

FLSmidth Modern Slavery Statement 2021

1. Introduction

This is the Modern Slavery Statement 2021 of the FLSmidth Group. It is prepared pursuant to the reporting obligations of:

- FLSmidth & Co. A/S and relevant subsidiaries (together **FLSmidth Group**) under the United Kingdom's (UK) Modern Slavery Act 2015; and
- FLSmidth Pty Ltd and FLSmidth ABON Pty Ltd (together **FLSmidth Australia**) as relevant 'reporting entities' under the *Modern Slavery Act 2018* (Cth) of Australia.¹

This joint statement covers the activities of all FLSmidth's subsidiaries, including those in Australia and the UK.

The statement focuses on human rights risks in FLSmidth's value chains, particularly addressing 'modern slavery' as defined in section 54 of the UK Modern Slavery Act 2015 and part 2 section 12 in the Australian *Modern Slavery Act 2018* (Cth) respectively.

This statement has been prepared by FLSmidth's Group Compliance in collaboration with Group Procurement and representatives of FLSmidth Australia. It outlines measures taken by the FLSmidth Group in relation to the risks of Modern Slavery during the reporting period of the 1 January – 31 December 2021 calendar year, as well as priorities for 2022.

It is the second statement submitted by FLSmidth Australia under the Australian *Modern Slavery Act 2018* (Cth).

2. Structure of Organization, Operations and Supply Chain

FLSmidth is a leading supplier of productivity and sustainability solutions to the global mining and cement industries.

With more than 10,100 employees and offices in over 60 countries, FLSmidth operates across the globe and during the reporting period, has structured its organization into two industries, Mining and Cement, and six Regions:

- Europe, North Africa & Russia
- North America
- South America
- Sub-Saharan Africa, Middle East & South Asia
- Asia
- Australia

FLSmidth's total revenue in 2021 amounted to DKK 17.6 billion. We service customers in 150+ countries.²

With increasing urbanization and the geographical concentration of mining and cement opportunities, we operate in a wide range of countries that are classified as *high-risk*.

Group Procurement & Supply Chain

¹ An overview of FLSmidth's Australian structure, including details of the relevant reporting entities under the Modern Slavery Act 2018 (Cth), operations and supply chains, is included in Annexure A.

² FLSmidth Annual Report 2021: <https://ml-eu.globenewswire.com/Resource/Download/dd041816-068f-49db-8cb0-75a911460865>

The FLSmidth Group operates a globally shared and managed supply chain. Our Procurement personnel sitting in each Region report into and form part of the Group Procurement organisation.

Our internal production sites are primarily located in China, India, USA and South Africa, but we also engage with over 30,000 suppliers across the globe to ensure timely and flexible deliveries. More specifically, FLSmidth has 750,000 supplier deliveries and 250,000 customer deliveries annually.

