Sustainability Report 2022

FLSMIDTH

Mission Zero Towards zero emissions by 2030

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COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT

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

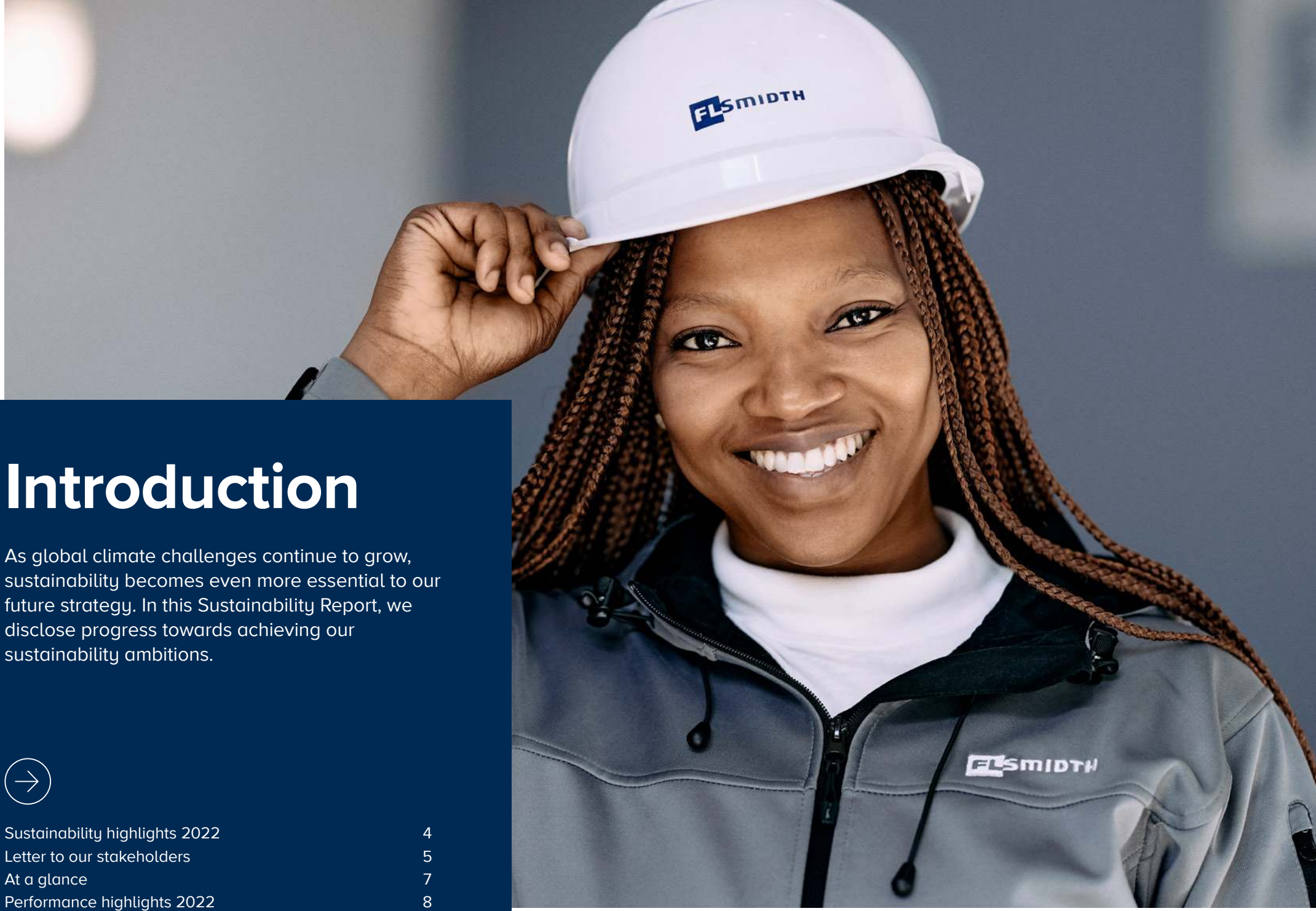
We welcome feedback on its contents.

About this report

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

2022 reports

Our reports provide financial, operational and performance information about FLSmidth's business in 2022.



Introduction

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

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Sustainability highlights 2022

Sustainability in mining

More MissionZero offerings

The technologies gained with the Mining Technologies acquisition complement our existing offerings and are an ideal fit with our MissionZero ambition.

New service offering

Maximising mining productivity

We launched PerformanceIQ Services, an end-to-end solution that leverages our equipment knowledge, process expertise and digital solutions to achieve measurable, sustainable productivity improvements.

Sustainable finance

First sustainability-linked loan

The Nordic Investment Bank granted FLSmidth a loan to support the development of technologies with a sustainability profile. The loan comes into effect in 2023 and is linked to our three key science-based targets.

Meeting our commitments

Science-based targets

In our first full year of reporting on science-based targets, we have seen significant progress across the value chain.

Sustainability in cement

Enabling the green transition in cement production

With our pioneering clay calcination system, CBI Ghana expects to cut CO_2 emissions from cement production by up to 20%.

Letter to our stakeholders

We need to deliver solutions for a sustainable future

To enable the green transition, mining and cement must become more sustainable. We are committed to addressing this challenge, and we have strengthened our core business to reinforce our sustainability agenda and drive value creation.

With our technology and solutions – through our MissionZero programme – we can enable mining operators and cement producers to cut their environmental footprint significantly.

Group CEO Mikko Keto (right) joins Peter Nymann-Jørgensen, CEO of property developer Skanska, and FLSmidth's Chief Legal and Strategy Officer Annette Høi Butt Terndrup in the groundbreaking for FLSmidth's new head office. "CPH Pulse" will be Copenhagen's first building to achieve DGNB Platinum, the highest certification level in sustainable construction.

The importance of minerals and metals to the green transition reaches far and wide. The forecasted growth in electric vehicles and energy storage needs will require more than 300 new nickel, cobalt, copper and lithium mines by 2035. Similarly, cement is essential to new infrastructure and renewable energy projects. We need to extract and process metals and minerals in a responsible manner, and we need to reduce the environmental impact of cement production. As the need to reach net zero by 2050 gains urgency, now is the time to act.

Solving these crucial challenges is what drives me and my colleagues. It is both an opportunity and a responsibility. With our technology, we can already today enable mining operators and cement producers to cut their environmental footprint significantly. And, as part of our MissionZero programme, we have committed to enabling zero emissions in mining and cement production by 2030.

I am proud of how we are tackling this across our entire value chain, guided by the Science Based Targets initiative, whose methodologies are becoming even more embedded in our operations. But we need to keep innovating. This is why we continue to seek strong collaborations with partners who can help us develop and roll out the technologies to accelerate the transition.

Responsible growth

As our commitment to the green transition becomes even more steadfast, we have made several strategic adjustments in the last year that not only strengthen our core business and drive value creation, but also reinforce our sustainability agenda. We are also increasingly focusing on emerging topics relevant to our industries, such as circularity and biodiversity.

Unsurprisingly, much of our work during the year involved closing the acquisition of Mining Technologies from thyssenkrupp and integrating the organisation into our business. The acquisition has given us a wider range of product offerings across the mining flowsheet, which means we can provide further sustainability benefits to our customers.

At the same time, we pay close attention to our own environment, social and governance (ESG) performance. We are committed to the Principles of the UN Global Compact and we are accelerating our ESG efforts across topics material to our business and our stakeholders alike. This means we need to continue to focus on safety; we need greater diversity, equity and inclusion in the workforce; and we need to reduce our environmental footprint. These are the essentials to attracting and retaining the diverse talent needed to modernise the industries. Diversity generates creativity, and creativity drives the innovation that we need in our company and in our industries.

Progress through engagement

As I reflect on the past year and the opportunities we have ahead of us, it is clear to me that our people and the unique spirit of our organisation are the driving force behind our progress. While we have made some strides, it's time for us to ramp up our efforts and fully embrace our responsibility to address the critical sustainability challenges facing society. With the collective engagement of each and every one of us, I am confident we can become a leader in sustainability and make a lasting impact on the world.

Mikko Keto
Group CEO

At a glance

Mission Zero Towards zero emissions by 2030

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

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

1882
Danish company founded 140+ years ago

10,977
employees using their unique knowledge and capabilities to meet our customers' needs

150+
countries across the globe where we serve customers

60+
countries across the globe where we have a local presence

21.8bn
in consolidated revenue in 2022 (DKK)

Performance highlights 2022

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

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

7.7

▲ 2.8%-point improvement

2022	**7.7**
2021	**4.9**

We increased our spend with suppliers who have set decarbonisation targets as we work towards our target to achieve 30% spend by 2025. We engage with suppliers to support them in setting emission reduction targets.

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

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

36,767

▼ 5.8% deterioration

2022	**36,767**
2021	**34,737**

Return to work after COVID-19 and less use of renewable energy drove up scope 2 emissions, while scope 1 emissions decreased. Despite this, combined emissions were below our 43,622 tCO_2e target. Increasing the use of renewable energy will be a key driver towards carbon neutrality by 2030.

Scope 3: Economic intensity (use of sold products)[1]
tCO_2e/DKKm (order intake)

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

5,310

▲ 49% improvement

2022	**5,310**
2021	**10,348**[2]

Key factors in the improvement were lower sales of heavy-CO_2-emitting cement products and increased sale of MissionZero products. We measure this target over a multi-year period to accurately understand its long-term trend. Annualised average improvement against our 2019 baseline is 21%.

Total recordable injury rate
Total recordable injury rate/million working hours

1.5

▲ 0.4 improvement

2022	**1.5**
2021	**1.9**

Our total recordable injury rate (TRIR) improved in 2022 from the previous year, but we did not achieve our target of 1.3. We will continue to promote safety at our manufacturing sites, service centres and customer sites and will intensify the focus on safety behaviour in the organisation.

Women managers
%

14.3

▶ No improvement

2022	**14.3**
2021	**14.3**

We did not achieve our 15.7% target for women managers in 2022 and saw no improvement from 2021. Through active recruitment, career development and leadership training, we aim to achieve our diversity target of having 25% women managers by 2030.

Suppliers assessed for sustainability
Number

676

▲ 5.5% improvement

2022	**676**
2021	**641**

Supplier assessments help us to encourage environmental action across our supply chain. Continuing our progress with supplier engagement, we exceeded our target of 600 suppliers assessed in 2022.

1) Scope 1, 2 and 3 data related to our science-based targets does not include data from Mining Technologies operations. Mining Technologies data is disclosed on page 37.
2) Reported lifetime greenhouse gas emissions for 2021 have been recalculated by 631 tonnes CO_2e due to two orders moved from 2021 to 2022 to align with the effective order intake date.

A sustainable future

Society depends on the metals, minerals and infrastructure that will enable the green transition. As a key sustainability partner for our customers, we have a responsibility to drive progress.

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The world around us

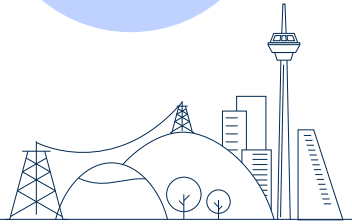
Global economic development and the green transition are increasing the demand for minerals and cement. For this development to be truly sustainable, we must reduce the environmental impact from the production of these materials.

Minerals for electronics

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

8x

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



Source: Bloomberg

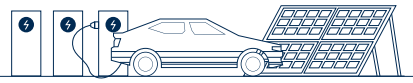
Copper for electricity

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

31%

increase in global demand for refined copper by 2030

Source: International Copper Association, Australian Government DISER

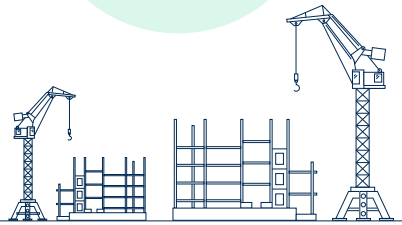


Cement for construction

The world's floor area is set to double by 2060, and globally we need to construct 230 billion m^2 of buildings. Already today, the global average cement consumption per capita is 521 kg.

75%

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



Source: The Global Cement Report

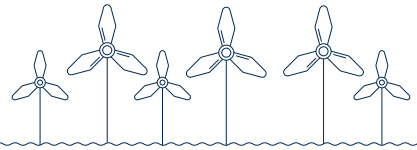
Minerals and cement for wind turbines

Wind turbines are essential to the green transition. A 3 MW turbine requires 4.7 tonnes of copper, 335 tonnes of steel, 3 tonnes of aluminium, 2 tonnes of rare earth minerals and 1,200 tonnes of concrete plus other materials.

10x

more installed wind power in 2050 compared with 2018

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



Our impact across the value chain

Upstream

In our work with suppliers, we can impact society across areas such as environment, labour and human rights.

Where we're going

- As we develop strong supplier relationships based on common sustainability ambitions, by 2025 30% of our supplier spend will be with those that have set decarbonisation targets

How we'll get there

- Engage, encourage and educate suppliers in setting science-based targets (p29)
- Promote responsible business conduct in our supply chain (p29)
- Work strategically with suppliers to improve product stewardship (p16)

Our operations

We can improve our impact on society and the environment by embedding sustainable practices in the business, empowering employees to contribute and engaging with stakeholders with similar ambitions.

Where we're going

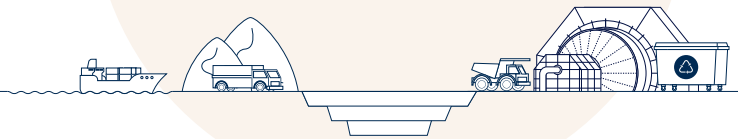
- With a diverse, equitable, inclusive workforce across the globe, we aim to be carbon neutral in our own operations by 2030

How we'll get there

- Intensify reduction programmes within emissions, water and waste to reduce the environmental impact of our operations (p19)
- Embed a safety culture in the organisation (p23)
- Comply with anti-corruption, sanctions and human rights legislation (p28)
- Provide more opportunities for people of diverse backgrounds (p22)

Downstream

Our customers' use of our products generates ~99% of total value chain emissions, consumes significant amounts of water and energy, and impacts the land and biodiversity.



