

# Sustainability Report 2015

## Tomorrow matters



Hours of safety  
training per employee

12

Up from 10

CO<sub>2</sub>  
per employee

4

Fatalities

0

Lost-time injury  
frequency rate

1.8

Down from 2.7

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## About this Report

The 2015 Sustainability Report describes the FLSmidth Group's Corporate Social Responsibility (CSR) efforts and is also FLSmidth's Communication on Progress to the United Nations Global Compact.

The scope of this Report is the entire FLSmidth Group. The case stories included have been selected because they represent the areas in which we have made significant progress during 2015.

The first part of the Report describes progress within the FLSmidth focus areas, closely related to our business conduct. The second part of the Report consists of case stories about our technological and innovative progress, supporting our vision of delivering technology that creates sustainable value for our customers and thereby also for their societies and the environment.

The reporting period is 1 January 2015 to 31 December 2015.

Hours of safety  
training per employee

12

Lost-time  
injury frequency rate

1.8

Female  
managers

9.7%

Tonnes  
CO<sub>2</sub>

46,910

White-collar employees trained in  
code of business conduct

75%

Near miss reporting  
increased

46%

Fatalities

0

CO<sub>2</sub>  
per employee

4



# Tomorrow matters

As societies around the world become more economically developed, minerals and cement are essential to fulfilling the development. The demand for both will continue to grow, and FLSmidth has an important role to play in this context. Reflecting our core values of competence, cooperation and responsibility, we are proud of our unique heritage and position in the minerals and cement industries and, in particular, our ability to enhance productivity throughout our customers' value chains.

## People

Our employees are essential to our ability to deliver to our goals and values, and we are committed to developing unique competencies and knowledge through ongoing education and training. Leadership excellence is particularly important to us, and 1,024 managers – approximately 80 percent of FLSmidth's managers – completed a dedicated Leadership Transition Training programme. In addition, 300 top managers at FLSmidth have engaged in the "Flying the Flag" programme intended to develop leadership skills while at the same time advancing strategic development initiatives for FLSmidth.

We have strengthened our diversity efforts with new targets and by initiating a new diversity policy to be implemented during 2016. By 2018, FLSmidth is committed to having 15 percent female managers at Group level. We will help achieve this by ensuring at least one female candidate is considered for each new managerial position.

## Safety

Keeping safety top of mind requires a dedicated, constant effort as well as transparency and accountability. Our new Health and Safety reporting system makes it easier for managers to understand what lies behind the numbers in safety reports. Furthermore, bringing an organised and structured approach to managing safety data throughout our global organisation is essential to preventing future accidents.

As an example, we saw a remarkable outcome of our safety focus in Chile, where FLSmidth won four awards from the Chilean National Safety Council for outstanding safety achievements. One of these recognised that there have been no lost-time injuries associated with our maintenance contract the Puerto Punta Chungo facility in over 15 years, which is the result of continuous vigilance by all involved.

## Compliance

Being compliant is vital to our long-term success as a trustworthy business partner. A third-party due diligence initiative, involving screening sales agents for adverse media, sanctions and litigations, was completed during 2015, and we launched a third-party portal providing key information about intermediaries. Furthermore, we conducted in-person training in FLSmidth's Code of Business Conduct for 75 percent of all white-collar employees.

## Responsible sourcing

The extent of FLSmidth's sourcing means we exert great impact on our supply chain, and with that comes significant responsibility. We have released a new code of supplier conduct reflecting greater expectations of our suppliers. This requires them to take responsibility for everyone in their operations, including day labourers, contract workers, temporary workers and migrant workers. It also describes explicit requirements in legal compliance, health and safety, child labour, freedom of association, forced labour and environment.

We are committed to incorporating sustainable thinking throughout our business, including honouring our UN Global Compact commitments. I am satisfied we are heading in the right direction.

Best Regards,  
Thomas Schulz  
Group CEO, FLSmidth & Co. A/S



We are proud of our unique heritage and position in the minerals and cement industries and our ability to enhance productivity throughout our customers' value chains

Thomas Schulz - Group Chief Executive Officer





### CUSTOMER SERVICES

The Customer Services Division provides a full suite of parts, services, and maintenance solutions to the global cement and minerals industries.

### PRODUCT COMPANIES

The Product Companies Division hosts a diverse portfolio of relatively standardised market leading product brands, applied in cement, minerals and adjacent industries.

#### Who we are

FLSmidth is a market-leading supplier of engineering, equipment and services to the global minerals and cement commodities. We provide our key commodities with the solutions to fulfill the full range of customer requirements, from single equipment to complete plants and from spare parts to full operation and maintenance services. We are the market-leading supplier of productivity enhancing services in each of our six key commodities, which are copper, gold, coal, iron ore, fertilizers and cement. We help customers increase capacity, reduce operating costs and lower environmental impact. FLSmidth is a global company

with headquarters in Denmark and operates about 50 countries all over the world.

#### Strategy and business model

The growth and economic development of societies all over the world is driving urbanisation and industrialisation which in turn is driving demand for cement and minerals. As a leading supplier of environmentally sound solutions to the global cement and minerals commodities, FLSmidth has a sustainable business model which makes the company well positioned to benefit from the mid- and long-term structural growth opportunities. At the same time, the flexible business model allows FLSmidth to manoeuvre safely through the cycles.

#### FLSmidth in numbers

**134 years**  
of history and  
experience

**12,969**  
employees  
worldwide

**Operates about**  
**50 countries**  
all over the world

**Revenue of**  
**EUR 2,642 millions**  
in 2015

## MINERALS

The Minerals Division is a leading provider of mineral processing and material handling technology and solutions to the global minerals industries.

## CEMENT

The Cement Division is the market leader of premium technology and process solutions to the global cement industry, and FLSmidth has delivered more cement plants in the world than anyone else.

The business is developed around four strategic focus areas:

- Full service provider
- Focus on six key commodities
- Full flow-sheet
- Life-cycle approach

FLSmidth's life-cycle approach helps customers reduce emissions, lower operating costs and enhance productivity based on a unique combination of key products, process know-how and a broad service offering. A strong engineering heritage combined with comprehensive flow-sheets of key technologies within our

six key commodities position FLSmidth strongly as a one-source supplier to the cement and minerals as well as adjacent commodities. As a full service provider, FLSmidth offers customers to design, build and operate their plants.

### Vision

We will be our customers' preferred full service provider of sustainable minerals and cement technologies.

### Company values

Over the past 134 years, FLSmidth has developed a business culture based on three fundamental values, which are firmly rooted in our Danish heritage: competence, cooperation and responsibility.

