EU Taxonomy Regulation.

*** Economic activities**
The EU has defined a list of economic activities (purchase/sale of goods and/or services) as enablers for the green transition. These are economic activities that could contribute to the environmental objectives.

Eligibility and alignment 2023



Scope 3 downstream methodology

Why scope 3 is important

Approximately 99% of our value chain GHG impacts originate from the use of our sold products at our customers' sites. In the Greenhouse Gas Protocol, this is referred to as Scope 3, Category 11. This is the focus of our MissionZero programme, in which we aim to enable our customers to move towards zero emissions by 2030. To deliver on this ambition, in 2021 we set validated science-based targets to reduce GHG emissions across scope 1, 2 and 3. Emissions from the use of our sold products are addressed through our economic intensity indicator, showing our ability to decouple business growth from the growth in emissions. We can achieve this by selling increasingly more energy-efficient equipment and innovative technical and digital solutions to reduce GHG emissions.

Challenges of scope 3 reporting

The Greenhouse Gas Protocol provides guidance on how to account for all GHG emissions linked to our business, including our own direct emissions (scope 1), our own indirect emissions from energy used (scope 2), and our indirect emissions through our value chain (scope 3). The nature of scope 3 is different to that of the other scopes for several reasons, with key factors being the level of control a company has over emissions and the time perspective.

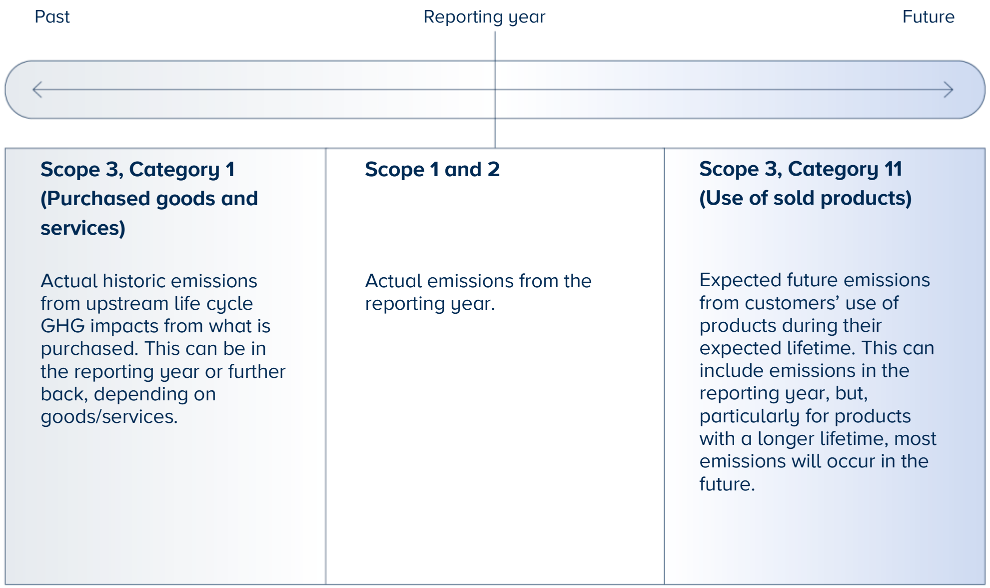
Control of emissions relates both to the levers for driving change and the availability of data, which, for emissions occurring outside the control of the company, is generally more difficult to obtain.

The time perspective is illustrated in the figure.

Calculating GHG impacts from scope 3 depends on several estimates and assumptions. Examples include the expected utilisation and lifetime of sold products. Thus, scope 3 emissions are subject to more uncertainty than scope 1 and 2 impacts. And while it is necessary to take responsibility for value chain impacts to drive meaningful impact, it is important to note that emissions from different scopes and categories are not directly comparable due to the nature of the timing of reported value chain emissions.

As noted, our scope 3 economic intensity indicator shows our progress in decoupling the growth of our business from emissions. However, economic intensity is also subject to volatility, mainly due to our highly diverse product portfolio across two different industries, mining and cement. There are significant variations in energy consumption and product lifetimes for various products. For example, some cement industry products have a high impact due to their GHG intensiveness and long lifetime. Volatility is likely to continue in the short term, but we expect it to be lower in the medium to long term.

Time perspective of value chain GHG reporting



Improving scope 3 reporting

In accordance with the Greenhouse Gas Protocol, we will continuously enhance our scope 3 reporting, improving and validating methods and data with a focus on main impacts. Read more on the following page to learn about these enhancements.

Recalculation for structural change

Why?

Recalculations become necessary when there are substantial changes to the foundations of the calculation. Should these modifications influence results beyond the restatement threshold, it triggers a need for restating previously reported figures.

Furthermore, significant structural changes, such as acquisitions or divestments, may necessitate the recalculation of the base year figures to maintain comparability. The base year is a reference for our progress against target and ensures that our progress remains accurately measurable in the event of significant structural changes.

How?

To enable "like for like" comparison when structural changes occur, base year data must be adjusted to mirror the current structure. For example, if company A acquires company B, the GHG emissions from company B for the base year prior to acquisition must be added to company A's base year emissions.

The recalculations only apply to base year figures, ensuring that historical data reported under the company's financial control at the time of reporting remains unchanged.

What is the impact on FLSmidth?

Applying this recalculation principle, 2019 base year Category 11 emissions increased by 10.7 million tonnes CO_2-equivalents (tCO_2e) based on the acquisition of Mining Technologies.

Annualised metric

Why?

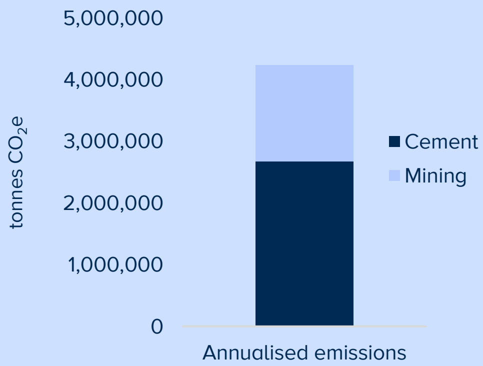
We aim to increase transparency and minimise the volatility in the reporting of Category 11 (Use of sold products). This is part of our commitment to provide stakeholders with a consistent view of our environmental impact over time.