Where we're going

- With taxonomy-aligned products and our MissionZero technologies, by 2030 we will reduce customer emissions per order intake by 56% from 2019 levels

How we'll get there

- Develop solutions that reduce emissions, water consumption and waste (p14)
- Reduce the life cycle impact of our products on the environment and on health and safety (p16)
- Integrate circular economy models into product development (p16)

Our approach to sustainability

Sustainability is a core component of our company strategies. As a technology leader in the mining and cement industries, we consider it our responsibility to be a key sustainability partner for our stakeholders, driving sustainable business practices across the industry value chains. Our approach focuses on the two main areas where we currently have the greatest impact: the sustainability performance of our customers and our own operations.

Helping our customers become more sustainable
The impact of mining and cement on global greenhouse gas (GHG) emissions provides significant business opportunities. Through our research and development-based sustainability programme, MissionZero, we help customers accelerate towards more sustainable operations, reduce their environmental footprint and benefit from the green transition and global infrastructure development. MissionZero also encompasses digital solutions, a key enabler in improving operational efficiency, and the adoption of product stewardship principles. Read more on pages 13-17.

We support the long-term phasing-out of coal. We are not entering into new, greenfield coal-related projects, and we will end our involvement in coal mining by 2030.

Conducting business responsibly
Through our environment, social and governance (ESG) efforts, we address the impact of our own operations, and those of our suppliers, across the value chain. We set measurable targets and corresponding actions related to material issues. These include: addressing our scope 1, 2 and 3 GHG emissions in accordance with the Science Based Targets initiative; creating a safe, diverse and inclusive workplace for our people; establishing clear standards for our suppliers; and establishing clear standards within compliance and human rights – for our own business and our suppliers. Read more on pages 18-33.

To embed sustainability in our business, we continue to work towards increased accountability and improved governance. Key performance indicators (KPIs) related to MissionZero and ESG are cascaded throughout the organisation. This is supported by increasing efforts to engage employees in all functions, business lines and regions in our sustainability activities.

Materiality and strategy
Through our materiality assessment, conducted most recently in 2021, and discussions with stakeholders, we align and prioritise the areas considered most material. We intend to update our materiality assessment in 2023 in line with the EU's new Corporate Sustainability Reporting Directive (CSRD). This will include assessing the materiality of biodiversity and circularity, which are of increasing importance to society and our industries.

We will continue to adopt a more integrated, holistic, life cycle perspective on the products and technologies we deliver to our customers. This involves addressing all relevant impacts across the value chain, including our suppliers' ESG standards. We are starting this process in 2023 and expect to realise the full benefits over the coming years.

Through our MissionZero programme, we support the sustainability performance of our customers. Our ESG initiatives guide us in conducting responsible business.

MissionZero

Through our MissionZero programme, together with our customers and enabled by R&D and technology partnerships, we aim to accelerate sustainability in the mining and cement industries.

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Progress on MissionZero

Mining and cement operations have a significant impact on the environment – together contributing approximately 10% of global CO_2 emissions – and the use of our products by our customers generates around 99% of greenhouse gas (GHG) emissions from our entire value chain. With our MissionZero programme, we aim to enable zero emissions in mining and cement, and our MissionZero Mine and Green Cement Plant concepts articulate our vision for how to achieve sustainable mining operations and cement production.

Reducing economic intensity

We have aligned our business targets with the most ambitious scenario of the 2015 Paris Agreement, which aims to keep global warming below 1.5°C. This means setting validated science-based targets to reduce GHG emissions across scope 1, 2 and 3. Downstream scope 3 emissions are addressed through our economic intensity target, which links our business growth with more energy-efficient, less CO_2-intensive products.

According to the Greenhouse Gas Protocol, entire lifetime emissions related to equipment sold to our customers must be accounted for in the year in which the order intake is registered. Economic intensity represents the annual lifetime emissions of the products sold as a function of order intake. In 2022, our economic intensity decreased by 50% compared with our 2019 baseline. This is significant given our science-based target of a 56% reduction by 2030. A key contributing factor was the large decrease in sales of heavy-CO_2-emitting products in the cement business. In addition, we saw an increase in revenue from MissionZero flagship products, which are more energy-efficient and less CO_2-intensive, also translating into a higher taxonomy-eligible revenue percentage.

While we are pleased with this progress, it reflects the volatility of our current economic intensity measurement. This is caused by a highly diverse product portfolio, where there is significant variation in energy consumption and product lifetimes. For example, some of our cement industry products have a high impact due to their CO_2 intensiveness and long lifetime. Volatility is likely to continue in the short term, but we expect it to be lower in the medium to long term. We plan to introduce additional metrics to provide a wider, more nuanced picture of our progress. This includes an annualised emissions metric that reduces the impact of the lifetime factor, enabling comparisons on an annual basis. This will provide additional insight to ensure we sell more MissionZero-related products. In 2021, we introduced sales targets to incentivise sales teams to sell sustainable products. Four out of five regions met their target to increase sustainability-linked sales.

Innovation and partnerships

Our research and development (R&D) efforts are central to our ability to meet our economic intensity target. In 2022, our sustainability-linked R&D spend accounted for 56% of our total R&D budget – reflecting our R&D activities related to solutions for water, energy and CO_2 improvements. Key innovations released include the Alumina Gas Suspension Calciner and the Indirect Cooler for lithium processing.

Technical partnerships with customers, universities and other organisations are essential to our MissionZero programme, enabling us to accelerate innovation and go-to-market. In 2022, we launched the CO2Valorize consortium, which aims to develop carbonation technologies, and the ECoClay consortium, which will develop the electrical activation of clay. Through the FlotSim collaboration, we stepped up research into improving flotation recovery rates in mining.

Mission Zero Towards zero emissions by 2030

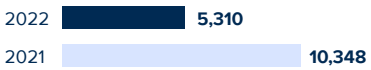
In 2022, we saw more progress towards our MissionZero ambition, including:

- A thickener upgrade at an Australian gold mine reduced water discharged to the tailings dam by 11% and allowed a 9% increase in plant capacity
- A new order for a clay calcination installation at CBI Ghana Ltd.'s cement production facility is expected to cut CO_2 emissions by up to 20%
- A new thickener system at a copper mine in Kazakhstan has reduced water to the tailings facility by 26% and improved the mine's tailings dam stability (p17)

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

5,310

▲ 49% improvement
2030 target 56% reduction from 2019*



* Baseline year.

R&D spend

56%

of our R&D spend is dedicated to sustainability

Supported Sustainable Development Goals

6.3, 6.4

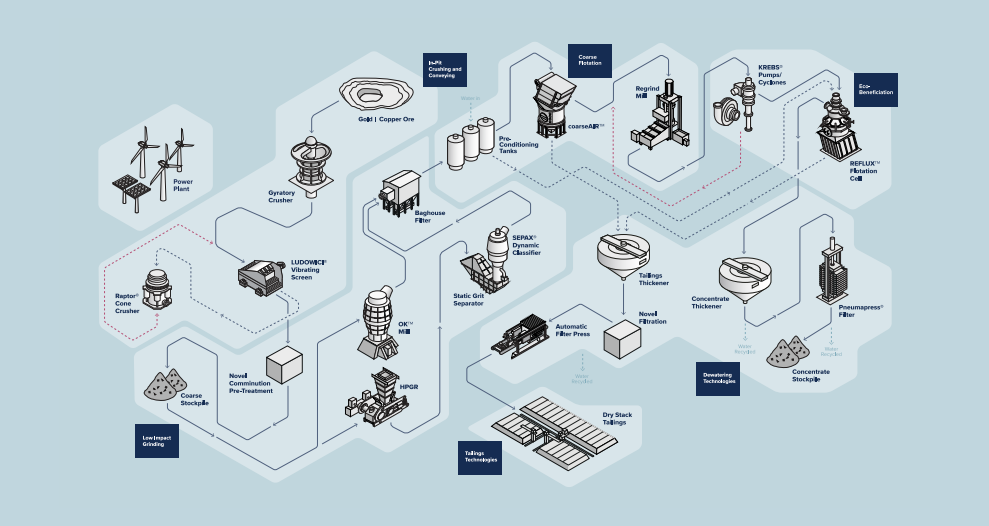
7.2, 7.3

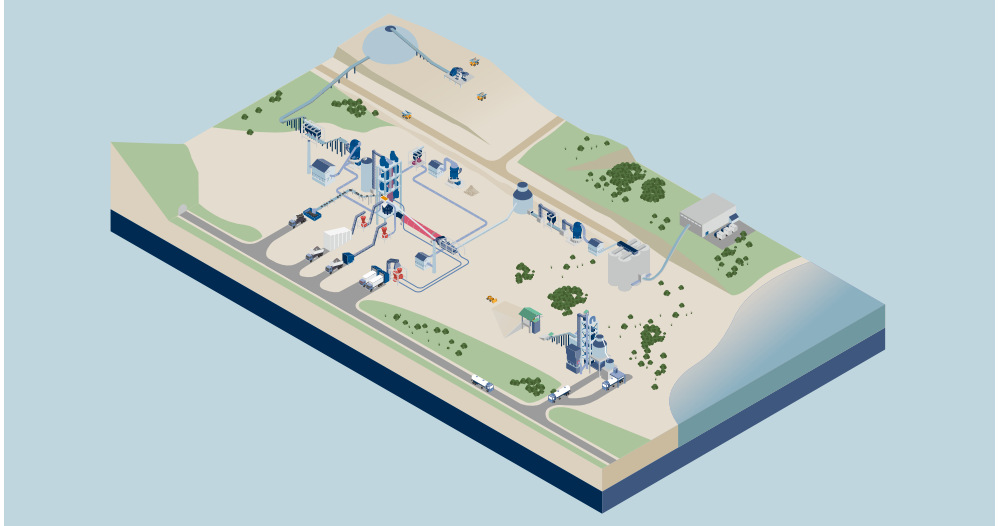
12.2, 12.4, 12.5

13.2

Sustainable solutions for mining and cement

Technology is the cornerstone of our MissionZero ambition to enable zero emissions in mining and cement. Our MissionZero Mine and Green Cement Plant concepts articulate our technology vision for 2030.





MissionZero Mine

We want to help miners produce more with fewer resources and to create a smaller footprint. Our vision of the mine of the future is captured in the MissionZero Mine, which illustrates how we can support miners with innovative technologies and digital solutions.

The MissionZero Mine brings our MissionZero ambition to life, exploring how we can already help customers to reduce their environmental impact and operating costs, as well as looking ahead to future technologies that can be industry game changers.

Find out more at
MissionZero Mine

Green Cement Plant

We want to help cement plant operators reduce their carbon footprint and increase productivity. Our Green Cement Plant concept enables this, bringing together the solutions needed to enable zero-emission cement production by 2030.

It guides our work in the coming decade – both in terms of where we will focus our innovation efforts and in terms of creating partnerships with our customers, technology specialists and others who can drive the change to more sustainable operations.

Find out more at
Green Cement Plant

Product stewardship

Measuring environmental impact
As our customers increasingly adopt science-based targets to guide their GHG emissions reductions, we are striving to improve how we measure and disclose the environmental performance of our products. This involves embedding a full life cycle approach to developing, selling and implementing our products. In 2022, we continued to build our in-house life cycle assessment (LCA) capabilities in compliance with relevant standards, including ISO 14040/44:2006.

Recycling and upgrades
The mining and cement industries rely on equipment with a long lifetime. Maintenance generates significant waste, mostly due to wear and replacing parts. Storing discarded equipment can represent a safety hazard at our clients' sites. Although recycling circuits exist for the most common minerals, such as steel and copper, emerging technologies that rely on composite materials can make recycling more difficult. Our R&D teams are working on making our products more readily recyclable. For example, for composite liner parts, we are assessing various processes for dismantling and recycling components.

Product upgrades provide another circularity opportunity. Through our product upgrade offerings, we aim to extend a product's lifetime while improving its performance. One example is our cyclone rebuild programme, which restores equipment and identifies wear patterns.

Ensuring product safety
We are committed to providing our customers with quality products that meet their expectations, contract specifications, industry standards and relevant statutory requirements. Furthermore, we have established a baseline for product safety requirements that is aligned with relevant EU product directives and applies to all product deliveries. We take this into account in the design, construction, erection, commissioning, servicing and disposal of our products. For example, since 2019 we have used dedicated product safety software. All product risk assessments are performed in the software in compliance with the EN ISO 12100 General principles for design – Risk assessment and risk reduction standard.

As digital solutions are becoming an essential element of our product portfolio, we build our solutions to ensure protection against cyber attacks. We aim to achieve ISA/IEC 62443 certification, an industry standard for implementing and maintaining electronically secure industrial automation and control systems.

Product risk assessment
Products and project deliveries undergo safety assessments according to applicable legal requirements and, as a minimum, our product safety baseline. In 2022, we continued performing risk assessments in our TÜV-certified CE marking software. The platform continues to unify and strengthen our product teams in their work with product safety and compliance.

A value chain approach: responsible sourcing
Our responsibility towards our products starts with our suppliers. We engage with our suppliers to help ensure stringent human rights and environmental standards. We have a set of corporate policies and processes aimed at conducting business responsibly, and in 2022, we updated our Supplier Code of Conduct and our Conflict Minerals policy.