**1.3% of revenue**  
invested in research and  
development in 2015

**Lost Time Injury**  
**Frequency Rate**  
**(LTIFR) 1.8**

# Long-term focus on positive impact

## CSR Strategy

FLSmidth's Corporate Social Responsibility (CSR) strategy supports our business strategies by adding a long-term focus on responsibility. Our CSR efforts aim to create shared value by continuously improving our Health, Safety and Environment (HSE) competencies, delivering sustainable technology, respecting people and developing our employees. The underlying rationale behind all our CSR activities is to create value for our main stakeholders: customers, shareholders, employees, suppliers and the community. The purpose is to become a more valuable partner to our customers and all our stakeholders.

At FLSmidth, we aim to align CSR with business operations as part of our global business strategy. Having signed the UN Global Compact in November 2008, FLSmidth committed itself to supporting the United Nations' ten principles regarding human rights, labour, environment and anti-corruption, as well as reporting on progress made.

## The FLSmidth CSR Policy

Based on FLSmidth's 134 year history and our corporate values – competence, responsibility and co-operation – the company has formed a culture around respecting individuals and helping to protect societies and the environment. Our history and

commitment to being a responsible company provided the framework for FLSmidth's CSR policy, published in 2008.

Wherever we operate, we strive to adhere to a set of corporate policies. Our CSR policy lays the foundation for how we operate around the globe and is centered on our three company values. Through our Human Rights Policy, we commit to respecting human rights and our Human Resources Policy states that we offer equal opportunities for all employees, which is further elaborated in our Diversity Policy. Our commitment to mitigating risk related to climate change is anchored in our Health, Safety and Environment Policy, which states that "excellence involves assessing the environmental impact of our operations and business activities to protect the environment". Our expectations of our suppliers are expressed in our Code of Supplier Conduct, which addresses human rights, labour rights, safe and healthy working conditions, environmental protection and business ethics.

## Materiality

The objective of FLSmidth's CSR activities is to support our business and improve our long-term performance by focusing more on responsibility. Therefore, it is essential that any given CSR activity is aligned with our business strategy.

## The CSR value chain



### Supplier > > > >

- > Sustainable long-term relationships



### FLSmidth > > > >

- > Health and safety
- > Compliance
- > People development
- > Responsible sourcing
- > Environmental footprint



### Customer > > > >

- > Quality products
- > Safe products
- > Sustainable products
- > Business ethics



### Host Countries

- > Economic development
- > Job creation
- > Environment
- > Compliance
- > People development



Through ongoing dialogue with our business partners and major stakeholders, we constantly verify that our CSR activities focus on the issues most relevant to our business.

Safe working conditions for all employees, customers and contractors is high on the agenda at FLSmidth. We continuously strive to improve our Health and Safety competencies and lower all safety risks and hazards.

Being a global company means we are present in emerging markets and some countries where corruption is perceived to be a significant issue. We put special emphasis on ensuring that FLSmidth employees and business partners do business in a legal manner. For FLSmidth, a high level of integrity and compliance is a prerequisite for doing business.

Employees are our most valuable asset and are critical to the success of our organisation. With 12,969 people employed globally, it is material that our employees have fair working conditions, equal opportunities and development plans and that all human rights and labour rights are respected.

With many equipment suppliers globally, minimising supply chain-related risks is important in relation to health, safety and the environment (HSE), human rights, ethical business conduct standards as well as in relation to improving the quality of supply.

### Stakeholder dialogue

Engaging with our stakeholders helps us make sustainable decisions and solutions. At FLSmidth, we define our stakeholders based on whether they are affected in some way by our activities and operations, be it as customer, employee, investor, business partner or society in general.

FLSmidth pursues a strategy of continuous and open dialogue with our stakeholders in order to enhance transparency and trust, while maintaining a high standard of sustainable approaches to operations and partnerships.

### The FLSmidth CSR Board

The CSR Board was established in 2010 and has regular discussions about CSR strategy and development opportunities. The members of the CSR Board are:

- **Thomas Schulz**, Group CEO
- **Virve Elisabeth Meesak**, Group Executive Vice President, Group Human Resources
- **Olli Haavisto**, Senior Vice President, Group Supply Chain & Quality
- **Claus Christian Torbøl**, Senior Vice President, O&M Management
- **Pernille Friis Andersen**, Senior Vice President, Group Communications, Investor Relations, CSR & Group Marketing
- **Jeppe Kromann Haarsted**, Global Compliance Manager
- **Morten Jess Nielsen**, CSR Advisor

### Modern Day Slavery Act Statement.

FLSmidth does not accept unlawful behaviour, and we consider modern day slavery and human trafficking intolerable. However, our business model involves sourcing from countries in which the risk of modern day slavery is perceived to be high.

FLSmidth issued therefore a new Code of Supplier Conduct (COSC) in 2015, which contains a section explicitly dealing with modern day slavery: "We expect our suppliers to refrain from using any form of involuntary or forced labour. Furthermore all employees shall be able to terminate their employment contract and leave the company's premises at any time if they wish to do so."

The COSC is a part of FLSmidth's general terms and conditions, which are signed by suppliers when engaging in a business relationship. With that, suppliers commit to meeting our expectations.

Our work with CSR in our supply chain is an ongoing effort. For more information, see page 32 on Responsible Sourcing.

# Tomorrow matters

## Good business

The challenges of environmental impact, sustainability, social responsibilities and emissions regulations are putting traditional production philosophies firmly under the spotlight. They are making it increasingly difficult to remain competitive in today's business environment. And the challenges will only grow in the future.

Yet for FLSmidth, our approach to meeting these challenges not only provides us with a competitive advantage, it is central to the way we do business. That's why FLSmidth has a role to play in helping the cement and minerals industries approach the future in a responsible, sustainable manner. When designing, building and operating a facility, as well as when choosing the right components, technologies and products, we all need to think about tomorrow. Our comprehensive impact study of Egypt's ACC Ramliya cement plant in 2014 provided a benchmark for our approach. It proved that thinking about tomorrow is good, sustainable business.

## Quality, responsibility and sustainability

In 2016, FLSmidth will present the concept of Tomorrow Matters to the cement industry. The concept is a statement of quality, responsibility and sustainability. It communicates our commitment to fulfilling our role in building the societies of tomorrow.

Designing, building and operating a cement plant is a long-term investment. *Tomorrow Matters* encompasses the aspect of future-proofing the investment – and its positive socio-economic impacts on the local region – as well as conveying the long-term potential of an FLSmidth plant in terms of energy efficiency, reliability, utilisation rate, compliance with safety and emission standards, and educating, empowering and including the local workforce.

This applies not only to projects, but also to the technology and products that enable our clients to think about tomorrow when creating a sustainable business. Our role is to partner with them to support economic growth while minimising the environmental footprint.

## Consistent communication

The *Tomorrow Matters* campaign supports our One Source business philosophy. It will have a significant presence in our daily operations, guiding our communications within an increasingly competitive market.

