

SUSTAINABILITY REPORT 2018

TRIFR

3.0

Down from 3.2

Whistle-blower cases

65

Up from 51

Women Managers

10.4%

Down from 10.5%

Tonnes of carbon

60,341

Down from 64,267

CONTENTS



9 More business at less cost
to the environment



17 Financing accelerates
sustainability

ABOUT THIS REPORT

The 2018 Sustainability Report describes the non-financial performance of FLSmidth & Co. A/S, listed on NASDAQ OMX Copenhagen and, based in Copenhagen, Denmark.

The 2018 Sustainability Report supplements the 2018 Annual Report and Corporate Governance Report. It has been published every consecutive year since 2010. It has been prepared in accordance with the GRI Standards: Core option, and is compliant with section 99a of the Danish Financial Statements Act. To access previous years' reports, visit www.flsmidth.com/sustainability

For inquiries, please contact sustainability@flsmidth.com



This is our **Advanced Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals. We welcome feedback on its contents.

FLSmidth at a glance	3
FLSmidth in the world	4
Strategy and business model	5
Organisational structure and employees	6
Letter from the CEO	7
Our role in the world	8
More business at less cost to the environment	9
Contribution to the global agenda	10
Challenges in mining	11
Challenges in cement	14
Financing accelerates sustainability	17
Stakeholder engagement	18
Governing sustainability	21
Safety	22
People	24
Compliance	26
Environment	28
Supply chain	30
Human rights	32
Sustainable customer solutions	34
Performance summary	35
GRI Requirements	37

FLSMIDTH AT A GLANCE

FLSmidth is a leading supplier of productivity enhancing solutions to the global cement and mining industries. Through our unique combination of engineering, products and services, we help our customers increase their production output, decrease operating costs and reduce environmental impact.

We are the market leader in the premium segment of the cement industry. We have the most complete offering and the strongest brand. In mining, we are amongst the market leaders with one of the strongest trends and broadest offerings. We have a proven track record of quality and reliability.



We are

A supplier of everything from single machinery to complete cement and minerals processing plants, including services before, during and after the construction



60+ Countries

A truly global company with local presence in more than 60 countries and operations in more than 100 countries



11,368

Employees

Our in-house resources are primarily engineers who develop, plan, design, install and service equipment, with most of the manufacturing being outsourced



Our vision

We drive success through sustainable productivity enhancement

Our brand promise

We discover potential

FLSMIDTH IN THE WORLD

7

Regional Headquarters

3

Global project and/
or technology center

76

Local sales and service offices

6

Service Super Centres
in mining clusters

23

In-house workshops
(70-80% outsourced)

USA

Mining
technology
center

DENMARK

Global Headquarters &
Cement project and
technology center

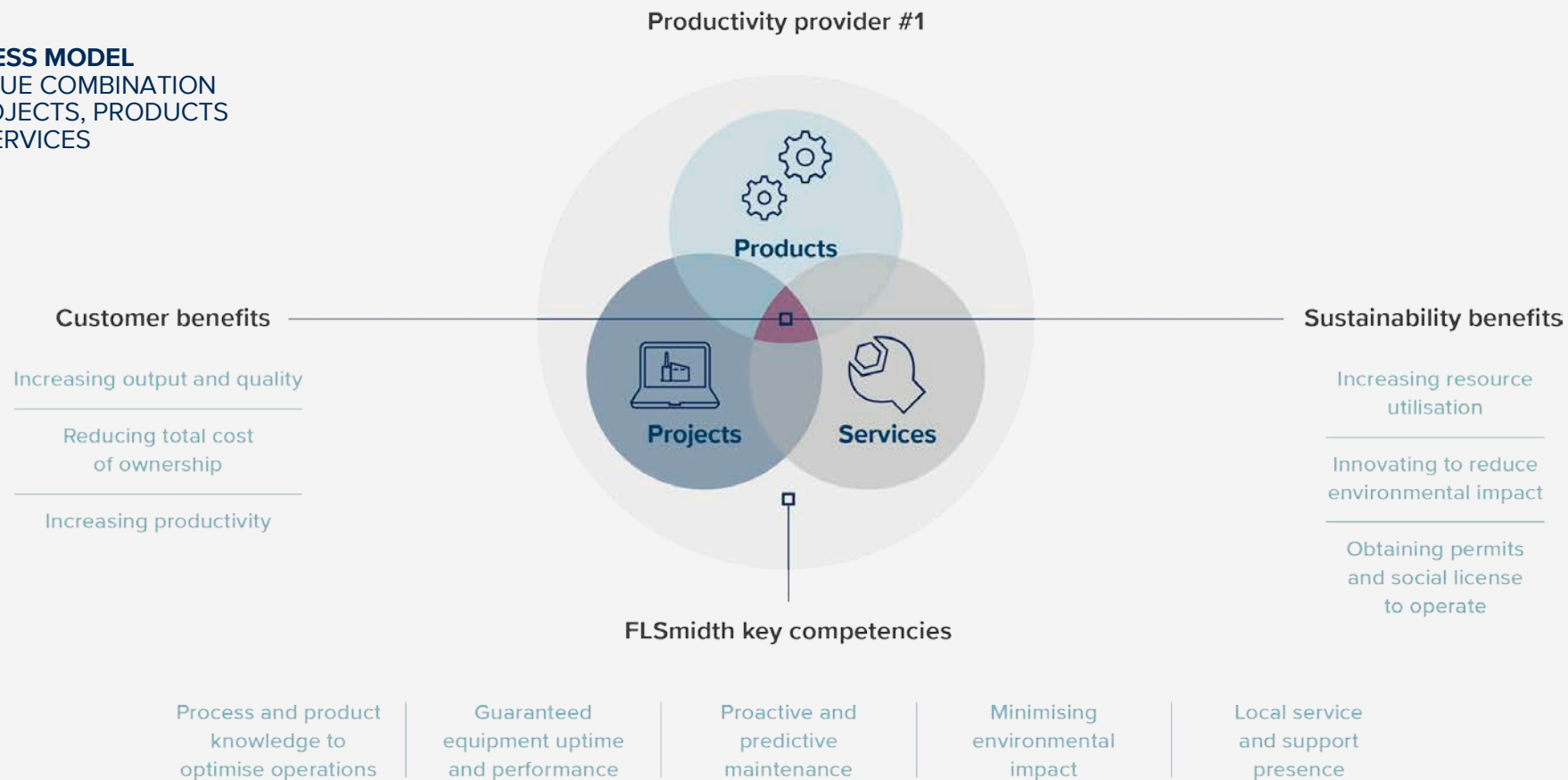
INDIA

Shared service
and project center

STRATEGY AND BUSINESS MODEL

BUSINESS MODEL

A UNIQUE COMBINATION
OF PROJECTS, PRODUCTS
AND SERVICES



ORGANISATIONAL STRUCTURE AND EMPLOYEES

The reason we can take pride in 136 years of successful business performance is that we have always been able to adapt to changing market conditions and the cyclical developments in our industries. In recent years, we have successfully adjusted to the downturn of our markets so that today, we have a capable workforce, an optimised cost structure, a healthy financial situation, and our underlying business is in good shape.

This year, we realigned our organisation to strengthen customer relations, digitalization, productivity, sustainability offerings, and to capture growth. We call this Productivity at Work. Whereas before we had four divisions, we now have two industries - Cement and

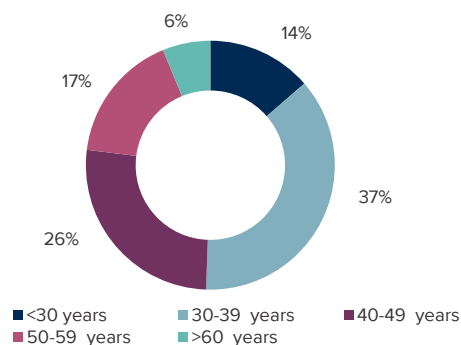
Mining - supported by sales and service activities in seven Regions with a central digital organisation. With a simpler structure, we can succeed with a more unified approach to sustainability and use our joint strength to take the leading position in the market.

This new structure means that sustainability can be fully embedded in our internal operations, as well as the industries, who will receive feedback supplied by the regions. We are set up to capture market signals and translate this information for our engineers to act on. Understanding where the world is heading and the sustainability challenges in each country will also be much easier.

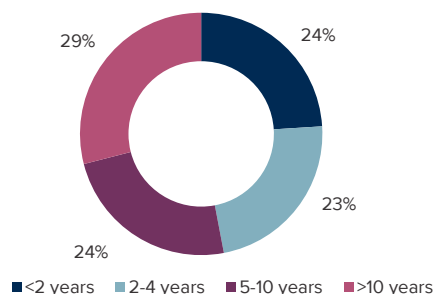
Changing the way that we work has necessarily resulted in a readjustment of our workforce, with 332 fewer employees and a slightly older workforce with more seniority.

We are confident that current and future employee productivity will increase with this new structure.

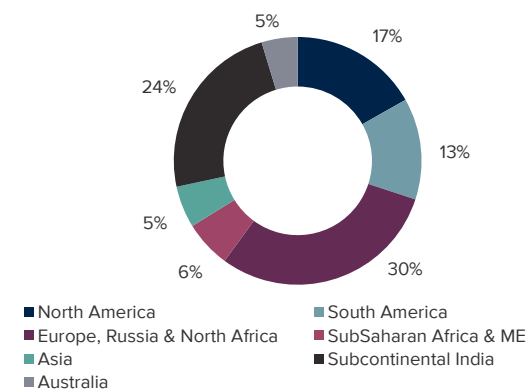
AGE DISTRIBUTION



LENGTH OF SERVICE



GEOGRAPHICAL DISTRIBUTION



LETTER FROM THE CEO



A common denominator for all our innovative solutions is that they must be financially viable and give our customers an opportunity to grow their business while minimising their impact on the environment.

Growing populations and demand to improve living conditions drive the need for increased production in cement and mining. We need new solutions to make this production more sustainable and to deliver more business at less cost to the environment - safeguarding our planet for future generations.

As a leading contributor to cement production and minerals processing, FLSmidth – together with our customers, suppliers and business partners – share the responsibility for driving the transition and progress towards a more sustainable tomorrow.

Today, digitalization is one of the main drivers of our innovative process. We seize every opportunity to connect our customers' equipment to the internet, gather and analyse data, and optimise processes and performance based on intelligence. This adds new opportunities for big improvements to the cement and mining industries. But even smaller ones e.g. in power consumption, downtime or throughput can have significant environmental effects. A great example is our ECS/ProcessExpert control system, which can increase production of cement equipment by 3-5%, while decreasing energy use by 5%. This is significant considering that cement manufacturing produces 8% of all carbon emissions.

License to operate is one of the highest risks facing the mining industry. When authorities or local populations obstruct a mine's license to operate, it's usually because they are worried about the environment. Pollution of their

lakes, rivers, and ground water is a risk that we help our customers minimise. We have developed solutions like EcoTails™ that significantly reduce the need for water in mining and minerals processing. Like our digital solutions, this is a discovery that we anticipate will have a huge positive impact on the environmental footprint of our customers – while improving their productivity.

A common denominator for all our innovative solutions is that they must be financially viable and give our customers an opportunity to grow their business while minimising their impact on the environment. Sustainability and productivity cannot be thought of separately – it's two sides of the same coin, which is reflected in our vision: “We drive success through sustainable productivity enhancement.”

More than ten years ago, FLSmidth joined the United Nations Global Compact and I am proud to say that we have renewed our commitment and moved to the advanced level of reporting. We will increasingly focus on how to improve the environmental footprint of our suppliers and our customers in a more systematic way.

Join us as we make use of our experience and ingrained curiosity to discover new paths towards a sustainable tomorrow.

Thomas Schulz, Group CEO

OUR ROLE IN THE WORLD

1. Gold for electronic devices

As hundreds of millions of people increase their standards of living, digital solutions play a bigger and bigger role. Gold is not just for jewellery, it also makes it possible to develop electronic devices, such as computers and telephones.

2. Cement for constructions

By 2030, it's expected that 60 per cent of people globally will live in urban areas and one in every three people will live in cities with at least half a million inhabitants. With increased urbanisation comes the need for cement to build infrastructure such as roads, ports, housing and more.