Life cycle assessments

A life cycle assessment (LCA) involves assessing the environmental performance of products and systems across the entire life cycle – from raw material extraction to production, use and end-of-life processes. In 2022, we completed an LCA of the FLSmidth Cross-Bar® Cooler, our first EU taxonomy-aligned product. Verified by a third party and conducted according to ISO 14067, the LCA concluded that the product makes a substantial contribution to climate change mitigation.
Read more about the EU taxonomy on page 39.

Case

Increasing a mine's water recovery

Responsible tailings management in mining often depends on highly efficient dewatering. After years of operation, the tailings at a large copper mine in Kazakhstan had become insufficiently dewatered. This impacted the stability of the tailings dam and increased the mine's raw water consumption.

The mine operator approached us to address these challenges by improving the mine's underflow density, which involves separating more solids from the process water. Our R&D team had already been looking at ways to improve thickener performance, so we responded by accelerating the development of a new paste thickener system. We delivered three first-of-a-kind systems that have improved the mine's tailings dam stability and increased water recovery, enabling more water to be recycled back into the process rather than going to waste. The tailings facility now consumes less energy, while also being safer, easier and more economical to operate.

- 26% reduction in water to the tailings facility
- 17% reduction in tailings volume
- Improved tailings dam stability
- Lower torque and energy consumption

Environment

As we work to build a better future for employees, society and the world, we aim to reduce our own emissions and the impact of our own operations.

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Environmental management

Maintaining momentum towards carbon neutrality

We aim to be carbon neutral by 2030 and continually reduce the environmental impact of our own operations.

Progress highlights in 2022

- Launched new reduction initiatives in non-renewable energy, fossil fuels, freshwater and landfill waste
- Reviewed and refined reduction roadmaps
- Deployed document control system for governance procedures

Challenges

- Increasing energy prices
- Managing data from more sites

Planned activities in 2023

- Obtain renewable energy certificates in more locations
- Identify high energy-consuming machinery
- Transition existing procedures into new document control system
- Recertification in ISO 14001 Environmental Management

Supported Sustainable Development Goals

We continued to work on reducing our scope 1 and 2 greenhouse gas (GHG) emissions. Our emissions in 2022 amounted to 36,767 tCO_2e (market-based, excluding Mining Technologies operations), which is a 5.8% increase from 2021. The increase was driven by higher scope 2 emissions, which grew by 12% from 2021, as more people returned to work at our offices following the easing of COVID-19-related restrictions. Scope 2 emissions were also impacted by less use of renewable energy at two of our sites. Our scope 1 emissions decreased by 8%.

However, since our scope 1 and 2 emissions are 16% lower than the year's target of 43,622 tCO_2e, we are satisfied that we are on the right trajectory towards our goal of becoming carbon neutral by 2030.

In some locations, we are limited in our ability to use renewables and alternative energy sources due to a lack of availability. Local initiatives continue, and we plan to increase our efforts in obtaining renewable energy certificates in relevant areas, such as sites in India where energy consumption is high.

Continuous improvement

We are determined to reinforce our reduction programmes for emissions, water and waste. We reviewed and refined our reduction roadmaps to ensure proper alignment with our current targets. This will help us identify high-potential areas and initiatives, and refine policies and procedures that will create a bigger impact at our sites.

We continued developing and launching new initiatives, such as improving data processing through training and monitoring the status of each initiative in our emission reduction dashboard. We completed 36 emission reduction initiatives in 2022 that contribute to achieving our long-term reduction targets.

Water and waste reduction programmes

To reduce water and waste, we launched targeted initiatives in some locations – such as installing tanks for rainwater harvesting, reusing treated water and implementing proper waste sorting.

Our Sustainability Performance Indicators platform enables us to monitor and analyse all environmental data efficiently. We made further improvements to the platform to increase data accuracy and facilitate transparency in reporting. Training in data reporting was provided to ensure compliance with reporting procedures.

We implemented a document control system for managing environmental procedures, standards and policies as well as ISO control documents.

In 2022, 67% of our workforce locations were audited according to ISO 14001. Due to strategic activities following the acquisition of Mining Technologies sites, we did not focus on ISO 50001 certification. Some former Mining Technologies sites have ISO 50001 certification, and we will look to apply their learning from the certification process.

For information about the environmental impact of our supply chain, see page 29, and for information related to downstream impact, see page 14.

Progress on targets

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

36,767

▼ 5.8% deterioration
2022 target 43,622 tCO_2e

Reporting on waste reduction

With the addition of new waste reduction KPIs, 2022 was the first full year of reporting on these parameters. This reflects our commitment to improving waste management by reducing the amount of waste generated, increasing reuse and recycling, and minimising the amount of waste disposed to landfill. Waste is reported per type of waste and disposal means. Based on EU standards, reporting is categorised as hazardous and non-hazardous waste and recycled, reused incinerated or landfill waste.

Case

Transitioning to renewable energy

As part of our efforts to increase the use of renewable energy in our own operations, solar panels have been installed at our manufacturing facility in Qingdao, China.

Most of the site's CO_2 emissions are generated by the use of grid electricity, so the decision was made to begin the shift to solar panels.

Permission was granted by the local authorities in 2021 and the 1.4 MW solar power system was installed and commissioned in 2022. The installation is expected to generate 1.6 million kWh of electricity annually, covering 42% of the site's electricity consumption, and to reduce CO_2 emissions by 691 tonnes annually – approximately 32%.

- 1.4 MW solar power system installed and commissioned
- 1.6 million kWh of electricity generated – 42% of the site's electricity consumption
- 691-tonne reduction in CO_2 emissions

Social

The success of our sustainability efforts – and our future – depends on creating an inspiring, inclusive, diverse, safe working environment for our employees and respecting the communities in which we operate.

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People

Developing leadership capabilities and talent

Embracing diversity, equity and inclusion, we provide the opportunity to grow in an international working environment.

Progress highlights in 2022

- Launched new leadership programme, "Leading in FLSmidth"
- Integrated Mining Technologies employees into organisation
- Offered specialist training for individuals to transition from "knowledge contributors" to "knowledge experts"

Challenges

- Retaining employees in a challenging market
- Supporting people through continuous external and internal changes

Planned activities in 2023

- Launch aspiring leaders programme in all regions
- Launch operational leadership programme at manufacturing facilities and sites
- Launch new company values and a leadership framework

Supported Sustainable Development Goals

5 GENDER EQUALITY

5.5

We continue to focus on greater diversity in our global operations. By 2030, we want women to fill 25% of managerial positions and 25% of all positions. We achieved our 2022 targets for women employed and women in blue- and white-collar positions. However, we did not achieve our target – and we saw little to no improvement – for women managers. This performance is unsatisfactory, and through active recruitment, career development and leadership training, we are committed to improving our diversity performance in 2023.

With regard to our objective of Zero Harm, we focused more on employee well-being. We included questions on personal well-being in a global employee engagement questionnaire, enabling us to gauge incidents of stress and harassment. Employee engagement survey results are reviewed every month to evaluate whether specific actions are needed.

We continued our efforts to align living wages within our local regions. This is an ongoing task, particularly at a time of high inflation. Similarly, as we continue to address gender pay disparity, we have reduced gender pay gaps considerably since 2021. In 2022, we started aligning benefits and employment packages. In Denmark, we offer equal paid parental leave to both parents. Further improvements are planned in all countries.

Developing our leaders

A new leadership development programme, "Leading in FLSmidth", helps current leaders grow leadership capabilities according to a framework that we refer to as our "leadership compass". This includes improving personal proficiency, setting team direction, accelerating continuous improvements, evolving people and enhancing collaboration across the organisation. This programme will gain momentum in 2023.
In 2023, we will introduce more programmes in leadership development and performance. These programmes will also help leaders to increase diversity, providing them with practical tools to achieve our goals through succession planning and similar initiatives.

Integrating organisations

Significant effort went into "Day One" of the Mining Technologies acquisition and onboarding our new colleagues. In addition to holding celebrations in locations around the world on 1 September, we launched information-sharing sessions and provided immediate access to online onboarding programmes. We also offered training courses and buddy systems.

Then began the considerable task of integrating and aligning processes into FLSmidth's operations. This is an ideal opportunity to help the combined organisation transition towards the new corporate strategies and, in the process, improve company-wide performance across our people-related KPIs.

At the end of the year, consolidation of business areas resulted in redundancies and the discontinuation of selected product lines and services. We conducted a talent assessment process within key duplicate positions to ensure a fair selection process and equal opportunity. Knowing that such programmes cause discontent to those directly affected, we aimed to communicate decisions in a personal, timely and clear fashion. We offered workshops and outplacements to employees made redundant in many local entities to help them in their careers beyond FLSmidth.

Progress on targets

Women managers
%

14.3

▶ No improvement
2022 target 15.7%

Women total
%

19.3

▲ 2.1%-point improvement
2022 target 18.8%

Acknowledged for diversity efforts

South Africa's Broad-Based Black Economic Empowerment Policy is designed to advance economic transformation and enhance the economic participation of black people in the South African economy. We were awarded Level 1 status within this policy, earning FLSmidth an important licence to operate and reflecting our ongoing efforts to build and nurture a talent pipeline and promote diversity.

Safety

Safety is everyone's business

Building a culture of health and safety across our own sites and at our customers is core to our Zero Harm 2030 ambition.

Progress highlights in 2022

- Launched new cross-functional auditing procedure for ISO certifications
- Introduced new documentation control system in our HSEQA digital platform
- Launched hand injury campaign, eliminating approximately 240 hand injury risks

Challenges

- Aligning reporting procedures following integration of Mining Technologies
- Reorganising HSEQA in accordance with the new business line structure

Plans for 2023

- Establish an HSEQA Council across the business
- Standardise procedures in the new HSEQA organisation
- Redesign internal audit programmes and implement global audit management database
- Evaluate ISO certification and recertification approach

Supported Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

8.8

To align with the company's new business strategies and structure, the Health, Safety, Environment & Quality Assurance (HSEQA) organisation was restructured to improve support for our business lines and manufacturing organisation. This includes establishing a Centre of Excellence, consisting of HSEQA specialists providing cross-functional support, and a global HSEQA Council. These activities and the need to integrate the Mining Technologies sites into our global HSEQA processes and systems resulted in a delay to some projects intended for 2022, such as standardising hazard risk identification procedures and incident and injury reduction programmes.

We did not achieve our overall targets for total recordable injury rate (LRIR) and lost time injury frequency rate (LTIF) in 2022. This was despite intensifying our focus on shop-floor safety at our manufacturing sites, service centres and customer sites. We ran a hand injury awareness campaign to identify situations where employees might injure their hands and arms. Approximately 240 risks were identified by employees and more than 205 were eliminated within two months. Further incidents after the launch of the campaign emphasise the need for unrelenting diligence in understanding the potential causes of such injuries.

In our incident and injury reduction programme, each region focuses on identifying risks and creating mitigation actions to prevent them from becoming safety incidents. Approximately 70 initiatives for reducing incidents were identified in 2022, of which 38 were closed. Our near-miss programme also focuses on identifying potential risks. In 2022, 100 were identified, of which 86 were closed within 30 days. There were no fatalities in 2022.

New auditing procedure

We introduced a new cross-functional auditing procedure for our ISO certifications, which requires the regional HSEQA teams to audit each other. The certified entities then provide feedback to generate better understanding of how to implement standards globally. The audit resulted in 166 non-conformities in six regions, of which 96% were closed within the stipulated 60-day period. The effectiveness of non-conformities is also being monitored as part of our audit programme.

In 2023, we plan to evaluate the certification set-up based on the new business structure and implement a global audit database to gain greater insights into our performance and learnings. This approach will provide us with stronger, faster and more transparent insights into our performance.

Focusing on safety behaviour is key to achieving our Zero Harm goal. Well-established procedures such as safety shares and the new Safety Bot, as well as leaders consistently encouraging good safety practices in their teams, are moving us in the right direction. Building on this, we reignited discussions on how safety can be further integrated into our daily culture.

With such initiatives, we aim to improve our company-wide performance to ensure we meet our safety targets in 2023.

Progress on targets

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

1.5

▲ 0.4 improvement
2022 target 1.3

Lost time injury frequency rate (LTIF)
Number of lost-time injuries and fatalities/ million hours worked

0.7

▲ 0.1 improvement
2022 target 0.5

It's in your hands

Our local HSEQA team in Brazil created an emotionally charged video for a hand injury campaign titled "It's in your hands". It's easy to take our hands for granted, forgetting how important they are at work and in everyday life. In the video, employees are asked not just to imagine being without their hands, but to try working without them by wrapping them up in bandages. They talk about their experience of being immobilised and reflect on the risk of hand injuries.

Human rights

Respecting the rights of all stakeholders

Safeguarding human rights requires a detailed understanding of risk, remedy and the issues to be addressed across our value chain.

Progress highlights in 2022

- Conducted a human rights gap analysis
- Completed 2 onsite human rights assessments
- Trained 200 sales and procurement employees

Challenges

- Meeting documentation requirements of emerging legislation
- Operating in geographies with higher risks

Planned activities in 2023

- Conduct an in-depth human rights risk analysis
- Establish a cross-functional human rights working group
- Improve the tools for due diligence procedures

Supported Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

8.7

We have taken significant steps to strengthen our work within human rights. This included reviewing our human rights programme, led by a newly appointed Human Rights Specialist, and updating our Human Rights Policy. To understand our current practices and identify our priorities, we conducted a gap analysis and a high-level risk assessment based on the OECD guidelines and the UN Guiding Principles framework. Risks identified included access to water, labour rights and access to remedy.