How?

We have introduced an additional metric into our reporting for this category. By calculating the expected lifetime emissions of sold products and dividing this by their expected lifetime, we derive an annualised, average figure. This enables comparisons on an annual basis, significantly enhancing the transparency of our emissions reporting.

What is the impact on FLSmidth?

The implementation of this metric shows that annualised emissions total 4.2 million tCO_2e, as compared with the full lifetime emissions of 116.1 million tCO_2e.



Methodology improvement

Future electricity grid decarbonisation

Why?

In our emissions calculations for Category 11, we have assumed that the carbon emissions intensity of the electricity grid remains constant throughout the lifetime of our products. However, electricity grids are expected to decarbonise over time. Given the long lifetime of some products, accurately reflecting the change in carbon emissions will impact our reported emissions.

How?

We have adopted the IEA's World Energy Outlook 2023 Stated Policy projections for global carbon intensity, along with transmission and distribution emissions from IEA's 2023 Emission Factors.

What is the impact on FLSmidth?

Based on the above decarbonisation, 2023 Category 11 emissions would be 11% less than the reported value, driven by mining product emissions being 28% less and cement 4% less. The large difference between mining and cement is due to more cement emissions deriving from fuel combustion.

When?

We have made a first attempt at using decarbonisation factors, and we will refine the methodology further and introduce it in our full-year reporting for 2024.

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. Introduction of CBAM regulation.	Medium	High	Monitoring on regular basis; quarterly briefing to Senior Management.	Provide solutions to reduce customer emissions and continuously develop new technologies enabling decarbonisation. Report on emissions embedded in imported CBAM products.
Transitional	Disclosure and regulations	Enhanced disclosure requirements from investors and customers. Implementation of CSRD and CSDDD regulation.	Low	Low	Quarterly updates to Board of Directors and Senior Management.	Continue to map requirements and enhance ESG-related reporting and compliance. Analyse and implement new requirements from responsible sourcing schemes, standards and regulations.
Transitional	Product-specific environmental regulations	EU taxonomy classifying environmentally sustainable activities.	Low	Medium	Monitoring on regular basis.	Continuous focus on increasing alignment and implementation of necessary actions.
Transitional	Demand for green products	Substitution of existing products and services with lower-emission options.	Low	High	Periodic review by the Technical Committee (Board-level committee).	Develop and execute R&D roadmaps for key sustainability areas, including CO_2, NOx and water. Scout for technology partnerships. R&D spend on sustainability technologies in 2023 was 58.4%. 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.	Maintain flexible and agile supplier base that allows for substitutions and/or diversification.
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 level.	Technical adviser to the World Bank IFC Net Zero Roadmap for Mining Technical Working Group (TWG). Regular dialogue with relevant financial organisations about FLSmidth's transitional role.
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. We have a loan linked to our sustainability performance. 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.	Medium	Low	No specific governance mechanism in place.	Mining and cement operations are relatively resilient to extreme weather events due to the robustness of equipment. Continuous improvement/monitoring of safety procedures for own employees in risk areas.
Physical	Drought	Drought leading to water scarcity, operational disruptions and increased operating costs.	Low	Medium	Biennial water risk assessment.	Execute on R&D technology roadmaps in key sustainability areas, including CO_2, NOx and water.
Physical	Flooding	Flooding can impact supply chain and production capacity, create operational disruptions and increase operational costs.	Medium	Low	No specific governance mechanism in place.	Identify suppliers and own locations with increased risk of flooding. Continuously improve and monitor safety procedures for own employees in risk areas.

Summarised reporting

Key figures

DKKm	2019	2020	2021	2022	2023
Income statement					
Revenue	20,646	16,441	17,581	21,849	24,106
Gross profit	4,849	3,865	4,180	5,076	6,087
EBITDA before special non-recurring items	2,008	1,134	1,401	1,300	1,761
EBITA	1,663	771	1,030	943	1,438
EBIT	1,286	428	668	619	1,200
Financial items, net	(115)	(47)	(81)	(67)	(146)
EBT	1,171	381	587	552	1,054
Profit for the period, continuing activities	798	226	374	351	672
Loss for the period, discontinued activities	(22)	(21)	(17)	1	(181)
Profit for the period	776	205	357	352	491
Orders					
Order intake (gross)	19,554	18,524	19,233	24,644	21,376
Order backlog	14,192	14,874	16,592	23,541	17,593

	2019	2020	2021	2022	2023	2023 targets	2024 targets	2030 targets
Sustainability key figures								
Total recordable injury rate (TRIR), including contractors	1.6	1.0	1.9	1.5	2.7	1.2	10% year-on-year improvement	Zero harm
Scope 1 and 2 greenhouse gas emissions (tonnes CO_2-equivalents), market-based		41,155	34,737	39,079	38,022	46,019	10% year-on-year improvement	100% reduction
Scope 3, Category 11 (Use of sold products) economic intensity (greenhouse gas emissions in tonnes CO_2-equivalents/DKKm order intake)	10,663		10,348	5,461	5,430			56% vs 2019
Water withdrawal (m^3)	221,613	197,346	201,997	178,064	167,610	205,093		5% year-on-year improvement
Spend with suppliers with science-based targets (%)			4.9%	7.7%	12.6%	10.0%	15.0%	30.0%[1]
EU taxonomy-aligned revenue (%)				1.4%	6.2%			
Women managers (%)	11.2%	13.1%	14.3%	14.3%	16.3%	16.3%	18.4%	25.0%

