



One Source

Corporate Social Responsibility

Communication On Progress 2010
to United Nations Global Compact



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It is with the greatest pleasure that I present you with FLSmidth's first Corporate Social Responsibility progress report

We became signatories to the UN Global Compact in November 2008, and originally planned to release this report in November 2010. A subsequent decision to align CSR reporting with our financial reporting cycles, however, led to a revised launch date of February 2011.

When we look back at 2010, we see a year in which FLSmidth rose from the financial crisis that had made the going tough for nearly two years. With our organizational restructuring, acquisitions and efforts to bring all FLSmidth entities around the world together under one brand, we have now emerged as a more unified company than ever before. In our perception of ourselves as a single large global corporation also lies our commitment and duty to act responsibly as a global citizen.

We have always considered FLSmidth to be a company that strives to do business honestly, responsibly and with a sense of common decency guiding our choices. Today, however, our customers, business partners, employees and the world at large expect a more communicative, transparent approach to corporate responsibility.

Taking a more structured approach to CSR and ensuring its integration into our business procedures is an effort that takes time. We are firmly committed to living up to the UN Global Compact's ten principles, and to considering the areas where FLSmidth can



really make a difference. In other words, our effort is also about determining which issues that are more closely linked to our business strategy, our operations and the needs and concerns of our stakeholders.

It is our conviction that we can make the biggest influence when aligning CSR activities with our business strategy. Therefore, the areas we have chosen to prioritize, which are also the contents of this progress report, are safety, employees, business ethics, responsible sourcing and environment.

Safety has always been and remains our top priority at FLSmidth and it is therefore with great regret that we had to report four fatalities in 2010. In spite of these unfortunate accidents, our global activities maintain better average safety statistics (LTI) than European industry standards.

We have many employees travelling around the world, some working on construction sites and others operating and maintaining plant equipment. No matter where our employees work or what their jobs are, they deserve a safe working environment, and we are continuing to improve safety awareness and training and also providing support to our customers in their operations.

The challenge of global climate change affects our business in different ways. Many of our customers in the cement and mineral industries are focusing on more sustainable and environmentally friendly solutions at their plants. As an equipment and processes supplier to both industries, we want to continue meeting the needs for solutions that can help our customers overcome tomorrow's environmental challenges. We believe that innovation is the future, and that our significant investments in R&D underscore our commitment to being part of the solution to global climate change and other environmental challenges.

With our global presence around the world, we want our customers, employees, investors and other stakeholders to experience FLSmidth as the responsible company and partner we strive to be. There is a learning curve when taking a more business-driven and communicative approach to CSR, but we are committed to continuously integrate Corporate Social Responsibility into our strategic thinking and business operations.

We hope you will find this progress report a valuable source of information about what we achieved in 2010 in the area of Corporate Social Responsibility. ▽

Jørgen Huno Rasmussen
Group CEO, FLSmidth



FLSmidth overview



FLSmidth & Co. A/S is a global engineering company listed on NASDAQ OMX Nordic Exchange, Copenhagen

What We Do

FLSmidth is the leading supplier of equipment, systems and services to the global cement and minerals industries. FLSmidth supplies everything from single machinery to complete cement plants and minerals processing facilities including services before, during, and after construction.

FLSmidth is a global company employing around 11,000 people worldwide and with local presence in more than 40 countries. With headquarter in Valby, Denmark, FLSmidth has major project and technology centers in USA, Germany, Denmark, and India. ▾

Governance and CSR

In 2010, important steps were made towards a more structured and visible management of our CSR activities

One of the initiatives in 2010 has been to formalise our CSR approach with a separate organisational CSR function. The CSR function is now heading the global coordination of all CSR activities with the purpose of strengthening the existing FLSmidth commitment to incorporate considerations of more social and environmental parameters in the way we operate.

Again in 2010, another step to a more visible CSR commitment from our top management was made clear, when it was decided to establish a CSR Board. The decision was made both to support our CSR commitment and also to have a forum to discuss and decide on CSR matters across the different organisational functions and business areas.

Group CEO, Jørgen Huno Rasmussen, and management of different functions and businesses areas are represented on the CSR Board. ▾



FLSmidth focus areas

One Company, One Source, One Responsibility

In recent years, FLSmidth has had a clear strategy of becoming ONE SOURCE of excellence by being a complete solutions supplier to the cement and mineral industries.

The strategy of being perceived as one, unified global company also includes the requirement for all members of the group to act in a uniform manner. Therefore, together with our focus on and investments in a strategic alignment of the company, we are also working on having our CSR activities aligned on a global level.

In 2008, FLSmidth signed up for the UN Global Compact with the aspiration of being more explicit about our CSR commitment, both in our actions and in our communication.

The purpose of joining the UN Global Compact is to show our support of the 10 principles and to adopt a recognized reporting framework.

CSR contains a very broad field of opportunities; to FLSmidth it is about focusing on what is important to our company and our stakeholders, while also keeping focus on our business.

With respect to the UN Global Compact's 10 principles and FLSmidth's operations, the main priority of our CSR strategy and activities are the following areas:

- Business Ethics
- Human Resources
- Health and Safety
- Environment
- Supply Chain



Engaging with local communities is also an important aspect of doing business with and working for FLSmidth and is regarded as an integrated part of our local management operations and considerations.