Some of our plans for 2022 were delayed by changing priorities, mainly due to the war in Ukraine. We did not achieve our target for conducting human rights reviews and e-learning. However, we have reviewed our procedures to ensure we have a more efficient process for achieving high-quality reviews. In 2023, we will review our e-learning material and we aim to improve course completion.

In 2023, we will review our due diligence procedures to mitigate any potential involvement in adverse human rights through our own activities and business relationships. We will also conduct an in-depth human rights risk analysis. This will enable us to identify new salient issues and develop action plans to address them. These activities form the foundation of our work towards a targeted human rights strategy for FLSmidth.

Onsite assessments

At two of our sites in South Africa, we conducted onsite human rights assessments in 2022. The purpose was to establish whether our onsite practices meet our human rights commitments at a local level. The site visits included high-level risk analyses and a comprehensive assessment of working conditions. We assessed policies and management systems by reviewing documents and interviewing employees. We also engaged with colleagues in the local markets to understand the local trends and challenges.

We expect to complete six onsite human rights assessments in 2023. The aim is to assess the conditions at our own sites and gain an understanding of the challenges we face. Building on this, we will extend the reach of the assessments to ensure we review the impact of FLSmidth's operations on local communities. We will also conduct onsite assessments of customers and suppliers, focusing on high-risk operations.

Building capacity and engagement

In 2022, we trained more than 200 sales and procurement employees across our global locations – in-person where possible and otherwise online. This training is an important means to building internal capacity and an essential element of our stakeholder engagement plan. It demonstrates our commitment to the requirements of the UK Modern Slavery Act 2015.

Furthermore, e-learning is essential to capacity building, serving both as a refresher and a first introduction to human rights for new employees. Both the e-learning course and the training programme will continue through 2023 as we offer in-depth training to a wider range of employees.

We are establishing a cross-functional human rights working group, bringing together representatives from different business areas, such as health and safety, sales, procurement and local operations. This is to ensure we align our work within human rights with the issues most salient to our business.

Progress on targets

Human rights reviews conducted

28

▼ 74% deterioration

2022 target 80

Engaging stakeholders in human rights

Improving our human rights performance involves many different people, hence our focus on stakeholder engagement and capacity building. Key to this is providing training and visiting regional sites. In 2023, we will prepare a broad stakeholder engagement strategy and form a human rights working group that will bring together representatives from different functions and regions to identify trends and salient issues.

Community support

Improving primary school education
Collaborating with the humanitarian relief organisation ForAfrika, we provided donations towards the renovation of two schools in the Phola township in Mpumalanga, South Africa. The kitchens and plumbing will be revamped, improving water hygiene, and classrooms will be repainted and equipped with better resources.

For the past nine years, FLSmidth South Africa has helped to fund maths and science educators at the Kingsway Christian School, Randpark Ridge, Johannesburg. In 2022, we doubled our contribution to the school, helping to also provide daily nutritious meals to students.

Local activities
In Chile, we partnered with the Complementa Foundation, which supports families with children with Down's syndrome, participating in a football match to encourage motor, cognitive and social skills development.

In Tiabaya, Peru, employees from our Arequipa Supercenter delivered sanitary items and gifts to the Hogarcito de Niños Especiales San José Benito Cottolengo home for children with special needs. They spent time at the school singing, dancing and chatting with the children, teachers and volunteers.

In India, we provided financial support to the FIDE Chess Olympiad 2022 held in Chennai in July 2022.

FLSmidth Brazil supported various social projects to assist vulnerable people with donations totalling BRL 215,000 (USD 42,000).

Contributions from employees at FLSmidth Tucson Operations (US) resulted in more than 300 toys and bikes being donated to a Salvation Army Christmas programme supporting children in need.

Inspiring young people in the sciences
In August 2022, more than 100 families participated in the annual FLSmidth Science Festival in Salt Lake City, Utah, US. Volunteers shared their passion for and experience in science, engineering and mining with local families. The event featured 12 science workstations with hands-on experiments designed to inspire young people.

Local biodiversity
In partnership with the Growing Trees Network, we are currently planting around 12,000 trees in Denmark, Uganda, Kenya and Ecuador. This initiative was announced to mark FLSmidth's acquisition of Mining Technologies. In addition, we launched an initiative in Denmark to plant a tree for each new employee, who receives a certificate acknowledging the tree. The programme will be implemented globally through 2023.

Support to Ukraine
We donated DKK 2 million to various humanitarian organisations, including UNICEF, Save the Children and the Red Cross, to support victims of the war in Ukraine.

Donation fund
Through our non-profit FLSmidth & Co. A/S Donation Fund, we aim to contribute approximately DKK 400,000 (USD 60,000) each year to a range of community projects, institutions and museums in Denmark and the US.

Photo provided by ForAfrika.

FLSmidth & Co. A/S Donation Fund (DKK)

400,000

planned donations to educational, community and humanitarian initiatives

Growing Trees Network

12,000

trees planted globally in 2022

Case

Creating a pipeline of diverse talent

First established in 2016, our graduate programme in India is designed to establish a strong pipeline of engineers that reflects our diversity goals. We aim to employ at least one woman for every three hires across the organisation.

Every year, graduates are hired through a structured recruitment process at selected universities. They are then put through a six-month intensive programme with hands-on projects and assignments at project sites and in sales support and technology functions. Breaking stereotypes, our women engineers have taken on roles in service execution, manufacturing and product development. Our class of 2022 consisted of 10 graduates hired within our digital organisation in India, of which five were women. This continues a strong tradition of attracting graduates of both genders in India.

Governance

The development and implementation of our sustainability work is supported by a robust governance structure embedded within our organisation.

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Compliance

Encouraging transparency and awareness

To conduct responsible business, we comply with all legislation related to anti-corruption and sanctions.

Progress highlights in 2022

- Ensured 100% compliance with sanctions and our own policy
- Improved due diligence processes to increase efficiency
- Completed the Conflict Minerals Sub-Policy

Challenges

- Delivering training to all employees
- Observing increased compliance and sanctions requirements

Planned activities in 2023

- Review due diligence screening process
- Integrate compliance IT systems into central IT systems
- Launch programme for registering conflict of interest cases

Supported Sustainable Development Goals

10.3 16.5

In 2022, our business was heavily influenced by the war in Ukraine. Trade compliance became more complex and comprehensive due to the continually expanding scope of sanctions on Russian and Belarussian companies. We screened all customers in Russia, Belarus and other countries with links to Russia, and all shipments remaining from before the war were subjected to full compliance checks, including screening for dual-use and prohibited items. We ceased new contracts and new orders on existing contracts.

We conducted 400 in-depth due diligence screenings, significantly above the target for the year. The speed at which these were completed resulted in improved processes, allowing us to scale up quickly to manage a large volume efficiently and rapidly.

We improved our data quality and accuracy, especially information about ultimate beneficial ownership, and we improved the way we communicate our findings internally. The process also demanded closer internal working relationships with other departments. As a result, we have established an agile, solid platform for conducting analyses in the future.

Our due diligence results indicate that the most material anti-corruption issue is operating in countries with weak governance.

In 2023, we will review the process of due diligence screening to improve planning, procedures and documentation, and to ensure alignment with the upcoming EU Directive on corporate sustainability due diligence. We will also begin to consolidate our compliance IT systems.

Training for all

We continued training in our compliance framework. We did not achieve our goal of delivering this training to every employee due to organisational restructuring and a greater workload in trade compliance and due diligence. Working closely with Human Resources (HR), we will continue to offer training to all employees, prioritising e-learning, but supported by live training in the larger locations.

Internal investigations

Our internal investigations work developed significantly in 2022. We received more reports than in previous years, but also closed more investigations, including harassment and conflict of interest cases, which have often been difficult to close. We followed up on cases more consistently, ensuring that sanctions were implemented.

In response to an increase in harassment cases in recent years, we conducted a survey on workplace harassment and presented a report in May. Together with HR, harassment prevention workshops were held throughout the company to increase awareness around unacceptable behaviour.

In 2022, 37 discrimination or harassment incidents were reported, which is more than average. Eight cases are under investigation, with the remaining closed. We report our findings to Group Executive Management and HR representatives for further follow-up. We will continue to focus on creating a workplace environment where no individual is subject to harassment. We plan to offer employees bi-annual training, and in 2023, we will roll out a global programme for registering conflict of interest cases.

Progress on targets

In-depth due diligence screenings conducted

400

▲ 57% improvement
2022 target 250

Compliance in Mining Network

The Compliance in Mining Network, of which FLSmidth is a founding member, brings together several large mining companies, equipment producers and service providers with the goal of preventing corruption and promoting compliance within the mining industry. In 2022, Trace International was commissioned to conduct a study on corruption risks in the mining industry. We will use the study's findings to improve our compliance work, particularly in the area of anti-corruption measures and policies.

Responsible business conduct through supplier engagement

Working with science-based targets, we encourage environmental action across our supply chain.

Progress highlights in 2022

- Engaged with >10% of supplier spend in sustainability and climate target discussions
- Improved supplier due diligence processes
- Initiated sustainability capacity building in our supplier relationship and procurement teams

Challenges

- Managing data across disparate systems
- Meeting documentation requirements of upcoming legislation

Planned activities in 2023

- Set supplier engagement KPIs for procurement teams
- Improve supplier onboarding and monitoring
- Introduce capacity-building programmes for suppliers

Supported Sustainable Development Goals

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12.6

Supply chain

Our commitment to the Science Based Targets initiative guides our work within the supply chain in relation to climate action. We aim to achieve 30% of our supplier spend with suppliers who have set their own science-based targets by 2025. In 2022, our spend with these suppliers was 7.7%.

Effectively engaging with suppliers starts with dialogue. In 2022, we expanded our efforts to share our commitments with suppliers by engaging with them more actively, for example by sharing knowledge on how to set climate targets. We dedicated more internal resources to achieving this, coordinated by our newly appointed Sustainable Supply Chain Programme Manager.

Aligning with industry standards
We took steps to improve our supplier due diligence processes, based on the OECD Due Diligence Guidance for Responsible Business Conduct. The six steps described in the guidance provide an effective framework for strengthening due diligence efforts. This set the direction for our revision of the Supplier Code of Conduct in 2022 and our ongoing work to improve supplier assessments.

Our updated Supplier Code of Conduct is available on our website in English and Spanish. Compliance with this is integral to our business with suppliers. Contracts must reference it to ensure that our sustainability requirements are communicated. An important update in 2022 was the requirement for suppliers to set their own CO_2 reduction targets.

The Supplier Code of Conduct specifies requirements related to labour, health and safety, environment, compliance and management systems. It is based on industry requirements set by the Responsible Business Alliance. This is because we want to align with other companies setting similar targets for their suppliers, which will make it easier for suppliers to conform and comply.

In 2022, we achieved our three targets: suppliers screened for sustainability, screenings resulting in findings, and findings where we have improvement plans agreed upon with suppliers.

In 2023, we will update the processes related to our onsite assessments of suppliers and improve our metrics. We will do this by adopting a risk-based approach, simplifying internal processes and working more closely with suppliers. We also plan to increase supplier capacity building.

Capacity building
Building capacity within our own organisation helps us achieve our sustainability goals. Expanding on the programmes offered to our supplier relationship and procurement teams, we aim to include training in the Supplier Code of Conduct and in setting and achieving relevant climate goals. Our objective is to enable more procurement colleagues to advise suppliers on matters relevant to sustainability. This in turn will help us understand the supplier's level of sustainability engagement and help facilitate meaningful, ongoing dialogue between our teams and our suppliers.

Learn more at **flsmidth.com/supplychain**

Progress on targets

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

7.7

▲ 2.8%-point improvement

2025 target 30% spend with suppliers with science-based targets

Committed to responsible sourcing

We have joined the Responsible Minerals Initiative of the Responsible Business Alliance, which helps set the direction for implementing our Conflict Minerals Policy. Having joined the Copper Mark in 2021, we participate in working groups in order to adhere to responsible production practices in the copper industry. This work will continue in 2023 as we aim to map the use of copper in our supply chain and set appropriate targets.

Sustainability governance

Our governance model guides the continuous integration of relevant sustainability aspects in our organisation. It reinforces our approach to sustainability, defining responsibilities and accountability at all levels.

We prepared new strategies for our mining and cement businesses towards the end of 2022. Reflecting sustainability's growing importance for the company, we designated it as a key focus area, and we updated our governance model accordingly.

Key to our governance structure are targets and corresponding KPIs that are cascaded throughout the business. Our policies define how we operate according to internal and international standards, and we have incentive schemes to drive performance. Group Executive Management sits on the Sustainability Board and has the ultimate responsibility for our sustainability performance.

Materiality
We most recently conducted a materiality assessment in 2021, and we plan to update it in 2023. See page 12.

KPIs and targets
In 2021, we introduced a new set of sustainability targets that we aim to achieve by 2030. Addressing areas material to our business and stakeholders, these targets are linked to our wider sustainability approach and contribute directly to the success of our MissionZero programme. Our emission targets cover our scope 1, 2 and 3 GHG emissions across the value chain and are approved by the Science Based Targets initiative (SBTi).

These targets have a wide impact on our business, particularly research and development (R&D) and our commercial strategy. We are embedding the necessary changes and actions within the business. For example, we now allocate a certain percentage, currently 56%, of our R&D budget to sustainability.

Other sustainability targets, including safety, diversity and responsibility in the supply chain, have both long-term (2030) and intermediate (year-on-year and three-year) time horizons. These targets are cascaded to the relevant business functions but require company-wide commitments and prioritisation. We regularly review our KPIs to ensure that we monitor material subjects and gather data relevant to improving our sustainability performance.