1. A 2025 target.

Performance summary

	2021	2022	2023	2023 target	2024 target	2030 target
Safety						
Lost time injury frequency rate (LTIF), including contractors	0.8	0.7	0.9	0.5	10% year-on-year improvement	Zero harm
Total recordable injury rate (TRIR), including contractors	1.9	1.5	2.7	1.2	10% year-on-year improvement	Zero harm
People						
Women total (%)	17.2%	19.3%	20.4%	20.4%	22.7%	25%
Women white-collar workers (%)	23.2%	25.1%	26.9%	26.1%	31.6%	30%
Women blue-collar workers (%)	4.7%	5.6%	4.7%	6.6%	7.0%	
Women managers (%)	14.3%	14.3%	16.3%	16.3%	18.4%	25%
Internal participants' training hours in corporate development programmes	36,671	39,644	28,399	25,000		
Employees receiving performance and development reviews (%)	97.1%	97.0%	97.0%	95.0%		
Compliance						
Whistleblower reports submitted	78	97	147			
... of which: Compliance	17	24	27			
... of which: Finance	21	13	28			
... of which: Human Resources	31	53	80			
... of which: Other	9	7	12			
... of which: Admissible	76	90	133			
Incidents of discrimination and harassment	14	37	50			
Operations assessed for risks related to corruption	0	1	3	3	3	
In-person training sessions for employees who have received live training on anti-corruption (number and %)	8,855 / 83.5%	5,853 / 67.0%	5,962 / 82.8%	80.0%	85.0%	90%
White-collar employees who have completed e-learning courses on anti-corruption (number and %)	6,381/ 81.8.%	6,325 / 72.4%	5,371 / 74.6%	90.0%	85.0%	95%
Due diligence screenings conducted	255	400	111	150	100	

Performance summary

	2021	2022	2023	2023 target	2024 target	2030 target
Environment[1]						
Scope 1 greenhouse gas emissions (GHGs) (in tonnes CO_2-equivalents, (tCO_2e))	11,130	11,069	13,533	14,805		100% reduction
Scope 2 GHGs (tCO_2e) – location-based calculation	26,700	27,548	26,015			
Scope 2 GHGs (tCO_2e) – market-based calculation	23,607	28,010	24,489	31,214		100% reduction
Scope 1 and 2 GHG emissions (tCO_2e) – market-based	34,737	39,079	38,022	46,019	10% year-on -year improvement	100% reduction
Carbon intensity, scope 1 and 2 (GHGs tCO_2e/DKKm revenue) – scope 2 location-based	2.2	1.8	1.6			
Carbon intensity, scope 1 and 2 (GHGs tCO_2e/DKKm revenue) – scope 2 market-based	2.0	1.8	1.6			
Scope 3, total (all categories) GHGs (tCO_2e) – excluding process emissions	200,200,000	136,200,000	117,800,000			
Scope 3, Category 1 (Purchased goods and services) GHGs (tCO_2e)	1,800,000[2]	1,600,000	1,700,000			
Scope 3, Category 6 (Business travel) GHGs (tCO_2e)	10,089	17,791	30,438			
Scope 3, Category 11 (Use of sold products) GHGs (tCO_2e)	199,000,000	134,600,000[3]	116,100,000			
Scope 3, Category 11 (Use of sold products) GHGs (tCO_2e) – including process emissions	331,037,011	156,700,000[3]	167,800,000			
Scope 3, Category 11 (Use of sold products) economic intensity (GHGs tCO_2e/DKKm order intake)	10,348	5,461[3]	5,430			56% reduction versus 2019
Cement						
Scope 3, Category 11 (Use of sold products) GHGs (tCO_2e)			81,500,000			
Scope 3, Category 11 (Use of sold products) GHGs (tCO_2e) – including process emissions			129,700,000			
Scope 3, Category 11 (Use of sold products) economic intensity (GHGs tCO_2e/DKKm order intake)			16,677			
Mining						
Scope 3, Category 11 (Use of sold products) GHGs (tCO_2e)			34,600,000			
Scope 3, Category 11 (Use of sold products) GHGs (tCO_2e) – including process emissions			38,100,000			
Scope 3, Category 11 (Use of sold products) economic intensity (GHGs tCO_2e/DKKm order intake)			2,096			

1) To align with new CSRD reporting requirements, scope 1 and 2 emissions in 2022 have been updated to reflect our financial control of Mining Technologies. This was itemised separately in 2022.
2) Update to 2021 methodology for Category 1.
3) Due to changes in 2023, the restatement threshold was reached for 2022. The overall increase in emissions of 7.0% (from 125,800,000 million tCO_2e) for Category 11 without process emissions can be split into: addition of transmission and distribution emissions for electricity (+3.6%), correction of some product lines' lifetime based on new information (+3.2%); and inclusion of Mining Technologies (+0.2%). The impact on scope 3 economic intensity falls below our restatement threshold, but it has been restated to more accurately show the year-to-year trend.

Performance summary

	2021	2022	2023	2023 target	2024 target	2030 target
Environment – water and waste						
Water withdrawal (m^3)	201,997	178,064	167,610	205,093		5% year-on-year improvement
Water withdrawal in high water-stress areas	61.0%	64.0%	75.0%			
Total amount of waste (mt)		20,330	15,701			
… of which non-hazardous (mt)		19,512	14,912			
… of which hazardous (mt)		818	789			
Waste recycled/reused (% of total amount)		65.0%	53.0%			
Supply chain						
Spend with suppliers with science-based targets (%)	4.9%	7.7%	12.6%	10.0%	15.0%	30%[1]
Targeted supplier engagement on sustainability (% of yearly supplier spend)			16.5%			
Supplier spend categorised by high risk of forced labour based on country (%)			30%			
Completion rate of onsite supplier assessment (%)			81%	85%		
Employees trained in responsible business conduct in the supply chain (number)			665			
Human rights						
Human rights reviews (offsite)	108	28	58	75		5% year-on-year improvement
Human rights assessments (onsite audits)	1	2	3	6		
White-collar employees who have received in-person training in human rights		203	211		200	
White-collar employees who have completed e-learning courses in human rights (%)		30%	60%	95%	85%	98%

1) A 2025 target.