Initial Status Report

This report is our first COP report and will be both an introduction and a status report on our existing policies and activities, which are covered under the areas of Business Ethics, Human Resources, Health & Safety, and Environment.

Additional information is provided on the subjects of Supply Chain and Community.

An overview of how the focus areas of FLSmidth's CSR initiatives are comparable with the UN Global Compact's 10 principles is given at the end of this report. ▀

A uniform code

The FLSmith Code of Business Conduct was introduced in 2008 to the entire organisation. Through the Code of Business Conduct our long-lasting commitment to business ethics and integrity was formalised and communicated to all managers and employees as the applicable standard that everyone working for FLSmith is obligated to adhere to

Management System

Since the introduction of the Code of Business Conduct in 2008, it has been the obligation of all managers to oversee compliance by their respective employees, including assisting employees who may raise questions or concerns in respect of the Group's Code of Business Conduct.

Since 2008 it has also been the procedure to introduce all new employees to the FLSmith Group's CSR Policy, including the Code of Business Conduct.

Dealing with Reported Incidents

Although every effort is made to avoid violation of the Code of Business Conduct, non-compliance or suspicion thereof may occur.



FLSmidth has established a procedure whereby all employees may report violations or suspected violations directly to their superior manager or, at the employee's discretion, to the FLSmidth's Group General Counsel and/or Global HR Manager. Reported incidents are being investigated internally by the Group General Counsel – where possible – under full confidentiality.

If investigations confirm violations, they will be reported to Group Executive Management, who will decide on the appropriate sanctions.

Looking Ahead - 2011

The two key focus areas in 2011 in relation to the Code of Business Conduct will be to extend our business ethics to our key suppliers by way of introducing a Responsible Supply Chain Management program and to put further emphasis on continuous awareness training of our employees in business ethics.

For further details about the intended Responsible Supply Chain Management program, see section "Supply Chain" on page 16.

In relation to awareness training of our employees in the existence, understanding and application of the Code of Business Conduct, we will be working towards introducing training through e-learning as a suitable and powerful tool to be used for reinforcement of the Code of Business Conduct on a global scale.

FLSmidth considers its Code of Business Conduct a relatively static policy that expresses the Group's basic values and expectations in relation to its employees and business partners, which should therefore not be changed on a frequent basis. However, as society and the surrounding environment are not static, the Code of Business Conduct may need to be revised from time to time. As part of the preparations of a training program in 2011, FLSmidth will be reviewing the current Code of Business Conduct with an aim to make such changes, – if any may be required due to changed circumstances.

With FLSmidth's presence in more than 40 countries, and ongoing activities in even more countries, we acknowledge the need for making the Code of Business Conduct available in numerous languages in order to ensure efficient implementation. Consequently, as part of the preparations in 2011 of an e-learning program, priority in 2011 will also be given to translation of the Code of Business Conduct into more languages than the present eight in which it is currently available. ▀

"Since the introduction of the Code of Business Conduct in 2008, it has been the obligation of all managers to oversee compliance by their respective employees, including assisting employees who may raise questions or concerns in respect of the Group's Code of Business Conduct."

Code of Business Conduct (abstract)

The Code of Business Conduct is the FLSmidth commitment to business ethics, integrity, credibility and preservation of our long term reputation and brand, defining what is expected of the FLSmidth Group's employees at all levels in ONE globally applicable framework.

The Code of Business Conduct covers three main areas of our operations:

Compliance with local laws and regulations, such as financial accounting and reporting, anti-corruption regulations, competition/anti-trust laws, export control and trade restriction laws.

Business practices and behaviours covers areas such as conflicts of interest, bribery, extortion, corruption, facilitation payments, gifts and entertainment and anti-competitive practices, contracting with third-parties, intellectual property rights, government relations and lobbying, and cultural, religious and political tolerance.

Company assets and financial integrity concerns the standards for accurate and complete data, records, reporting and accounting, protection of assets, IT policy and record management. ▀

For more details visit
www.flsmidth.com

An attractive workplace

The concept of being a global company is central to the FLSmidth HR Policy, and the HR vision is to be seen as an employer of choice, no matter where in the world we operate. In our HR and Health & Safety Policy, we endeavour to set the scene for our employees and their working conditions around the world.

Management System

The responsibility of enforcing the HR Policy lies with the global HR organization and the management teams around the world. They are responsible for monitoring and ensuring compliance with FLSmidth's focus on employees and employee conditions.

Annual Review

A formal dialogue between each employee and his or her manager takes place at least once a year in the form of the annual PDR (Performance and Development Reviews), focusing on performance assessment and continuous professional and personal development.

The PDR also provides the employees with an opportunity to evaluate the working environment, their direct manager and to influence their own personal development.

Efforts to improve the PDR procedures were intensified in 2010 and these developments will continue in 2011.

HR Policy (abstract)

FLSmidth's most valuable asset is our employees and the HR Policy outlines the commitment to provide our employees an attractive place to work and to ensure that employees share the commitment to conducting business according to the FLSmidth standards.