## IMPACT ASSESSMENT: The Ramliya Cement Plant in Egypt

### 6. CUSTOMER VALUE

From 2010 to 2013, the market share of ACC Ramliya in Egypt increased from 2.9% to 7.8%

**The key to success is having a utilisation rate far above the industry average: (83% vs. 73%)**

This translates into more cement produced and sold each year and gives a key competitive advantage.

In revenue terms, higher utilisation has allowed for nearly 500 million E£ in higher revenue over 2012 and 2013.

### 5. OUR PEOPLE

85% of staff pass through a training centre, which helps them learn additional valuable skills.

99% of staff trained are locals, and the plant has a low turnover rate of 1.5%.

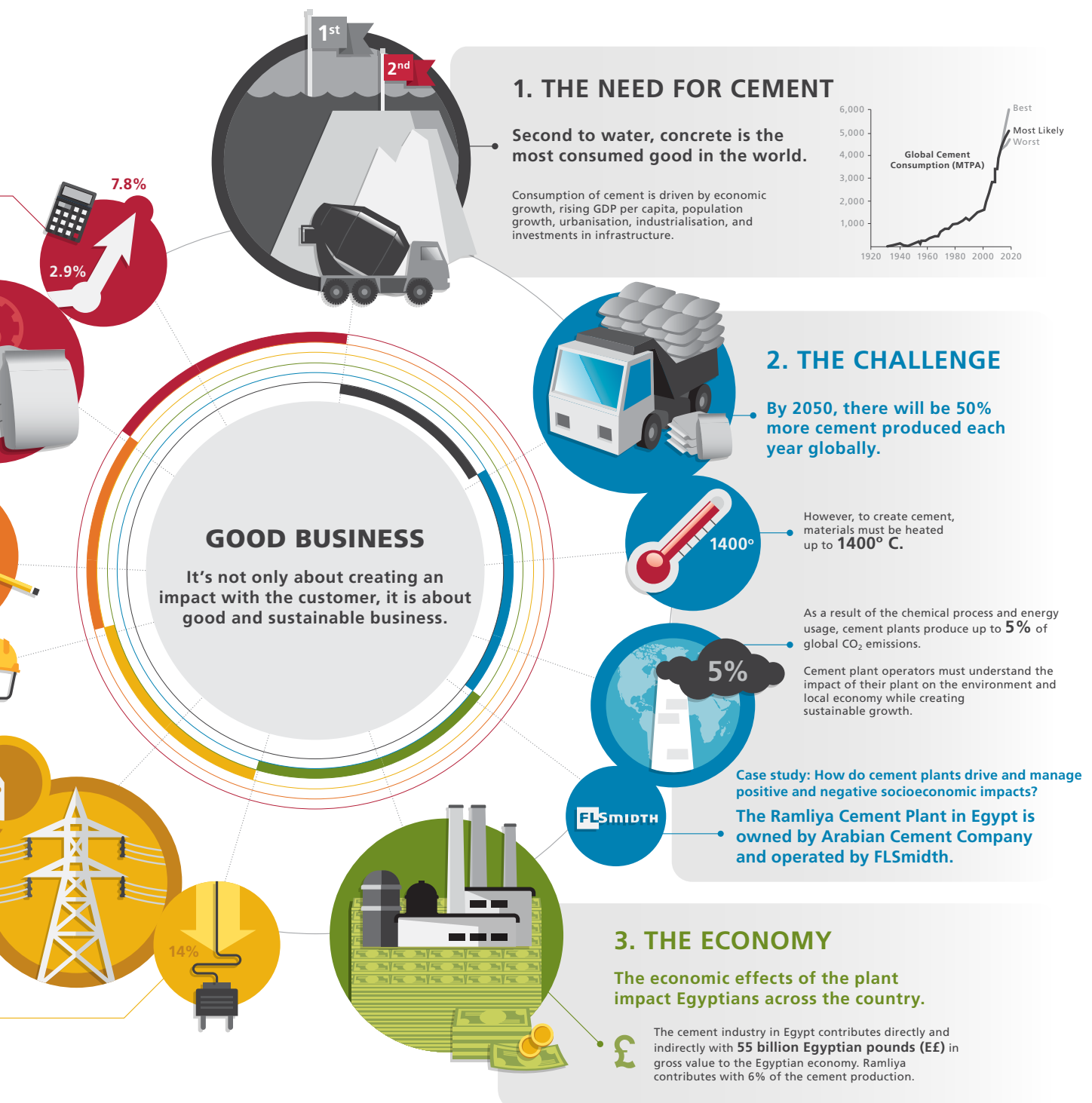
### 4. THE ENVIRONMENT

With energy making up 40% of the costs of goods sold, reducing energy means lowering both emissions and cost.

**Minimising their impact is paramount.**

Ramliya uses 14% less energy per ton than the average plant, leading to better business and environmental impacts.

The industry produces 800 kg cement per ton of dust emissions. Ramliya produces 3,000 kg cement per ton of dust emissions.



# Building a culture of safety

A safe working environment is not only fundamental to our long-term success, it is also tied directly to the quality of our products, services and processes. At FLSmidth, we work constantly to make safety top of mind for employees, also when undertaking daily routines and processes many take for granted in their everyday work.

Recognising FLSmidth's global footprint, communication across the Group, to all locations, remains an important part of our activities. Our HSE policy sets the direction, declaring a long-term target of zero injuries and zero harm. Important tools within our global roll-out of best practices in site operations include our 10 safety rules and employee safety handbook.

2015 has seen an improvement in safety numbers highlighted by the lost-time injury frequency rate dropping to 1.8 and no fatalities. Uffe Halldorsson, Vice President, Health, Safety and Travel Security, puts this down to safety becoming more deeply ingrained in the organisation. Managers and employees

make safety a priority, talking more openly about safety issues and sharing knowledge. Uffe Halldorsson comments: "By engaging the whole organisation, we have reduced many minor accidents in safety, while also minimising severe injuries through training, safe work procedures and hazard observations. We have seen improvements in all areas, but reducing incidents, such as slips, trips and falls; executing safe operations at customer sites; and learnings from reporting of near misses and hazards are examples of concrete results."

Continuing the top-down focus on safety, which sees a member of Group Executive Management appointed 'Chairman of Safety' for the year, Group Executive Vice President Brian Day took the lead for the Group's overall safety programme. He was responsible for ensuring that safety and safe behaviours were prioritised across the entire FLSmidth Group and was behind the theme of the global safety event, where "personal commitment to safety" was in focus.