3. Sustainable development of societies

To harvest the opportunities that come from economic growth, our customers are looking for sustainable productivity. Together with customers, we activate our knowledge and experience to develop the products and services that make it possible to meet the increasing demand for industrialisation, urbanisation and higher standards of living – with the lowest possible impact to the environment. That to us, is sustainable productivity.

4. Copper for electricity

Copper ensures that electricity can be distributed over long distances and with little power loss. It's needed to build the future infrastructure where electrical carts, high-speed trains and renewable energy solutions will be key.



MORE BUSINESS AT LESS COST TO THE ENVIRONMENT

We deliver sustainable productivity to our customers. To reduce emissions and the consumption of fresh water while meeting the growing demand for cement and minerals.

Demand for cement has gone up by more than 180 percent in the past 20 years. As more people have lifted themselves out of extreme poverty, the need for proper housing, roads, ports and airports has gone up. Demand for minerals has surged as well, as smart phones, computers, electric vehicles, renewable energy solutions and vast numbers of other devices based on minerals like copper, gold and lithium have become global necessities.

Tapping into these growth opportunities for the cement and mining industries is not as simple as it sounds. Greater scarcity of resources such as energy, water, and raw materials – along with declining ore grades and stricter regulations – lead to more complex and costly operations.

A call for new solutions

To stay competitive in this complex market, cement and minerals producers have to minimize the use of resources, while optimising production and maximising their investment.

This calls for new solutions and new ways of working. To reduce emissions, we either need to find new sources of energy to keep the equipment and vehicles running, reduce emissions from the energy we use today, or find ways to increase production using the same amount of energy as today.

Digitalization lowers emissions

Our innovative engineers work on all three tracks. Through digitalization, we are making big steps forward on the latter. By bringing our equipment online and collecting data in a cloud solution, we can analyse even the smallest performance details and adjust them to perform in the perfect equilibrium of production capacity, energy consumption and need for maintenance.

Customers working with us on our digital platform will reduce their carbon emissions, reduce their energy costs, while remaining at least as effective in their production as before. This is what we mean by sustainable productivity.

Save water and remain productive

Water is another issue high on our agenda this year. Especially in the mining industry, the access to and disposal of water is the reason for tensions with local communities and authorities – tensions that impact the license to operate.

There is no magic wand to stop the need for water in mining and minerals processing from one day to the next. However, through cooperation with partners in the

industry, we have made great progress and introduced solutions that re-use up to 95% of the process water and eliminates the need for wet tailings dams, even for large mines.

These solutions help our customers overcome some of their biggest challenges. It makes it easier to obtain a license to operate, it reduces operational costs significantly, it minimises the risk of contaminating ground water, and it eliminates the dire consequences of tailings dams failures.

Sustainability and digitalization are the biggest business opportunities right now. We combine the two to discover new solutions that provide our customers with tools to reduce CO₂ emissions and the need for fresh water without compromising productivity.

CONTRIBUTION TO THE GLOBAL AGENDA

We work actively with Sustainable Development Goals to improve the environmental and socio-economic impacts from the cement and mining industries. Integrating the adequate goals into our business model drives future revenue and profit – and offers sustainable productivity to our customers.



SDG 6: Clean Water and Sanitation

Water is pivotal for us and for our customers. Minerals processing requires large quantities of water. Our solutions reduce the need for fresh water in the process and reduce water-related risks like ground water contamination. We are fully committed to continuing the innovation of new solutions that will help our customers produce more with less use of water.



SDG 7: Affordable and clean energy

Providing energy-efficient technology to customers around the world means that the customers do not require as much energy to operate. Some of our solutions that optimise customers' fuel consumption can even turn household waste and used tyres into energy, substituting fossil fuels.

SDG 12: Responsible consumption and production

Developing suppliers and decreasing customers' emissions to air, water and soil are central to our business model. Furthermore, being responsible also means doing business ethically; and to stem fraud or corruption of any kind.



SDG 8: Decent work and economic growth

Local hiring and training contributes to improved economic conditions. Supplier development programs in human and labour rights multiply our influence substantially.



SDG 13: Climate Action

Some of our equipment can run for decades. Any improvement we make in the design or operation has the potential to be massive in scale, and significantly our customers' productivity. As we deliver more efficient offerings, the better it is for the climate.

SDG 9: Industry, Innovation and Infrastructure

Cement and minerals form the foundation for infrastructure and technology in all aspects of life. Producing them responsibly goes a long way towards promoting sustainable development. Developing clean and environmentally-sound technologies drives not only our company, but both of our industries in the right direction.

SDG 17: Partnership for SDG's

We partner with our customers, suppliers, with industry associations, civil society and finance institutions to ensure that we operate responsibly and deliver the most sustainable solutions.

CHALLENGES IN MINING

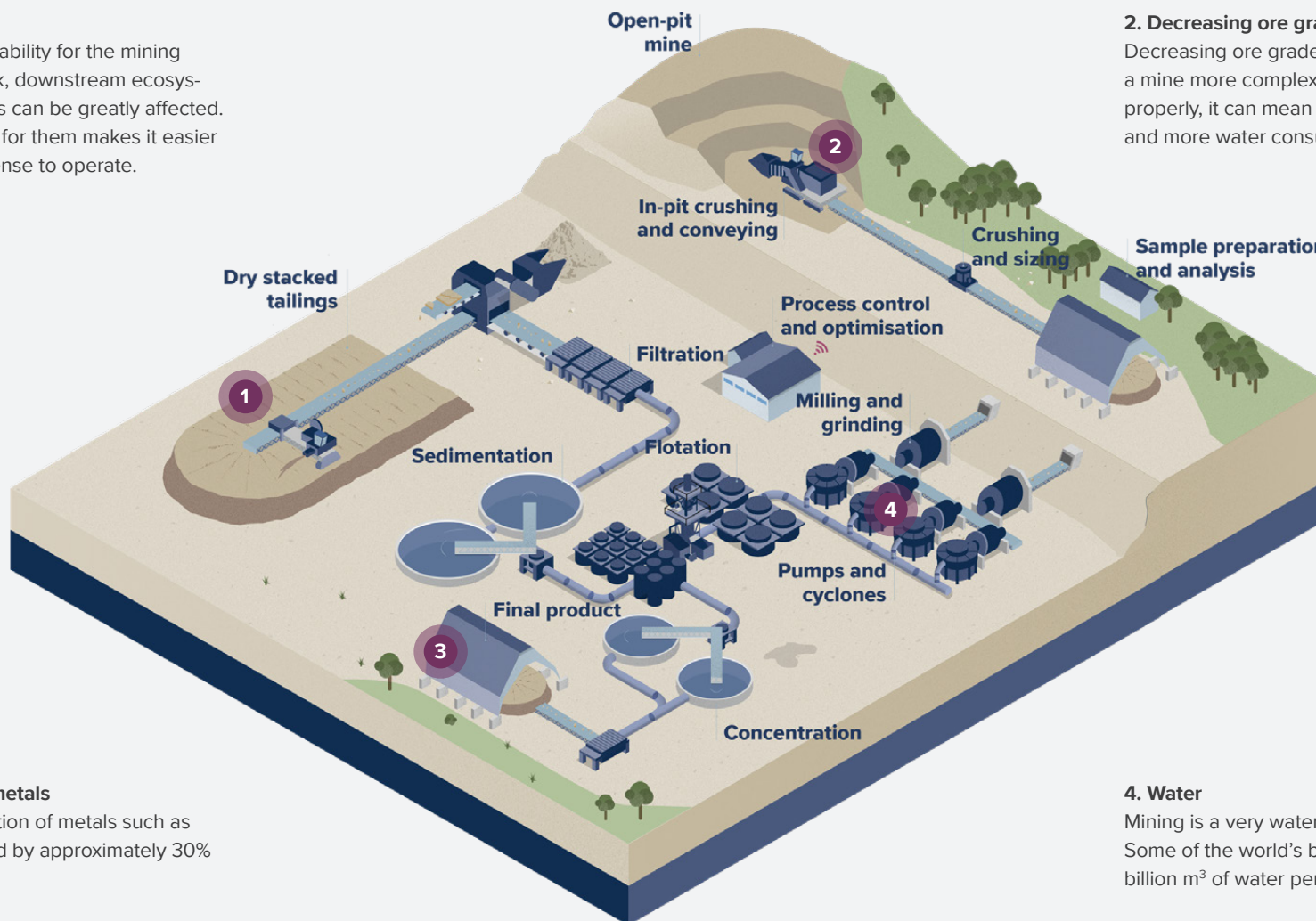
The background image is a high-angle, wide shot of a massive open-pit mine. The mine's walls are composed of layered, reddish-brown rock, showing signs of erosion and excavation. Several horizontal dirt roads, or benches, are visible, curving around the perimeter of the pit. A single yellow dump truck is positioned on one of these upper roads, providing a sense of scale to the enormous size of the mine. The lighting is bright, highlighting the textures of the rock and the dusty surface of the roads.

Obtaining and retaining a social license to operate is the number one risk facing the mining industry in 2019, according to EY. Many mines are located in remote and arid areas where water is a scarce resource and the local population, agriculture and other industries compete for it.

The amount of water needed for processing and the risks associated with waste water disposal makes it the main challenge for responsible mining. Decreasing ore grades that contain increasing levels of arsenic also means that it will be more difficult to obtain environmental permits.

1. Tailings dams

Tailings dams are a liability for the mining industry. If they break, downstream ecosystems and populations can be greatly affected. Eliminating the need for them makes it easier to obtain a social license to operate.



2. Decreasing ore grades

Decreasing ore grades make operating a mine more complex. If not addressed properly, it can mean more CO₂ emissions and more water consumption.

3. The demand for metals

The global consumption of metals such as copper has increased by approximately 30% in the past decade.

4. Water

Mining is a very water intensive process. Some of the world's biggest mines use 1 billion m³ of water per day.



Access to safe water is indispensable to achieve the global ambitions of poverty reduction, sustainable economic growth and healthy ecosystems. In the mining and mineral processing industry we are highly dependent on water, and we must address this issue from all possible angles – from proactive water management plans reducing water consumption in ongoing operations to research into new solutions until we can either fully recycle water and eliminate the need for tailings dams or find dry minerals processing solutions eliminating the water use completely.



Manfred Schaffer
Group Executive Vice President, Mining Industry

Save water with EcoTails™

Finding better ways to manage water usage is crucial to the success of mining operations in the future. Together with Goldcorp, we have developed EcoTails™, a solution that aims to enable large-scale mining operations to move from wet to dry stack tailings in a financially viable way. Dry stake tailings eliminate the need for tailings dams that are costly in maintenance and devastating in the event of a breach.

The EcoTails™ process enables recirculation of 90-95% of process water and thus reduces the need for fresh water intake. The costs saved by the water-recirculation alone will significantly reduce the total cost of ownership for many mining operations.

The process blends filtered tailings with waste rock creating a geotechnically stable product that is stackable, easily conveyable and can be used to re-vegetate the area. This reduces the environmental impact of the operation and helps obtain the license to operate. EcoTails™ is a benefit to both the local communities in the area and to mining operations.

Rapid Oxidative Leaching

The mining industry is facing a challenge as existing ore bodies are becoming lower grade over time. Many of the easily accessible deposits have been mined and finding new deposits is increasingly complex. This is compounded by increasing levels of impurities in the remaining ores, such as arsenic. It can make it more difficult for our customers to obtain environmental permits and improve their environmental performance.

Rapid Oxidative Leach process (ROL) makes it possible to develop mineral deposits containing arsenic for recovery of copper, gold, and silver, while complying with stringent environmental regulations. Many ore bodies cannot currently be processed due to the high level of arsenic, but by using ROL it is possible to do so with a lower environmental impact. It also allows for recovery from waste streams, and piles containing arsenic can be processed on site. This makes it possible to avoid potentially toxic emissions to soils, air and water.

CHALLENGES IN CEMENT



Global consumption of cement has increased nearly 180% since the turn of the millenium. As there is no slowing down or substitute material in sight, producers and legislators alike are looking for ways to make production more sustainable.