EU taxonomy

Revenue

				Substantial contribution criteria						DNSH (do no significant harm) criteria										
Economic activities	**Code(s)**	**Absolute revenue**	**Proportion of revenue**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of revenue, year 2023**	**Taxonomy-aligned proportion of revenue, year 2022**	**Category (Enabling activity or)**	**Category (Transitional activity)**
		DKKm	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.1 Taxonomy-eligible and environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	CCM 3.6	1,506	6.2%	Y						Y	Y	Y	Y	Y	Y	Y	6.2%	1.4%	E	
Revenue of environmentally sustainable activities (taxonomy-aligned) (A1)		1,506	6.2%	6.2%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	6.2%	1.4%		
...of which enabling		1,506	6.2%	6.2%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	6.2%	1.4%		
...of which transitional		0	0																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Manufacture of other low carbon technologies	CCM 3.6	5,523	22.9%	EL																
Data-driven solutions for GHG emissions reductions	CCM 8.2	283	1.2%	EL																
Revenue of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A2)		5,806	24.1%	24.1%	0%	0%	0%	0%	0%								NA	NA		
Total eligible revenue (A1 + A2)		**7,312**	**30.3%**	30.3%	0%	0%	0%	0%	0%								**6.2%**	**1.4%**		
B. Taxonomy-non-eligible activities																				
Revenue of taxonomy-non-eligible activities (B)		16,794	69.7%																	
Total revenue		**24,106**	**100%**																	

Y=Yes, eligible & aligned; EL=eligible; N/EL=not eligible; Y/N=Yes/No; CCM=climate change mitigation

EU taxonomy

OPEX

Economic activities	Code(s)	Absolute OPEX	Proportion of OPEX	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	DNSH (do no significant harm) criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OPEX, year 2023	Taxonomy-aligned proportion of OPEX, year 2022	Category (Enabling activity or)	Category (Transitional activity)
		DKKm	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.1 Taxonomy-eligible and environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	CCM 3.6	5	2.3%	2.3%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	2.3%	1.0%	E	
OPEX of environmentally sustainable activities (taxonomy-aligned) (A1)		5	2.3%	2.3%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	2.3%	1.0%		
...of which enabling		5	2.3%	2.3%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	2.3%	1.0%		
...of which transitional		0	0																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Manufacture of other low carbon technologies	CCM 3.6	68	30.8%	EL																
Data-driven solutions for GHG emissions reductions	CCM 8.2	3	1.4%	EL																
OPEX of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A2)		71	32.2%	32.2%	0%	0%	0%	0%	0%								NA	NA		
Total eligible OPEX (A1 + A2)		**76**	**34.5%**	**34.5%**	0%	0%	0%	0%	0%								**2.3%**	**1.0%**		

B. Taxonomy-non-eligible activities

OPEX of taxonomy-non-eligible activities (B)	145	65.5%
Total OPEX	**221**	**100%**

EU taxonomy

CAPEX

Economic activities	Code(s)	Absolute CAPEX	Proportion of CAPEX	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	DNSH (do no significant harm) criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CAPEX, year 2023	Taxonomy-aligned proportion of CAPEX, year 2022	Category (Enabling activity or)	Category (Transitional activity)
		DKKm	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.1 Taxonomy-eligible and environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	CCM 3.6	42	6.6%	6.6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	6.6%	~0%	E	
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0	0%	0%	0%	0%	0%	0%	0%								0%	0.1%	E	
CAPEX of environmentally sustainable activities (taxonomy-aligned) (A1)		42	6.6%	6.6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	6.6%	0.1%		
...of which enabling		42	6.6%	6.6%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	6.6%	0.1%		
...of which transitional		0	0																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL											
Manufacture of other low carbon technologies	CCM 3.6	153	24.3%	EL																
Data-driven solutions for GHG emissions reductions	CCM 8.2	15	2.3%	EL																
Acquisition and ownership of buildings	CCM 7.7	125	19.9%	EL																
CAPEX of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A2)		293	46.5%	46.5%	0%	0%	0%	0%	0%								NA	NA		
Total eligible CAPEX (A1 + A2)		**335**	**53.1%**	**53.1%**	0%	0%	0%	0%	0%								**6.6%**	**0.1%**		
B. Taxonomy-non-eligible activities																				
CAPEX of taxonomy-non-eligible activities (B)		296	46.9%																	
Total CAPEX		**631**	**100%**																	

Accounting practices

Topic and indicator	Accounting practice
Safety	
Lost time injury frequency rate (LTIF), including contractors	LTIF is calculated as the number of lost-time injuries (LTI) and fatalities per one million hours worked. An LTI accident results 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 are calculated based on headcount and normal working week hours.
Total recordable injury rate (TRIR), including contractors	TRIR accidents include fatalities, LTIs, medically treated injuries (MTI) and restricted work cases (RWC). TRIR is calculated as the number of TRIR accidents per one million hours worked.
People	
Women total (%)	Women employees of all 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 at year-end divided by all employees/managers at year-end (or respective quarter-end).
Women white-collar workers (%)	Women employees primarily performing professional, managerial or administrative work. Share of white-collar women at year-end divided by all white-collar employees at year-end (or respective quarter-end).
Women blue-collar workers (%)	Women employees primarily performing manual labour, including manufacturing, mining, construction, warehouse work, etc. Share of blue-collar women at year-end divided by all blue-collar employees at year-end (or respective quarter-end).
Women managers (%)	Women employees with one or more direct reports. Share of women managers at year-end divided by all managers at year-end (or respective quarter-end).
Internal participants' training hours in corporate development programmes	Measured as number of hours spent on learning programmes for all employees at FLSmidth. This includes both digital and blended (face-to-face) courses. The figure includes hours accumulated throughout the year and any unreported hours from physical training sessions conducted in the previous year and not logged prior to the reporting cut-off date. Hours from terminated employees during the reporting period are included in the total number.
Employees receiving performance and development reviews (%)	Measured as the percentage of 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 2023.
Compliance	
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.
Incidents of discrimination and harassment	Includes reports on discrimination and harassment submitted to FLSmidth's Compliance department through the formal whistleblower hotline or by other means, such as e-mail, letter or in person.
Operations assessed for risks related to corruption	Reported as an annual total.
In-person training sessions for employees who have received live training on anti-corruption (number and %)	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. Live training indicates both in-person and live video streams.
White-collar employees who have completed e-learning courses on anti-corruption (number and %)	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 excluded from the calculation.
Due diligence screenings conducted	The total number of due diligence reports performed on customers, intermediaries, contractors and, occasionally, other third parties during the reporting period.