## FACTS

**The** most common types of injuries are slips, trips and falls - injuries that can be prevented by better house-keeping, facility maintenance and employee awareness

**1 million** hours without a lost-time injury at the Bawal manufacturing unit was achieved during 2015

**A** total of 166,277 hours were dedicated to safety training across the Group, equivalent to 12.82 hours for every employee





### Case: New reporting system

A major initiative launched in 2015 was a new system for reporting safety incidents and safety KPIs. The system encompasses a dedicated IT system and set of procedures designed to achieve a structured, organised way of handling safety data across the entire FLSmidth organisation. It is designed to reflect the organisational changes implemented in the FLSmidth Group in the beginning of 2015. Uffe Halldorsson explains that a key benefit of the system is its ability to provide managers with monthly reports and on-line access to information about safety incidents at FLSmidth. "Managers can also determine the story behind a specific incident, to understand what they need to do to prevent a similar incident in the future," he says.

### Case: Leading the way

Business leaders play an important role in establishing effective safety standards. At FLSmidth's facilities in Australia, management conducted a series of safety behavioural tours in an effort to influence and work with employees about safety issues. Mark Clifford, Country Head of FLSmidth in Australia explains that it is about opening up transparent dialogue throughout the organisation in order to develop a common understanding of safety responsibilities:

"It has been an effective way for managers to interact with employees and influence positive safety behaviours in our normal work routines. We want all of our local managers to

engage with employees to identify potential hazards and determine what we can do to manage them most effectively."

The success of this concept in Australia has led to a programme being adopted throughout the company. The 'walk and talk' concept helps FLSmidth managers to engage with employees about safety and provide visible safety leadership.

### Case: House in order

Setting effective safety standards involves establishing a clean, tidy working environment. At FLSmidth's Automated Analysis Technology facility in Brno, Czech Republic, safety is at the top of the agenda. And although safety awareness efforts with staff are important, rapid progress can be made through straightforward means. Ian Campbell, CEO of FLSmidth Automated Analysis Technology, explains:

"We wanted to improve safety, and we realised this would mean changing the way we work. It started with the facilities, where we have cleaned up the production areas, making it a tidier, safer place to work, and turned it into a more professional, modern production facility. This quite simple approach has been a big part of us setting new standards for safety procedures."



We are seeing the results of greater efforts in safety, particularly within data reporting and collection, which is creating better visibility and awareness of safety issues in all of our locations

**Uffe Halldorsson**

Vice President, Health, Safety and Travel Security at FLSmidth



### Case: Outstanding safety record in Chile

FLSmidth won four awards from the Chilean National Safety Council for outstanding safety achievements. The most spectacular award recognised 15 years without any lost-time incidents at Chile's Puerto Punta Chungo copper concentrator plant and port. FLSmidth has a maintenance contract at the facility with its owner, Minera Los Pelambres.

Other awards recognised the significant reduction of incidents in another contract and other safety achievements, including 'Risk Prevention Efforts' and 'Risk Prevention Excellence'. The awards were celebrated at the Council's 53rd Annual National Safety Contest.

"We express our most heartfelt congratulations for the success reached by the organisation in the implementation of its regular programs and continued actions to prevent risk of accidents," said Mr. Guillermo Gacitúa Sepúlveda, President of the Chilean National Safety Council.

Mr. Luis Bravo, Health & Safety Manager at FLSmidth Chile acknowledged the hard work that had gone into these achievements: "15 years without any lost-time incidents is only achieved by a structured, meticulous and dedicated approach to all safety issues. In the mining industry, safety standards are higher than in other industries in Chile. Safety is one of the key issues for our customers, so when we create a safe working environment for our employees, we actually also gain a competitive edge. This award is gained through the continuous dedication of all employees to respect and protect health and safety issues."

### Case: A safe journey is a productive journey

As a global operation, travel is an inherent part of FLSmidth's business. Every year, our staff travel many thousands of hours to many countries around the world. The safety and security of our staff during their travels cannot be underestimated. This is why greater efforts are being made to increase awareness of relevant issues, guidelines and procedures through dedicated training.

Mette Bonde, Group Travel Security Manager explains the importance of travel security not only to employees' well-being, but also to the business: "Travel is a natural part of executing projects. The more we attempt to mitigate risks associated with travel, the safer we can keep our staff at all times. As an organisation, we are focused on well-executed projects and minimising interruptions caused by related factors. Travel is one of those factors. Ensuring our staff reach their destinations safely and securely, minimising unexpected incidents, also contributes to the productivity of a project."

During 2015, Group Travel Security launched several travel security training initiatives. This included publishing a pocket guide, 10 Travel Security Tips, and an advanced e-learning programme. The training aims to educate all staff in how to safeguard themselves and provide better understanding of the countries they travel in. It takes staff through a number of different scenarios to help them learn how to deal with possible situations.

"It's all part of being well-prepared," says Mette Bonde, "The better prepared you are, the safer you will be."



#### FACTS

**FLSmidth** in Chile won four awards for outstanding safety achievements from the Chilean National Safety Council in its 53rd Annual National Safety Contest

**FLSmidth** has maintained the Puerto Punta Chungo port and copper plant without any lost-time incidents in 15 years



FLSmidth has maintained  
the Puerto Punta Chungo  
port an copper plant  
without any lost-time  
incidents in 15 years

### Progress 2014-2015

#### Targets in 2014 report

LTIFR = 2.6 for 2015. Continue strong focus on safety awareness through internal reporting

#### Targets in 2014 report

FLSmidth will start working towards general HSE certification from 2015

#### Targets in 2014 report

Global IT system will be implemented for reporting, internal learning and follow up on injuries

#### Achievement 2015

LTIFR 1.8 reflecting the strong safety progress and the best result ever made in safety

#### Achievement 2015

FLSmidth continues working towards HSE certification. In 2015 FLSmidth South Africa, FLSmidth Qingdao and part of FLSmidth India achieved HSE certificates

#### Achievement 2015

In the end of 2015 FLSmidth new global safety reporting system did go live. The primary purpose is to report safety KPIs, register and follow-up on injuries, near miss and hazards

#### Targets in 2014 report

15% increase in reported Near Miss and Hazards measured per country and / or Business Unit compared to 2014

#### Targets in 2014 report

Extra focus on implementing best practice on site operations based on the new Site Safety Handbook

#### Targets in 2014 report

Group HSE audits continues – 25 audits in 2015 planned

#### Achievement 2015

Near miss reporting increased with 46%. More locations in 2015 has started to track and follow up on near miss and hazards compared with 2014

#### Achievement 2015

The employee Safety Handbook was relaunched in 2015 and made known through training sessions. An E-learning training programme explaining FLSmidth HSE policy

#### Achievement 2015

25 Group HSE audits conducted at FLSmidth facilities and projects



## Targets 2016

### Target 2016

LTIFR = 1.6 in 2016 - despite record low injury rates in 2015 FLSmidth continues to seek improvements. Long-term target is zero injuries but mid-term expectations is to be below or equal to 1 in 2020

### Target 2016

The HSE certification program continues in 2016. FLSmidth has launched a program to reach between 60-70% OHSAS 18001 and ISO 14001 certification of our activities in 2017

### Target 2016

Conduct the 4. Safety and Quality Week

### Target 2016

Continue existing safety activities from 2015;

**a.** Further implementation of the new global safety reporting system

**b.** Extending the use of the Safety Handbook and promote the E-learning in FLSmidth HSE policy and 10 safety rules

**c.** Working with the new Safety Leadership Guide and promoting safety walks and talks done by managers



# Stretch assignments, coaching and training

With employees based in many locations around the world, developing our workforce is one of our major responsibilities. Not only does a more skilled workforce contribute to our own progress, but it also has a positive impact on local society.