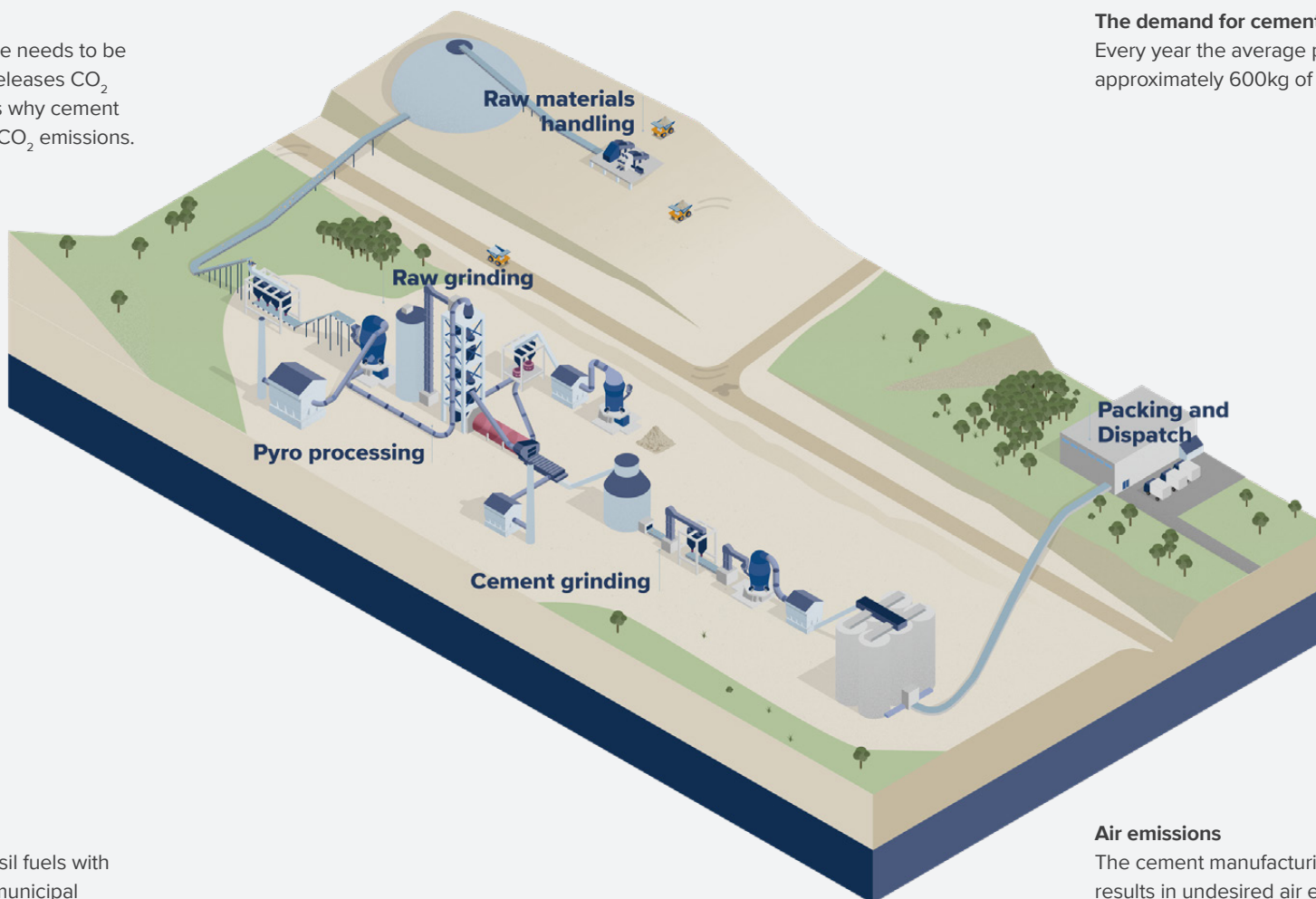
CO₂ emissions from cement production have a massive environmental impact.

A reason that the cement industry has been making huge progress on emission reduction is because energy is becoming increasingly expensive, and productivity means that we can reduce their cost base and their emissions at the same time. It's a win-win, and a significant business opportunity for us.

Our innovative engineers attack this challenge from every possible angle, including energy efficient equipment, process optimisation and fuel substitution.

Climate change

To make cement, limestone needs to be heated to 1450°C, which releases CO₂ trapped in the rock. This is why cement produces 8% of all global CO₂ emissions.



The demand for cement

Every year the average person consumes approximately 600kg of cement.

Alternative fuels

Substituting traditional fossil fuels with alternative fuels, such as municipal solid waste, means less CO₂ emissions and a more circular economy.

Air emissions

The cement manufacturing process results in undesired air emissions such as sulphur and nitrogen oxides. These can be effectively mitigated using the right air pollution control technology.

Software reduces energy consumption

Fuel and electricity constitute a high proportion of a cement plant's operating costs. This means that efficiency gains can lead to significant cost savings and an impressive environmental performance. We've used our deep understanding of cement operations to develop a control system that allows our customers to reduce their emissions, cut energy costs and lift profits while also protecting and extending the life of their equipment.

Our ECS/ProcessExpert control system constantly monitors conditions inside the kiln, crusher or mill and makes small but frequent adjustments to ensure operations are working as efficiently as possible.

The benefits are typically 3-5% higher production, up to 5% lower fuel or energy consumption, and at least 30% lower standard deviation in terms of quality. A medium-size vertical cement mill is a steel structure that can be 17 metres high, producing 170 tonnes per hour and running 328 days per year. The amount of electricity consumed is staggering. Any improvement, no matter how small, can have a drastic impact.

This software is an example of how digitalisation drives sustainable productivity.

Burning old tyres reduces emission

Substituting traditional fossil fuels with alternative fuels in the cement manufacturing process has profound implications for the environment. Not only does it result in more cost effective operations and much lower emissions, it also means co-processing waste from other industries. This means that less waste is sent to landfills, solving a wider host of societal challenges.

A cement plant in New Zealand has installed FLSmidth's HOTDISC® pyro-processing system, and once the reactor is fully operational, the kiln will consume around 3.1 million shredded tyres a year. Not only does this replace the need for 15,000 tonnes of coal; according to local media it also reduces CO₂ emissions from the plant by 13,000 tonnes per year. That is the equivalent to the exhaust emissions of 6,000 cars.

The HOTDISC® combustion device is safe, simple and effective. It has proven to be the best technology available for substituting calciner fuel with coarse alternative fuels and for feeding waste materials into the kiln system. The HOTDISC® solution provides the flexibility to burn all kinds of solid waste in sizes up to 1.2 metres in diameter, from sludge or grains to huge whole truck tyres.

Especially in China, FLSmidth is experiencing a boom in sales of this device. From two installations annually, we now forecast significantly more in 2019. This will reduce the industry's carbon footprint, lower energy costs for the plant owner, and help the local community dispose of its waste.



“There is currently no construction material that is as functional and versatile as concrete that can be used at the same scale globally. To provide future generations with quality housing and infrastructure as well as access to clean air, we in the industry have a responsibility to make production more sustainable. Our research continues, and we will keep on providing our customers with options that push the standards for sustainable productivity.”



Jan Kiaersgaard
Group Executive Vice President, Cement Industry

FINANCING ACCELERATES SUSTAINABILITY

Factors like environmental, social and corporate governance are becoming increasingly important for securing financing for large value contracts in cement and mining. FLSmidth has strong competences and a long-standing cooperation with financial institutions that help customers finance their projects, while in turn ensuring that the projects make a positive contribution to sustainability.

Issues such as safety, environmental management and human rights are becoming increasingly important for the likelihood of securing financing to build a cement plant or a mine.

It has been almost a century since FLSmidth first cooperated with a financial institution to help a customer secure funding for their project, and countless projects have materialised due to these well-established partnerships. In the early days, the risk assessments conducted by the financial institutions only focused on the business case and the customer's ability to pay back the loan. Today, it is a different ball game.

“In order to secure their investment, our customers need to look at environmental management, the social impact on the local community and other sustainable actions. When we build cement plants or mineral processing

facilities, or even when supplying equipment anywhere in the world, our financial partners expect international standards to be met. They also monitor and review customer compliance with those standards. This helps us pave the way for sustainable productivity, even though we only deliver the equipment,” says Tine Bremholm Kokfelt, Department Manager of Global Project & Export Finance at FLSmidth.

A financial partner on several projects is Denmark's Export Credit Agency (EKF). At EKF, it is a requirement that all transactions comply not only with all applicable national legislation, but also with world-class practises such as the Equator principles, the International Finance Corporation's performance standards for environmental and social sustainability and numerous European directives on health, safety and environment.

“We provide attractive financial solutions for many FLSmidth customers, but we also demand certain standards. By acting sustainably, these companies not only get access to money, it also helps them achieve international standards. This again opens new market opportunities for them – which secures the investment. In this way, financing has a positive impact on sustainability and vice versa,” explains Jens Hestbech, Chief Underwriter at EKF.

In 2018, EKF and FLSmidth partnered on a project in a developing country where EKF required a permanent change in behaviour on site to release the funds.

“At the first site visit, we encountered about 50 sustainability issues that needed to be solved. They ranged from safety gaps with personal protection equipment to not having an adequate management system in place. After we established the right communication channels we felt that they were on the path to improve their work culture, behaviour and performance, so all red flags in order for us to release the funds have been removed,” says Jens Hestbech.

DELIVERING A HIGH VALUE ORDER

In 2016 we signed a contract with Akij cement in Bangladesh to supply a complete cement mill system, bringing up the capacity to 3 million tons per year. This included an OK 39-4 cement mill, electrical package, storages and cement transport. This mill uses 5 to 10% less power than other vertical roller mills and 30 to 50% less than a conventional ball mill.

The project was financed by EKF and the customer followed international sustainability standards, which they did willingly. This included effective health and environment management systems, and a focus on human and labour rights. This project will significantly help Bangladesh's rapid socio-economic development by allowing Akij to fuel the supply of cement for infrastructure development.

STAKEHOLDER ENGAGEMENT

We seek to identify and understand all major sustainability impacts, opportunities and risks throughout our value chain. This relies on engagement with all relevant stakeholders, through transparency, open communication channels and meaningful dialogue. As a company whose values are competence, cooperation and responsibility, this is of great importance to us. We need to get insight into their advice, inputs, and expectations so that we can continuously improve.

In 2017, we mapped the general stakeholder groups for our latest materiality assessment. Throughout the course of the assessment, we spoke with dozens of the top sustainability influencers in the company. We asked them which external stakeholders they spoke to, with what frequency and regarding which specific topics. At the end we had a full picture of how we interact with the outside world, and here is a view of some of the most important ones for 2018:

Customers

Customer satisfaction is what makes our business run and it's only by delivering on our promises that we can succeed. Close collaboration with our front line is essential, as well as understanding market trends. This is paramount for understanding the complexity required to solve the greatest sustainability challenges in the industry. We fully understand that sustainability issues cannot be solved alone and that's where partnerships even the odds of success. This year we continued our cooperation with customers such as Goldcorp on our

EcoTails project. For more information, please see the section on "Challenges in mining".

Some of the most important issues that we discuss with our customers are safety, people development, water usage, energy efficiency and emissions, amongst others. Our ability to effectively solve their challenges is our unique selling point so they are constantly addressed. When we are involved in their sustainable procurement programme, we complete their requirements in full on time, meeting their qualifications.

Financial institutions:

We work alongside customers on a continuous basis to secure financing for projects around the world. Numerous financial institutions require customers to adopt world class standards related to the environment, society and the economy. We work hand-in-hand with both customers and financial institutions to ensure that projects adhere to the standards required.

Please review the section on "Financing accelerates sustainability" to learn more.

INVESTORS

In 2018, FLSMIDTH & CO. A/S received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. Our behaviour and performance are strong on issues such as safety and corruption, while having a very robust governance structure in place. This score means that investors can trust that we are a responsible company and that we have the policies and processes in place to assess and evaluate performance across the company. With strong management attention and our internal reporting in place, we are aware of what we are doing well, and where we have room for improvement.