The HR Policy covers areas such as diversity, equal opportunities, employee development and training, healthy and flexible working environment, competitive employment conditions and pay, and recognition of the right to be organised and bargain collectively. Finally, it supports human rights, including refraining from any use of forced labour and respect of the UN Convention on use of child labour. ▽

For more details visit www.flsmidth.com

Employee Development

Each year, FLSmidth allocates the amount of resources necessary for relevant employee development programmes, as it is considered imperative to stay ahead of the competition and to employ the right people with the right qualifications. The focus on employee development is also considered an important parameter in attracting and retaining the most talented employees.

In 2009, considerable efforts were made to strengthen our HR systems and processes. The Learning Management System was introduced to handle the internal management of employee training and development activities. The work continued in 2010 with introduction of our Workplace Learning Toolbox, providing guidelines for continued focus on learning and development, and to be used jointly by employees and managers, ensuring knowledge sharing.

Development of Talent

In 2010, more explicit investments in employee development have been dedicated to specific groups of employees and career tracks; Line Management, Specialists, and Project Management.

From 2007 through 2010, two groups of employees have taken part in the Global Talent Program. This is a 2-year pre-leadership development initiative which enables the company to identify its leaders of tomorrow. It ensures the necessary competencies to continue the growth and success of the company and offers development opportunities for the employees.

In recent years, FLSmidth has put great focus on specialist career opportunities in acknowledgement of the need to continuously develop and offer career paths which also embrace the needs of more specialised knowledge and competencies. Consequently in 2010, the first Lead Specialist Forum was conducted with participants from the global FLSmidth organisation.

The Lead Specialist Forum will be held again in 2011 to continue the focus on the specialist career path in FLSmidth. Also, a new flexible Project Management training programme was implemented in 2010 and continues in 2011.

Performance Review

Employee Survey

In 2008, the first global employee engagement survey was carried out and in the autumn of 2010, the second employee engagement

survey on global scale was repeated with questions very comparable to the ones used in 2008.

The survey enabled all employees around the world to give their view of FLSmidth as an organisation, the competences of their direct management and top-management, as well as the company culture and values, including FLSmidth's corporate responsibility capabilities.

The 2010 survey was translated into 17 different languages and distributed to all employees in the global FLSmidth Group.

The 2010 employee survey was completed with a high response rate of 88 %, and presented an overall satisfaction of 71 points for the FLSmidth Group which is 2 points lower than the 2008 employee survey. The benchmark satisfaction, however, shows a score of 64 points.

Following the 2008 survey, a total of 1,742 actions were reported. For the survey conducted in 2010, the action points have not yet been concluded.

Compliance Review

In 2008, FLSmidth conducted a compliance review with the purpose of ensuring that the global organisation operates in

“The responsibility of enforcing the HR Policy lies with the global HR organization and the management teams around the world.”

compliance both with current local laws and regulations and with the company policies.

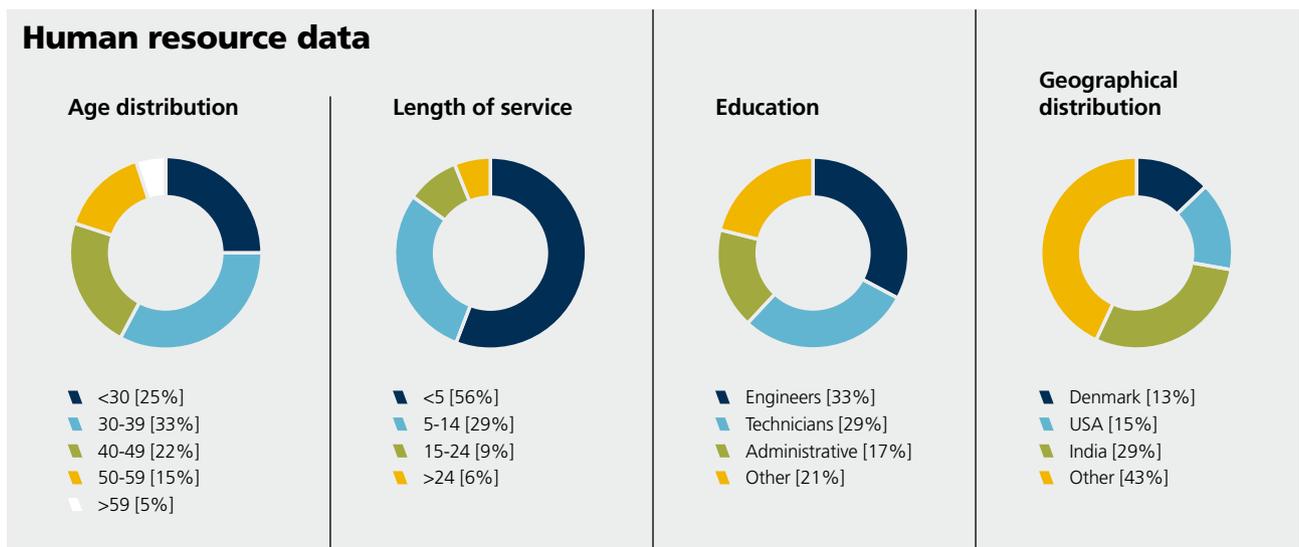
Emphasis has since been on collecting the information and on outlining and implementing improvement activities.