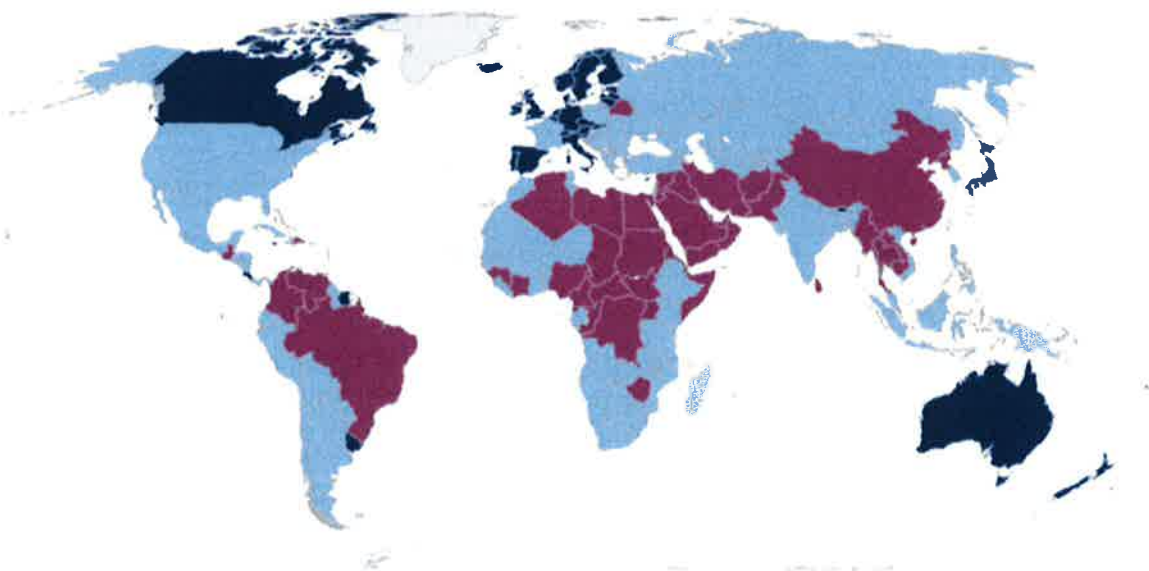
Based on internal assessments, the main risks of modern slavery in the FLSmidth Group supply chain are related to the many different geographies and cultures in which we operate. Respecting and safeguarding human rights that are impacted by our business activities is a constant focus. This requires a detailed understanding of risk, remedy and the issues to be addressed across our value chain and we are aware of the potential risk of modern slavery within the operations of our customers and suppliers.

Acknowledging the breadth of our global supply chain, the most significant risks of modern slavery from a supplier perspective remained the same for 2021 as in previous years, being:

- use of short-term contracts and outsourcing;
- use of migrant workers; and
- business partners located in geographical locations with inadequate protections for workers.

Such perils are especially relevant to assess in particularly high-risk contexts, identified and prioritized via our internally produced human rights risk score (cf. image below).

■ Low ■ Medium ■ High



We acknowledge the potential presence of modern slavery risks in our business partners' operations and have implemented solid systems to eliminate any such misconduct from FLSmidth's supply chain. These systems are described in further detail later in this statement.

Region Australia overall entails a low risk profile with regards to customers, except from the estimated medium risk-level of Papua New Guinea. As further explained in section 4, customers in such augmented risk contexts undergo systematic due diligence screenings to assess and mitigate potential risks.

Operations of FLSmidth Australia

FLSmidth Pty Ltd and FLSmidth ABON Pty Ltd both form part of FLSmidth's global network of wholly owned subsidiaries.

FLSmidth Pty Ltd is the primary operating entity for Region Australia, one of the six Regions reporting to the global headquarters in Valby, Denmark. Region Australia includes Australia, the Pacific Islands, New Zealand and Papua New Guinea. FLSmidth Pty Ltd supplies our regional mining and cement customers with engineering, equipment and service solutions, employs 510+ employees across 7 operational sites and has an annual consolidated revenue of approx. AUD 489 million.

FLSmidth ABON Pty Ltd is a wholly owned subsidiary of FLSmidth Pty Ltd. Its activities are focused on the manufacture and support of the FLSmidth ABON product range of low-speed sizers, chain feeders and roller screens. It employs 70+ employees at its primary operating site in Melbourne, Australia and had an entity annual revenue for the reporting period of AUD 111 million.

The procurement functions of both FLSmidth Pty Ltd and FLSmidth ABON Pty Ltd in Australia are integrated within FLSmidth's Group Procurement organisation.

3. Policies and Governance

Compliance was identified by the FLSmidth Group as a top 10 risk in the 2021, with modern slavery and the risks of FLSmidth unknowingly supporting the use of forced labour as part of our extended supply chain being a specific focus area.³

Compliance has top priority within FLSmidth, and as we continue to expand through acquisition and have local offices in challenging environments, focus on monitoring and mitigating compliance risks remains high.