FLSmidth develops employees through stretch assignments, coaching and training. Follow-up is an important element of the training. Specifically, we have ensured continued dialogue between participants following training, which is shown to play an important role in putting new skills into practice.

Many leaders have developed a strong desire to reflect on the performance and potential of their employees with other leaders, and a concept of People Sessions was introduced to allow this. This has also been supported by the roll-out of a consol-

idated HR Management System, enabling leaders to improve resourcing implications when defining and executing business strategy.

Mentoring is an efficient, agile way of developing talent, as demonstrated by one of our business units, FLSmidth KREBS. Following on from People Sessions, the company's leaders wanted to accelerate the development and readiness of potential leaders. A mentoring programme was implemented that partnered senior leaders up with identified talent, providing them the opportunity to leverage vital knowledge, experience and skills.



## FACTS

**For** employee development, 70% is achieved through stretch assignments, 20% through coaching, and 10% by attending training

**Throughout** 2014 and 2015, 1,024 managers completed Leadership Transition Training. A total of 54 programmes were provided in 7 countries



We want to improve the employability of our staff at all levels by developing them in their current roles and by helping them to navigate towards new roles with increasing levels of responsibility

**Mathew Jon Rushton**

Vice President, People and Organisation Development, Group HR



In 2015, 523 managers completed Leadership Transition Training. A total of 27 programmes were provided in 7 countries

### Case: Flying the flag

Our Flying the Flag leadership development programme really took shape in 2015. This programme engages the top 300 leaders at FLSmidth in targeted strategic development initiatives, with the theoretical foundation of each initiative provided by a leading European business school. During 2015, six cohorts completed the programme and finalised projects dealing with a business-critical issue identified by FLSmidth's Group Executive Management.

### Complex Product Systems

One cohort identified what FLSmidth needs to do to continue to move forward as an effective 'Complex Product System' business. Complex Product Systems (CoPS) are one-off or small batch solutions designed to meet non-standard large-scale or complex requirements. The project resulted in a number of major initiatives, including the implementation of a Project Excellence Model across Cement and Minerals to ensure that best practices are shared and made available for all relevant business units.

### Quality improvement

Another cohort helped implement the Group's Quality and Supplier Development Programme, which aims to improve quality across the entire Group. Several actions and initiatives were launched, including sustained communication on quality performance, a Business Quality KPI programme and a new customer experience programme.



#### FACTS

**190** specialists and senior managers completed a Flying the Flag professional development programme. Three Flying the Flag programmes were provided



FLSmidth contributes to building the societies of the future  
- and we have to make sure that we are developing  
an organisation with the right of competencies to meet  
this considerable challenge

**Virve Elisabeth Meesak**

Group Executive Vice President Human Resources, FLSmidth



482 managers, project  
managers and specialists  
receiving training  
delivered by FLSmidth  
HR Denmark across  
36 training programmes



## North America

### Job function

Technicians: **1,040**

Non Technicians: **1,260**

### Gender

Men: **1,863**

Women: **437**

### Employees

Total: **2,300**

## Europe

### Job function

Technicians: **1,338**

Non Technicians: **1,279**

### Gender

Men: **2,052**

Women: **565**

### Employees

Total: **2,617**

## South America

### Job function

Technicians: **1,022**

Non Technicians: **546**

### Gender

Men: **1,413**

Women: **155**

### Employees

Total: **1,568**

## Asia

### Job function

Technicians: **2,117**

Non Technicians: **1,546**

### Gender

Men: **3,354**

Women: **309**

### Employees

Total: **3,663**

## Africa / Middle East

### Job function

Technicians: **1,080**

Non Technicians: **1,181**

### Gender

Men: **2,071**

Women: **190**

### Employees

Total: **2,261**

## Australia

### Job function

Technicians: **229**

Non Technicians: **331**

### Gender

Men: **480**

Women: **80**

### Employees

Total: **560**



### Case: Building leadership competencies

By the end of 2015, nearly 1,000 FLSmidth managers across six continents had completed the Leadership Transition Training programme. This equates to 80 percent of FLSmidth managers with five or more direct reports. The training is an important step in FLSmidth's drive for building a common approach to leadership and a strong leadership pipeline for the future.

The training takes managers through a number of topics related to the individual's leadership level. Elmer Mortensen, Senior Leadership Development Manager at FLSmidth explains the overall purpose of these topics: "We want to show managers how they can improve their own and their teams' performance by developing their direct reports. They learn how to set engaging and specific goals based on a clear line of sight related to our strategic objectives."

Particularly special focus is on 'leading at the right level' and applying the work values that fit the purpose of each manager's leadership level. This helps managers to be more efficient in their time application and in their choice of skills to develop. "If you have the right work values, you will spend the time and apply your skills in the right way," says Elmer Mortensen.

The training is part of the bigger picture of developing leadership 'the FLSmidth way'. Managers across the Group now speak about leadership in the same language and with a shared understanding of what is required of leadership at all levels in the organisation, fostering cross-organisational collaboration and employee engagement.

### Case: Diversity

As FLSmidth increases its foothold in more markets around the world, particularly in developing economies, our business becomes increasingly diverse. But far from being a barrier to growth, this development is seen as a significant business driver.

Virve Elisabeth Meesak, Group Executive Vice President HR at FLSmidth explains that increasing diversity is a natural and essential part of the company's progress as an increasingly globalised organisation. "Diversity not only drives our ability to innovate, but it is also a source of competitive advantage," she comments, adding, "It's important that our organisation reflects the different local environments in which we work."

"These are small steps, but we are fully committed to delivering on this target and we believe it will make a difference to our competitiveness," concludes Virve Elisabeth Meesak.

### Goals

A female representation of at least 10% among managers by 2015 and of at least 25% on the Board of Directors by 2016.

### Policy

FLSmidth's current Diversity policy focuses on the strategic advantages of having a diverse workforce. In 2015, we have commenced work on a new Diversity policy targeting 15% female managers by 2018. The policy is expected to be finalised and adopted in 2016.

### How the policy is put into practice

- KPIs for HR Business Partners to ensure at least one female candidate for all managerial positions
- A pilot development program for all female employees in Salt Lake City, USA
- Strong focus on increasing the representation of women in the TOP 100 management group
- During the course of 2016, action plans will be developed with a view to increase the general female representation in the Group, which dropped from 14% to 13% in 2015

### Result

The goal of having 25% female representation on the board of directors by 2016 is not anticipated to be met. Thus, two new board members have been nominated to be elected at the AGM in April 2016, none of them are female. The candidates have been nominated based on their unique competencies and experiences.