Accounting practices

Topic and indicator	Accounting practice
Environment	
Scope 1 greenhouse gas emissions (in tonnes CO_2-equivalents)	Scope 1 emissions are direct emissions of greenhouse gases (GHG) and are measured as CO_2-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 2022, emission factors from DEFRA were updated, according to the most recent list published, to calculate activity data for CO_2-equivalents.
	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 the default emission factor for purchased fuels, we use the list of DEFRA factors, following GHG protocol recommendations. The list of DEFRA factors is updated on a yearly basis once updated factors are released publicly.
	Mobile combustion: Measuring usage of fuel for internal transportation movements at our locations and in 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 the list of DEFRA factors, following GHG protocol recommendations. The list of DEFRA factors is updated on a yearly basis once updated factors are released publicly.
	Fugitive/process emissions: Usage of refrigerant and other GHG 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 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.
	Biogenic CO_2 emissions are not relevant in our business operations.
	Customer sites during project-related activities are not included since we do not have financial control over those sites.
	Offices with fewer than 10 people are not included since most of the employees work from home and emissions are insignificant.
Scope 2 greenhouse gas emissions (in tonnes CO_2-equivalents)	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-e Energy Residual Mix Emissions Rates (2021). If market-based residual emission 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 onsite projects, we calculate them as having an emission factor of zero. If renewable energy onsite projects are connected directly to facilities, sites do not need certificates and this is calculated as zero emissions for both location- and market-based approaches.
	Electricity, purchased heat, steam or cooling consumption are 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 is not accessible, the electricity use is estimated as 144 kWh/m^2/year in temperate areas and 270 kWh/m^2/year in subtropical areas.
	For location-based, we use IEA emission factors, and for market-based, we use emission factors from IEA when residual factors are not available.
	Customer sites during project-related activities are not included since we do not have financial control over those sites. In India, REC standards are not enforced, which is why renewable electricity adjusted and consumed from the production of renewable energy sources has been certified by a third party. Offices with fewer than 10 people are not included since most employees work from home and emissions are insignificant.
Scope 1 and 2 greenhouse gas emissions (in tonnes CO_2-equivalents), market-based	The combined total of scope 1 and 2 market-based emissions in tonnes of CO_2-equivalents.
Scope 3 downstream (use of sold products) economic intensity (greenhouse gas emissions in tonnes CO_2-equivalents/DKKm order intake)	Downstream scope 3 GHG emissions from lifetime use of products sold in the reporting year divided by order intake for the same period. Process emissions are excluded.

Accounting practices

Topic and indicator	Accounting practice
Total scope 3 greenhouse gas emissions (in tonnes CO_2-equivalents)	Scope 3 GHG emissions include indirect value chain GHG emissions, in line with the standards of the Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The total scope 3 GHG 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 GHG emissions are not included in the reporting. Combined, these categories make up less than 0.1% of the total scope 3 GHG emissions, according to our 2019 baseline mapping. Figures have been rounded to the nearest hundred thousand tonnes of CO_2-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.
Scope 3, Category 1 (Purchased goods and services) greenhouse gas emissions (in tonnes CO_2-equivalents)	GHG emissions from purchased goods and services are estimated through amounts of purchased goods, based on spend data, material weightage of spend and raw material costs. 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 life cycle databases in LCA for Experts, formerly known as GaBi. Figures have been rounded to the nearest hundred thousand tonnes of CO_2-equivalents to reflect the inherent uncertainty of scope 3 calculations.
	This approach has now been applied for all reported years.
Scope 3, Category 6 (Business travel) greenhouse gas emissions (in tonnes CO_2-equivalents)	Carbon emissions from business travel are included in our scope 3 reporting. The emissions are based on the booking system of the main flight ticket provider and are collected on a quarterly basis.
Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO_2-equivalents)	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 GHG emissions that have already occurred.
	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 CO_2-equivalents per kWh from electricity are used, including CO_2, CH_4 and N_2O emissions. In 2023, IEA electricity transmission and distribution losses have been included to improve accuracy. For fuels, DEFRA CO_2-equivalents conversion factors are used, including well-to-tank emissions. GHG emissions from fuel burning are allocated to the products consuming the fuel energy.
	Numbers have been rounded to the 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) – including process emissions	This covers scope 3, Category 11 (Use of sold products) GHG emissions, as described above, including process emissions. Process emissions 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 included for transparency, but is not included in the total sum of scope 3 GHG emissions.
Water withdrawal (m^3)	Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumes from waterworks. The latest assessment was carried out in January 2022.
	For entities with shared office spaces and where consumption data is 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.
	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.
Share of water withdrawal in high water-stressed areas	Analysis of water withdrawal in water-stressed areas: Identification of entities in low, medium, high or extremely 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 extremely 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.
Total amount of waste (mt) … of which non-hazardous (mt) … of which hazardous (mt)	Waste is reported per type of waste and disposal means. Measuring disposal of waste is based on invoices, supplier reports or local log book registrations, and is collected monthly for all entities within our financial control. When information is unavailable, entities estimate values based on calculations of waste density and volume.
Waste recycled/reused (% of total amount)	Percentage of all waste that has been either reused or recycled. Incinerated waste is not included in this figure.

Accounting practices

Topic and indicator	Accounting practice
Supply chain	
Spend with suppliers with science-based targets (%)	Amount of spend with suppliers who have validated targets or submitted targets for validation with the Science Based Targets initiative divided by the total amount of supplier spend within the year.
Targeted supplier engagement on sustainability (% of yearly supplier spend)	Percentage of yearly spend with suppliers who we have engaged with through dialogue specifically in relation to understanding and/or improving their sustainability performance as part of our targeted engagement efforts.
Percentage of supplier spend categorised by high risk of forced labour based on country	Country risk is based on the Global Slavery Index – Proportion in Slavery (Walk Free Foundation) and the ILAB Child and Forced Labor Indicator (US Department of Labor) and categorised as high, medium or low risk. Supplier spend by country is based on the procurement database on country of supplier where spend is allocated.
Completion rate of onsite supplier assessment	Suppliers are selected to be in scope for supplier onsite assessments annually based on specific criteria, including spend, preferred status, ESG score and country. The percentage represents the suppliers that are in scope, where assessment has been completed.
Total number of relevant employees trained in responsible business conduct in the supply chain	Total number of employees in operations, procurement and sales who have attended training in responsible business conduct in relation to the supply chain, either live or through Teams.
Human rights	
Human rights review (offsite)	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 onsite impact assessment.
Human rights assessment (onsite audits)	Impact assessments are always conducted onsite. 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 of 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.
White-collar employees who have received in-person training in human rights	Total number of white-collar employees in certain functions (e.g. procurement and sales) who have attended in-depth training in human rights, either live or through Teams.
White-collar employees who have completed e-learning courses in human rights (%)	Percentage of active employees who have completed the human rights e-learning course; completion may have occurred in previous years. Terminated employees and contingent workers are excluded from the calculation.