We expect our new corporate strategies to drive further developments during 2023 – including aligning our MissionZero and ESG efforts and how we will work with emerging topics, such as circularity, biodiversity and sourcing standards. We will also evaluate how these developments will influence our contribution to the UN Sustainable Development Goals (SDGs).

Management and incentives
Accountability for the direction, progress and focus of our sustainability work rests with Group Executive Management, which acts as the company's Sustainability Board. The Board of Directors receives sustainability updates every quarter and holds an annual sustainability workshop.

In 2022, we introduced a new KPI in our long-term incentive plan connecting the remuneration of FLSmidth's senior management with progress in "economic intensity" – one of our scope 3 science-based targets. We also increased the weighting of the sustainability KPI in the long-term incentive plan for Group Executive Management from 10% to 20%. All employees, including those participating in the company's short-term incentive plan, can have a sustainability-based performance objective as part of their development plans. To drive further progress in our MissionZero programme and reduce economic intensity, sustainability is included in the bonus programme for employees working in sales functions.

Board diversity
Women accounted for 33% of the shareholder-elected Board members at the end of 2022, fulfilling the target that at least 25% of the members elected at the Annual General Meeting should be women.

Risk – Task Force on Climate-related Financial Disclosures
Increasingly, we consider the impact of climate-related risks on our business, as well as other sustainability risks. Periodically, we perform an internal climate-risk analysis to assess both physical and transactional risks related to climate change using the recommendations of the Task Force on Climate-related Financial Disclosures (p31). During 2023, we plan to further develop our long-term climate transition plan.

Climate-related risks and opportunities

Type	Topic	Description	Risk exposure	Opportunity level	Governance	Current and planned actions
Transitional	Carbon taxes and regulations	Countries introducing or planning to introduce carbon pricing and/or trading schemes	Low	High	Monitoring on regular basis, quarterly briefing to Senior Management	FLSmidth has solutions that enable customers to emit less. We are continuously developing new solutions with a lower carbon impact
Transitional	Disclosure	Enhanced environment-related disclosure requirements from investors and customers	Low	Low	Quarterly updates to Board of Directors and Senior Manage-ment	Further map requirements and enhance ESG-related reporting. Analyse new requirements from responsible sourcing schemes and standards
Transitional	Product-specific environmental regulations	Introduction of the EU taxonomy to classify environmentally sustainable activities	Low	Medium	Monitoring on regular basis	Perform cross-reference to product portfolio and gap analysis on data and documentation requirements
Transitional	Demand for green products	Substitution of existing products and services with lower-emission options	Medium	High	Periodic review by the Technical Committee (Board-level committee)	R&D technology roadmaps are established for key sustainability areas, including CO_2, NO_x and water Scouting for technology partnerships is ongoing Discontinue investment in coal-related R&D going forward
Transitional	Scarcity of raw materials	Increased production costs and output requirements due to scarcity of raw materials in specific locations or global constraints	Medium	N/A	Regular assessment of risk exposure	We maintain a flexible and agile supplier base that allows for substitutions and/or diversification if required
Transitional	Reputational impact	Company is negatively perceived as part of a polluting industry	Medium	N/A	Regular engagement with key stakeholders at Group or local levels	FLSmidth is technical adviser to the World Bank IFC Net Zero Roadmap for Mining Technical Working Group (TWG) We are in regular dialogue with relevant financial organisations about the transitional role of FLSmidth
Transitional	Access to capital	(Sectoral) risk of reduced access to capital due to high environmental impact	Medium	Low	Regular assessment of risk exposure	Alignment with key sustainable finance standards. Discontinue investment in coal-related R&D going forward
Physical	Storms and cyclones	Storms and cyclones can impact supply chain and production capacity, as well as labour conditions and construction of new plants	Low	Low	No specific governance mechanism in place	Both mining and cement plants and operations are relatively resilient to extreme weather events due to the robustness of the equipment
Physical	Drought	Drought leading to water scarcity, operational disruptions and increased operating costs	Low	High	Biennial water risk assessment	R&D technology roadmaps are established for key sustainability areas, including CO_2, NO_x and water

Stakeholder engagement

FLSmidth engages with various external stakeholders relevant to our MissionZero ambition and ESG goals. The success of MissionZero requires more than technological solutions. To create systematic change and accelerate the deployment of sustainable solutions, we need strong collaboration across the value chain, a supportive policy environment and active involvement from civil society.

Community engagement
We listen to the needs and expectations of the local communities in which we operate. We regularly undertake environmental projects, education, training and humanitarian work, and we contribute regularly to local community causes aligned with our values and mission. Read more on page 25.

Industry associations
We are members of, or engage with, industry associations and advocacy groups to promote policy frameworks and regulations that help accelerate the green transition. We are a founding member of the Compliance in Mining Network, part of the Women in Mining initiative, and participate in the Innovandi Global Cement and Concrete Research Network through the Global Cement and Concrete Association. In 2022, we endorsed the CEO Water Mandate, a UN Global Compact initiative that mobilises industry on water, sanitation and the SDGs.

Public policy
Stimulating demand for green minerals, metals and cement requires a supportive policy environment. We engage with international organisations to provide expertise, share experience, exchange ideas and inform policymakers. In 2022, we continued our engagement within the Leadership Group for Industry Transition, we joined the IRENA Alliance for Industry Decarbonisation and we took part in the United Nations Climate Change Conference (COP27).

Customers
We partner with customers to support them in achieving their sustainability ambitions. We apply technology and innovation to enable the production of sustainable minerals, metals and cement, and we partner with our customers to support a regulatory environment that stimulates demand for these greener products.

Academia
Partnering with universities in programmes and doctoral studies helps us to develop innovative solutions, acquire knowledge and attract top talents. For example, we partner with Technische Universität Dresden to develop flotation technologies and with the Technical University of Denmark and others to research the electrification of clay carbonation.

Financial institutions and investors
We engage with investors in strategies to achieve our sustainability ambitions. Our relationships with financial institutions have been instrumental in helping customers finance projects and ensuring they make a positive contribution to sustainability. For example, Denmark's Export Credit Agency (EKF), the Investment Fund for Developing Countries (IFU) and the Norwegian Investment Fund (Norfund) supported the clay calcination project in Ghana.

Suppliers
Our suppliers provide 80% of our manufacturing. Building strong strategic relationships with suppliers strengthens our MissionZero programme, as it creates opportunities to co-develop innovative technologies adding to our existing portfolio. We also engage proactively with our top-spend suppliers to support them on their journey to establish science-based targets.

Industry peers
We work with technology industry peers to combine strengths and advance sustainability solutions. In 2022, we initiated a collaboration with ABB to assess solutions that will de-risk mining operations and lower operating costs while reducing emissions, energy use and waste. Similarly, we signed an agreement with Microsoft aimed at accelerating our digital journey, co-innovating and improving existing offerings.

Case

Joining forces for change

With more than 30% of global greenhouse gas emissions and nearly 40% of global energy consumption, the industrial sector is second only to the power generation sector in terms of emissions. At the same time, the demand for energy and industrial products is forecasted to increase greatly.

The Alliance for Industry Decarbonization, which FLSmidth has joined, aims to accelerate net zero ambitions and the decarbonisation of industrial value chains. It encourages stakeholders in energy-intensive sectors to collaborate to cut industry emissions using renewables-based solutions.

At the alliance's first meeting, held at COP27 in Egypt, partners discussed how to increase availability of the technologies needed for the green transition, committing to act together for immediate, just and ambitious implementation. In 2023, we will work with other partners on key enablers of the transition, focusing on the renewables supply chain and financing solutions.

Find out more at
allianceforindustrydecarbonization.org

Summarised reporting

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Key figures

DKKm	2018	2019	2020	2021	2022
Income statement					
Revenue	18,750	20,646	16,441	17,581	21,849
Gross profit	4,693	4,849	3,865	4,180	5,076
EBITDA before special non-recurring items	1,826	2,008	1,134	1,401	1,300
EBITA	1,585	1,663	771	1,030	943
EBIT	1,220	1,286	428	668	619
Financial items, net	(161)	(115)	(47)	(81)	(67)
EBT	1,059	1,171	381	587	552
Profit for the year, continuing activities	811	798	226	374	351
Loss for the year, discontinued activities	(176)	(22)	(21)	(17)	1
Profit for the year	635	776	205	357	352
Orders					
Order intake (gross), continuing activities	21,741	19,554	18,524	19,233	24,644
Order backlog, continuing activities	16,218	14,192	14,874	16,592	23,541

	2018	2019	2020	2021	2022	2022 targets	2023 targets	2030 targets
Sustainability key figures								
Total recordable injury rate (TRIR), including contractors	3.0	1.6	1.0	1.9	1.5	1.3	10% year-on-year improvement	Zero harm
Scope 1 & 2 greenhouse gas emissions (tCO_2e), market-based			41,155	34,737	36,767	43,622	10% year-on-year improvement	Carbon neutral
Scope 3, Category 11 (Use of sold products) economic intensity (GHGs in tonnes CO_2-equivalents/DKKm order intake)		10,663		10,348[1,2]	5,310			56% vs 2019
Water withdrawal (m^3)	227,272	221,613	197,346	201,997	178,064	197,652		5% year-on-year improvement
Spend with suppliers with science-based targets (%)				4.9%	7.7%		10%	30%[3]
Suppliers assessed for sustainability	195	689	390	641	676	600	Under review	Under review
Women managers (%)	10.4%	11.2%	13.1%	14.3%	14.3%	15.7%	16.3%	25%

1) In 2021, we had our science-based targets approved by the Science Based Targets initiative (SBTi), with a target baseline in year 2019. In accordance with the SBTi requirements, we report annually on our scope 3 greenhouse gas emissions, together with the 2019 baseline numbers, to show progress against our targets.
2) Reported lifetime greenhouse gas emissions for 2021 have been recalculated by 631 tonnes CO_2e due to two orders moved from 2021 to 2022 to align with the effective Order Intake date.
3) A 2025 target.

Performance summary

	2020	2021	2022	2022 target	2023 target	2030 target
Safety						
Lost time injury frequency rate (LTIF), including contractors	0.5	0.8	0.7	0.5	10% year-on-year improvement	Zero harm
Total recordable injury rate (TRIR), including contractors	1.0	1.9	1.5	1.3	10% year-on-year improvement	Zero harm
People						
Women total (%)	15.9%	17.2%	19.3%	18.8%	20.4%	25%
Women white-collar workers (%)	21.8%	23.2%	25.1%	25.0%	26.1%	30%
Women blue-collar workers (%)	4.0%	4.7%	5.6%	5.0%	6.6%	
Women managers (%)	13.1%	14.3%	14.3%	15.7%	16.3%	25%
Internal participants' training hours in corporate development programmes		36,671	39,644			
Employees receiving performance and development reviews (%)	86.6%	97.1%	97.0%	95.0%		
Compliance						
Whistleblower reports submitted	99	78	97			
... of which: Compliance		17	24			
... of which: Finance		21	13			
... of which: Human Resources		31	53			
... of which: Other		9	7			
... of which: Admissible	97	76	90			
Incidents of discrimination and harassment	13	14	37			
Operations assessed for risks related to corruption		0	1	2	3	
In-person training sessions for employees who have received live training on anti-corruption (number and %)	7,056 / 79%	8,855 / 83.5%	5,853 / 67.0%	90%	80%	90%
White-collar employees who have completed e-learning courses on anti-corruption (number and %)	1,271 / 15%	6,381/ 81.8.%	6,325 / 72.4%	95%	90%	95%
In-depth due diligence screenings conducted	274	255	400	250	150	

Performance summary

		2020	2021	2022	2022 target	2023 target	2030 target
Environment							
	Mining Technologies[1]			858			
Scope 1 GHGs (in tonnes CO_2-equivalents)	FLSmidth excl. MT[2]	10,888	11,130	10,211			Carbon neutral
Scope 2 GHGs (in tonnes CO_2-equivalents)	Mining Technologies			1,251			
– location-based calculation	FLSmidth excl. MT	25,943	26,700	26,297			
Scope 2 GHGs (in tonnes CO_2-equivalents)	Mining Technologies			1,454			
– market-based calculation	FLSmidth excl. MT	30,267	23,607	26,556			Carbon neutral
Scope 1 & 2 GHG emissions (tCO_2e)	Mining Technologies			2,312		10% year-on-year	
– market-based	FLSmidth excl. MT	41,155	34,737	36,767	43,622	improvement	Carbon neutral
Carbon intensity, scope 1 & 2 (GHGs in tonnes CO_2-equivalents/DKKm revenue)	Mining Technologies			1.7			
– scope 2 location-based	FLSmidth excl. MT	2.24	2.2	1.8			
Carbon intensity, scope 1 & 2 (GHGs in tonnes CO_2-equivalents/DKKm revenue)	Mining Technologies			1.9			
– scope 2 market-based	FLSmidth excl. MT	2.50	2.0	1.8			
Scope 3, total (all categories) GHGs (in tonnes CO_2-equivalents)	Mining Technologies						
– excluding process emissions	FLSmidth excl. MT		200,200,000[3]	127,400,000			
	Mining Technologies						
Scope 3, Category 1 (Purchased goods and services) GHGs (in tonnes CO_2-equivalents)	FLSmidth excl. MT		1,200,000	1,600,000			
	Mining Technologies			17.6			
Scope 3, Category 6 (Business travel) GHGs (in tonnes CO_2-equivalents)	FLSmidth excl. MT	11,887	10,089	17,791			
	Mining Technologies			300,000			
Scope 3, Category 11 (Use of sold products) GHGs (in tonnes CO_2-equivalents)	FLSmidth excl. MT		199,000,000[3]	125,800,000			
Scope 3, Category 11 (Use of sold products) GHGs (in tonnes CO_2-equivalents)	Mining Technologies						
– including process emissions	FLSmidth excl. MT		331,037,011[3]	147,936,472			
Scope 3, Category 11 (Use of sold products) economic intensity	Mining Technologies						56% reduction
(GHGs in tonnes CO_2-equivalents/DKKm order intake)	FLSmidth excl. MT		10,348[3]	5,310			versus 2019
Water withdrawal (m^3)		197,346	201,997	178,064	197,652		5% year-on-year improvement
Water withdrawal in high water-stress areas		61%	61%	64%			
Total amount of waste (mt)				20,330			
... of which non-hazardous (mt)				19,512			
... of which hazardous (mt)				818			
Waste recycled/reused (% of total amount)				65%			

1) Data for Mining Technologies for the period 1 September – 31 December 2022. Data is based on different methodology to FLSmidth's. Methodologies will be aligned during 2023.
2) Data for FLSmidth's operations, excluding Mining Technologies (note 1).
3) Reported lifetime greenhouse gas emissions for 2021 have been recalculated by 631 tonnes CO_2e due to two orders moved from 2021 to 2022 to align with the effective order intake date.