The goal of 10% female managers by 2015 has not reached. The share of female managers declined from 10.3% in 2014 to 9.7% in 2015. As a consequence of challenging market conditions, FLSmidth has been implementing significant efficiency and business right-sizing measures, especially in group and support functions, where representation of female managers is typically higher.



It is FLSmidth's goal  
to have 15% female  
managers by 2018



## Progress 2014-2015

### Targets in 2014 report

Training is delivered as required in each location as well as across functions, business units, divisions and the Group. Notably, a review by the project management function

### Targets in 2014 report

At the Group level, 22 deliveries of Leadership Transition Training involving 440 managers, three of Flying the Flag involving 90 specialists and managers and six of LEAP

### Targets in 2014 report

There is follow-up with each manager who attended Leadership Transition Training in 2014 to learn what has been applied, revisit other learnings and support further application

### Achievement 2015

The Performance and Development Review (PDR) were primarily used to identify what training is required in each location and the organisation and people reviews were primarily used to identify what training is required in each function, business unit, division and the Group. Training was delivered as prioritised by each location, as well as across functions, business units, divisions and the Group. Notably, a significant amount of training for project managers was driven by the Project Management Office in Minerals

### Achievement 2015

Across the Group, 523 managers received training in one of 27 Leadership Transition Training programmes and 96 specialists and managers participated in one of six Flying the Flag programmes. Two LEAP programmes were completed

### Achievement 2015

There was follow-up with each manager who attended Leadership Transition Training in 2015 to learn what had been applied, revisit other learnings and support further application

### Targets in 2014 report

In terms of training delivered across locations, an example is the 42 trainings scheduled for EMEA – such as situational leadership, project management, cross-functional training for specialists

### Targets in 2014 report

Management teams calibrate ratings of performance and potential to strengthen the quality of succession planning, associated development and increase sustainability

### Achievement 2015

More cross-regional training was completed. This included 482 managers, project managers and specialists receiving training delivered by HR Denmark across 36 training programmes

### Achievement 2015

Management teams calibrated ratings of performance and potential to strengthen the quality of succession planning, associated development and increase sustainability

## Targets 2016

### Target 2016

Complete two cohorts of Flying the Flag, four Leading Leaders programmes and 10 Leading Others programmes

### Target 2016

Build a framework describing good leadership, drawing on the expectations established through the Leadership Transition Training and expectations identified through Flying the Flag

### Target 2016

Design six workshops for leadership teams to reinforce processes and tools introduced through Leadership Transition Training

### Target 2016

Strengthen recruitment processes by sharing best practices, updating the current recruitment system, and implementing ability and personality tests



# In compliance wherever we are

As a global company with operations in developing and developed economies, FLSmidth is dedicated to approaching business with a high level of integrity and compliance. At times, we are faced with the need to address the potential for corruption. In such situations, we must never compromise our standards.

Much of our work in Compliance and Export Control involves enabling FLSmidth employees and business partners to conduct their business in a legal manner and according to our Code of Business Conduct. In 2015, we have continued our focus on communication to employees through in-person training targeted campaigns. The launch of a dedicated IT system has increased transparency and enhanced our ability to collaborate effectively with business partners.

Our highly qualified regional compliance representatives play a vital role in this work, helping colleagues with their specialised knowledge of local rules and regulations as well as by providing training and conducting due diligence and internal investigations.

FLSmidth's executive management takes a keen interest in the interpretation of specific rules for employees to know that they have management's guidance and backing to handle difficult situations.

The overall goal for 2016 is to consolidate the many initiatives and activities undertaken during 2015 and to ensure that they are fully entrenched in our global organisation.

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## **Case: Regional Compliance Representatives get to work**

Following their appointments in 2014, our 12 regional compliance representatives completed their first full year in earnest. Third party due diligence is one of their key responsibilities, involving screening sales agents for adverse media, sanctions, litigations and similar. They are also tasked with investigating internal whistleblower cases. With more than 50 cases in the last two years, this alone requires significant focus.

But the representatives' biggest achievement in 2015 was providing training in FLSmidth's Code of Business Conduct. This is part of FLSmidth's overall strategy to provide in-person training to all white-collar employees in issues related to compliance. According to Jeppe Kromann Haarsted, FLSmidth's Global Compliance Manager, it is a big task with approximately 6,000 employees to date having received training across the company. "Here, the regional compliance representatives played a vital role, coordinating and running 233 face-to-face training sessions in 41 countries."

## **Case: Third party portal launched**

Intermediaries such as sales agents are an important part of FLSmidth's business in many countries, for example in areas with no local office. To keep pace in a dynamic business environment, it is vital that the latest information is available to anyone who needs it.

Last year saw the launch of a database dedicated to sharing information about our global network of sales agents. "Since the UK Bribery Act came into force in 2011, FLSmidth has of course maintained this information, but our new database enables us to do it in a much more systematic way," says Pat Turner, Global Business Unit Manager at FLSmidth.

The database provides timely, important information about sales agents, including, for example, the presence and current status of an agent in a specific location. It also helps in due diligence of agents as well as making it easier to communicate with them.

"The aim is to provide greater transparency to help us become more efficient and improve our sales performance," explains Pat Turner.



### Case: Campaigning for compliance

This year saw the launch of an internal communications campaign to make everyone in the organisation more aware of compliance issues. Jeppe Kromann Haarsted, FLSmidth's Global Compliance Manager, says, "Compliance is a topic that continuously needs renewed attention, and we wanted to re-launch the campaign in order to emphasise particular messages and the latest developments."

The campaign highlighted developments including the Code of Business Conduct Handbook, Third Party Portal, hotline cases, important internal investigations, and the global training programme. It included questionnaires, competitions, specifically targeted direct emails and information sessions in Top 100 management meetings.

Executive management's attention to compliance was also made clear through the campaign. For example, Group CEO Thomas Schultz shared his thoughts on compliance through videos and other company announcements.

### Case: Maintaining export control standards

FLSmidth supplies products that can potentially be used for purposes outside of the cement and minerals industries. To comply with international Export Control regulation, it is vital we understand both the full potential of our products and the legislation applicable to our products when exporting from one country to another.

In 2015, we took steps to improve our ability to classify products by establishing a team dedicated to the task. Based in our Chennai office in India, the team consists of eight engineers who were given special training in analysing, classifying and documenting products. Martin Eger Larsen, Global Export Control & Compliance Coordinator, says, "This important development is another step in professionalising our approach to product classification and sanctioning."