We also discussed the outcome of our assessment related to the Task Force on Climate Related Financial Disclosures framework with investors. Please review the section on "Environment" to learn more.

Outsourcing partners

Our ability to deliver premium projects, products and services depends very much on our suppliers, who provide more than 80% of our manufacturing. If we are to deliver products, projects and services to our customers, this must be done in a partnership with people who we can rely on to achieve our goals. By having close contact with our suppliers, in all categories, our supplier relationship management is a real driver for results. These are strong partnerships, we very much realise the importance of having common long-term focus while navigating mutually beneficial agreements.

To be able to deliver the best customer service in the industry our solutions need to have optimal lead times, delivery in full on time while meeting our strict safety culture. We therefore have contracted labour on many of our projects, especially at production sites and for maintenance contracts. Many of our customers have stringent requirements for labour rights and safety for anyone who enters their sites. We manage a flexible workforce while maintaining some of the best standards in the industry. This means that our customers can rely on us to manage peak workloads, for example kiln shutdowns, without compromising how we treat our contractors.

Please review the section “Supply chain” to gain insight into how these partners are engaged on sustainability matters.

Universities

Collaboration and interaction with academia is important for ensuring a consistent knowledge flow and innovation in the company. Having close collaboration with universities, specifically engineering programs and projects, as well as doctoral studies, helps attract top talent, acquire new knowledge and develop innovative ideas within the company. It is a crucial investment in the future of the business.

This year, we partnered with another Danish company, the ROCKWOOL Group, and the Technical University of Denmark to develop process technologies for sustainable building material production that aims to reduce CO₂ and other emissions. The project received a DKK20m grant from the Innovation Fund Denmark. We will be looking at innovative ways to optimise high-temperature processes throughout the entire production chain.

Civil society

This stakeholder group consists of communities, mass communication, non-governmental organisations and charities, as well as trade unions and staff associations.

One of our main interactions this year on sustainability was through the Confederation of Danish Industry programme – from philanthropy to business. The purpose of this partnership is to look at the future of the company and to develop a long-term plan on how to solve global challenges. The programme will run until the end of 2020 and is run by the Group Sustainability programme.

As the mining industry has compliance risks that span its value chain, we are a founding member of the Compliance in Mining Network. This is a cooperation between mining companies, mining equipment producers and EPC providers in the mining industry, working to improve compliance standards in the global industry.

Please review the section “Compliance” to learn more.

International organisations

Our company has a vast amount of world-class expertise in mining and cement production. Within our industries, stakeholders look to us for state-of-the-art technology and services. That’s why they can rely on us to help set the standards in our industries when it comes to sustainability. It’s important for us that we use this knowledge to shape how all stakeholders are considered and what the total effect of production is on the environment, society and economy.

This year, we contributed to the hearing process to develop the International Finance Corporations’ environmental guidelines for cement and lime manufacturing. Most of our customers require that we follow the guidelines when asking us for technical solutions/supplies to their plants/projects, even though they do not seek international financing. This makes them a very important industry standard.

In mining, tailings dam failures need to be completely eliminated, and we are working on solutions that will support this agenda. To this end, we participated in a United Nations Environment Program workshop on developing a roadmap for their Rapid Response Assessment Report – Mine Tailings Storage: Safety is No Accident. Along with universities, civil society organisations and mining companies, we are collectively working towards developing and implementing best practices in overcoming the challenge of zero catastrophic incidents.

Public Sector

Transparency is a driver for everything we do, including tax, employment and business activities. FLSmidth values open and collaborative dialogue with tax authorities in each of its countries of operation to ensure compliance to national laws.

Community development

For us, it's essential that added value be provided to the local community where operations are based. We accomplish this by listening to the local expectations on matters such as local employment and paying taxes. Dialogues are a main driver in overcoming potential resistance and they create a trustworthy relationship with local communities.

FLSmidth Donation Fund annually donates up to DKK 400,000 to worthy causes including humanitarian work, environmental projects and education and training.

FLSmidth contributes to PanIT Alumni Reach for India Foundation, Rural Skill Gurukuls for the underprivileged. The objective of this non-governmental organisation is to implement and scale self-sustainable models that enhance incomes of the under-privileged. Through its unique model, the organisation provides training for skills development of school drop-outs from various rural areas, including the Naxal (radical far-left Maoists) affected districts of India, resulting in social uplift through livelihood enhancement. It is also proposed to utilise their trainees at our project/manufacturing sites. Former Army officers head the training centres and more than 80% of candidates have been sourced from Naxal-affected areas.

As part of the Broad-Based Black Economic Empowerment (BBEEE), our South Africa offices contributed to projects including day cares, driver's education and welding courses for unemployed youth.

GOVERNING SUSTAINABILITY

To continually improve our sustainability impacts over time, we need to understand what the impacts, risks and opportunities are, where they occur, and which stakeholders are affected.

In 2017, we conducted an extensive internal materiality assessment to map the social and environmental topics that matter the most throughout the entire value chain. This allows us to grasp likelihoods and impacts and risks on our business, as well as improving our own operations and how we can support customers and suppliers to be more sustainable. This was further supported through a desk review of customers', peers' and suppliers' sustainability disclosures, with input from some investors. The materiality assessment and desk review showed that these are the main topics that matter in our value chain:

- Health and safety
- Compliance
- Environment
- Supply chain
- Human rights
- People, including gender and diversity

Each of these is assigned to a relevant corporate function that is responsible for continual improvement, with a focal point for policy implementation. To make sure that there are no conflicts between the functions, we updated our policy framework in 2018. Now, each function has a clear commitment, with an umbrella sustainability policy that covers them all. This allows for the corporate

The Sustainability Board agreed at the end of 2018 to restructure, such that the Group Executive Management will now steer the programme. This is to introduce a more commercial aspect of sustainability in our value chain and we expect it to significantly drive the sustainability enhancing solutions we offer our customers.

sustainability strategy, goals and incentive structures to be aligned between the functions. Coordination between them is clearer and we can identify where they complement each other and where there may be trade-offs. It also means that we can communicate our policies very effectively to relevant business partners.

Driving results in the different topics requires a strong governance framework to support decision making at the highest levels. By setting the tone from the top, the Board of Directors establishes the mandate for the sustainability programme and receives quarterly updates. They also approve the Sustainability Report, ensuring that it is aligned with the long-term strategy of the company.

On an execution level, the Sustainability Board convenes on a quarterly basis to review progress and to steer the programme. They approve the indicators that each topic will be measured against, the short and long-term targets for each, as well as ensuring the necessary resources.



SAFETY

POLICY

We have a policy that commits us to achieve zero harm to our people. It is part of our culture, and we see it as a precondition for providing sustainable productivity enhancement. We believe that injuries and occupational illnesses can be prevented and that travel risks can be managed. This includes anyone working under our instruction and supervision, where sub-contractors at our sites are considered employees and they are selected with safety as part of the criteria. We ensure that everyone under our control lives our values. They must have the competencies to work safely and to cooperate and share best practices. They are responsible for promoting safety at work, to follow all applicable laws, and to periodically review and improve management systems.

POLICY IN ACTION

By strengthening cooperation with the Region Heads of Health, Safety and Environment, we create a strong team committed to achieve zero harm and focusing on building the right culture mindset. This also means that every employee has a contact point to raise issues, to ask for advice or to access health and safety services. They must feel safe in speaking their mind, to point out potential hazardous and to stop work without fear of reprisals. Our injury, fatality and near-miss safety reporting system is used to systemically identify hazards and to address them, continually improving over time.

We have safety in mind and we use our influence to ensure that injuries are avoided throughout the value chain. This means that it is included in our sustainable supply chain program for our suppliers. When designing our equipment, our employees also take safety into consideration so that our customers can avoid injuries.

In 2018 a new safety culture program was launched during our annual Safety Week. The aim of the culture program is to build a much stronger commitment at all organisational levels. This year's theme was "A personal commitment – A united responsibility". This was kicked-off using a series of videos from our top management group about what drives a strong Safety culture, the importance of taking personal responsibility. Employees globally were engaged in physical activities, trainings and a quiz. At all levels they wrote down personal Safety related commitments for the year ahead and tied them to a "tree". More than 10.000 personal commitments to health, safety and environment were noted during the Safety Week.

We also extended the programme at a customer site where we performed joint site inspections, awareness-raising of 200 of their employees, safety-related examples which 35 leaders reviewed and discussed.

Our Health, Safety and Environmental strategy and organisation has been reviewed. As a result, a more comprehensive approach was developed to ensure it is

aligned and supports our strategy, business model and operational needs.

Lagging indicators, such as Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rates (TRIFR), have been in use for decades and serve as a standard metric to measure safety performance. It has become evident that looking at historic incidents, accidents and near misses are not the best enablers of future improvements. Therefore, our new Safety strategy will be built on leading indicators.

RESULTS

The results for LTIFR, TRIFR, calculated per million working hours, cover our employees, and contractors under our control operating on our sites. There were no fatalities.

This year we surveyed all of our employees on safety to understand how the safety culture is now and to identify what changes are required to improve it. We had more than 7,500 responses, meaning a 66% response rate for all employees. We set the point where we can agree that the culture is "excellent" when we reach 90% performance in all areas. We set the current baseline so that any score above 60% was given an "acceptable" rating, against which we will compare in the future.

The overall evaluation of our 2018 Safety Culture survey baseline indicates that:

- Our management always acts and communicates visible leadership: Acceptable
- Our employees feel that they are engaged in Safety: Not acceptable
- Our employees take individual responsibility for their safety: Acceptable
- Our employees feel they have open dialogues about safety: Not acceptable

ASSESSMENT OF RESULTS

Overall performance as measured by the LTIFR reached the target, but did not surpass it. More safety awareness and competence in the working situations could have prevented several injuries. Performance measured on the TRIFR including contractors showed a small decrease which indicates our total number of incidents has dropped, bringing it below the target. However, when excluding contractors the number is higher, showing that attention needs to be put on our internal employees' behaviour and performance.

For the safety culture survey, we have seen that there are two areas where our performance is "not acceptable", and we will be working towards achieving an "excellent" score in all areas.

FUTURE EXPECTATIONS

To ensure continuous improvements in the LTIFR target set each year for the Group, per Industry and per Region, proactive, leading indicators will be set for:

- Incident and Injury reduction programs
- Closing rate on mitigating actions
- Improvement in Safety Culture Survey
- Increase in standardised procedures
- Implementation of a new Health, Safety and Environmental technology platform

	2017	2018	2018 Target	2019 target
Lost Time Injury Frequency Rate (including contractors)	1.8	1.3	≤1.3	≤1.2
Lost Time Injury Frequency Rate (excluding contractors)		1.3		
Total Recorded Injury Frequency Rate (including contractors)	3.2	3.0	≤3.2	≤2.7
Total Recorded Injury Frequency Rate (excluding contractors)		3.5		
Total Training hours	258,036	286,736		

RISKS

We embed a risk aware culture within the organisation and outline the approach for managing risks within our business. This means visible leadership with adequate resources. Risk management systems must be in place to identify hazards, using the hierarchy of controls. Action plans are prioritized and risk registers are maintained. Control measures and action plans are reviewed at predetermined intervals, after the occurrence of an incident and before the implementation of any workplace change. A hazard reporting system must be implemented involving employees, creating a visible system for correcting unsafe conditions. Group safety standards must be integrated as part of the risk management process and controls

Top safety risks include falling from heights, traffic accidents and slips/trips/falls.

We realise that failures of proper safety protocols can occur throughout the value chain and an act or an omission on our part can result in the risk of complicity. To that extent, the following risks to the company have been identified through our materiality assessment:

Impacts	
Reputation	● High
Bottom line	● Low
Morale	● Medium
Share price	● Low

PEOPLE

POLICY

Our aim to be an employer of choice continues to drive our people strategy and agenda. Attracting, retaining, and developing our workforce remains our priority. We seek to accomplish this by ensuring we have a healthy and engaging work environment that encompasses comprehensive total rewards along with development and growth opportunities. We also remain committed to improving diversity and inclusion across our Group which has led us to set new targets in this area.