One of the topics for the compliance review was to verify to what extent CSR training had taken place in the individual FLSmidth entities. In most cases, training had been conducted, and in the few entities where training had not taken place, the employees received training and information subsequently.

Looking Ahead - 2011

The goal for 2011 is to conduct a new compliance review with a continuing focus on compliance within policies and legal requirements and also within the areas of Safety & Health and CSR in general.

Related to the annual employee review (PDR), the HR infrastructure is being improved. In 2011, the target is to get improved access to information about employee competences and job roles. ▽



Being safe

The FLSmidth health and safety actions and initiatives are about ensuring that our work and operations are conducted in ways that provide the right conditions for a safe and healthy working environment for all our employees, partners, and the end-users of our products and services.

Management System

A more structured management and reporting system was implemented in 2008/2009 and the strong effort continued in 2010, headed by the global safety organisation

Regional health and safety departments exist in the main project centres in Denmark, USA and India, with supporting functions in other relevant locations to ensure the local integration of the safety policy.

The global health and safety organisation is responsible for setting and implementing the global standards and guidelines, including conducting safety training and auditing the FLSmidth production locations and site activities.

Health & Safety Policy (abstract)

The H&S Policy is the FLSmidth commitment to provide our employees with a healthy and safe working environment and address the responsibility of all managers and employees to ensure the same.

The H&S Policy covers areas such as complying with laws and regulations, following standards and procedures, proactively assessing and striving to reduce occupational injuries, aiming at continual improvement, implementing documented management systems, providing appropriate training, and taking measures and evaluating security risks related to travel and working abroad. The H&S Policy also addresses the health and safety conditions related to products, technologies, services and instructions. ▾

For more details visit www.flsmidth.com

CASE STORY: Safety training in India

In India, the safety organization and training was strengthened in 2010, and the safety training conducted in India now also includes training at the management level. By the end of 2010, 42% of all senior management in India had undergone safety training. ▾

Safety Attention and Training

One of the main focus areas from 2009, which continued in 2010, has been addressing safety in all locations by providing an increased number of safety training programs for technical advisors and other employees travelling to construction and manufacturing sites.

Follow up on Injuries

At FLSmidth we are committed to continuously making improvements and strong focus is given to safety, with the clear target of keeping work accidents and injuries to a minimum.

In order to secure continued attention within the organization, incidents from the FLSmidth group entities are reported on a quarterly basis to the global safety organization, located in Denmark. That procedure allows follow-up on the trend in injuries and that necessary actions are taken in order to maintain the low level of injuries from previous years. All units within Operation and Maintenance (O&M) and production have targets for the number and severity of their injuries.

In 2010, despite our efforts to enhance safety, we unfortunately experienced four fatalities among FLSmidth employees. FLSmidth started safety reporting with the "Annual Report 2007" and in the period of 2007-2009, we experienced 1 fatality (a traffic accident). All fatalities are highly regrettable and we want to make sure that we learn from each incident. Consequently, an extra effort is put into analysing the cause for the incidents and implementing corrective actions.

The number of injuries for 2010 shows a negative development compared to 2009 alone, while compared to the period 2007-2009, the result remains positive and stays well below the Danish Industry level within the frequency and severity rates of the injuries.



The development in severity rate, which indicates how seriously the injuries are (measured in number of lost working hours per 1000 working hours), was not satisfactory in 2010 and consequently this is an area where extra focus will be seen in 2011.

Looking Ahead – 2011

Going forward, safety always ranks high for FLSmith, both for our own employees and also for customers and other stakeholders.

Attention in 2010 was on strengthening the global safety organization with local responsibility and implementation. In 2011, the plan is to add more local safety organizations and representatives to support worldwide functions, including offices and production facilities, and/or O&M activities. Especially the O&M business requires attention, due to both the growing number of operations and employees and the need to ensure a high safety standard. In 2011 a strengthened O&M safety organization will be established.

A part of strengthening the global safety organisation is implementing common standards and procedures, and the target for 2011 is working towards more structured working procedures and compliance.

Safety training will continue to be our top priority and consequently the goal is further development of training and a backlog of training material.

Being represented on many different sites around the world, it is important that FLSmith is able to support and advise our customers on safety matters, whenever needed, for instance by advising and offering training to customers. ▀

CASE STORY: Safety training in Egypt

Safety on site is of key importance to our business. For our employees operating and maintaining cement plants in Egypt, safety training has been top priority on the agenda in 2010.

Evaluation of local needs and requirements has been important to consider, when developing authentic safety training. With the objective of further developing the local health and safety culture, mandatory safety training has been conducted throughout 2010 and continues to be a part of the local operational procedures.

In Egypt, an important aspect of developing a culture that prioritizes a safe working environment has been to apply an interactive learning concept that involves the employees. During the training sessions, the safety manager interacts with employees on why safety is important and why injuries happen, in order to increase employee engagement and awareness.

However, the safety training that is undertaken must also ensure that the employees know and understand the hazards at a cement plant, the safety standards, and applicable procedures at the specific site. Examples are the local safety plan, work permit policy and guidelines, and specific procedures for machine shut down.