FLSmidth has also assigned high focus status to the promotion of several UN Sustainable Development Goals (**SDG**) as part of its operational sustainability agenda, including SDG 8 'Decent Work and Economic Growth' relating to the eradication of forced labour, ending of modern slavery and prohibition and elimination of the worst forms of child labour.⁴

The Group has a dedicated Compliance Department that has established rules and procedures to ensure a common understanding of ethical behaviour. There are policies in place to support the organization with day to-day compliance issues such as the Code of Business Conduct, Anti-Bribery policy and Export Control, as well as tools and procedures to identify individual issues that may pose a threat including the Whistleblower Hotline, the Human Rights Grievance Mechanism, screening of third-party agents and sign-off protocols. Online training continues to

³ FLSmidth Annual Report 2021 (page 37): <https://ml-eu.globenewswire.com/Resource/Download/dd041816-068f-49db-8cb0-75a911460865>

⁴ FLSmidth Sustainability Report 2021: <https://ml-eu.globenewswire.com/Resource/Download/082813cb-2bce-4371-b524-d002c9464e47>

be a key part of our mitigation strategy with a catalogue of compulsory compliance training for all employees.

Modern slavery prevention within FLSmidth forms an integral part of Group Compliance's responsibilities via our human rights function.

FLSmidth's human rights function oversees the Modern Slavery Statement as well as the related processes to identify, inform and mitigate modern slavery risks in FLSmidth's operations and business relationships. These processes allow for appropriate remediation action to be taken by Region and Group management in the event of identified cases of modern slavery.

The *Human Rights Policy*⁵ defines FLSmidth's commitment to ensuring that our business operations result in no harm. As a part of this commitment, we adhere to fundamental human rights as outlined by the UN Guiding Principles on Business and Human Rights. In addition, we conduct business in accordance with the International Labor Organisation's Core Labour Standards, which highlight the elimination of all forms of forced and compulsory labor.

The Human Rights policy is supplemented by the *Grievance Mechanism Procedure*, which describes how to file a human rights grievance report. All FLSmidth employees are encouraged to report any suspected human rights abuse via the Grievance Mechanism – including violations occurring at business partners' sites. As such, we aim to provide access to remedy for anyone that has witnessed or been affected by a potential human rights violation connected to our conduct or business activities.

FLSmidth's *Supplier Code of Conduct*⁶ ensures a responsible sourcing approach by outlining our expectations on suppliers. We thereby use our leverage as a buyer by demanding compliance with human rights frameworks in our supply chain. This entails a zero-tolerance policy towards any kind of modern slavery, including forced, bonded, compulsory and debt labor.

We also make information about our human rights policy, such as our modern slavery commitments and conflict minerals due diligence, as well as the training, available on our internal website, with a dedicated page within the Compliance section.

The aforementioned policies and governance scheme apply throughout the FLSmidth Group, including to FLSmidth Australia and FLSmidth (UK) Limited and the direct interactions of those entities with their respective customers and business partners.

4. Risk Assessment and Management

Like many other global enterprises, FLSmidth operates within regions where risks of modern slavery are prevalent. In FLSmidth, we prioritize risk assessments of business partners in such regions.

To map countries where the prevalence of trafficking and modern slavery is particularly high, we have created an internal Human Rights Risk Index. The index is based on seven different human rights indices⁷, including the Global Slavery Index. FLSmidth incorporates the index as an influential factor in decisions concerning in-depth assessments of FLSmidth business partners.

⁵ <https://www.flsmidth.com/en-gb/company/sustainability/policies-and-priorities>

⁶ <https://www.flsmidth.com/en-gb/company/sustainability/policies-and-priorities>

⁷ Global Slavery Index 2018; Freedom of the Press Index 2017; Human Rights Score 2017; Human Rights Violations 2014; Economic Freedom Score 2016; Human Rights and Rule of Law 2020; Global Rights Index 2020

FLSmidth's Group Compliance collaborates closely with Group Procurement, including procurement professionals working for FLSmidth Australia,⁸ in the identification of modern slavery risks among suppliers.