Accounting practices

Topic and indicator	Accounting practice
EU taxonomy	
Taxonomy-eligible revenue	Eligible revenue includes external revenue generated from equipment and technologies that substantially reduce GHG emissions in the relevant process by improving or enabling energy efficiency or enabling the use of alternative fuels. Eligible revenue includes the sale of products, solutions, and spare and wear parts. These technologies and products must meet the Article 16 requirements, namely not lead to a lock-in of assets that undermines long-term environmental goals. They must also have a substantial positive environmental impact based on life cycle considerations.
	Eligible products and activities are categorised either as “3.6 Manufacture of other low carbon technologies” or “8.2 Data-driven solutions for GHG emissions reductions”, contributing substantially to climate change mitigation. The categorisation of each product removes the risk of double-counting revenue across economic activities. The denominator of the revenue KPI is “total revenue”. See note 1.4 to the consolidated financial statements in the 2022 Annual Report. No allocation keys were used in revenue.
Taxonomy-eligible OPEX	Eligible OPEX includes any of the following types of direct OPEX spend: a) Related to assets or processes that are associated with taxonomy-eligible economic activities (“3.6 Manufacture of other low carbon technologies” and “8.2 Data-driven solutions for GHG emissions reductions”) b) Part of a plan to expand taxonomy-aligned economic activities or to progress taxonomy-eligible economic activities to become taxonomy-aligned c) Related to the purchase of output from taxonomy-eligible economic activities and individual measures enabling the target activities to become low carbon or to lead to GHG reductions d) Related to non-capitalised R&D aligned with “Close to market research, development and innovation”
	The denominator of the OPEX KPI is a subset of direct non-capitalised costs relating to research and development (R&D), building renovation measures, short-term leases, and maintenance and repair, and other direct expenditure for the day-to-day servicing of assets of property, plant and equipment by FLSmidth, or outsourced to a third party, that is necessary to ensure the continued and effective functioning of such assets.
	An allocation key was applied to the OPEX denominator (excluding R&D) to reflect direct OPEX costs related to assets used in the production of EU taxonomy-eligible products and technologies. The allocation key was applied using the eligible revenue KPI. Expensed R&D is disclosed in note 2.2 to the consolidated financial statements in the 2022 Annual Report. Where the remaining categories identified were a minor subset of “production costs”, see note 1.2. To avoid double-counting of direct eligible OPEX, we ensure that spend or initiatives are categorised under one economic activity, rather than apportioning them across multiple activities.
Taxonomy-eligible CAPEX	Eligible CAPEX reflects a portion of our additions to intangible assets and property, plant and equipment (including capitalised leases), including those from business combinations. Eligible CAPEX includes any of the following types of spend: a) Related to assets that are associated with taxonomy-eligible economic activities b) Part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned (“CAPEX plan”) c) Related to the purchase of output from taxonomy-eligible economic activities
	“3.6 Manufacture of other low carbon technologies” and “8.2 Data-driven solutions for GHG emissions reductions”, which reflect our revenue-generating activities. This includes capitalised R&D related to eligible products and assets related to the production of eligible equipment. An allocation key was applied to CAPEX items Plant and machinery, and Operating equipment, fixtures and fittings to reflect CAPEX related to assets used in the production of eligible equipment. The allocation key was applied using the eligible revenue KPI. Capitalised R&D is identified at project level.
	We assess our CAPEX related to land and buildings, including capitalised leases under the economic activity “7.7 Acquisition and ownership of buildings”.
	Information related to property, plant and equipment, including capitalised leases and acquisitions, is disclosed in notes 2.4 and 2.5 to the consolidated financial statements in the 2022 Annual Report. Information related to capitalised R&D activities is disclosed in note 2.2 to the consolidated financial statements.

Accounting practices

Topic and indicator	Accounting practice
EU taxonomy	
Taxonomy-eligible CAPEX – continued	We assess CAPEX eligibility under the output of economic activities related mainly to the following categories: "7.3 Installation, maintenance and repair of energy efficiency equipment"; "7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)"; "7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings"; and "7.6 Installation, maintenance and repair of renewable energy technologies". Activities must be specifically outlined as an individual measure listed under the substantial contribution criteria to be considered as eligible CAPEX.
	To avoid double-counting of CAPEX additions, we ensure that identified spend or initiatives are categorised under only one economic activity, rather than apportioning them across multiple activities.
Taxonomy alignment	Substantial contribution: A life cycle assessment (LCA) is required to demonstrate substantial contribution to GHG emission savings under the economic activities "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions". The LCA must be performed compared to the next-best-performing alternative technology/product/solution available on the market and verified by an independent third party. As a reference point for the next-best-performing technology, FLSmidth uses an internal product or technology. FLSmidth does not consider competitors' like-for-like products as a suitable reference point due to constraints on data availability.
	Do no significant harm (DNSH) screening is performed according to criteria outlined in Annex I for Climate Change Mitigation or Annex II for Climate Change Adaptation. The DNSH assessment must be performed on products or technologies that pass the technical screenings for substantial contribution. Depending on the environmental goal, either the product or its associated manufacturing sites are assessed. We have assessed our policies, procedures and practices to ensure compliance with requirements. Read more about how we work towards reducing our environmental impact on page 14 and page 20. When necessary, we have conducted further desktop analysis to achieve a comprehensive assessment. We have taken a risk-based approach, involving a strong focus on identifying any significant risk within climate adaptation, water, circular economy, pollution prevention or biodiversity.
	Minimum safeguards are applied at company level and are required to ensure that adequate measures are in place related to key business practices. FLSmidth is committed to following the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles of Business and Human Rights. The principles focus on the four core areas: human rights, including workers' rights; bribery/corruption; taxation; and fair competition. We have assessed our policies, including due diligence procedures, to ensure they comply with the requirements. Some compliance activities within areas such as human rights and supply chain are further explained on pages 15, 16, 22 and 23. We acknowledge our efforts to continuously improve in order to ensure continued alignment with requirements, and we recognise that the upcoming Corporate Sustainability Due Diligence Directive (CSDDD) will play an essential role in our alignment with the minimum safeguard requirements.
Taxonomy-aligned revenue	This refers to aligned, revenue-generating eligible equipment and technologies with substantial GHG emissions reductions. This is a subset of eligible revenue, where a product or technology meets the required screenings outlined in Annex I for Climate Change Mitigation, Regulation (EU) 2020/852. They include substantial contribution, DNSH and minimum safeguards screenings.
	No allocation keys were used in revenue.