Performance summary

	2020	2021	2022	2022 target	2023 target	2030 target
Supply chain						
Suppliers assessed for sustainability (number)	390	641	676	600	Under review	Under review
Supplier screenings resulting in a new finding/non-conformity (number)	25	128	103	100	Under review	Under review
Findings/non-conformities that have improvement plans agreed upon with suppliers (%)	56.0%	80%	80%	80%	Under review	Under review
Spend with suppliers with science-based targets (%)		4.9%	7.7%		10%	30%[1]
Human rights						
Human rights reviews (offsite)	59	108	28	80	75	5% year-on-year improvement
Human rights impact assessments (onsite audits)	0	1	2	3	6	
White-collar employees who have received in-person training in human rights			203		200	
White-collar employees who have completed e-learning courses in human rights (%)			30%	95%	85%	98%

1) A 2025 target.

EU taxonomy explainer

We are committed to achieving the objectives of the European Green Deal and EU taxonomy as we support our customers' transition to net zero operations. This page summarises the criteria and requirements of the EU taxonomy framework.

The EU's environmental objectives

The EU has identified six environmental objectives that support the green transition. The EU taxonomy provides clarity for companies, capital markets and policymakers in which economic activities could contribute to achieving these objectives. As of 31 December 2022, only the criteria for contributing to the first two objectives have been defined. Therefore, reporting is only required for these two objectives.

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

Eligible activities

The EU has defined which economic activities have the potential to contribute directly to an objective, enable other activities to contribute directly; or support the transition to a climate-neutral economy. These activities are therefore in scope and considered eligible.

The list is not exhaustive and will evolve over time as the taxonomy regulation is further developed.

For FLSmidth's business, associated economic activities are:

- Manufacture of other low carbon technologies
- Data-driven solutions for GHG emission reductions
- Installation, maintenance and repair of energy efficiency equipment
- Acquisition and ownership of buildings

Aligned activities

An eligible activity is considered sustainable and therefore aligned with the taxonomy when it fulfils the criteria of substantially contributing to at least one objective while also doing no significant harm to remaining objectives.

In addition, the organisation must meet a set of minimum safeguards related to human rights, anti-corruption, taxation and fair competition.

FLSmidth has aligned activities within:

- Manufacture of other low carbon technologies
- Installation, maintenance and repair of energy efficiency equipment

Reporting on the EU taxonomy

Companies are required to report on the proportion of their revenue[1], CAPEX and OPEX that is eligible and aligned, respectively.

1) We use the term revenue instead of turnover to align with the terminology in our financial report.

EU taxonomy

The EU taxonomy framework is part of the European Green Deal and serves as a core enabler to deliver on the EU's ambitious climate goals for 2030.

The EU taxonomy represents a new opportunity for us to demonstrate how we support our customers in reducing their greenhouse gas (GHG) footprints, while detailing the environmental performance of our MissionZero portfolio.

The EU taxonomy targets six environmental objectives:

1. **Climate change mitigation**
2. **Climate change adaptation**
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Only the first two are in scope for mandatory reporting and reflected in 2022 reporting.

Measuring eligibility (in scope)
In 2021, we disclosed our eligible KPIs for the first time. Eligibility is not a measure of sustainability performance, but the initial identification process of business activities that could support the EU's climate transition. In 2022, the disclosure requirements were expanded to include alignment under the EU taxonomy framework.

Measuring alignment (screened)
Eligible activities captured under the three KPIs of revenue[1], CAPEX and OPEX need to pass screening criteria to be considered sustainable. This defines alignment in the EU taxonomy. The screenings for alignment included proving substantial contribution to one of the two environmental objectives in scope; doing no significant harm (DNSH) to the remaining five objectives; and meeting minimum safeguards.

The FLSmidth Cross-Bar® Cooler is our first EU taxonomy-aligned product. The product was screened for substantial contribution through a third-party-approved life cycle assessment (LCA). We assessed the product and the relevant manufacturing sites against the DNSH criteria. We have taken a risk-based approach, meaning that we have focused on identifying any significant risk within climate adaptation, water, circular economy, pollution prevention and biodiversity.

Furthermore, we have assessed our compliance at company level with the minimum safeguards as defined by the EU Taxonomy Regulation to ensure that we follow requirements. We have found that we are in compliance with these requirements. However, we do acknowledge that we will need to continue to improve our efforts to ensure that we continue to align with the requirements.

Overall, we have found that we follow the EU Taxonomy Regulation criteria, and thus can report taxonomy-aligned revenue, CAPEX and OPEX.

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

Progress in 2022

Total eligible[2] revenue increased from 16.2% to 25.6% in 2022. Growth was driven by increased sales of our eligible product portfolio and by additional products and technologies becoming categorised as eligible during 2022. This also includes products and technologies from our acquisition of Mining Technologies.

Aligned revenue for 2022, representing the revenue generated by the Cross-Bar Cooler, was 1.4% of total revenue and is reported under Economic Activity 3.6 Manufacture of other low carbon technologies.

The total eligible OPEX increased from 17.5% to 25.0% for the year. EU taxonomy-eligible OPEX reflects the direct costs related to the production of our eligible products, including expensed R&D activities.

The total eligible CAPEX increased from 23.5% to 61.8% for the year. This was driven by our commitment to ensure that a significant portion of our R&D activities was focused on our MissionZero portfolio. The increase in our total eligible CAPEX also reflects this year's treatment of land and buildings CAPEX, including capitalised leases, under Economic Activity 7.7 Acquisition and ownership of buildings, under Climate change mitigation.

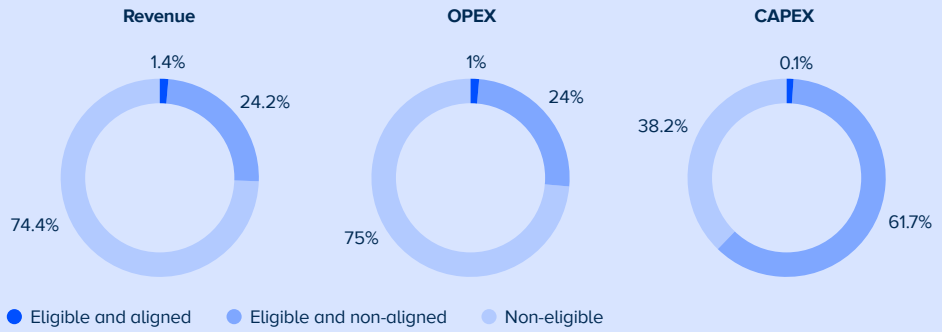
EU taxonomy-aligned CAPEX and OPEX were 0.1% and 1.0% respectively. Aligned CAPEX and OPEX are driven by our activities supporting the production of the Cross-Bar Cooler, including R&D spend. A small portion of aligned CAPEX was allocated to Economic Activity 7.3 Installation, maintenance and repair of energy efficiency equipment. This relates to installation of energy-efficient windows at a site in Italy.

Economic activities

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

See page 39 for an explanation of the EU taxonomy. See pages 48-50 for a description of our interpretation of the taxonomy.

Eligibility and alignment 2022



EU taxonomy

Revenue[1]

Economic activities	Code(s)	Absolute revenue	Proportion of revenue	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	DNSH (do no significant harm) criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of revenue, year 2022	Taxonomy-aligned proportion of revenue, year 2021	Category (Enabling activity or)	Category (Transitional activity)
		DKKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.1 Taxonomy-eligible and environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	3.6	299	1.4%	1.4%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	1.4%	NA	E	
Revenue of environmentally sustainable activities (taxonomy-aligned) (A1)		299	1.4%	1.4%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	1.4%	NA		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	5,039	23.0%																	
Data-driven solutions for GHG emissions reductions	8.2	264	1.2%																	
Revenue of taxonomy-eligible but not environmentally sustainable activities (not taxnonomy-aligned activities) (A2)		5,303	24.2%														NA	NA		
Total eligible revenue (A1 + A2)		**5,601**	**25.6%**														**1.4%**	**NA**		
B. Taxonomy-non-eligible activities																				
Revenue of taxonomy-non-eligible activities (B)		16,248	74.4%																	
Total revenue		**21,849**	**100%**																	

1) We use the term revenue instead of turnover to align with the terminology in our financial report.

EU taxonomy

OPEX

Economic activities	Code(s)	Absolute OPEX	Proportion of OPEX	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution	Substantial contribution criteria: Biodiversity and ecosystems	DNSH (do no significant harm) criteria: Climate change mitigation	DNSH (do no significant harm) criteria: Climate change adaptation	DNSH (do no significant harm) criteria: Water and marine resources	DNSH (do no significant harm) criteria: Circular economy	DNSH (do no significant harm) criteria: Pollution	DNSH (do no significant harm) criteria: Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OPEX, year 2022	Taxonomy-aligned proportion of OPEX, year 2021	Category (Enabling activity or)	Category (Transitional activity)
		DKKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.1 Taxonomy-eligible and environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	3.6	3	1.0%	1.0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	1.0%	NA	E	
OPEX of environmentally sustainable activities (taxonomy-aligned) (A1)		3	1.0%	1.0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	1.0%	NA		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	58	23.1%																	
Data-driven solutions for GHG emissions reductions	8.2	2	0.9%																	
OPEX of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A2)		60	24.0%														NA	NA		
Total eligible OPEX (A1 + A2)		**63**	**25.0%**														**1.0%**	**NA**		
B. Taxonomy-non-eligible activities																				
OPEX of taxonomy-non-eligible activities (B)		189	75.0%																	
Total OPEX		**252**	**100%**																	

EU taxonomy

CAPEX

Economic activities	Code(s)	Absolute CAPEX	Proportion of CAPEX	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution	Substantial contribution criteria: Biodiversity and ecosystems	DNSH (do no significant harm) criteria: Climate change mitigation	DNSH (do no significant harm) criteria: Climate change adaptation	DNSH (do no significant harm) criteria: Water and marine resources	DNSH (do no significant harm) criteria: Circular economy	DNSH (do no significant harm) criteria: Pollution	DNSH (do no significant harm) criteria: Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CAPEX, year 2022	Taxonomy-aligned proportion of CAPEX, year 2021	Category (Enabling activity or)	Category (Transitional activity)
		DKKm	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.1 Taxonomy-eligible and environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	3.6	~0	~0%	~0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	~0%	NA	E	
Installation, maintenance and repair of energy efficiency equipment	7.3	1	0.1%	0.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0.1%	NA	E	
CAPEX of environmentally sustainable activities (taxonomy-aligned) (A1)		1	0.1%	0.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0.1%	NA		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	221	20.4%																	
Data-driven solutions for GHG emissions reductions	8.2	7	0.7%																	
Acquisition and ownership of buildings	7.7	440	40.6%																	
CAPEX of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A2)		668	61.7%														NA	NA		
Total eligible CAPEX (A1 + A2)		**669**	**61.8%**														**0.1%**	**NA**		
B. Taxonomy-non-eligible activities																				
CAPEX of taxonomy-non-eligible activities (B)		414	38.2%																	
Total CAPEX		**1,083**	**100%**																	

Accounting practices

Topic and indicator	Accounting practice
Safety	
Lost time injury frequency rate (LTIF), including contractors	LTIF is calculated as the number of lost-time injuries (LTI) and fatalities per one million hours worked. An LTI accident results in absence for more than one scheduled work day following the day of the accident. Subcontractors' working hours are calculated based on actual hours reported by suppliers, hours written in tenders or actual/estimated hours for suppliers. Working hours for FLSmidth employees are calculated based on headcount and normal working week hours.
Total recordable injury rate (TRIR), including contractors	TRIR accidents include fatalities, LTIs, medically treated injuries (MTI) and restricted work cases (RWC). TRIR is calculated as the number of TRIR accidents per one million hours worked.
People	
Women total (%)	Women employees of all types who are on FLSmidth's payroll and active on the date of the report. Excludes contractors but includes part-time employees and temporary workers. Share of women at year-end divided by all employees/managers at year-end (or respective quarter-end).
Women white-collar workers (%)	Women employees primarily performing professional, managerial or administrative work. Share of white-collar women at year-end divided by all white-collar employees at year-end (or respective quarter-end).
Women blue-collar workers (%)	Women employees primarily performing manual labour, including manufacturing, mining, construction, warehouse work, etc. Share of blue-collar women at year-end divided by all blue-collar employees at year-end (or respective quarter-end).
Women managers (%)	Women employees with one or more direct reports. Share of women managers by year-end divided by all managers at year-end (or respective quarter-end).
Internal participants' training hours in corporate development programmes	Measured as number of hours spent on learning programmes for all employees at FLSmidth. This includes both digital and blended (face-to-face) courses created by any country, region or function in the organisation. The figure includes hours accumulated throughout the year, and any unreported hours from physical training sessions conducted in the previous year and not logged prior to the reporting cut-off date.
Employees receiving performance and development reviews (%)	Measured as the percentage of end-of-year reviews within the population of active employees in the worker sub-types "regular" and "apprentice/trainee". Based on number of employees as of March 2022.
Compliance	
Whistleblower reports submitted	Includes reports submitted through FLSmidth's formal whistleblower hotline or by other means, such as e-mail, letter or in person. The figures include total number of reports received, as well as the number of admissible cases, i.e. cases that fall within the scope of topics allowed by whistleblower hotline reporting in accordance with the data privacy laws of the country in question..
Incidents of discrimination and harassment	Includes reports on discrimination and harassment submitted to FLSmidth's Group Compliance department through the formal whistleblower hotline or by other means, such as e-mail, letter or in person.
Operations assessed for risks related to corruption	Reported as an annual total.
In-person training sessions for employees who have received live training on anti-corruption (number and %)	Employees no longer employed, and therefore not active in the human resource management tool, will not be counted as having completed the course, regardless of their previous status. Live training indicates both in-person and live video streams.
White-collar employees who have completed e-learning courses on anti-corruption (number and %)	The number of people completing the mandatory compliance e-learning courses. Employees no longer employed, and therefore not active in the human resource management tool, will not be counted as having completed the course, regardless of their previous status. Contingent workers are excluded from the calculation.
In-depth due diligence screenings conducted	Includes in-depth due diligence reports on customers, intermediaries, contractors and occasionally other third parties. Reports included in this overview include in-depth human due diligence reports, ownership analysis due diligence reports and automated (DDIQ) reports with human interpretation. Reported as an annual total.