A specified risk management initiative for 2021 was the incorporation of six human rights criteria within FLSmidth's standard supplier assessment questionnaire used by FLSmidth when visiting suppliers. This action was implemented in 2021 and our standard supplier questionnaire now includes various questions relating to social compliance and worker welfare, including a specific question designed to identify possible instances of modern slavery.

Supplier assessment questionnaires are centralised back into Group Procurement when completed and a process exists for escalation to Group Compliance where further investigation is appropriate based on the responses provided.

5. Due Diligence Processes

Modern slavery risks related to our business relationships are assessed via systematic due diligence processes. We have a thorough risk-based due diligence procedure, through which we investigate risks among our third-parties, customers and contractors by the means of desk research. These due diligence reports also include the use of artificial due diligence and on-going monitoring through the AI software called Exiger DDIQ⁹.

In addition, we conduct dedicated human rights due diligence for business partners with a high-risk profile concerning human rights. This assessment comprises an in-depth investigation of labor rights, including modern slavery and trafficking as central aspects.

All due diligence reports include suggested actions to mitigate and take appropriate remediation action in relation to any adverse findings. Depending on the severity of the findings, this can imply changes to the contract, stakeholder consultations, or even termination of the business relationship. All human rights due diligence reports are presented to relevant internal stakeholders so that appropriate action can be taken by Region and Group management.

Since the FLSmidth Modern Slavery Report 2020, our due diligence and assessment activities have not identified any direct occurrences of modern slavery in the locations where our products or services are utilized, nor where we supply from.

The risk of modern slavery within the specific supply chain of FLSmidth Australia is constituted in FLSmidth's global supply chain and thereby is part of the same risk assessment, due diligence processes and reporting as the FLSmidth Group.

Investigation and reporting of these risks, as undertaken primarily by Group Compliance in collaboration with Group Procurement, flows through to the Region management of FLSmidth Australia via the involvement of the Head of Procurement for the Australia Region. As part of our on-going efforts, FLSmidth Australia's procurement team will continue to select key suppliers to FLSmidth Australia to undergo dedicated human rights due diligence.

6. Actions in 2021

Our FLSmidth Modern Slavery Statement 2020 highlighted a number of key areas for action in 2021.

Business Partner Assessments

⁸ Head of Procurement for Region Australia is a member of the Region executive leadership team of FLSmidth Pty Ltd.

⁹ <https://www.exiger.com/ddiq/>

Our target for 2021 was to conduct ten off-site human rights assessments of FLSmidth 's supplier business partners (COVID-19 situation permitting) as well as two on-site audits.

Our off-site human rights assessments continued throughout 2021, with a total of 108 human rights assessments of our business partners (across suppliers, customers and contractors) conducted in the reporting period. This total included FLSmidth achieving the stated target of ten off-site assessments of suppliers.

The COVID-19 pandemic severely impacted our ability to conduct on-site human rights impact assessments, which are a significant part of our screening process. One on-site human rights review was conducted by Group Compliance in 2021 at an FLSmidth office location within Region Sub-Saharan Africa, Middle East & South Asia. This review included a series of in-person interviews with customer/supplier facing employees to discuss human rights and modern slavery risks in our supply chain and an observation of our own operations. No specific instances of modern slavery were reported during these interviews or observed as part of this assessment.

More on-site assessments will be completed by FLSmidth as pandemic-related restrictions are relaxed in 2022 to 2023 and access to our business partners' sites once again becomes a possibility.

Training

Our FLSmidth Modern Slavery Statement 2020 highlighted an acceleration of our training efforts within human rights and modern slavery, with the aim of educating our people on how to deal with suspicions of modern slavery among business partners.