The safety training conducted on one site in Egypt has produced a significant improvement in safety performance and the ability to incorporate safety planning and procedures. ▀

Work-related injuries

| | Number of injuries | | | | Number of lost time injuries | | | | Lost time injuries frequency rate* | | | | Lost time injuries severity rate** | | | |
|--|--------------------|------|------|------|------------------------------|------|------|------|------------------------------------|------|------|------|------------------------------------|------|------|------|
| | 2010 | 2009 | 2008 | 2007 | 2010 | 2009 | 2008 | 2007 | 2010 | 2009 | 2008 | 2007 | 2010 | 2009 | 2008 | 2007 |
| Technology, sales, projects and administration | 45 | 34 | 45 | 44 | 18 | 9 | 19 | 10 | 1,3 | 0,6 | 1,5 | 0,9 | 0,3 | 0,2 | 0,3 | 0,3 |
| Production units | 90 | 107 | 135 | 157 | 44 | 51 | 68 | 62 | 9,0 | 7,3 | 11,7 | 12,5 | 2,0 | 0,8 | 1,9 | 1,1 |
| Operation and Maintenance | 17 | na | na | na | 6 | na | na | na | 1,9 | na | na | na | 0,3 | na | na | na |
| Cembrit | 49 | 35 | 41 | 40 | 43 | 24 | 36 | 33 | 23,2 | 14,8 | 22,1 | 22,3 | 3,9 | 3,9 | 4,7 | 6,0 |
| FLSmith Group | 201 | 176 | 221 | 241 | 111 | 84 | 123 | 105 | 4,7 | 3,6 | 6,0 | 5,9 | 1,0 | 0,6 | 0,8 | 1,0 |

* Number of injuries causing absence per one million working hours

** Number of working hours lost due to injuries per 1000 working hours

Environmental concerns

FLSmidth is committed to contributing to environmental sustainability in the areas where we can significantly contribute to climate and environmental protection

Our possibilities of making a difference within the environmental area are considered strongest in the fields of products, processes, and systems related to plants and equipment sold to customers.

The other part of our environmental effort is to look at internal energy usage, i.e. the carbon footprint of the global organization.

Technology

Environmental concerns and considerations will undoubtedly play an important role in the future of the cement and minerals industries, and thus these issues are high on FLSmidth's agenda.

The declared strategy of FLSmidth is to be the preferred partner and the leading supplier to the global cement and minerals industries – and that requires strong focus on more environmentally friendly equipment and solutions.

Environmental Policy (abstract)

The Environmental Policy covers areas such as compliance with environmental regulations for products and services and – in accordance with expectations and requirements for new sustainable equipment – gives consideration to the full life cycle of products and services. Focus is on reducing consumption of energy and natural resources, and, to the extent possible, on reducing or eliminating emissions.

Further, FLSmidth has committed itself to ascertain its own direct environmental impact by collecting data on energy consumption and setting goals and creating action plans. ▾

For more details visit www.flsmidth.com

Research Management

Customer dialogue and alignment with what is important to our customers, are initiatives that have been integrated into our R&D management procedures. Dialogue with customers and keeping ourselves updated is imperative when deciding the main trends in the markets and industries we supply to.

Increasing focus on carbon emissions, energy costs, recycling of water, and increasingly stringent emission standards give us even more reason to direct our research and development activities toward finding solutions that may help our customers meet new requirements. In FLSmidth, therefore, a considerable amount of R&D investment is allocated to research that generates new knowledge and technologies, including environmental considerations.

Research Focus Areas

The environmental focus of FLSmidth's products and processes can be seen from the research focus areas from 2010:

- Cement products (e.g. SCM)
- CO₂ and energy efficiency
- Harmful gaseous emissions
- Fuels and combustion
- Comminution
- Materials and wear processes
- Minerals liberation
- Phase separations
- Filter processing

All focus areas are agreed on by the R&D steering committee, represented by top-level management.

“Environmental concerns and considerations are, without doubt, part of the future for both the cement and the minerals industries”

Research in eco-friendly cement based on local raw materials

The SCM (Supplementary Cementitious Materials) Project is an example of how FLSmidth strives to enhance the environmental sustainability of the cement industry through a dedicated research and development focused on creating and applying new knowledge in designs of novel manufacturing processes for the industry.

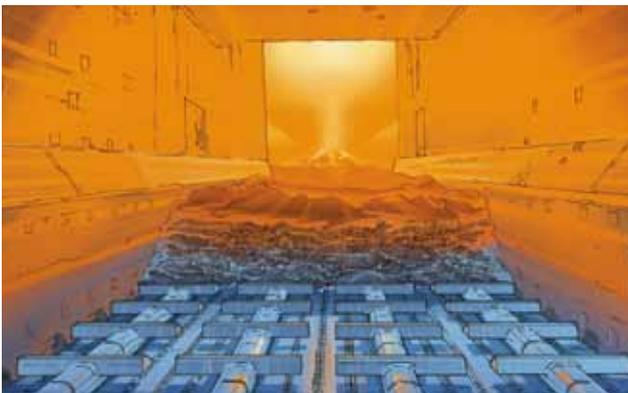
The SCM project is financially supported by the Danish National Advanced Technology Foundation and is undertaken in cooperation with 3 external partners: Aarhus University, iNANO (interdisciplinary nano science centre); Aalborg University, Dept. of Energy Technology and Aalborg Portland.