POLICY IN ACTION

In 2018 we focused on understanding and gathering a baseline of our workforce, conducting research on Diversity to learn more about what works and what doesn't, evaluating the strength of our pipeline, both externally and internally, conducting research on the gender balance at universities globally, and within the different degrees of study and finally, conducting research on gender diversity among professional workers and comparing to our numbers in FLSmidth.

This has lead us to set new targets for 2019 and long-term targets for 2023. We also expanded our focus on Diversity to include Nationality and Age. Teams of diverse cultures and nationalities has shown to be a driver of higher business performance. Age is an important factor for us as one of our company values is Competence. We believe the Competence can be demonstrated at any age. We also see Diversity in a broader perspective that includes

different personality types and working styles and feel this is an important message in our Inclusion efforts.

To help us achieve our short and long-term targets for gender, our focus will be to achieve a specific number of diverse hires when positions become available.

In addition to establishing a clear baseline of data, we also started several Group and Region initiatives. For example, Globally we are engaged in Women in Mining and in India we have focused on attracting newly graduated women.

We have launched our Career Framework globally, including a mapping of all positions captured in our new HRIS. In combination with improved HR data reporting and analytics functionalities in the new HRIS, this will help our leaders to make informed, high quality decisions on compensation, succession planning and other key HR processes which ultimately support the attraction, development and retention of talent.

In the 2018 annual salary review process, all countries were asked to review the salary increases and ensure budgets were distributed in a fair and equitable manner. Analysis occurred regarding equal pay as the first step in understanding if and where pay gaps occur. The Special Grant nomination process in our Long Term Incentive Programme has an increased focus on diversity parameters to support the achievement of our diversity targets. In November we launched a new Human Resources Information System, allowing us to better

monitor our people development going forward. As part of this, we are now monitoring the share of women applying for positions and their progression to the hiring decision. This year, our Talent Programme – Flying more Flags

RISKS

As the industries we operate in begin to recover, we see the competition for talent is increasing. In addition, in some parts of the business we see our expertise is limited or nearing retirement age. Lastly, talented individuals coming out of universities who are interested in a career within Cement and Mining may be low. Therefore, we must focus on our employer brand and tell a compelling story to attract the talent we need to be competitive.

We have a high digitalization agenda which is also a highly competitive market for talent, especially diverse talent. To mitigate this we will upgrade the competences within our own workforce through training and development.

We know that cognitive bias impacts the way we think and act. Working on our culture and implementing education, systems or processes to reduce natural cognitive bias will help us mitigate the natural biases which exist.

consisted of 20.7% women, 10 nationalities, and participants ranging in age from 27 to 41.

ASSESSMENT OF RESULTS

In our internal assessment of our diversity numbers, we decided to increase the focus on white collar women, which is currently 18%. We have an ambition to replace 30% of our positions with women to reach our target of 23% in 2023. And with a focus to replace 20% of our manager positions with women, we will reach 13% in 2023. While this target may seem low, turnover in management positions is much lower than the rest of the organisation.

We also know that having role models is an important factor to improve diversity. In our top layer of management, those reporting within the top two layers, we have set a target to move from our current population of 21,7% women to 25% in 2023. This is a small group of employees with even less turnover yet important to strengthen our diversity efforts.

And with special focus in these three groups of employees, we expect our overall gender ratio of women to men to increase to 18% in 2023.

FUTURE EXPECTATIONS

With our new diversity targets and the initiatives planned for next year, we expect our performance in this area to improve. Next year will include an external and internal focus. We will begin efforts to strengthen our employer brand and internally we will have dialogues about why Diversity and Inclusion is good for business, review our current work practices and standards, among many other initiatives. We expect to be moving in the right way and still aware that not all numbers are easy to move in the short run – this is about long term focus and gradual improvements.

	2017	2018	2018 Target	2019 target	2023 target
% Women total	13.5%	14.0%	14.5%	14.7%	18%
% Women white collar workers		18.5%		19%	23%
% Women blue collar workers		4.4%		4.7%	5.7%
% Women managers	10.5%	10.4%	11.5%	11.0%	13.0%
Employees having undergone corporate development programs	541	1,031	353	806	
% employees receiving performance and career development reviews	90.0%	90.3%	92.0%	90.0%	

COMPLIANCE

POLICY

We've has implemented various policies to ensure compliance with key international anti-corruption legislation and sanctions. The Code of Business Conduct is the primary policy in this area and each employee has received a guidebook explaining it in simplified yet accurate language. A central message is that we are not interested in business based on improper payments, or problems solved by illegal means. Furthermore, we ask that our employees never compromise their integrity for the sake of business.

POLICY IN ACTION

The Group Compliance department is responsible for four core areas of operation: anti-corruption, export control, human rights and competition law. Dedicated policies have been established for each of these topics. Most recently, we issued a separate Gift Policy, which details the rules for giving and receiving gifts, and introduces monetary limits as well as approval procedures.

Our key compliance-related activities are organised roughly according to the six elements of the UK Bribery Act's Guidance document: risk assessment, policies and organisation (proportionate procedures), top-level commitment, due diligence, communication and training, monitoring and review.

Our approach to compliance is very much risk-based. This means that we conduct assessments of the

compliance-related risks we face as a company on a regular basis, adjusting focus and resources accordingly.

In 2018, we conducted two main risk exercises— an assessment of human rights risks and an assessment focusing on the giving and receiving of gifts. This is in addition to the broader compliance risk assessment surveys and qualitative interviews that were conducted in previous years.

The Group Compliance department at corporate level is responsible for setting directions and providing the business with appropriate tools. Our 13 lawyers who work as Regional Compliance Representatives implement actions across the Group. We have also trained a group of Finance and HR managers to be responsible for investigating relevant whistle-blower cases in certain regions of the world.

Training continues to be one of the top priorities, with in-person training preferred. Approximately 92% of all white-collar employees have now been trained in the Code of Business Conduct in-person, and training of key employees in export control procedures is on-going. The training of new employees is in focus. In 2019, we are looking to introduce a new e-learning course so that we keep awareness about compliance high with existing employees.

Another major focus area is the third party due diligence processes. All business partners have been screened for

RISKS

Working in the cement and mining industries implies operating in countries with compliance-related risks. In particular, avoiding fraud, bribery, corruption, violation of trade sanctions, and conflict of interests is high on the agenda. Thus, there is constant monitoring of the business and implementing mitigating actions to reduce such risks.

We realise that failures of compliance can occur throughout the value chain and that an act or an omission on our part can result in the risk of complicity. To that extent, the following risks to the company have been identified through the materiality assessment:

Impacts	
Reputation	● High
Bottom line	● Medium
Morale	● High
Share price	● High

trade sanctions for many years, and since 2015 we have conducted in-depth due diligence screenings of an increasing number of third parties. Close to 100% of sales agents have gone through a rigorous due diligence screening and approval procedure.

This year, we focused our efforts on other types of third parties, in particular customers and suppliers. We are currently introducing a new third party management and due diligence screening software tool based on artificial intelligence, which should increase the capacity even further. In the field of sanctions, we have also put in place a new screening tool, which allows for semi-automatic classification of products and end users. We have extended the scope of our screenings, to include research on e.g. human rights issues and Environment Impact Assessments.

Our whistle-blower hotline, in place since 2014, is a tool for employees to report concerns in a confidential manner. The hotline is being regularly re-launched or promoted in order to ensure a steady flow of reports. This includes communication and promotional campaigns, as well as an expansion of the report to function as a grievance mechanism for human rights this year. So far,

we have seen a relatively high number of reports submitted, and that more people chose to use the formal hotline rather than through email or similar channels. The whistle-blower policy protects reporters against retaliation. The investigation is guided by an internal Investigation Manual prepared by colleagues properly trained in conducting internal investigation.

The FLSmidth Board of Directors and Executive Management are highly engaged in the compliance programme. In 2017, their direct involvement was expanded, as well as the level of reporting. Group Compliance reports on a regular basis to the Audit Committee, the Board of Directors, the Group CEO and Group Executive Management. The issue is also addressed in the quarterly sustainability board meetings.

RESULTS

The organisation's anti-corruption policies and procedures have been communicated to 100% of employees and governance body members. All of executive management and governance board members has received in-person training on anti-corruption. Data coverage is 100%. Discrimination cases were handled at local level with the Human Resource

ASSESSMENT OF RESULTS

We've established a solid compliance set-up in terms of policy and organisation and have a highly committed Executive Management team and Board of Directors.

Some outstanding achievements have been accomplished in terms of conducting in-person training of more than 90% of our employees and screening more than 500 third parties. In addition, the internal set-up for dealing with internal investigations and whistle-blower hotline allegations has been strengthened, broadening the scope of employees trained in conducting internal investigations and raising the general awareness of procedures in this regard.

FUTURE EXPECTATIONS

One key element in 2019 will be digitalisation and the introduction of increasingly automated processes in our compliance work. For example, we will be introducing new due diligence software, which is based on an artificial intelligence solution, allowing us to produce high quality due diligence reports quicker and more efficiently. One reason for this move is that we are seeing a need to spend more time and resources on formulating and formalising mitigation actions based on findings from due diligence reports.

In addition, we will be introducing new e-learning courses in 2019, in particular because we are seeing a need to ensure continued high awareness levels also amongst the employees who have already completed formal training sessions in the Code of Business Conduct.

Finally, we will continue our commitment to the Compliance in Mining Network, which is a cooperation between mining companies, mining equipment producers and EPC providers in the mining industry, working to improve compliance standards in the global industry.

	2017	2018	2018 Target	2019 target
Total number of whistle-blower reports submitted	51	65		
...of which admissible	48	63		
Number of operations assessed for risks related to corruption.	30	32		34
Total number and percentage of in-person training for white-collar employees that have received training on anti-corruption	8,173 / 88.0%	8,514 / 92.0%	8,823 / 95.0%	9,102/98.0%
...of which managers or senior managers	1,361	1,375	1,551	1,600
Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant.	1	1		
Numbers of in-depth due diligence screenings conducted	398	535	430	750
Incidents of discrimination and corrective actions taken	0	2		

ENVIRONMENT

POLICY

Our environmental commitment remains strong and we have made no changes to our HSE policy. We are still striving to minimise the environmental impact of our activities and to provide sustainable productivity enhancement to our customers. Our focus is to mitigate climate change, prevent pollution and utilise resources in a sustainable manner.

POLICY IN ACTION

At end of 2017, the Group defined a target of reducing its CO2 emissions by 10% by 2023 using 2017 as the baseline. Likewise, for our use of fresh water the target was set to reduce it by 10% by 2023 with 2017 as the baseline. This baseline was chosen as 2017 marked the year when a more comprehensive reporting system was put in place. These reduction targets were set because our main impacts on the environment are to climate change and water use. Data on energy used are consolidated in the CO2 figures when reporting.

In 2018, we decided to normalise the reduction targets according to revenue. This was to ensure that the efforts and investments made to reduce our environmental impact will be reflected even if business activity increases.

To improve transparency and quality of data, we have implemented accounting policies for the environmental KPIs. Accounting policies have been implemented for fuels, refrigerants and other greenhouse gasses,

electricity, district heating, steam and cooling, water and ozone depleting substances. Biogenic CO2 emissions are not relevant in our business operations. All locations within our financial control are part of our reporting structure for environmental performance.

We also recognise that our impact extends beyond the boundaries of our direct control. This is why we have stepped up our focus on our impact from a life-cycle perspective. We have begun working on accounting for CO2 equivalents (CO2e) from global downstream transportation and global procurement of steel in the quarterly measurements of our environmental impact.

Internal stakeholder engagement is essential for addressing behavioral change that leads to better environmental performance. This year, we established two-way dialogue/reflection among employees, triggering a strong focus and awareness. All employees around the globe were invited to special dialogue workshops during our HSEQ week, at which people reflected on how they could have a proactive impact on their local environment and make suggestions for improvement at FLSmidth.

As part of the sustainable procurement program, we have also established minimum standards related to the environment. Please see the supply chain section to learn more.

RESULTS

We calculate CO2 emissions from activities within our financial control. Data coverage is 98% with respect to cost of goods sold, which is an indication of on-site activity, but not intensity, which is measured by revenue.