In 2021, we developed a human rights e-learning course, providing a general introduction to human rights, the challenges we face at FLSmidth, and what we can do to make a positive impact. This e-learning course will be published on our internal website with information about FLSmidth's commitment to the UN Sustainable Development Goals and links to relevant policies and other human rights resources in 2022.

We also conducted targeted in-person training on fundamental human rights principles for a pilot group of employees. As part of this training, we included anonymized real-life case studies to help our people learn to identify the signs of possible human rights violations.

To make our training programmes more accessible, we have translated our e-learning programmes into seven languages. We have also further integrated these translations into our internal platform, which enables us to track who has undertaken the training. This has helped broaden the scope and availability of training – particularly in high-risk regions.

Code of Conduct training is also mandatory for all FLSmidth employees, including FLSmidth Australia. In recognition of the importance FLSmidth places on addressing human rights risks within our business, this training material has been updated to include a scenario specifically relating to modern slavery. FLSmidth Australia has a designated compliance representative, who, when permissible, organizes such training for new employees within the Australia Region in a live setting.

Finally, we annually conduct Code of Conduct training with the Group Executive Management. As part of this training, we include a case related to modern slavery and our methods to efficiently combat such human rights violations.

This affirms FLSmidth's top-down commitment to addressing the risks of modern slavery connected to the business activities of FLSmidth and its subsidiaries worldwide.

7. Plans for 2022

Training

The primary modern slavery goal for the FLSmidth Group and FLSmidth Australia in 2022 is the continuation of our human rights and modern slavery related training package.

We will also continue with our training roll-out, targeting the most relevant people for both e-learning and live training by making our human rights e-learning course mandatory for all white-collar employees.

Ongoing human rights assessments

FLSmidth will also continue to monitor and assess its business partners against human rights and modern slavery compliance standards throughout 2022. This will include further completion of supplier questionnaires and monitoring by Group Procurement on an ongoing basis as more FLSmidth representatives are able to visit our suppliers.

As the world continues to open up, we plan to complete more on-site impact assessments. Our aim for 2022 is to complete a further ten off-site human rights assessments of supplier business partners and at least two on-site audits.

Engagement with customers

We are also aiming to engage more with customers on human rights through our key account managers. We are finding there is increased dialogue around human rights – with questions being asked by our customers, as well as the other way around. Thanks to our efforts so far, we are proud to report that our people are much more confident in addressing this issue than they were just a few years ago.

Ongoing Review and Continuous Improvement

To assess the effectiveness of our actions towards combatting human rights risk including modern slavery, we have mapped relevant processes implemented to date, including:

- Supplier assessments and supplier selections
- The supplier audit questionnaire
- The training material, including both e-learning and in-person training

In 2021 FLSmidth engaged a third-party consultant to review our processes and provide feedback on areas for change and/or improvement. Our processes will continue to be reviewed, and improved if necessary throughout 2022.

Signatures:



Mikko Keto
Chief Executive Officer
FLSmidth & Co. A/S



Tamer Eid
Region President, Australia
Director – FLSmidth Pty Ltd

Statement Regarding Approval and Signature of Modern Slavery Statement

This joint statement was approved by the principal governing body of **FLSmidth Pty Ltd** on 1 June 2022.

A handwritten signature in blue ink, appearing to read 'Tamer Eid'.

Mohamed-Tamer Hamdy Eid (Tamer Eid)
Managing Director
FLSmidth Pty Ltd
1 June 2022

This joint statement was approved by the principal governing body of **FLSmidth ABON Pty Ltd** on 1 June 2022

A handwritten signature in blue ink, appearing to read 'Virna Lee Trout'.

Virna Lee Trout
Director
FLSmidth ABON Pty Ltd
1 June 2022

Annexure A: Structure of FLSmidth Australia

Reporting entities

FLSmidth Pty Ltd (ABN 85 000 221 590) is an Australian incorporated proprietary company. It is the primary operating entity of the FLSmidth Group in Australia and is a reporting entity for the purposes of the *Modern Slavery Act 2018* (Cth).