The purpose of the project is to develop advanced process technology for producing high-quality environmentally friendly cement in the future.

The project focuses on developing new types of reactive Supplementary Cementitious Materials (SCM) and on the necessary process technology for large scale production and use of such materials. The process technology is being developed for sale to the global market and will be centred around the manufacture of SCM materials, based on locally available raw materials. The whole process will be tailor-made for specific cement plants. ▽

Want to read more about the project?

[Link SCM Project](#)



Product Development

Environmental concerns and considerations are, without doubt, part of the future for both the cement and the minerals industries, and consequently also high on the FLSmidth agenda when releasing new products.

In 2011, innovation continues to have high priority, with R&D as a main driver, in order to fulfil our target of delivering new and more environmental friendly products to our markets. »

Filter press technology

FLSmidth has invested in the development of large, innovative, filter press technologies, which now enable a mine to achieve the maximum recovery water for re-use in the process. Additionally, the remaining cake can be dry stacked, thus eliminating the need for tailing ponds and promotes ongoing reclamation and re-vegetation of the surrounding landscape. ▽

Latest cross-bar cooler takes clinker cooling technology to new level

The new FLSmidth Cross-Bar™ clinker cooler is an example of how one of our innovative deliverables in 2010 is in alignment with FLSmidth's environmental focus in new product development.

The new cooler is a refinement of already proven FLSmidth technology, and presents an even more economical and flexible solution that allows it to be adopted in more cement plants around the world.

Compared to previous generation coolers, thermal efficiency and power consumption with the FLSmidth Cross-Bar™ cooler can be improved by 50% or more. And even compared to FLSmidth's own Cross-Bar cooler predecessor, there is opportunity for additional efficiency gains.

Sustainability is more than direct energy use. In the maintenance of the FLSmidth Cross-Bar™ cooler, fewer wear parts with significant overall lower weight means less manufacturing and transportation of material. With its modular design, the cooler has the further benefit of being transported in standard shipping containers, which takes up less space. ▽

CASE STORY: Emission regulations

The American NESHAP rule (National Emission Standards for Hazardous Air Pollutants) proposed by EPA, became law in September 2010. For FLSmidth and cement producers in the US, the NESHAP rule covers emissions of mercury, HCl (hydrochloric acid), THC (total hydrocarbons), and particulates on not only new kilns but also on all existing kilns.

In September, 2010, EPA released a new law for the NSPS (New Source Performance Standards) rule. The NSPS rule covers only new or modified kiln systems and covers emissions of SO₂, NO_x, and particulate.

In response to the new rules, FLSmidth has formed the Emissions Business Development Group, which is a group of employees dedicated to work with the challenges of emissions and the new regulations. The group includes employees from different divisions across FLSmidth and with participation from both Denmark and USA.

Further, in response to the strengthened environmental regulations in the American market, FLSmidth has taken up the challenge

and developed a new technology for reducing mercury emissions, called the Mercury Roaster, to meet the new NESHAP rule for mercury. This new technology has successfully been patented in the US.

One of the challenges with the new NESHAP rule for the US cement producers has been to determine if and what kind of emissions reductions were required. To support this need, FLSmidth created an emissions test rig that was portable and could be used to make the needed measurements. The cement producers have welcomed FLSmidth with the new test rig, and selling emissions testing services to our customers has been a success.

However, it has not only been about sales. In FLSmidth we have been dedicated to working with our customers and assisting them in determining the right technology for their individual plants to achieve compliance with the NESHAP rules. FLSmidth is a leader in the industry on emission know-how and we have been putting our knowledge to use to help our customers, even in cases where that help may not lead to direct sales for FLSmidth. ▽



Carbon Footprint

Although by far our largest sphere of influence is incorporating environmental sustainability into our products, processes and systems, we still want to bring environmental considerations into our daily business operations.

Environmental Reporting and Performance

In 2009 and 2010, FLSmidth started collecting and officially report on its own carbon footprint to the Carbon Disclosure Project.

Having primarily office buildings and relatively few manufacturing sites, FLSmidth considers its main consumption of resources to be related to energy. Consequently, the first phase of the environmental reporting has been on CO₂, CO₂e and other green-house gases.

The total footprint in 2009 was 73,000 tonnes CO₂ reported in scope 1 (direct) and 2 (indirect), see CDP Report submitted 2010.

FLSmidth's carbon footprint from 2010 equals to a total amount of 76,000 tonnes CO₂ reported in scope 1 and scope 2. The number for 2010 shows a slight increase in the amount compared to 2009, and is coherent with increased activities during 2010. 36,000 tonnes CO₂ out of the total amount is derived from Cembrit's production of fibre cement which in 2009 was equal to 34,000 tonnes CO₂. FLSmidth will in 2011 submit our carbon footprint reporting for 2010 to the Carbon Disclosure Project.