Accounting practices

Topic and indicator	Accounting practice
Environment	
Scope 1 greenhouse gas emissions (in tonnes CO_2-equivalents)	Scope 1 emissions are direct emissions of greenhouse gases (GHG) and are measured as CO_2-equivalents. Scope 1 emissions for FLSmidth comprise fuel and gas use for various operational activities. Scope 1 involves three different categories: stationary combustion, mobile combustion and fugitive/process emissions. In 2021, emission factors from DEFRA were updated, according to the most recent list published, to calculate activity data for CO_2-equivalents.
	Stationary combustion: Measuring usage of fuel for power generation, heat and/or steam is based on invoices, meter readings and supplier reports, and is collected monthly for all entities within our financial control. When information is unavailable, entities estimate values based on previous months. As the default emission factor for purchased fuels, we use GHG cross-sector calculation tools according to the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.
	Mobile combustion: Measuring usage of fuel for internal transportation movements at our locations and company-owned modes of transportation is based on invoices, supplier reports and mileage balances, and is collected monthly for all entities. Leased cars are included only when within the financial control of FLSmidth. When information is unavailable, entities estimate values based on previous months. As the default emission factor for purchased fuels, we use GHG transportation calculation tools according to the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.
	Fugitive/process emissions: Usage of refrigerant and other GHG consumption is based on invoices or information provided by the supplier and is collected monthly for all entities within our financial control. When information is not available, we make use of estimates based on consumption or by calculations. As the default emission factor for purchased refrigerants, we use the list of DEFRA factors, and such a list is updated on a yearly basis once updated factors are released publicly.
	Biogenic CO_2 emissions are not relevant in our business operations.
	Customer sites during project-related activities are not included since we do not have financial control over those sites.
	Offices with fewer than 10 people are not included since most of the employees work from home and emissions are insignificant.
Scope 2 greenhouse gas emissions (in tonnes CO_2-equivalents)	Scope 2 emissions include indirect emissions from electricity, heat, steam and cooling purchased and consumed by FLSmidth. We use location-based and market-based methods for calculations of scope 2 emissions. For location-based, emission factors are derived from the International Energy Agency (IEA). For market-based, residual emission factors for Europe and North America are derived from the European Residual Mixes 2020 Association of Issuing Bodies and the Green-e Energy Residual Mix Emissions Rates (2019). If market-based residual emission factors for certain sites are not available, i.e. outside Europe and North America, we use location-based emission factors, cf. recommendations from the CDP web page. For market-based, if entities have purchased renewable energy as well as having certificates and/or building renewable energy onsite projects, we calculate them as having an emission factor of zero. If renewable energy onsite projects are connected directly to facilities, sites do not need certificates, and this is calculated as zero emissions for both location- and market-based approaches.
	Electricity, purchased heat, steam or cooling consumption is based on invoices or meter readings, and is collected monthly for all entities within our financial control. For entities with shared office spaces and where consumption data is not accessible, the electricity use is estimated as 144 kWh/m^2/year in temperate areas and 270 kWh/m^2/year in subtropical areas.
	For location-based, we use IEA emission factors, and for market-based, we use emission factors from IEA when residual factors are not available.
	Customer sites during project-related activities are not included since we do not have financial control over those sites. In India, REC standards are not enforced, which is why renewable electricity adjusted and consumed from the production of renewable energy sources has been certified by a third party.
	Offices with fewer than 10 people are not included since most employees work from home and emissions are insignificant.
Scope 1 & 2 greenhouse gas emissions (in tonnes CO_2-equivalents) market-based	The combined total of scope 1 and 2 market-based emissions in tonnes of CO_2-equivalents.
Scope 3 downstream (use of sold products) economic intensity (greenhouse gas emissions in tonnes CO_2-equivalents/DKKm order intake)	Downstream scope 3 GHG emissions from lifetime use of sold products in the reporting year divided by order intake for the same period. Process emissions are excluded.

Accounting practices

Topic and indicator	Accounting practice
Total scope 3 greenhouse gas emissions (in tonnes CO_2-equivalents)	Scope 3 GHG emissions include indirect value chain GHG emissions, in line with the standards of the Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The total scope 3 GHG emissions reported here are the sum of the individually reported categories for scope 3. Scope 3 categories with emissions below 0.1% of total scope 3 GHG emissions are not included in the reporting. Combined, these categories make up less than 0.1% of the total scope 3 GHG emissions, according to our 2019 baseline mapping. Numbers have been rounded to the nearest hundred thousand tonnes of CO_2-equivalents to reflect the inherent uncertainty of scope 3 calculations. Process emissions are excluded. Business travel is included due to the existence of historical data.
Scope 3, Category 1 (Purchased goods and services) greenhouse gas emissions (in tonnes CO_2-equivalents)	GHG emissions from purchased goods and services are estimated through amounts of purchased goods, based on spend data, material weightage of spend and raw material costs. Upstream cradle-to-gate GHG emissions from the purchased goods are derived through the use of life cycle cradle-to-gate emission factors from the life cycle databases in GaBi. Numbers have been rounded to nearest hundred thousand tonnes of CO_2-equivalents to reflect the inherent uncertainty of scope 3 calculations.
	Data for the improved approach introduced in 2022 is currently not available for the previous years. In 2023, we aim to apply the best possible data from previous years and update the reporting accordingly.
Scope 3, Category 6 (Business travel) greenhouse gas emissions (in tonnes CO_2-equivalents)	Carbon emissions from business travel are included in our scope 3 reporting. The emissions are based on the booking system of the main flight ticket provider and are collected on a quarterly basis.
Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO_2-equivalents)	This category includes the current and expected future direct use-phase GHG emissions from our products sold in the reporting year over their entire expected lifetime. As such, these emissions are not directly comparable to reported actual GHG emissions that have already occurred.
	Lifetime power and fuel consumption from the use of our sold products are converted into GHG emissions using conversion factors for electricity and fuels. For electricity, global IEA factors for GHG emissions in CO_2-equivalents per kWh from electricity are used, including CO_2, CH_4 and N_2O emissions. For fuels, DEFRA CO_2-equivalents conversion factors are used, including well-to-tank emissions. GHG emissions from fuel burning are allocated to the products consuming the fuel energy.
	Numbers have been rounded to the nearest hundred thousand tonnes of CO_2-equivalents to reflect the inherent uncertainty of scope 3 calculations.
Scope 3, Category 11 (Use of sold products) greenhouse gas emissions (in tonnes CO_2-equivalents) – including process emissions	This covers scope 3, Category 11 (Use of sold products) GHG emissions, as described above, including process emissions from raw materials for the cement industry. Process emissions in cement occur due to a chemical reaction in raw materials when heated and are a consequence of raw materials use rather than equipment. Thus, this is included for transparency, but is not included in the total sum of scope 3 GHG emissions.
Water withdrawal (m^3)	Water withdrawal includes all resources FLSmidth withdraws from groundwater or consumes from waterworks. The latest assessment was carried out in January 2022.
	For entities with shared office spaces and where consumption data is not accessible, the water use is estimated as follows: office/warehouse – 20 litres/pp/day, manufacturing facility – 35 litres/pp/day, facility with boilers in use – 50 litres/pp/day.
	Offices with fewer than 10 people are not included. Moreover, customer sites during project-related activities are not included since we do not have financial control over those sites.
Share of water withdrawal in high water-stressed areas	Analysis of water withdrawal in water-stressed areas: Identification of entities in low, medium, high or extremely high water-stressed areas, using the Aqueduct Water Risk Atlas tool suggested in the GRI 303: Water and effluents standards 2018. The total water withdrawal amount from extremely high and high water-stressed areas was fractionated from the total water withdrawal from all entities globally and the percentage was calculated by region and globally.
Total amount of waste (mt) ... of which non-hazardous (mt) ... of which hazardous (mt)	Waste is reported per type of waste and disposal means. Measuring disposal of waste is based on invoices, supplier reports, or local log book registrations; and is collected monthly for all entities within our financial control. When information is unavailable, entities estimate values based on calculations on waste density and volume.
Waste recycled/reused (% of total amount)	Percentage of all waste which has been either reused or recycled. Incinerated waste is not included in this figure.

Accounting practices

Topic and indicator	Accounting practice
Supply chain	
Suppliers assessed for sustainability	Count of suppliers screened. Both active and potential new suppliers. A screening includes review of the supplier's health and safety, environmental and social performance. The 2030 target for this KPI has been removed from this report as this policy area is currently under review, and FLSmidth will report on new KPIs in 2023.
Supplier screenings resulting in a new finding/non-conformity	A non-conformity is identified when the results of the screening show that the supplier does not comply with certain critical criteria relating to operational health and safety, social compliance or environmental compliance. The 2030 target for this KPI has been removed from this report as this policy area is currently under review, and FLSmidth will report on new KPIs in 2023.
Findings/non-conformities that have improvement plans agreed upon with suppliers (%)	Number of suppliers with improvement plans in place divided by total number of suppliers screened with a finding. A non-conformity is identified if the supplier does not comply with any of the critical parameters in the Supplier Code of Conduct. Findings leading to termination of the relationship are not included. The 2030 target for this KPI has been removed from this report as this policy area is currently under review, and FLSmidth will report on new KPIs in 2023.
Spend with suppliers with science-based targets (%)	Amount of spend with suppliers who have validated targets or submitted targets for validation with the Science Based Targets initiative divided by the total amount of supplier spend within the year.
Human rights	
Human rights review (offsite)	Number of human rights compliance reviews or impact assessments conducted in the reporting year. Human rights compliance reviews are based on written desktop reports and might lead to an onsite impact assessment.
Human rights impact assessment (onsite audits)	Impact assessments are always conducted onsite. Both human rights compliance reviews and impact assessments can, in some cases, be part of compliance due diligence reports.
	FLSmidth conducts human rights compliance reviews and impact assessments on offices, production sites and customer sites where FLSmidth has employees stationed. Compliance reviews and impact assessments concerning offices are mostly policy-focused, while operations are more process-focused.
White-collar employees who have received in-person training in human rights	Total number of white-collar employees in certain functions (e.g. procurement and sales) who have attended in-depth training in human rights, either live or through Teams.
White-collar employees who have completed e-learning courses in human rights (%)	The percentage of active employees who have completed the human rights e-learning course; completion may have occurred in previous years. Terminated employees and contingent workers are excluded from the calculation.