#### FACTS

**The** Compliance Department received 31 internal whistleblower reports in 2015, all of which were investigated

**30** of these whistleblower reports were admissible, i.e. within the scope of the whistleblower hotline programme

**The** whistleblower cases were divided amongst regions: Africa (35%), Asia (10%), Europe (23%), North America (3%), South America (29%)

**233** Code of Business Conduct sessions were held in 42 countries in 2015

**Export** and compliance reviews were conducted in two legal entities in 2015

**55** in-depth due diligence screenings were conducted in 2015

More than 6,000 employees have received face-to-face training in the Code of Business Conduct – at least 5,000 of these in 2015



## Progress 2014-2015

### Targets in 2014 report

Conduct in-person training of 95% of all white-collar employees in FLSmidth worldwide in Code of Business Conduct. Complete company-wide global survey of current compliance practices and challenges

### Targets in 2014 report

Establish tools for knowledge sharing and ongoing training for the regional compliance representatives and compliance and export control reviews of three FLSmidth entities

### Targets in 2014 report

Strengthen internal controls and internal investigations procedures in FLSmidth

### Achievement 2015

Conducted in-person training in the Code of Business Conduct for 75% of all white-collar employees in FLSmidth worldwide

### Achievement 2015

Ensured ongoing training and an internal newsletter for the Regional Compliance Representatives to ensure knowledge sharing

### Achievement 2015

Strengthened internal controls and internal investigations procedures in FLSmidth, including an investigation manual and a case management system

### Targets in 2014 report

Screening software integration into the global order handling system (Helios ERP). Conduct training of nominated export control employees and general training in export control awareness for a broader range of employees

### Targets in 2014 report

Roll-out third-party due diligence procedure, including risk assessment and screening

### Achievement 2015

We have experienced challenges with the integration of a screening software solution. In order to reduce the risk we have therefore focused on better aligning manual processes in connection with the screening for sanctioned parties. In addition, we have trained further specialists in the analysis of critical items

### Achievement 2015

Launched the Third Party Portal and a due diligence screening tool in all entities globally



## Targets 2016

### Target 2016

Complete in-person training in Code of Business Conduct for 95% of all white-collar employees worldwide

### Target 2016

Conduct compliance and export control reviews of three FLSmidth entities

### Target 2016

Expand the scope for the classifier team

### Target 2016

Screen at least 150 third parties

### Target 2016

Continue to develop capacities of the Regional Compliance Representatives in order to ensure their further specialisation

### Target 2016

Further professionalise the control and investigation procedure, including data protection routines



# Sustainable Supply Chain

As a company operating throughout the world and with most manufacturing outsourced, FLSmidth spends a large share of its earnings in a global network of suppliers. We have a large impact and with that comes responsibility. We are committed to honouring the commitment we made to UN Global Compact in all aspects of our business, and responsible sourcing is one of our CSR focus areas.

Quality management principles form the basis of good CSR work. FLSmidth is committed to adopting a responsible manner in its efforts to maintain a high level of product quality while driving down costs responsibly. Our daily work with suppliers around the world is based on the strong relationships between a high standard of occupational health and safety, labour rights, environmental control and the quality of the product.

## New Code of Supplier Conduct

Following a review of supplier relations, FLSmidth has raised its expectations to suppliers. We have renewed and reinforced our Code of Supplier Conduct (CoSC) in an effort to communicate these expectations more clearly.

The use of sub-contractors and temporary workers is a high-risk area within CSR. Ensuring fair labour rights and acceptable working conditions for temporary workers is a challenge for companies operating in a cost-competitive environment. Our new CoSC describes how FLSmidth meets this challenge, and it describes in explicit terms how we expect our suppliers to provide a safe and healthy working environment for all employees.

The new CoSC applies to all sub-suppliers working on behalf of our suppliers and thus expands the scope of our earlier CSR policy. It enables us to improve our CSR performance throughout the supply chain.

The CoSC covers the following areas:

- Legal compliance
- Health and safety
- Child labour
- Freedom of association
- Forced labour
- Environmental

## Pilot

FLSmidth initiated a Responsible Sourcing Pilot in 2015 to support the launch of a new programme within supplier development. This involved developing and testing a series of tools and methods to help suppliers raise their quality and CSR performance. Fundamental to the pilot is the strong correlation between CSR and quality. Evidence shows that performance within health and safety leads to improved processes and better quality of products.

The pilot programme was launched with two suppliers representing different industries, different cultures and different sizes. Together with each, we identified areas for improvement and agreed on development plans, which are currently being implemented. Our partnerships with these suppliers have developed and matured as a result of certain risks being identified and mitigated. When CSR and quality improvements are jointly implemented, they become mutually reinforcing.

The pilot has shown that the new tools and methods can lead to change and spark improvements. For example, significant improvements have been seen in the use of PPE and safety procedures.

The pilot will continue in 2016.



## FACTS

**Supplier** baseline assessment was based on UN Global Compact Principles

**6** supplier visits were conducted in 2015

**The** FLSmidth's supplier development tool consists of 48 questions and approximately 200 guiding questions





Topics such as collaboration, value engineering, CSR and health and safety were on the agenda at FLSmidth's 2015 Supplier Conference. FLSmidth's Group CEO Thomas Schultz is seen here presenting the New Code of Supplier Conduct



Our strategy is to move closer to our customer and we expect our suppliers to do the same. Our CSR in the supply chain is important because shared values are a solid foundation for growing together

**Olli Haavisto**  
Senior Vice President Group Supply Chain and Quality

# Stable emissions

FLSmidth's HSE policy states that "We strive for operational excellence at FLSmidth, and an essential element of that excellence involves assessing the environmental impact of our operations and business activities to protect the environment". We do that by annually accounting for CO<sub>2</sub> emissions for all our legal entities.

## Stability

In 2015, FLSmidth's CO<sub>2</sub> emissions were fairly stable compared to 2014, where emissions dropped significantly due to the sale of Cembrit. Cembrit is a building materials company with in-house manufacturing of fibre-cement products. In 2015, scope 1 emissions increased from 12,700 to 13,460, and scope 2 emissions increased from 33,100 to 33,450. This is roughly in

line with last year which also experienced a slight increase due to more business activity related to customer visits. Scope 3 emissions have decreased slightly to 31,377.

## Environmental management system

In 2015, FLSmidth decided to enhance environmental management in the Group with a view to implementing a Group wide environmental management system. The work is ongoing and will continue throughout 2016.



