

One Source



Corporate Social Responsibility

**Communication On Progress 2011
to United Nations Global Compact**



CEO statement

I proudly welcome you to our second progress report to the UN Global Compact. FLSmidth is one global company and this report will present you with our corporate commitment to sustainability, as well as with our local engagement and activities. In this report, you will find what we have considered the most important progress made globally during the past year.

In general, 2011 has been a year where we have focused on developing and strengthening our company to maneuver in a world full of changes – ranging from financial, environmental, and to demographic factors.

This report shows our development in 2011 – a year where FLSmidth grew as a global company. Through acquiring new companies and hiring new employees, we have intensified our focus on having the right people in the right positions. At the end of 2011, we had welcomed approximately 2.000 new employees, representing a 18 percent increase over last year.

Welcoming new people and talent to our organisation also means increased responsibility. This was highlighted in some parts of the world, when we experienced the Arab Spring.

The unrest in the Middle East posed a serious challenge for our global company, with a presence in all related countries. Safety is our first priority – both work-related safety and when unforeseen external incidents influence the working conditions for our employees. During the Arab Spring, we kept our commitment to our employees. We took care of our local employees and brought our non-native employees home safely and efficiently. Equally important, we also stood by our commitment to our customers. During the Arab Spring, we made sure that the impacts from these difficult conditions were kept at a minimum.

Safety has been an area in development throughout 2011 and will only continue to be so going forward. 2011 was the year when we started communicating internally on our target for safety – the goal is to have the number of injuries with lost time per million working hours (LTIF) of maximum three percent or less in 2015. The level was 4.2 when year 2011 ended and a reduction of 30 percent in itself should be seen as an ambitious target. We are also conscious that our customers are striving to ensure safe working conditions, and we see our company as their partner, influencing the industries in a positive way.

One of the most significant characteristics of our world today is the climate changes influencing everyone – no matter where we live. At FLSmidth, we believe that the environmental challenges are a part of our corporate responsibility and also the area where sustainability to us is business-driven and a part of our value propositions.

Sustainability covers many different topics, and at FLSmidth, we are convinced that directly linked with our business and technology, we can make the biggest impact. From 2012, sustainability will also in writing be a part of our new group vision to be "...our customers' preferred full service provider of sustainable Minerals and Cement technologies".

With our technology and our high investment in research and development (R&D innovation), we believe that supplying equipment that can relieve the environmental challenges, within our industries, is what we do best. In 2011, we have worked intensively on analyzing our industries, our surroundings and our own company – not only to be aligned with basic developments – but also when renewing our group vision and strategy. The aspect of sustainability is inevitable when referring to our strategy of growth, and we believe it is an essential part of the way we reach our strategic goals.

Being a global company with increased representation all over the world is a position that requires commitment on various levels. 2011 was the year where governments and policy makers enhanced legal requirements – for instance with the UK Bribery Act and the UN Guiding Principles. This shows that focus on corporate responsibility and legal compliance will only increase in the years to come. Consequently, in 2011, we have strengthened our internal policies and procedures and brought our commitment to the next level. Approved by our Board of Directors, we added a new Corporate Governance and Compliance Department to our organisation in August 2011, which will focus on internal compliance.

With some of the highlights of 2011 and a firm commitment to continuously show progress when implementing the 10 principles of the UN Global Compact, we wish you pleasant reading and hope you will find this report to be a valuable source of information. ▀

Jørgen Huno Rasmussen
Group CEO, FLSmidth



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Who we are

FLSmidth is among the world leaders in supplying engineering equipment, systems and services to the cement and minerals industries. We produce engineering services and offer specialized equipment that our customers use to provide minerals and materials for a wide range of industrial and consumer products

We operate in more than 50 countries and have major project and technology centres in Denmark, the United States of America, Germany, and India.

Headquartered in Valby, Denmark, our company employs approximately 13.200 people around the world. FLSmidth strives to create a company-wide culture that values sustainability and corporate social responsibility with a day-to-day practice. In this report, we will tell you how we do this. Demonstrating our commitment to human rights, responsible work conditions, ethical business practices and sustainable environmental approaches worldwide, we signed the United Nation's Global Compact in 2008 and provided our first Communication on Progress to the UN in February 2010.

FLSmidth & Co. A/S is listed on NASDAQ OMX, Copenhagen, Denmark.