Accounting practices

Topic and indicator	Accounting practice
EU taxonomy	
Taxonomy-aligned OPEX	Aligned OPEX reflects the portion of eligible OPEX that fulfils the criteria for substantial contribution, DNSH and minimum safeguards screenings and includes any of the following: a) Related to assets or processes that are associated with taxonomy-aligned economic activities under "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions". This includes R&D activities specific to aligned products and technologies b) Part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned 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 d) Related to non-capitalised R&D aligned with "Close to market research, development and innovation"
	Aligned OPEX from "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions" is driven by expensed R&D related to taxonomy-aligned products and technologies.
	An allocation key was applied to the OPEX denominator (excluding R&D) to reflect direct OPEX costs related to assets used in the production of EU taxonomy-aligned products and technologies. The allocation key was applied using the aligned revenue KPI.
Taxonomy-aligned CAPEX	Aligned CAPEX reflects the portion of eligible CAPEX that fulfils the criteria for substantial contribution, DNSH and minimum safeguards screenings and includes any of the following: a) Related to assets that are associated with taxonomy-aligned economic activities b) Part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned ("CAPEX plan") c) Related to the purchase of output from taxonomy-aligned economic activities
	Aligned CAPEX from "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions" is driven by capitalised R&D related to taxonomy-aligned products and technologies, as well as assets related to the production of aligned products and technologies.
	An allocation key was applied to CAPEX items Plant and machinery, and Operating equipment, fixtures and fittings to reflect CAPEX related to assets used in the production of EU taxonomy-aligned products and technologies. The allocation key was applied using the aligned revenue KPI.
	CAPEX related to the output of economic activities related to 7.1 to 7.6, as outlined under eligible CAPEX, is considered aligned if the activity meets the relevant substantial contribution and DNSH screening criteria outlined under Annex I for Climate Change Mitigation or Annex II for Climate Change Adaptation.
Restatement	
Scope 3, Category 1 (Purchased goods and services)	2021 emissions have been restated as 1,800,000 from 1,200,000 t CO_2-equivalents to align with the methodology change performed in 2022 for the 2022 figures. This could not be done previously due to data availability.
Scope 3, Category 11 (Use of sold products)	2022 emissions have been restated as 134,600,000 from 125,800,000 t CO_2-equivalents due to several changes: • Inclusion of Mining Technologies emissions from 1 September 2022 following the acquisition (+300,000 t CO_2-equivalents) • Inclusion of electricity transmission and distribution emissions to follow best practice (+4,600,000 t CO_2-equivalents) • Correction of the lifetimes of some product lines based on new information (+3,900,000 t CO_2-equivalents) For the economic intensity indicator, the changes do not meet the 5% threshold because of the inclusion of Mining Technologies' order intake balancing out the increases. Even though the updated economic intensity is below the threshold, we have restated the figure from 5,310 t CO_2e/DKKm (order intake) to 5,461 to reflect the trend from year to year. Including process emissions, Category 11 has increased from 147,936,472 to 156,700,000 t CO_2-equivalents.
Restatement threshold	A threshold of 5% is used for "material changes" in figures. In 2023, this was changed from 3% to 5% based on advice from auditors. Changes below the threshold will be applied in the comparative period should the direction of performance year-on-year be significantly affected.

New and descoped indicators

	List of descoped indicators	List of new indicators
Safety		
People		
Compliance		
Environment		
Supply chain	Suppliers assessed for sustainability (number)	Targeted supplier engagement on sustainability (% of yearly supplier spend)
	Supplier screenings resulting in a new finding/non-conformity (number)	Supplier spend categorised by high risk of forced labour based on country (%)
	Findings/non-conformities that have improvement plans agreed upon with suppliers (%)	Completion rate of onsite supplier assessment (%)
		Employees trained in responsible business conduct in the supply chain (number)
Human rights		
EU taxonomy		

Standards and disclosures

FLSmidth's Sustainability Report has been published every year since 2010. The contents, disclosures and performance data in the report are produced with reference to specific mandatory and selected voluntary standards and frameworks. This section provides a high-level overview of how these standards are applied across the report, including to what extent and where specific omissions are made.

Boundaries
The contents 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 value chain approach, we report on the impacts from the production in our supply chain (p23), our own operations (p20) and at customers' sites (p19).

European common enforcement priorities for 2023 annual financial reports, including non-financial statements
The 2023 report includes disclosures for the following requirements:

- Social and employee matters, including compliance with health and safety rules (p15, p22)
- Business model and value creation (pp9-11)
- Reference to risks relating to climate change, taking into account physical and transition risks, (p28)

Financial Statements Act
The Sustainability Report 2023 is in compliance with sections 99a and 107d of the Danish Financial Statements Act.

United Nations Global Compact – Communication on Progress
The Sustainability Report 2023 is our Advanced Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

UN Sustainable Development Goals (SDGs)
In this report, we have indicated how we contribute to specific SDGs.

Global Reporting Initiative (GRI)
The preparation of our report has been guided by the GRI standards. As of 2022, we no longer publish a GRI index.

Task Force on Climate-related Financial Disclosures (TCFD)
To better understand, manage and disclose the impacts of climate change, we have updated our climate-related risk overview based on the TCFD recommendations during the year. Going forward, we will include TCFD parameters in our efforts to comply with the CSRD requirements. These risks and opportunities are part of the Board of Directors' and Group Executive Management's areas of accountability.

EU taxonomy
The Sustainability Report 2023 is in compliance with the reporting requirements of article 8 of Regulation (EU) 2020/852, otherwise known as the EU taxonomy. Reporting is covered by Delegated Acts, Annex I and Annex II for Climate Change Mitigation and Climate Change Adaptation respectively.

EU taxonomy reporting requirements remain open to interpretation and our reporting is based on the best current available guidance. We will continue to align with any future developments.