Scope 3 content is currently being considered for the 2012 FLSmidth reporting to the Carbon Disclosure Project.

Looking Ahead - 2011

The commitment of collecting and reporting on FLSmidth's carbon footprint has prompted a more detailed review of the procedures for collecting data and setting targets and action plans in 2010 with consideration of what is of relevance to FLSmidth.

Detailed action plans and other means for lowering the internal energy consumption are yet to be developed and will be work in progress for 2011. ▀



Minerals Technology Center opened in Salt Lake City

Environmentally and technologically advanced

The core and shell of the two buildings are LEED approved (a green building certification under the Leadership in Energy and Environmental Design programme), something that is highly unusual in a building designed for industrial laboratories. Part of the effort to achieve this certification was to specify a three-stage air conditioning unit for office space that takes advantage of ambient air, evaporative cooling, and refrigerated air to minimize energy consumption while maintaining a comfortable environment. Because of the specialized use of individual laboratories, each is equipped with its own heating, ventilating, and air conditioning system.

Additional energy saving features were provided, including motion sensing lights where practical, sky lights in the pilot lab and warehouse, and the ability to energize lights in stages so that it is not necessary to use all lights at all times. The physical plant includes central vacuum, compressed air, and de-ionized water for the laboratories. ▀

Continuous assessment

FLSmidth is an engineering-based company with limited in-house manufacturing sites, and consequently most production of equipment is outsourced to external sub-suppliers.

With suppliers around the world and our own minor production facilities in various locations, Responsible Supply Chain Management (RSCM) has been one of the focus areas for 2010, continuing into 2011.

Assessment and evaluation of our supply-chain is not a new element in our procurement and inspection procedures. However, the more structured approach to the task has been under evaluation and development during 2010.

Management System

The existing practice in FLSmidth on how to assess suppliers is incorporated into our procedures for purchasing, while supervision

of the production sites is carried out by our inspection force that visits our main suppliers on a regular basis.

If and when unacceptable working conditions or other intolerable circumstances are recorded, the procedure is to report to the respective procurement or inspection department so they can consider the necessary actions.

Responsible Supply Chain Management

Being one global company is a strong incentive for having a consistent assessment procedure when dealing with suppliers around the world.

Quality and cost are very important parameters when looking for sourcing opportunities; however they cannot stand alone. Incorporating the aspects of health and safety, labour standards and environmental concerns are imperative for doing business today.



CSR assessment is considered yet another parameter to strengthen the FLSmidth supply chain and the deliverables.

In 2010, the focus in FLSmidth has been on reviewing our current methods and procedures for handling and assessing new and existing suppliers.

A project under the headline of Responsible Supply Chain Management was officially started in 2010. The project is dedicated to the global procurement and inspection force in FLSmidth, and due to its complexity it is expected to continue throughout 2011 and beyond.

The elements of the project vary from risk-assessment and evaluation of our existing supplier base, criteria for evaluation in alignment with the UN Global Compact, and evaluation of potential new suppliers to designing in-house training material and training sessions for employees. ▽



“Being one global company is a strong incentive for having a consistent assessment procedure when dealing with suppliers around the world.”

CASE STORY: Informing suppliers

The overall procurement and sourcing strategy in FLSmidth is being implemented under the headline of “The Way Forward”. When introducing the new procurement strategy, a part of the implementation phase has involved the suppliers.

On 14 September 2010 a large group of FLSmidth key suppliers were gathered in Copenhagen, Denmark, at the FLSmidth Supplier Conference 2010, which was the first of its kind. The purpose of the conference was to give the key suppliers an opportunity to enhance their knowledge of FLSmidth, including business strategies and key focus areas.

The conference was a great opportunity for FLSmidth to present its focus on CSR and its current progress, including the focus on our supply chain.

90 key suppliers were represented at the conference and were consequently informed of our CSR policies and activities, which also have implications for their operations and working procedures. The number of suppliers present at the supplier conference represented 30 % of our total purchasing spending in 2010.

Dialogue about our initiatives is of importance to FLSmidth when working with CSR. Having a conference with so many suppliers gathered at the same time has been a great learning experience for us, and encouraged us to continue the open dialogue about CSR initiatives and business in general.

Following the conference, specific information was sent to the same 90 suppliers about FLSmidth’s stance on Responsible Supply Chain Management, including basic respect of human rights, labour standards, environmental standards and business ethics. The feedback has been positive.

As a second step, CSR requirements are being implemented in our General Conditions of Purchase as of January 2011. ▽

Making a difference

For FLSmidth, presence in many different local communities is essential to our business and to the diversity of our workforce

With business entities and units in more than 40 countries worldwide, we emphasise a sustainable approach to community engagement, and continually assess how FLSmidth can make a difference.

Through our Operation & Maintenance operations, we are often present in a country for many years and depend highly on our good relationship and co-operation with the local community and its citizens. We believe that training and education is a good way to use our know-how and expertise to create high value to the benefit of developing countries and emerging markets. ▽

“We emphasise a sustainable approach to community engagement, and continually assess how FLSmidth can make a difference.”