Scope 1: Emissions from primary fuels, refrigerants & other gases. Data are from invoices or meter readings. Emission factors are derived from the Department for Environment, Food & Rural Affairs, UK.

Scope 2: Emissions from purchased electricity, heat and steam. Data are from invoices or meter readings. Emission factors are derived from the International Energy Agency and use the market based methodology.

Scope 3: For 2018, this included business air travel with and estimated 70% coverage.

ASSESSMENT OF RESULTS

The reductions we've seen in our water and carbon footprints are in line with the targets for 2018 and the overall reduction target for 2023. The initiatives in the regions have been diverse local actions developed with a focus on their most significant environmental impacts. Examples of initiatives that have supported the group environmental objectives are training in eco-driving, moving to more energy efficient fleets, energy audits, LED lightning, awareness communication, facility optimizations and certified green electricity. For water,

we completed initiatives to control leakages, installation of sensors, awareness communication, and rainwater tanks for toilets and truck washing.

FUTURE EXPECTATIONS

In 2019, we will focus on further developing our scope 3 measurements so we can strengthen how we improve our environmental impacts in a Life Cycle Perspective. We expect to increase the alignment of environmental procedures as an outcome of the reorganisation implemented in 2018. We will also work towards reporting on more environmental KPIs as our program develops further.

RISKS

A risk assessment we conducted in relation to Task Force on Climate-related Financial Disclosures showed that our company has far more opportunities than it does risk. We are an asset-light company, and so are highly resilient to extreme weather events or a rise in sea levels. Our regional procurement set-up means that we are agile with a low risk of supply chain disruption due to climate change. Furthermore, the categories we source from have a low risk of prices changing due to climate change. In terms of future revenue, we project that our industries will have a greater need for energy-efficient equipment, which we supply. Therefore, if stricter carbon regulations or carbon taxation were to be introduced, it would increase our customers' demand for our services.

Regarding the risk associated with large-scale acute environmental incidents at a customer site, we run the risk of being affected through association, even though it is not our operation and whether or not we were actively involved. To that extent, and considering the precautionary principle, we have identified the following risks to the company through the materiality assessment:

Impacts	
Reputation	● High
Bottom line	● Medium
Morale	● High
Share price	● High

	2017	2018	2018 Target	2023 Target
Scope 1 (in tonnes)	27,236	29,875	26,691	24,512
Scope 2 (in tonnes)	37,031	30,556	36,290	33,328
Scope 3 (in tonnes)	33,268	33,505		
Carbon intensity (Scope 1 & 2/Revenue)	3,570	3,223		
Fresh water use (m3)	241,651	227,272	236,818	217,486

SUPPLY CHAIN

POLICY

In order to build strong business ties and long-standing relationships, FLSmidth expects its suppliers to have high standards of responsible business conduct. Crucial to this is the FLSmidth Supplier Code of Conduct, which clarifies what we expect of our suppliers. Group Procurement is responsible for the policy, which has been in place since 2012, updated in 2018.

The main points of the FLSmidth Supplier Code of Conduct oblige our suppliers to:

- Be in legal compliance with all applicable laws in all jurisdictions in which they operate
- Provide a safe and healthy working environment for all employees
- Comply with basic human rights
- Meet all applicable environmental laws, industry standards and norms

POLICY IN ACTION

All suppliers, defined as organisations that we source from, are now obliged to sign the FLSmidth Supplier Code of Conduct, which is aligned with the four main focus areas of the UN Global Compact. Furthermore, because it follows the Cement Sustainability Initiative's "Sustainable Supply Chain Principles for the Cement Sector", we can deliver tier 2 visibility into the supply chain of our customers. In the case of a supplier not agreeing to the Supplier Code of Conduct, we will refuse to cooperate with this Supplier.

We launched a revised supplier sustainability screening programme in 2018. Anyone in procurement or the supply chain department who visits a supplier must perform a mandatory on-site audit. On average, our people visit more than 1,000 different supplier sites each year.

This supplier sustainability programme aims to uncover potential risk in the supply chain and support the development of our suppliers within the area of sustainability. Furthermore, the programme has proven to increase internal awareness on sustainability and is driving a behavioral change in our procurement and supply chain organisation.

Using an online feedback tool, our staff screens suppliers with 23 yes/no questions covering:

- Health & Safety System & Policies
- Work-related Accidents
- PPE & Machine Guards
- Electrical Hazards
- General Emergency Preparedness
- Ethical Equality
- Minimum Age
- Environmental System & Policies
- Environmental Hazards & Counter Measures

RISKS

Supply chain sustainability risks include losing a stable market position due to effects on our customers, loss of reputation, damaged public image, legal action and compromising compliance, business ethics and values. They especially include risks that would result in harm to human health, increased environmental impact and violation of human or labour rights.. These risks are mitigated by having all on-site audit information centralised in Group Strategic Procurement, who can act upon areas requiring special attention.

Risks related to supply chain complicity are taken seriously, with specific material sustainability risks addressed in separate chapters of this report.

The screening feedback is transferred to a database and suppliers are given an overall score based on response and criticality. If a potential non-compliance is revealed during a screening, immediate action is taken with the supplier. In severe cases this may cause an immediate stop to all activities with the supplier. In most cases, the supplier will be asked to provide a mitigation plan and initiate actions within one week.

A number of our suppliers have been identified as high-risk suppliers. This is based on operational category, area and historic performance. These suppliers undergo a systematic screening process ensuring needed actions are taken. Thus we can support the development of suppliers to the high standards expected by us.

ASSESSMENT OF RESULTS

The revised supplier sustainability screening programme was launched in Q3 2018 to improve screening quality and streamline follow-up procedures.

Areas where FLSmidth has seen significant improvement during 2018:

- Increased coverage and improved identification of cases of potential non-compliance
- Increased focus of high risk suppliers
- Improved response to the FLSmidth Supplier Code of Conduct upon identification of a potential non-compliance
- Increased awareness internally in the organisation

FUTURE EXPECTATIONS

We intend to continue to develop our Supplier Sustainable Programme over the coming years. In 2019, we expect to see:

- Introduction of a dynamic screening setup.
- Considering a supplier's risk category and previous screening feedback.
- Improved collaboration with strategic suppliers
- Supplier self-assessments for low risk suppliers

Furthermore, efforts to consolidate suppliers and reduce the supplier base will result in reduced risk and enable FLSmidth to increase focus and resources on high-priority suppliers.

	2017	2018	2019 Target	2023 Target
Proportion of spending on local suppliers	57.0%	57.0%		
% of new suppliers that were screened using environmental criteria**		1.0% (23/2,045)	0	
Number of suppliers assessed for environmental impacts	113	195	300	300
Number of suppliers identified as having significant actual and potential negative environmental impacts		122	100	<10
Significant actual and potential negative environmental impacts identified in the supply chain		10	20	<5
% of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment		5.0%		<2.0%
% of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why		0		0
% of new suppliers that were screened using social criteria		1.0% (23/2,045)		0
Number of suppliers assessed for social impacts	113	195	300	300
Number of suppliers identified as having significant actual and potential negative social impacts.		174	150	<10
Significant actual and potential negative social impacts identified in the supply chain.		0		0
% of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment.		0		0
% of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.		0		0

HUMAN RIGHTS

POLICY

Respect for international human rights is enshrined in several FLSmith policies including the Diversity and Inclusion policy, the Health, Safety and Environment policy, as well as the Human Resources policy. In 2018, we also introduced a Human Rights Policy, reiterating this commitment. The policy lists the external frameworks to which we adhere and outlines our approach to human rights grievance remediation.

As announced in this report in 2017, the Group Human Rights Policy builds on previous commitments. We have sought to incorporate the views and concerns of rights-holders through both internal and, to a lesser extent, external consultation. It respects all rights enshrined in the United Nation's Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work

Our Supplier Code Conduct, also rewritten in 2018, addresses human rights concerns as they relate to actors in the supply chain. The 2018 version of this policy places specific emphasis on remediation and requires suppliers involved in forced labour, including the worst forms of child labour, to work in collaboration with our Procurement and Compliance teams to offer redress to victims of violations to our code. Finally, the Business

Code of Conduct sets out our standards for corporate integrity, anti-corruption and transparency.

POLICY IN ACTION

The Group Compliance department is responsible for carrying out human rights due diligence on our own operations as well as those of our business partners. Human rights due diligence in FLSmith is undertaken in accordance with the UN Framework on Business and Human Rights, and its Guiding Principles for implementation. In 2018, we reported publicly on progress in conformance with the Global Reporting Initiative and the UK Modern Slavery Act.

Where adverse human rights violations are found, they are addressed according to their irremediability, severity, scope and scale. In 2018, we carried out human rights impact assessment of country operations in India and South Africa. This process enabled greater clarity as to the business' current and potential impacts on the enjoyment of human rights where we operate. It has also allowed us to identify and work to address specific violations in which our business and business partners are involved.

The process of conducting human rights due diligence has also established greater clarity around implementing responsibility for human rights within the business, a priority for 2018. In 2019, we aim to develop and expand on this work through the investigation and remediation of human rights grievances and complaints submitted through our Human Rights Grievance Mechanism, launched December 2018.

ASSESSMENT OF RESULTS

In 2018, FLSmith grew and consolidated its approach to human rights due diligence within the organisation.

A redrafted Supplier Code of Conduct containing more explicit human rights commitments was implemented, following extensive stakeholder consultation.

A Human Rights Policy was adopted, also following consultation leading to increased awareness of our human rights commitments internally within the business.

Human rights impact assessment of country operations allowed for targeted remediation of identified violations, valuable data to inform internal trainings and review and a platform for prevention of possible, future violations. Positive impacts on rights enjoyment were also identified and may on this basis be augmented in 2019.

FUTURE EXPECTATIONS

In 2019, we expect to complete an additional four human rights impact assessments of country operations. The scope of these assessments will be determined based on a risk to rights-holders in compliance with the UN Guiding Principles for Business and Human Rights and our Human Rights Policy.

Another key focus of 2019 will be the implementation and development of our Human Rights Complaints and Grievance Mechanism through which we will seek to offer redress and remediation to any rights-holders impacted by our business or that of our business partners. We aim to use the Mechanism as a risk mitigation tool but also a source of continuous learning about the impacts of our operations and those of the projects to which we supply products and services.

Finally, we aim to consolidate and expand our sustainability outreach with our supplier network. This will include the collection of more human rights data as well as ensuring timely and rights-compliant follow-up action on any non-conformities with our Supplier Code of Conduct and Human Rights Policy.

RISKS

We recognise that the industries to which we provide engineering, technology and services constitute high-risk sectors. The mining and cement industries both have large environmental footprints and may cause displacement where available mineral reserves are situated near populated areas. We evaluate these and other social, environmental and governance factors of the projects to which we supply primary equipment, services, spare parts and manpower. This review process, whereby project ESG risks are examined, was initiated in 2017 and further developed and augmented in 2018.

Failures of compliance can occur throughout the value chain and an act or an omission on our part can result in the risk of complicity. To that extent, the following risks to the company have been identified through the materiality assessment:

Impacts	
Reputation	● High
Bottom line	● Low
Morale	● High
Share price	● Medium

	2017	2018	2019 Target	2023 Target
Operations subject to human rights reviews or impact assessments (off-site/on-site)		20/10	50/15	100/30
Employee training on human rights policies or procedures			100	300
On-line training of all managers			1,500	1,500

SUSTAINABLE CUSTOMER SOLUTIONS

POLICY

The environmental, social and economic impacts of our operations do not end at the legal boundary of our company. The greatest sustainability issues occur at customer sites when they use the equipment, which can be for several decades in certain cases. During this time, the amounts of energy and water consumed in production are some of the highest for any industry. Sustainability impacts also comprise the suppliers and contractors who deliver services to us – enabling us in turn to deliver productivity to our customers.