FLSmidth ABON Pty Ltd (ABN 20 004 703 002) is also an Australian incorporated proprietary company. It is a wholly owned, operating subsidiary of FLSmidth Pty Ltd and is also a reporting entity for the purposes of the *Modern Slavery Act 2018* (Cth) for the 1 January – 31 December 2021 reporting period.

Structure

FLSmidth Pty Ltd is a wholly owned subsidiary of the FLSmidth Group, for which FLSmidth & Co A/S (Denmark) is the ultimate parent company. FLSmidth Pty Ltd is also the holding company of several dormant, non-operational legacy subsidiaries (15 total) that did not trade during the reporting period.

During the 2021 calendar year the subject of this statement, two wholly owned subsidiaries of FLSmidth Pty Ltd - being FLSmidth ABON Pty Ltd and IMP Group Pty Ltd ABN 79 093 328 315 - were active trading entities in Australia. IMP Group Pty Ltd ceased to be an active trading entity during 2021.

Since publication of the FLSmidth Modern Slavery Statement 2020, and due to IMP Group Pty Ltd becoming non-operational, IMP Group Pty Ltd's interest in the acquired joint venture entity Intertek Robotic Laboratories Pty Ltd has been transferred to FLSmidth Pty Ltd. As was the case when the interest was held by IMP Group Pty Ltd, FLSmidth Pty Ltd does not manage or have day-to-day control of Intertek Robotic Laboratories Pty Ltd or its operations and supply chains.

An overview of FLSmidth's Australian entity structure is included in Table A.1 below.

Operations and supply chains

FLSmidth Pty Ltd supplies our regional mining and cement customers with engineering, equipment and service solutions, has an annual consolidated revenue of approx. AUD 489 million (including revenue of FLSmidth ABON Pty Ltd) and employs 510+ employees across 7 operational sites/offices:

- QLD: Pinkenba (Main Office), Carole Park, Mackay, Rockhampton;
- WA: Welshpool (Supercentre), Kalgoorlie;
- NSW: Beresfield.

FLSmidth ABON Pty Ltd falls within Industry (Mining) within FLSmidth's organizational structure by virtue of its activities being focused on the manufacture and support of the FLSmidth ABON product range of low-speed sizers, chain feeders and roller screens. It employs 70+ employees at its primary operating site in Airport West, Melbourne, Australia and had entity annual revenue (unconsolidated) for the reporting period of AUD 111 million.

FLSmidth ABON Pty Ltd is a wholly owned subsidiary of FLSmidth Pty Ltd. The procurement activities of FLSmidth Pty and FLSmidth ABON Pty Ltd are both overseen by the Head of Procurement for Region Australia. The Head of Procurement for Region Australia has reporting lines into Group Procurement but is also a member of the Region executive leadership team of FLSmidth Australia and has been involved in the preparation of this statement. Both FLSmidth Pty Ltd and FLSmidth ABON Pty Ltd are subject to the same FLSmidth Group Procurement and Group Compliance frameworks, policies and procedures of the FLSmidth Group.

Consultation with owned / controlled entities

Companies owned or controlled by the identified reporting entities were consulted in the development of this joint statement, as applicable. Relevant managers and internal stakeholders of each of the Australian reporting entities covered by this statement were engaged in the preparation of this joint statement. This included board meetings of each of FLSmidth Pty Ltd and FLSmidth ABON Pty Ltd to review and approve the contents of the statement.

As noted above, the majority of the registered subsidiaries of FLSmidth Pty Ltd are dormant, non-operational legacy companies and have common officeholders with FLSmidth Pty Ltd. Accordingly, no formal consultation was necessary or undertaken with respect to these entities.

Table A.1 – FLSmidth Australian Entity Structure