Science-based targets
Our disclosure related to science-based targets has been based on the Science Based Targets initiative's guidelines. We have set targets for our combined scope 1 and 2 GHG emissions and our upstream and downstream scope 3 GHG emissions. Our reporting follows the Science Based Targets initiative's methodology and is in line with the Greenhouse Gas Protocol. Following the acquisition of Mining Technologies, we have recalculated the 2019 base year figure used to set our targets, thus providing comparability and accurate measurement of our progress against our baseline.

Operational data from Mining Technologies has been integrated into our scope 1, 2 and 3 GHG emissions reporting.

Arbitration
A customer has initiated arbitration against FLSmidth and certain partners for alleged contractual breaches ("the Tunisia contract"). FLSmidth is rejecting the claim in arbitration.

Embracing a future as two companies
As part of the "pure play" separation process between Mining and Cement, we have assessed different business models, investment scenarios and potential ownership structures. Based on these assessments, we have concluded that the Cement business in the longer term could benefit from an alternative ownership than FLSmidth's.

By pursuing a separate ownership of the two businesses, our objectives are to unlock the full potential of each of the businesses and to maximise shareholder value.

The process of exploring divestment options for the Cement business has been initiated; however any transaction is of course not guaranteed. Until further notice, the Cement business will continue to execute on its Green'26 strategy and work towards the long-term financial target that has been set for the business.

Exploring divestment options for the Cement business also represents a key step in unlocking the full long-term potential for our Mining business, which already today accounts for around 80% of our total business.

We continue to see tremendous long-term opportunities in mining backed by strong industry fundamentals and a positive long-term market outlook, especially due to the ever-growing demand for critical minerals such as copper, lithium and cobalt. However, to fully leverage these growth factors, it requires dedicated management attention and significant investments.

Statement by management

The Board of Directors and Executive Management have today discussed and approved the Sustainability Report of FLSmidth & Co. A/S for 2023.

The information in the Sustainability Report for 2023 has been prepared in accordance with the stated data accounting practices described on pages 37-43.

In our opinion, the Sustainability Report for 2023 gives a fair presentation of FLSmidth & Co. A/S' sustainability activities and results in the reporting period as well as a balanced presentation of FLSmidth & Co. A/S' environmental, social and governance performance in accordance with the stated performance data accounting practices.

Valby, 21 February 2024

Executive management

Mikko Juhani Keto
Group CEO

Roland M. Andersen
Group CFO

Board of directors

Tom Knutzen
Chair

Mads Nipper
Vice Chair

Anne Louise Eberhard

Thrasyvoulos Moraitis

Gillian Dawn Winckler

Daniel Reimann

Claus Østergaard

Leif Grundtoft

Carsten Hansen

Independent auditor's Assurance Report

To the stakeholders of FLSmidth & Co. A/S

As agreed, we have performed an examination with a limited assurance, as defined by the International Standards on Assurance Engagements, on FLSmidth & Co. A/S' sustainability data reported in FLSmidth & Co A/S' Sustainability Report and summarised in the tables on pages 31-36 ('the sustainability data') for the period from 1 January 2023 to 31 December 2023.

In preparing the sustainability data, FLSmidth & Co. A/S applied the accounting practices described on pages 37-43. The sustainability data needs to be read and understood together with the accounting practices, which Management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate, and measure the sustainability data allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Management's responsibilities

FLSmidth & Co. A/S 's Management is responsible for selecting the accounting practices, and for presenting the sustainability data in accordance with the accounting practices, 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 sustainability data, such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion based on our examinations on the presentation of the sustainability data in accordance with the scope defined above.

We conducted our examinations in accordance with *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and additional requirements under Danish audit regulation to obtain limited assurance for the purposes of our conclusion.

EY Godkendt Revisionspartnerselskab applies International Standard on Quality Management 1, ISQM1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as well as ethical requirements applicable in Denmark.

Description of procedures performed

In obtaining limited assurance over the sustainability data summarised in the tables on pages 31-36, our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance.

The procedures performed in connection with our examination are less than those performed in connection with a reasonable assurance engagement. Consequently, the degree of assurance for our conclusion is substantially less than the assurance which would be obtained had we performed a reasonable assurance engagement.

As part of our examinations, we performed the below procedures:

- Interviewed those in charge of the Sustainability Report and the sustainability data reported herein to develop an understanding of the process for the preparation of the sustainability data and for carrying out internal control procedures.
- Performed analytical review of the data and trends to identify areas of the sustainability data with a significant risk of misleading or unbalanced information or material misstatements and obtained an understanding of any explanations provided for significant variances.
- Based on inquiries we evaluated the appropriateness of]the accounting practices used, their consistent application and related disclosures in the sustainability data. This includes the reasonableness of estimates made by management.
- Site visits to conduct walkthroughs of data gathering, calculation and consolidation processes related to the limited assurance of metrics.
- Designed and performed further procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the examinations performed provide a sufficient basis for our conclusion.

Conclusion

Based on our examinations and the evidence obtained, nothing has come to our attention that causes us to believe that the sustainability data reported in FLSmidth & Co A/S' Sustainability Report and summarised in the tables on pages 31-36 for the period from 1 January to 31 December 2023 has not been prepared, in all material respects, in accordance with the accounting practices described on pages 37-43.

(Continued on next page.)

Other Disclosures in the Sustainability Report

Management is responsible for Other Disclosures. Other Disclosures comprise the remaining part of the information, which is included in the Sustainability Report, and which is not included in the sustainability data summarised in the tables on pages 31-36 and our report thereon.

Our opinion on the sustainability data summarised in the tables on pages 31-36 does not cover Other Disclosures, and we do not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the sustainability data summarised in the tables on pages 31-36, our responsibility is to read Other Disclosures and, in doing so, consider whether Other Disclosures are materially inconsistent with the sustainability data summarised in the tables on pages 31-36 or our knowledge obtained during the assurance engagement, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in Other Disclosures, we are required to report that fact. We have nothing to report in this regard.

Copenhagen, 21 February 2024
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
Partner, State Authorised Public Accountant
Mne24687

Monica Mai Bak Larsen
Partner, Climate Change and Sustainability Services

Sustainability Report 2023
1 January – 31 December 2023

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