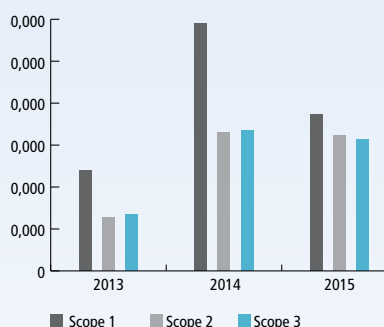
## FACTS

**Scope 1** emissions emanating from sources that are owned or controlled by FLSmidth

**Scope 2** emissions emanating from electricity, heating and cooling, or steam purchased by FLSmidth

**Scope 3** emissions emanating from aircraft travel

## Environmental numbers



At FLSmidth, we are continuously developing new technologies and solutions to meet the challenges of our customers, in a sustainable manner



# Sustainable technologies

The challenges of FLSmidth's customers are our opportunities, shaping the solutions we offer. Production of cement causes emissions, which creates a demand for emissions reduction. Miners face challenges such as decreasing head grades, water scarcity and difficult environmental permitting. Both industries are faced with increasing energy costs. At FLSmidth, we are continuously developing new technologies and solutions to meet the challenges of our customers, in a sustainable manner.

## Case: CataFlex catalytic filter bags

Early in 2015, FLSmidth released a new catalytic filter bag product, CataFlex®, developed in close collaboration with the engineering company Haldor Topsoe. Combining FLSmidth's expertise in filtration for industrial processes with Haldor Topsoe's leadership in catalysis, CataFlex allows production facilities to meet increasingly stringent environmental legislation.

CataFlex removes particulate matter, just as a standard fabric filter bag, but it also removes gaseous pollutants, such as hydrocarbons, NOx and dioxins/furans. Its uniqueness lies in its three-layer construction. Each layer contains a catalyst optimised to remove specific compounds from a facility's off-gases. With CataFlex, plants can reduce investments by upgrading existing air pollution control installations as emissions restrictions become tighter. It delivers an efficient, cost-optimised solution to comply with local environmental regulations.

## Case: Beating emissions challenges in the north of Norway

In the town of Longyearbyen in Norway, the local power plant faced some tough environmental challenges. Longyearbyen is the administrative centre of Svalbard, an archipelago between mainland Norway and the North Pole.

The town's coal-fired plant supplies heat and electricity for the region's 3,000 residents, who are highly environmentally conscious and keen to protect the habitat of Svalbard's 3,000 polar bears. The plant wanted to ensure that emissions from the plant were kept to a minimum, while realising there was limited space for emissions-reducing installations.

Essential to minimising emissions is the power plant's flue gas cleaning installation. FLSmidth Airtech has helped meet the emissions challenge by supplying an Electrostatic Precipitator (ESP) that removes dust well below the guaranteed 30 mg/Nm<sub>3</sub>. Moreover, the ESP was designed according to the limited footprint and the requirement to be placed inside a building.



### FACTS

Cement production results in several exit gases containing dust and air-polluting chemicals. Compounds filters can remove these substances by as much as:

**NOx by 88%**  
**SO2 by 96%**  
**Dust by 99.9%**



The industry needs the support of proactive partners who can offer complete lifecycle support in sustainable production practices

**Thomas Schultz**  
Group Chief Executive Officer, FLSmidth



FLSmidth operates about  
50 countries all over the world



### Case: Substitution of fossil fuels

With the cement industry consuming around two percent of the world's energy resources, there is significant potential for developing more sustainable ways of managing these resources. An area of rapid development is in the use of alternative fuels, such as household or industrial waste, in cement production.

FLSmidth continued to advance its use of pyro technology in 2015 with further development of the JETFLEX™ burner for alternative fuels. We are expecting to see positive results from large-scale tests during early 2016. With the JETFLEX™ burner, cement producers can substitute their coal and gas-based energy sources with waste.

This delivers large cost savings and significant CO<sub>2</sub> emissions reductions. Furthermore, cement kilns provide a safe solution for reducing hazardous waste because they burn in strictly controlled conditions at high temperatures (1,450 degrees Celsius).

### Case: Technologies for sustainability

Cement production currently emits five percent of the world's total CO<sub>2</sub> emissions. With cement production in many parts of the world expected to increase along with greater industrialisation, urbanisation and a growing middle class, there is a need to develop technologies that enable more sustainable cement production.

In 2015, FLSmidth successfully concluded a five-year project in collaboration with the two Danish universities, Aarhus and Aalborg as well as Aalborg Portland. The project aimed to develop high-quality, low-CO<sub>2</sub> cements based replacing one third of the CO<sub>2</sub>-heavy raw materials in traditional cement.

The result was a 25 percent reduction in CO<sub>2</sub> and substantial savings in thermal energy, depending on the moisture content of the clay raw material. The new cement production process reduces both initial investments and operating costs.

FLSmidth also released the QCX/BlendExpert software in 2015. This software optimises the blend of raw materials and enables increased use of cost-efficient additives while maintaining quality, resulting in fuel savings of up to 1.5 percent.

### Case: Reducing risk of pollution

A large copper mine can require as much as 400,000 m<sup>3</sup>/day in process water. The process water often ends up in giant mine dumps, called tailings ponds. Because they are highly polluted, tailings ponds are a risk to the ground water and surrounding environment.

In collaboration with a customer FLSmidth has pilot-tested a new giant filter at the world's biggest copper mine, located in the world's driest desert, Chile's Atacama Desert.

The AFP filter model 2040 is the size of two Olympic-sized swimming pools – twice the size of any other filter. The largest for water recovery ever used in the industry, it can discharge 20,000 tons of filter cake per day and can recover 5,000 m<sup>3</sup> of process water per day – the equivalent of six Olympic-sized pools. With the new filter, mines can reuse up to 80 percent of their process water.

Additionally, by dewatering the processed ore waste rock, FLSmidth allows the tailings to be dry-stacked. This allows the polluted tailings to be disposed of in an environmentally safe way, thus allowing the site to be rehabilitated, eliminating the pond's long-term liability.



Global cement production emits 5% of total global CO<sub>2</sub> emissions. With cement production expected to increase with greater industrialisation, and urbanisation – we need to continue to strive to develop more sustainable technologies

**Per Mejnert Kristensen**

Group Executive Vice President, Cement Division





## UN GLOBAL COMPACT PRINCIPLES

Businesses should support and respect the protection of internationally proclaimed human rights	Impact Assessment	page 10
	Health and Safety	page 12
	People Development	page 18
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Make sure that they are not complicit in human rights abuses	Health and Safety	page 12
	People Development	page 18
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Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	People Development	page 18
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The elimination of all forms of forced and compulsory labour	People Development	page 18
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The effective abolition of child labour	People Development	page 18
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The elimination of discrimination in respect of employment and occupation	People Development	page 34
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Businesses should support a precautionary approach to environmental challenges	Impact Assessment	page 10
	Environmental Impact	page 34
	Product Cases	page 36
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Undertake initiatives to promote greater environmental responsibility	Impact Assessment	page 10
	Environmental Impact	page 34
	Product Cases	page 36
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Encourage the development and diffusion of environmentally friendly technologies	Impact Assessment	page 10
	Environmental Impact	page 34
	Product Cases	page 36
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Businesses should work against corruption in all its forms, including extortion and bribery	Compliance	page 28