This year, we broadened the scope of our sustainability programme to fully recognise the effect we have on the value chain. As a starting point, we published a new sustainability policy that emphasises our commitment to a life-cycle approach of our operations, from cradle to grave. Not only do we manage the impacts from our own activities, we also take advantage of the business opportunities to reduce the impacts on the value chain resulting from our customers' use of our projects, products and services. Where we have direct control, we set targets in order to continuously improve over time. Where we have influence, such as suppliers, partnerships, joint ventures and customers, we strive to promote our values and commitment to sustainability to the greatest extent possible.

POLICY IN ACTION

With global environmental, social and economic issues becoming more acute over time, the demand for

solutions that help the industry overcome such issues is growing. We have therefore committed to driving our business towards the opportunities of providing these solutions, utilising our vision and business model to take full advantage of them. This means accelerating our efforts to deliver sustainable productivity, and to search for new ways to help the industries improve global sustainability.

This year the Sustainability Board gave the mandate for customer sustainability to be integrated into the sustainability program. We call this sustainable customer solutions. The purpose is to steer our company over the medium to long-term towards customer-centric solutions that improve sustainability impacts and lower risks throughout the value chain.

To reap the benefits of this new addition to the sustainability programme, we will in 2019 develop 2030 goals for FLSmidth. We understand that the world needs breakthrough technology to overcome humanity's greatest challenges. An incremental approach alone will not get us there; we need to utilise the capabilities and resources within our organisation effectively to drive and benefit from the sustainability agenda. To do this, we've partnered with the Confederation of Danish Industry as a member of their "From Philanthropy to Business" programme. This network helps us understand global best practices when developing a long-term sustainability goal, and how to follow through with implementation.

RISKS

Not addressing sustainability challenges of our customers may affect our competitiveness.

In 2019, our engineers in Research and Development, alongside our Group Product Line Managers, will work to determine where the technical opportunities lie in the long-term, which will then be communicated to the organisation. Afterwards, we begin the process of integrating this into the existing productivity agenda of the entire company.

FUTURE EXPECTATIONS

The governance structure of sustainability will be adjusted in 2019 to support the commercialisation of sustainability.

- As the Board of Directors are responsible for overall managerial issues of a strategic nature, sustainability will be incorporated into its structure where appropriate, including into the committees.
- As Group Executive Management is responsible for day-to-day operations, they will become the Sustainability Board

We will develop a set of KPIs across both industries, with the purpose of being able to determine how close we are to achieving transformational change.

PERFORMANCE SUMMARY

	2017	2018	2018 Target	2019 Target	2023 Target
SAFETY					
Lost Time Injury Frequency Rate (including contractors)	1.8	1.3	≤1.3	≤1.2	
Lost Time Injury Frequency Rate (excluding contractors)		1.3			
Total Recorded Injury Frequency Rate (including contractors)	3.2	3.0	≤3.2	≤2.7	
Total Recorded Injury Frequency Rate (excluding contractors)		3.5			
Total Training hours	258,036	286,736			
PEOPLE					
% Women total	13.5%	14.0%	14.5%	14.7%	18%
% Women white collar workers		18.5%		19%	23%
% Women blue collar workers		4.4%		4.7%	5.7%
% Women managers	10.5%	10.4%	11.5%	11.0%	13.0%
Employees having undergone corporate development programs	541	1,031	353	806	
% employees receiving performance and career development reviews	90%	90.3%	92.0%	90.0%	
COMPLIANCE					
Total number of whistle-blower reports submitted	51	65			
...of which admissible	48	63			
Number of operations assessed for risks related to corruption.	30	32		34	
Total number and percentage of in-person training for white-collar employees that have received training on anti-corruption	8,173 / 88%	8,514 / 92%	8,823 / 95%	9,102/98%	
...of which managers or senior managers	1,361	1,375	1,551	1,600	
Number of legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant.	1	1			
Numbers of in-depth due diligence screenings conducted	398	535	430	750	
Incidents of discrimination and corrective actions taken	0	2			
ENVIRONMENT					
Scope 1 (in tonnes)	27,236	29,875	26,691		24,512
Scope 2 (in tonnes)	37,031	30,556	36,290		33,328
Scope 3 (in tonnes)	33,268	33,505			
Carbon intensity (Scope 1 & 2/Revenue)	3,570	3,223			
Fresh water use (m3)	241,651	227,272	236,818		217,486

	2017	2018	2018 Target	2019 Target	2023 Target
SUPPLY CHAIN					
Proportion of spending on local suppliers	57.0%	57.0%			
% of new suppliers that were screened using environmental criteria**		1.0% (23/2,045)		0	
Number of suppliers assessed for environmental impacts	113	195		300	300
Number of suppliers identified as having significant actual and potential negative environmental impacts		122		100	<10
Significant actual and potential negative environmental impacts identified in the supply chain		10		20	<5
% of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment		5.0%			<2.0%
% of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why		0			0
% of new suppliers that were screened using social criteria		1.0% (23/2,045)			0
Number of suppliers assessed for social impacts	113	195		300	300
Number of suppliers identified as having significant actual and potential negative social impacts.		174		150	<10
Significant actual and potential negative social impacts identified in the supply chain.		0			0
% of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment.		0			0
% of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.		0			0
HUMAN RIGHTS					
Operations subject to human rights reviews or impact assessments (off-site/on-site)		20/10		50/15	100/30
Employee training on human rights policies or procedures				100	300
On-line training of all managers				1,500	1,500

GRI REQUIREMENTS

MANAGEMENT APPROACH: SAFETY

GRI	Management Approach	Indicator 403-9
103-1	Why is the topic material?	We operate in industries with high safety risks
	The boundary	All people under our control, with influence on suppliers and customers
	Where does it occur?	Throughout the value chain
	Involvement (caused, contributed to, through business relationships)	We take actions on our sites to improve safety
103-2	How do we manage the topic?	22, safety management system
	The purpose of the approach?	Stop injuries, incidences, established way of doing things
	Policies	Pg. 22
	Commitments	Pg. 22
	Goals and targets	pg. 25
	Responsibilities	pg. 21, 22, 23
	Resources	pg. 21
	Grievance mechanisms	pg. 22, 27
	Specific actions: processes, projects, programs	pg. 22
	How we evaluate the approach	pg.23, management reviews of safety performance
103-3	Mechanisms for evaluating effectiveness of MDA	Management review of performance
	Results of the evaluation	Integrated into the next years' plan
	Adjustments to MDA	Made in action plan and put in next year

GRI	Management Approach	Indicator 403-9
403-1	Occupational health and safety management system	pg. 23
403-2	Hazard identification, risk assessment, and incident investigation	
403-3	Occupational health services	
		Health issues are dealt with at a local level. At Group level they are addressed through Safety week as described on pg. 22
404-4	Worker participation, consultation, and communication on occupational health and safety	pg. 22
404-5	Worker training on occupational health and safety	pg. 22-23
404-6	Promotion of worker health	Health issues are dealt with at a local level. At Group level they are addressed through Safety week as described on pg. 22
404-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pg. 30

MANAGEMENT APPROACH: PEOPLE

GRI	Management Approach	Indicators: 404-3, 405-1
103-1	Why is the topic material?	pg. 24
	The boundary	Those on our payroll
	Where does it occur?	Those on our payroll
	Involvement (caused, contributed to, through business relationships)	Caused
103-2	How do we manage the topic?	pg. 24
	The purpose of the approach?	pg. 24
	Policies	pg. 24
	Commitments	pg. 24
	Goals and targets	pg. 25
	Responsibilities	pg. 21, 24, 25
	Resources	pg. 21
	Grievance mechanisms	pg. 27
	Specific actions: processes, projects, programs	pg. 24, 25
	How we evaluate the approach	pg. 25, incentive scheme
103-3	Mechanisms for evaluating effectiveness of MDA	Data based, performance against targets
	Results of the evaluation	Governance structure, incentive scheme'
	Adjustments to MDA	Corrective actions e.g. change in behaviour, change processes

MANAGEMENT APPROACH: COMPLIANCE

GRI	Management Approach	Indicators: 205-1, 206-1, 406-1
103-1	Why is the topic material?	Risks for non-compliance may occur throughout our value chain
	The boundary	Internal and business relationships
	Where does it occur?	Internal and business relationships
	Involvement (caused, contributed to, through business relationships)	Caused, contributed to
103-2	How do we manage the topic?	Training, investigate and corrective actions
	The purpose of the approach?	Risk mitigation
	Policies	pg. 26
	Commitments	pg. 26
	Goals and targets	pg. 27
	Responsibilities	pg. 21, pg. 26-27
	Resources	pg. 21, pg. 26-27
	Grievance mechanisms	pg. 27
	Specific actions: processes, projects, programs	pg. 26-27
	How we evaluate the approach	General council reviews, company survey
103-3	Mechanisms for evaluating effectiveness of MDA	General council reviews, company survey
	Results of the evaluation	Adjust policies when required with input from general council and Audit Committee
	Adjustments to MDA	Adjust policies when required with input from general council and Audit Committee

MANAGEMENT APPROACH: ENVIRONMENT

GRI	Management Approach	Indicators: 201-2, 305-1,2
103-1	Why is the topic material?	pg. 12-16, 28-29
	The boundary	Suppliers, internal and customers
	Where does it occur?	Suppliers, internal and customers
	Involvement (caused, contributed to, through business relationships)	Caused, contributed to
103-2	How do we manage the topic?	Pg. 28-31, 34
	The purpose of the approach?	pg. 28-31, 34
	Policies	pg. 28, 30
	Commitments	pg. 28, 34
	Goals and targets	pg. 29
	Responsibilities	pg. 21, 28-29
	Resources	pg. 21
	Grievance mechanisms	pg. 27
	Specific actions: processes, projects, programs	pg. 28
	How we evaluate the approach	pg. 28-29, environmental management system
103-3	Mechanisms for evaluating effectiveness of MDA	Management review of performance
	Results of the evaluation	Integrated into the next years' plan
	Adjustments to MDA	Made in action plan and put in next year

MANAGEMENT APPROACH: SUPPLY CHAIN

GRI	Management Approach	Indicators: 308-1,2 and 414-1,2
103-1	Why is the topic material?	pg. 19
	The boundary	Outsourcing partners
	Where does it occur?	In the supply chain
	Involvement (caused, contributed to, through business relationships)	Caused and through business relationships
103-2	How do we manage the topic?	Supplier sustainability program
	The purpose of the approach?	Risk reduction
	Policies	pg. 30
	Commitments	pg. 30-31
	Goals and targets	pg. 31
	Responsibilities	pg. 21, 30-31
	Resources	pg. 21
	Grievance mechanisms	pg. 27
	Specific actions: processes, projects, programs	pg. 30-31
	How we evaluate the approach	pg. 21, Monthly data review
103-3	Mechanisms for evaluating effectiveness of MDA	Performance management
	Results of the evaluation	Integrated into the next years' plan
	Adjustments to MDA	Made in action plan and put in next year

MANAGEMENT APPROACH: HUMAN RIGHTS

GRI	Management Approach	Indicator: 412-1
103-1	Why is the topic material?	Reputational, operational, legal risk
	The boundary	Supply chain and Internal
	Where does it occur?	Throughout the value chain
	Involvement (caused, contributed to, through business relationships)	Caused, contributed to
103-2	How do we manage the topic?	Conduct review in accordance to guiding principles
	The purpose of the approach?	Avoid, mitigate remediate, enhance for positive impacts
	Policies	pg. 33-34
	Commitments	pg. 33-34
	Goals and targets	pg. 33-34
	Responsibilities	pg. 33-34
	Resources	pg. 33-34
	Grievance mechanisms	pg. 33
	Specific actions: processes, projects, programs	pg. 32
	How we evaluate the approach	Building baseline using operational tool
103-3	Mechanisms for evaluating effectiveness of MDA	Guiding principles framework, grievance mechanism for continuous feedback
	Results of the evaluation	Continuous human rights due diligence
	Adjustments to MDA	Human rights due diligence methodology adjusted if needed, so far not needed