Accounting practices

Topic and indicator	Accounting practice
EU taxonomy	
Taxonomy-eligible revenue[1]	Eligible revenue includes external revenue generated from equipment and technologies that substantially reduce GHG emissions in the relevant process. They do so by improving or enabling energy efficiency or enabling the use of alternative fuels. Eligible revenue includes the sale of products, solutions, and spare and wear parts. These technologies and products must meet the Article 16 requirements, namely not leading to a lock-in of assets that undermines long-term environmental goals. They also have a substantial positive environmental impact based on life cycle considerations.
	Eligible products and activities are categorised either as "3.6 Manufacture of other low carbon technologies" or "8.2 Data-driven solutions for GHG emissions reductions", contributing substantially to climate change mitigation. The categorisation of each product removes the risk of double-counting revenue across economic activities. The denominator of the revenue KPI is "total revenue". See note 1.4 to the consolidated financial statements in the 2022 Annual Report. No allocation keys were used in revenue.
Taxonomy-eligible OPEX	Eligible OPEX includes any of the following types of direct OPEX spend: a) Related to assets or processes that are associated with taxonomy-eligible economic activities ("3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions") b) Part of a plan to expand taxonomy-aligned economic activities or to progress taxonomy-eligible economic activities to become taxonomy-aligned c) Related to the purchase of output from taxonomy-eligible economic activities and individual measures enabling the target activities to become low carbon or to lead to GHG reductions d) Related to non-capitalised R&D aligned with "Close to market research, development and innovation"
	The denominator of the OPEX KPI is a subset of direct non-capitalised costs relating to research and development (R&D); building renovation measures; short-term leases; and maintenance and repair, and other direct expenditure for the day-to-day servicing of assets of property, plant and equipment by FLSmidth, or outsourced to a third party, that is necessary to ensure the continued and effective functioning of such assets.
	An allocation key was applied to the OPEX denominator (excluding R&D) to reflect direct OPEX costs related to assets used in the production of EU taxonomy-eligible products and technologies. The allocation key was applied using the eligible revenue KPI. Expensed R&D is disclosed in note 2.2 to the consolidated financial statements in the 2022 Annual Report. Where the remaining categories identified were a minor subset of "production costs", see note 1.2. To avoid double-counting of direct eligible OPEX, we ensure spend or initiatives are categorised under one economic activity, rather than apportioning them across multiple activities.
Taxonomy-eligible CAPEX	Eligible CAPEX reflects a portion of our additions to intangible assets and property, plant and equipment (including capitalised leases), including those from business combinations. Eligible CAPEX includes any of the following types of spend: a) Related to assets that are associated with taxonomy-eligible economic activities b) Part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned ("CAPEX plan") c) Related to the purchase of output from taxonomy-eligible economic activities
	"3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions", which reflect our revenue-generating activities. This includes capitalised R&D related to eligible products and assets related to the production of eligible equipment. An allocation key was applied to CAPEX items Plant and machinery, and Operating equipment, fixtures and fittings to reflect CAPEX related to assets used in the production of eligible equipment. The allocation key was applied using the Eligible revenue KPIs. Capitalised R&D is identified at project level.
	We assess our CAPEX related to land and buildings, including capitalised leases under the economic activity "7.7 Acquisition and ownership of buildings".
	Information related to property, plant and equipment, including capitalised leases and acquisitions, is disclosed in notes 2.4 and 2.5 to the consolidated financial statements in the 2022 Annual Report. Information related to capitalised R&D activities is disclosed in note 2.2 to the consolidated financial statements.

1) We use the term revenue in place of turnover to align with the terminology in our financial reporting.

Accounting practices

Topic and indicator	Accounting practice
EU taxonomy	
Taxonomy-eligible CAPEX – continued	We assess CAPEX eligibility under the output of economic activities related mainly to the following categories: "7.3 Installation, maintenance and repair of energy efficiency equipment", "7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)"; "7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings"; and "7.6 Installation, maintenance and repair of renewable energy technologies". Activities must be specifically outlined as an individual measure listed under the substantial contribution criteria to be considered as eligible CAPEX.
	To avoid double-counting of CAPEX additions, we ensure identified spend or initiatives are categorised under only one economic activity, rather than apportioning it across multiple activities.
Taxonomy alignment	Substantial contribution: A life cycle assessment (LCA) is required to demonstrate substantial contribution to GHG emission savings under the economic activities "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions". The LCA must be performed compared to the next-best-performing alternative technology/product/solution available on the market and verified by an independent third party. As a reference point for the next-best-performing technology, FLSmidth uses an internal product or technology. FLSmidth does not consider competitors' like-for-like products as a suitable reference point due to constraints on data availability.
	Do no significant harm (DNSH) screening is performed according to criteria outlined in Annex I for Climate Change Mitigation or Annex II for Climate Change Adaptation. The DNSH assessment must be performed on products or technologies that pass the technical screenings for substantial contribution. Depending on the environmental goal, either the product or its associated manufacturing sites are assessed. We have assessed our policies, procedures and practices to ensure compliance with requirements. Read more about how we work towards reducing our environmental impact on page 19. When necessary, we have conducted further desktop analysis to achieve a comprehensive assessment. We have taken a risk-based approach, involving a strong focus on identifying any significant risk within climate adaptation, water, circular economy, pollution prevention or biodiversity.
	Minimum safeguards are applied at company level and are required to ensure that adequate measures are in place related to key business practices. FLSmidth is committed to following the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles of Business and Human Rights. The principles focus on the four core areas: human rights, including workers' rights; bribery/corruption; taxation; and fair competition. We have assessed our policies, including due diligence procedures, to ensure they comply with the requirements. Some compliance activities within areas such as human rights and supply chain are further explained on pages 24, 29 and 30. We acknowledge our efforts to continuously improve in order to ensure continued alignment with requirements, and we recognise that the upcoming Corporate Sustainability Due Diligence Directive (CSDDD) will play an essential role in our alignment with the minimum safeguard requirements.
Taxonomy-aligned revenue	This refers to aligned, revenue-generating eligible equipment and technologies with substantial GHG emissions reductions. This is a subset of eligible revenue, where a product or technology meets the required screenings outlined in Annex I for Climate Change Mitigation, Regulation (EU) 2020/852. They include substantial contribution, DNSH and minimum safeguards screenings.
	No allocation keys were used in revenue.

Accounting practices

Topic and indicator	Accounting practice
EU taxonomy	
Taxonomy-aligned OPEX	Aligned OPEX reflects the portion of eligible OPEX that fulfills the criteria for substantial contribution, DNSH and minimum safeguards screenings and includes any of the following: a) Related to assets or processes that are associated with taxonomy-aligned economic activities under "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions". This includes R&D activities specific to aligned products and technologies. b) Part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned c) Related to the purchase of output from taxonomy-aligned economic activities and individual measures enabling the target activities to become low carbon or to lead to GHG reductions d) Related to non-capitalised R&D aligned with "Close to market research, development and innovation"
	Aligned OPEX from "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions" is driven by expensed R&D related to taxonomy-aligned products and technologies.
	An allocation key was applied to the OPEX denominator (excluding R&D) to reflect direct OPEX costs related to assets used in the production of EU taxonomy-aligned products and technologies. The allocation key was applied using the aligned revenue KPI.
Taxonomy-aligned CAPEX	Aligned CAPEX reflects the portion of eligible CAPEX that fulfills the criteria for substantial contribution, DNSH and minimum safeguards screenings and includes any of the following: a) Related to assets that are associated with taxonomy-aligned economic activities b) Part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned ("CAPEX plan") c) Related to the purchase of output from taxonomy-aligned economic activities
	Aligned CAPEX from "3.6 Manufacture of other low carbon technologies" and "8.2 Data-driven solutions for GHG emissions reductions" is driven by capitalised R&D related to taxonomy-aligned products and technologies, as well as assets related to the production of aligned products and technologies.
	An allocation key was applied to CAPEX items Plant and machinery, and Operating equipment, fixtures and fittings to reflect CAPEX related to assets used in the production of EU taxonomy-aligned products and technologies. The allocation key was applied using the aligned revenue KPI.
	CAPEX related to the output of economic activities related to 7.1 to 7.6, as outlined under eligible CAPEX, is considered aligned if the activity meets the relevant substantial contribution and DNSH screening criteria outlined under Annex I for Climate Change Mitigation or Annex II for Climate Change Adaptation.
Restatement	
Scope 3: Economic intensity (use of sold products)	Reported lifetime greenhouse gas emissions for 2021 have been recalculated by 631 tonnes CO_2e due to two orders moved from 2021 to 2022 to align with the effective order intake date.
Restatement threshold	A threshold of 3% is used for "material changes" in numbers. Changes below that threshold will not be restated.

New and descoped indicators

	List of descoped indicators	List of new indicators
Safety		
People		
Compliance	Operations assessed for risks related to corruption (accumulated number since 2016)	
Environment		Total amount of waste (mt)
		... of which non-hazardous (mt)
		... of which hazardous (mt)
		Waste recycled/reused (% of total amount)
Supply chain	"New" high-risk suppliers screened for sustainability (%)	Spend with suppliers with science-based targets (%)
Human rights		White-collar employees who have received in-person training in human rights
EU taxonomy		Taxonomy-aligned revenue Taxonomy-aligned OPEX Taxonomy-aligned CAPEX

Standards and disclosures

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

Boundaries
The contents and topics covered in this report reflect the areas where, in terms of sustainability, our direct impact occurs. In this regard we have a special focus on the environmental, social and economic impact across our value chain. Taking a value chain approach, we report on the impacts from the production in our supply chain (p29), our own operations (p19) and at customers' sites (p14).

European common enforcement priorities for 2022 annual financial reports, including non-financial statements
The 2022 report includes disclosures for the following requirements:

- Social and employee matters, including compliance with health and safety rules (pp22-23)
- Business model and value creation (pp10-12)
- Reference to risks relating to climate change, taking into account physical and transition risks (p31)

Financial Statements Act
The Sustainability Report 2022 is in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act.

United Nations Global Compact – Communication on Progress
The Sustainability Report 2022 is our Advanced Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

UN Sustainable Development Goals (SDGs)
In this report, we have indicated how we contribute to specific SDGs. For further information on how we measure our performance, please visit our website.

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

Task Force on Climate-related Financial Disclosures (TCFD)
To better understand, manage and disclose the impacts of climate changes, we are aligning our practices and reporting with the TCFD recommendations. Our findings can be found on our website. We will further align with the TCFD recommendations in 2023.

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

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

Science-based targets
Our disclosure related to science-based targets has been based on the Science Based Targets initiative guidelines. We have set targets for our combined scope 1 and 2 GHG emissions and our upstream and downstream scope 3 GHG emissions. Our reporting follows the Science Based Targets initiative methodology and is in line with the Greenhouse Gas Protocol. Following the acquisition of Mining Technologies, we will recalculate the 2019 baseline used to set our targets. This will be completed in 2023 and published in our 2023 Sustainability Report – thus providing comparability and accurate measurement of our progress against our baseline.

Mining Technologies acquisition
In September 2022, we completed the acquisition of Mining Technologies from thyssenkrupp, which was a major step in establishing ourselves as a leading global mining technology and service provider. Our new offerings are highly complementary to our existing offerings and are an ideal fit with our sustainability agenda. The technologies we acquired include in-pit crushing and conveying (IPCC) solutions, high-pressure grinding rolls (HPGRs), large mine conveyors and overland conveyors.

We have begun integrating operational data from Mining Technologies into our scope 1, 2 and 3 GHG emissions reporting. Data has been collected for the period following the acquisition, which was closed on 1 September 2022. For comparability purposes, data from Mining Technologies is presented separately from FLSmidth's full-year data. From 2023, both will be merged and disclosed as an integrated dataset for scope 1, 2 and 3 GHG emissions reporting. All other relevant ESG data from Mining Technologies is included in our reporting.

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

Statement by management

The Board of Directors and Executive Management have today discussed and approved the Sustainability Report of FLSmidth & Co. A/S for 2022.

The information in the Sustainability Report for 2022 has been prepared in accordance with the stated data accounting practices described on pages 44-50.

In our opinion, the Sustainability Report for 2022 gives a fair presentation of FLSmidth & Co. A/S' sustainability activities and results in the reporting period as well as a balanced presentation of FLSmidth & Co. A/S' environmental, social and governance performance in accordance with the stated performance data accounting practices.

Valby, 22 February 2023

Executive Management

Mikko Keto
Group CEO

Roland M. Andersen
Group CFO

Board of Directors

Tom Knutzen
Chair

Mads Nipper
Vice chair

Anne Louise Eberhard

Gillian Dawn Winckler

Richard Robinson Smith

Thrasyvoulos Moraitis

Carsten Hansen

Claus Østergaard

Leif Grundtoft

Independent auditor's Assurance Report on the Sustainability Report 2022

To the stakeholders of FLSmidth & Co. A/S
As agreed, we have performed an examination with limited assurance, as defined by the International Standards on Assurance Engagements, on the Sustainability Report 2022 for FLSmidth & Co. A/S for the period from 1 January 2022 to 31 December 2022.

In preparing the Sustainability Report, FLSmidth & Co. A/S applied the accounting practices described on pages 44-50. The Sustainability Report needs to be read and understood together with the accounting practices, which management is solely responsible for selecting and applying. The absence of an established practice on which to derive, evaluate and measure the Sustainability Report allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Management's responsibilities
FLSmidth & Co. A/S's Management is responsible for selecting the accounting practices described on pages 44-50, and for presenting the Sustainability Report in accordance with the accounting practices, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the Sustainability Report, such that it is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities
Our responsibility is to express a conclusion based on our examinations on the presentation of the Sustainability Report in accordance with the scope defined above.

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

EY Godkendt Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards, applicable requirements in Danish law and other regulations.

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

Description of procedures performed
In obtaining limited assurance on the Sustainability Report, our objective was to perform such procedures as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express a conclusion with limited assurance.

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

As part of our examination, we have performed the following procedures:

- Interviewed those in charge of the Sustainability Report to develop an understanding of the process for the preparation of the Sustainability Report and for carrying out internal control procedures.
- Performed analytical review of the data and trends to identify areas of the Sustainability Report with a higher risk of misleading or unbalanced information or material misstatements and obtained an understanding of any explanations provided for significant variances.
- Based on inquiries, we evaluated the appropriateness of the accounting practices used, described on pages 44-50, their consistent application and related disclosures in the Sustainability Report. This includes the reasonableness of estimates made by management.
- Site visits to conduct walkthroughs of data gathering, calculation and consolidation processes related to the limited assurance of metrics.
- Designed and performed further procedures responsive to those risks and obtained evidence that is sufficient and appropriate to provide a basis for our opinion.

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

Conclusion
Based on the limited assurance procedures we have performed and the evidence obtained, nothing has come to our attention that causes us to believe that FLSmidth & Co. A/S's Sustainability Report for the period from 1 January 2022 to 31 December 2022 subject to our limited assurance procedures, has not been prepared, in all material respects, in accordance with the accounting practices described on pages 44-50.

Copenhagen, 22 February 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised Public Accountant
MNE no. 24687

Carina Ohm
Partner
Head of Climate Change and Sustainability Services

Sustainability Report 2022
1 January – 31 December 2022

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