CASE STORY: The FLSmidth Helwan Cement Institute

In 2010, a partnership between FLSmidth and Helwan University was made official, resulting in the establishment of the FLSmidth Helwan Cement Institute in Cairo, Egypt.

The reasons for the partnership are many. The strong Egyptian cement industry which is forecasting growth in the next 3-5 years and FLSmidth's historic strong position in the market are essential factors.

Additionally, FLSmidth's strategically important operation and maintenance (O&M) operations have a specific connection to Egypt, since the first O&M contract was signed in Egypt in 2007. Since then, other O&M contracts have been signed in Egypt, and the recruitment of qualified personnel is of vital importance. Although the cement industry in Egypt has strong traditions, the industry, with its high demand for personnel, is facing challenges because of the shortage of qualified personnel.

The idea behind the FLSmidth Helwan Cement Institute is to help alleviate this problem by creating a graduate-level cement institute that can bridge the educational and qualification gap for engineers graduating from the university and prepare them adequately for a potential career in the cement industry.

Before establishing FLSmidth Helwan Cement Institute, FLSmidth solved the educational and qualification gap with extensive internal training and education; however by investing in a partnership with a local university, we will secure a long-term change in the local educational system to serve the cement industry and the local community. Our belief is that the partnership with a local partner from the community will strengthen the future pool of potentially qualified candidates and increase local hiring.

The solution of investing not only money, but also time, resources and knowhow, is a more demanding approach for FLSmidth than merely donating money to the universities. However, it is a much more sustainable solution, through which we attempt to make a long-term difference, not only for our own employees but also for the general competence level in Egypt. ▽



The UN Global Compact principles

| UN Global Compact | Focus | Policies |
|--|---|---|
| <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights</p> <p>Principle 2: Make sure that they are not complicit in human rights abuses</p> | <p>Respect of:</p> <ul style="list-style-type: none"> - UN Declaration of Human Rights - UN Convention the Rights of the Child with respect to any use of child labour - Refraining from any use of forced labour - Competitive and good employment conditions - Equal opportunities - The right to be organized and bargain collectively - Healthy and safe working conditions | <ul style="list-style-type: none"> - Human Resources (HR Policy) - Code of Business Conduct (COC) |
| <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining</p> <p>Principle 4: The elimination of all forms of forced and compulsory labour</p> <p>Principle 5: The effective abolition of child labour</p> <p>Principle 6: The elimination of discrimination in respect of employment and occupation</p> | <p>Respect of:</p> <ul style="list-style-type: none"> - UN Declaration of Human Rights - UN Convention the Rights of the Child with respect to any use of child labour - Refraining from any use of forced labour - Competitive and good employment conditions - Equal opportunities - The right to be organized and bargain collectively - Healthy and safe working conditions and environment - Safety training | <ul style="list-style-type: none"> - Human Resources (HR Policy) - Health & Safety (H&S Policy) - Code of Business Conduct (COC) |
| <p>Principle 7: Businesses should support a precautionary approach to environmental challenges</p> <p>Principle 8: Undertake initiatives to promote greater environmental responsibility</p> <p>Principle 9: Encourage the development and diffusion of environmentally friendly technologies</p> | <ul style="list-style-type: none"> - Products and services in compliance with applicable environmental regulations - Energy and environmental consideration in life cycle of products and services - Design of equipment in accordance with sustainability expectations and requirements for new equipment - Measurement of internal carbon footprint | <ul style="list-style-type: none"> - Environmental Policy |
| <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery</p> | <ul style="list-style-type: none"> - Compliance with applicable laws and requirements - Complying with anti-competition and export control regulations - Refraining from any use of corruption in business practices, including bribery, extortion and kickbacks, and from participation in any kind of money laundering | <ul style="list-style-type: none"> - Code of Business Conduct (COC) |

| Actions | Measure Performance | Page |
|---|--|--|
| <ul style="list-style-type: none"> - HR development programs 2010 - Responsible Supply Chain Project (RSCM project) - Code of Business Conduct introduction/information | <ul style="list-style-type: none"> - HR statistics - EES2010 (employee survey) - Compliance Review - Informing suppliers of RSCM | <p>Page 9 Page 8 Page 9 Page 17</p> |
| <ul style="list-style-type: none"> - HR development programs 2010 - HR annual review (PDR) - H&S training 2010 - Responsible Supply Chain Project (RSCM project) - Code of Business Conduct introduction/information | <ul style="list-style-type: none"> - H&S statistics - HR statistics - Informing suppliers of RSCM - EES2010 (employee survey) - Compliance Review | <p>Page 11 Page 9 Page 17 Page 8 Page 9</p> |
| <ul style="list-style-type: none"> - R&D research focus - Product development - Internal carbon footprint with reporting to Carbon Disclosure Project (CDP) | <ul style="list-style-type: none"> - Products developed and launched with environmental aspect - Internal carbon footprint | <p>Page 12-14 Page 15</p> |
| <ul style="list-style-type: none"> - Introduction to the Code of Business Conduct - Responsible Supply Chain Project (RSCM project) | <ul style="list-style-type: none"> - Dealing with incidents - Compliance Review - Informing suppliers of RSCM | <p>Page 6 Page 9 Page 17</p> |

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