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE TITLE	LOCATION	OMITTED	COMMENT, OR REASON FOR OMISSIONS
General disclosures				
102-1: General disclosures	Name of the organisation	1		
102-2: General disclosures	Activities, brands, products, and services	3, 4		
102-3: General disclosures	Location of headquarters	2		
102-4: General disclosures	Location of operations	4		
102-5: General disclosures	Ownership and legal form	2½/2		
102-6: General disclosures	Markets served	3,4		
102-7: General disclosures	Scale of the organisation	3		
102-8: General disclosures	Information on employees and other workers	6		
102-9: General disclosures	Supply chain	30, 31		
102-10: General disclosures	Significant changes to the organisation and its supply chain	6		
102-11: General disclosures	Precautionary principle or approach	29		
102-12: General disclosures	External initiatives	18, 19, 27		
102-13: General disclosures	Membership of associations	18, 19, 27		
102-14: General disclosures	Statement from senior decision-maker	7		
102-15: General disclosures	Key impacts, risks, and opportunities	21 - 33		
102-16: General disclosures	Values, principles, standards, and norms of behaviour	26		
102-17: General disclosures	Mechanisms for advice and concerns about ethics	26, 27		
102-18: General disclosures	Governance structure	21, AR 50-53		
102-19: General disclosures	Delegating authority	21		
102-20: General disclosures	Executive-level responsibility for economic, environmental, and social topics	21		
102-21: General disclosures	Consulting stakeholders on economic, environmental, and social topics	18-20		
102-22: General disclosures	Composition of the highest governance body and its committees	AR 51		
102-23: General disclosures	Chair of the highest governance body	AR 51		
102-24: General disclosures	Nominating and selecting the highest governance body	AR 50, CGS 7,13		
102-25: General disclosures	Conflicts of interest	AR 50		
102-26: General disclosures	Role of highest governance body in setting purpose, values, and strategy	21		
102-27: General disclosures	Collective knowledge of highest governance body	AR 51		
102-28: General disclosures	Evaluating the highest governance body's performance	AR 51 - 52		
102-29: General disclosures	Identifying and managing economic, environmental, and social impacts	21, 26-27, AR 50-52		
102-30: General disclosures	Effectiveness of risk management processes	CGS 5, 12, 19		
102-31: General disclosures	Review of economic, environmental, and social topics	21		
102-32: General disclosures	Highest governance body's role in sustainability reporting	21, CGS 3,5		
102-33: General disclosures	Communicating critical concerns	21		
102-34: General disclosures	Nature and total number of critical concerns		Yes	Confidential
102-35: General disclosures	Remuneration policies	AR 54-55, CGS 14,16,18		
102-36: General disclosures	Process for determining remuneration	AR 54-55, CGS 11, 13-16		

GRI REQUIREMENTS

GRI STANDARD	DISCLOSURE TITLE	LOCATION	OMITTED	COMMENT, OR REASON FOR OMISSIONS
102-37: General disclosures	Stakeholders' involvement in remuneration	CGS 14		
102-38: General disclosures	Annual total compensation ratio		Yes	Not relevant: differences between salaries across 60+ countries makes it irrelevant to make a baseline comparison across the Group
102-39: General disclosures	Percentage increase in annual total compensation ratio		Yes	Not relevant: differences between salaries across 60+ countries makes it irrelevant to make a baseline comparison across the Group
102-40: General disclosures	List of stakeholder groups	18-20		
102-41: General disclosures	Collective bargaining agreements		Yes	Not applicable
102-42: General disclosures	Identifying and selecting stakeholders	18-20		
102-43: General disclosures	Approach to stakeholder engagement	18		
102-44: General disclosures	Key topics and concerns raised	18-20		
102-45: General disclosures	Entities included in the consolidated financial statements	AR 32-33		
102-46: General disclosures	Defining report content and topic Boundaries	35-		
102-47: General disclosures	List of material topics	21		
102-48: General disclosures	Restatements of information		Yes	Not applicable
102-49: General disclosures	Changes in reporting		Yes	Not applicable
102-50: General disclosures	Reporting period	1		
102-51: General disclosures	Date of most recent report	40		February 7th, 2018
102-52: General disclosures	Reporting cycle	2		
102-53: General disclosures	Contact point for questions regarding the report	2		
102-54: General disclosures	Claims of reporting in accordance with the GRI Standards	2		
102-55: General disclosures	GRI content index	35		
102-56: General disclosures	External assurance		Yes	Planned in 2019

Economic disclosures

201-1: Economic performance	Direct economic value generated and distributed		Yes	Information unavailable: financial disclosures do not meet specific requirements
201-2: Economic performance	Financial implications and other risks and opportunities due to climate change	pg.29		
201-3: Economic Performance	Defined benefit plan obligations and other retirement plans		Yes	Information unavailable: managed at local level
201-4: Economic performance	Financial assistance received from government		Yes	Not applicable
202-1: Market presence	Ratios of standard entry level wage by gender compared to local minimum wage		Yes	Information unavailable: managed at local level
202-2: Market presence	Proportion of senior management hired from the local community		Yes	Not applicable: Hiring based on business requirements
203-1: Indirect economic impact	Infrastructure investments and services supported		Yes	Not applicable
203-2: Indirect economic impact	Significant indirect economic impacts		Yes	Information unavailable: no comprehensive breakdown of indirect economic impact has been conducted.
204-1: Procurement practices	Proportion of spending on local suppliers	31		Information unavailable: Local spend identified and measured, however there is no commitment to improvement
205-1: Anti-corruption	Operations assessed for risks related to corruption	26-27		
205-2: Anti-corruption	Communication and training about anti-corruption policies and procedures		Yes	Information unavailable: Not broken down by employee category and region
205-3: Anti-corruption	Confirmed incidents of corruption and actions taken		Yes	Confidentiality constraints
206-1: Anti-competitive behaviour	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	27		

GRI STANDARD	DISCLOSURE TITLE	LOCATION	OMITTED	COMMENT, OR REASON FOR OMISSIONS
Environmental disclosures				
301-1: Materials	Materials used by weight or volume		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
301-2: Materials	Recycled input materials used		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
301-3: Materials	Reclaimed products and their packaging materials		Yes	Not applicable: Consolidated into carbon footprint
302-1: Energy	Energy consumption within the organisation		Yes	Not applicable: Consolidated into carbon footprint
302-2: Energy	Energy consumption outside of the organisation		Yes	Not applicable: Consolidated into carbon footprint
302-3: Energy	Energy intensity		Yes	Not applicable: Consolidated into carbon footprint
302-4: Energy	Reduction of energy consumption		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
302-5: Energy	Reductions in energy requirements of products and services		Yes	Information unavailable: planned for upcoming years
303-3: Water	Water withdrawal		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
303-4: Water	Water discharge		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
303-5: Water	Water consumption		Yes	Not applicable: freshwater included only
304-1: Biodiversity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Yes	Not applicable due to the locations of our operations
304-2: Biodiversity	Significant impacts of activities, products, and services on biodiversity		Yes	Not applicable due to the locations of our operations
304-3: Biodiversity	Habitats protected or restored		Yes	Not applicable due to the locations of our operations
304-4: Biodiversity	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Yes	Not applicable due to the locations of our operations
305-1: Emissions	Direct (Scope 1) Carbon emissions	1, 29		
305-2: Emissions	Energy indirect (Scope 2) Carbon emissions	29		
305-3: Emissions	Other indirect (Scope 3) Carbon emissions		Yes	Information unavailable: currently only business travel is calculated, increased
305-4: Emissions	Carbon emissions intensity	29		
305-5: Emissions	Reduction of Carbon emissions		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
305-6: Emissions	Emissions of ozone-depleting substances (ODS)		Yes	Information unavailable: basic data collected but not adherent to GRI standard. Impact is optimised at local levels through their location specific environmental management system
305-7: Emissions	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
306-1: Effluents and waste	Water discharge by quality and destination		Yes	
306-2: Effluents and waste	Waste by type and disposal method		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
306-3: Effluents and waste	Significant spills		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
306-4: Effluents and waste	Transport of hazardous waste		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
306-5: Effluents and waste	Water bodies affected by water discharges and/or runoff		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system

GRI STANDARD	DISCLOSURE TITLE	LOCATION	OMITTED	COMMENT, OR REASON FOR OMISSIONS
307-1: Environmental compliance	Non-compliance with environmental laws and regulations		Yes	Information unavailable: impact is optimised at local levels through their location specific environmental management system
308-1: Supplier environmental assessment	New suppliers that were screened using environmental criteria	27		
308-2: Supplier environmental assessment	Negative environmental impacts in the supply chain and actions taken	27		
Social disclosures				
401-1: Employment	New employee hires and employee turnover		Yes	Information unavailable: Anticipated in 2019
401-2: Employment	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Yes	Information unavailable: handled at local level according to local regulations
401-3: Employment	Parental leave		Yes	Information unavailable: handled at local level according to local regulations
402-1: Labour/Management Relations	Minimum notice periods regarding operational changes		Yes	Information unavailable: handled at local level according to local regulations
403-8: OH&S	Workers covered by an occupational health and safety management system		Yes	Information unavailable: handled at local level according to local regulations
403-9: OH&S	Work related injuries	23		
403-10: OH&S	Work-related ill health		Yes	Information unavailable: handled at local level according to local regulations
404-1: Training and education	Average hours of training per year per employee		Yes	Information unavailable: negotiated between employees and direct managers for both internal and external training
404-2: Training and education	Programs for upgrading employee skills and transition assistance programs		Yes	Not relevant: training performed by function and need, not gender
404-3: Training and education	Percentage of employees receiving regular performance and career development reviews	25		
405-1: Diversity and Equal Opportunity	Diversity of governance bodies and employees	AR 56-58		
405-2: Diversity and Equal Opportunity	Ratio of basic salary and remuneration of women to men			Information unavailable: different in each country and not aggregated
406-1: Non-discrimination	Incidents of discrimination and corrective actions taken	27		

GRI STANDARD	DISCLOSURE TITLE	LOCATION	OMITTED	COMMENT, OR REASON FOR OMISSIONS
407-1: Freedom of association and collective bargaining	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Yes	Information unavailable: differs according to country, therefore not aggregated
408-1: Child labour	Operations and suppliers at significant risk for incidents of child labour		Yes	Not available - Anticipated in 2019
409-1: Forced or compulsory labour	Operations and suppliers at significant risk for incidents of forced or compulsory labour		Yes	Not available - Anticipated in 2019
410-1: Security Practices	Security personnel trained in human rights policies or procedures		Yes	Information unavailable: security conditions managed by each location
411-1: Rights of indigenous people	Incidents of violations involving rights of indigenous peoples		Yes	Information unavailable: beyond boundary of reporting scope
412-1: Human rights assessment	Operations that have been subject to human rights reviews or impact assessments	32-33		
412-2: Human rights assessment	Employee training on human rights policies or procedures		Yes	Information unavailable: Anticipated in 2019
412-3: Human rights assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		Yes	Not applicable
413-1: Local communities	Operations with local community engagement, impact assessments, and development programs		Yes	Information unavailable: managed at local level, not aggregated
413-2: Local communities	Operations with significant actual and potential negative impacts on local communities		Yes	Information unavailable: managed at local level, not aggregated
414-1: Supplier social assessment	New suppliers that were screened using social criteria	30-31		
414-2: Supplier social assessment	Negative social impacts in the supply chain and actions taken	30-32		
415-1: Public policy	Political contributions		Yes	Not applicable: politically neutral
416-1: Customer health & safety	Assessment of the health and safety impacts of product and service categories		Yes	Information unavailable: beyond boundary of reporting scope
416-2: Customer health & safety	Incidents of non-compliance concerning the health and safety impacts of products and services		Yes	Information unavailable: beyond boundary of reporting scope
417-1: Marketing and labelling	Requirements for product and service information and labelling		Yes	Information unavailable: beyond boundary of reporting scope
417-2: Marketing and labelling	Incidents of non-compliance concerning product and service information and labelling		Yes	Not applicable
417-3: Marketing and labelling	Incidents of non-compliance concerning marketing communications		Yes	Not applicable
418-1: Customer privacy	Substantiated complaints concerning breaches of customer privacy and losses of customer data		Yes	Not applicable
419-1: Socioeconomic compliance	Non-compliance with laws and regulations in the social and economic area		Yes	Information unavailable: handled at local level according to local regulations

Sustainability Report 2018
1 January - 31 December 2018

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