Our strategic approach emphasized in 2011

In 2011, FLSmidth planned an even more structured focus on strategic sustainability and corporate responsibility by making it part of our new group strategy and vision to be launched in 2012. Acknowledging that corporate social responsibility (CSR) is becoming even more important to our customers, communities, and employees, FLSmidth has embraced CSR as part of a moral responsibility as well as business practices that serve our industries and stakeholders. Whether we are calling it sustainability or CSR, the topic is among the keys to our future growth.

Throughout each business unit, our heightened strategic approach and objectives will begin to focus even more on cooperation with company stakeholders, maintaining high standards of business ethics, developing people, and protecting the environment. Through our goals to create a unified and consistent CSR approach, FLSmidth can live up to its promise to be a One Source company.

With sustainability being a solid cornerstone of our group's vision, our newly written business strategies focus on product leadership, customer intimacy, and operational excellence. We are striving to help our customers meet their sustainability goals. In the area of operations, we are focusing on safety, human rights, high ethical business standards, developing employees, and responsible sourcing.

We live by our corporate responsibility every day through such actions as developing equipment and products that conserve energy and reduce water usage. Due to our sustainability commitment, we design and provide more environmentally friendly equipment, produce sustainable products, and seek innovations and patents that underline our commitment to influence climate change challenges.

“FLSmidth focuses on our aspirations as: one company, one source and one responsibility.”

We partner with universities to conduct research that leads to environmentally sustainable products for our customers. In support of our local communities, we initiate partnerships with universities and improvement of student education in engineering and technical fields. As we build upon our CSR programs and sustainability focus, we expect to make even greater impacts year by year.

Our corporate responsibility

From FLSmidth's point of view, corporate social responsibility is good business and good for business. Through our efforts, we create value for our customers, employees, investors, local communities, and, even our suppliers. At FLSmidth, our ongoing emphasis is in six main areas:

- Human resources/employees
- Health and safety
- Business ethics
- The environment
- Responsible sourcing
- Communities

FLSmidth focuses on our aspirations as:

- One company
- One source, and
- One responsibility

Founded in Denmark in 1882, perhaps it is FLSmidth's Nordic heritage that drives our determination for accountability and individual responsibility.

CSR Board leads our efforts

In 2011, our Corporate Social Responsibility Board, many of whom are top tier executives in our company, continued to grow the vision for CSR. Members of the board are:

- Jørgen Huno Rasmussen, Group CEO
- Pernille Friis Andersen, Corporate Communications/Investor Relations
- Johannus Egholm Hansen, Group General Counsel
- Anders Høeg, Group Strategic Procurement and Quality
- Egon Toft, Operations and Maintenance
- Jakob Lyngsø Andersen, Global Human Resources
- Michael Skovgaard Christensen, Corporate Governance & Compliance
- Ann-Katrine Havris Lundgaard, Global CSR

The UN Global Compact principles

| UN Global Compact | Focus | Policies | Actions | Measure Performance | Page |
|--|---|--|---|--|---|
| <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 (COBC) | <ul style="list-style-type: none"> - HR development programs 2011 - Diversity initiative 2011 - Responsible Sourcing initiative - Developing Code of Business Conduct e-learning | <ul style="list-style-type: none"> - HR statistics - Employee Survey data - Target of minimum 10 % female managers in 2014 - Compliance Review 2011 - Responsible Sourcing targets 2012 | <p>Pages 8-9 Pages 14-15 Page 20</p> |
| <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 (COBC) | <ul style="list-style-type: none"> - HR development programs 2011 - HR annual review (PDR) - Safety strategy introduced 2011 - Health & Safety training 2011 - Responsible Sourcing initiative - Developing Code of Business Conduct e-learning | <ul style="list-style-type: none"> - Health & Safety statistics - HR statistics - Safety target of max. 3% LTIFR by 2015 - Responsible Sourcing targets 2012 - Employee Survey data - Compliance Review 2011 | <p>Pages 8-9 Pages 10-11 Page 13 Pages 14-15 Page 20</p> |
| <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 | <ul style="list-style-type: none"> - R&D research focus areas - Product development - Internal carbon footprint with reporting to Carbon Disclosure Project (CDP) | <ul style="list-style-type: none"> - New products developed and launched with environmental aspect - Internal carbon footprint | <p>Pages 16-19</p> |
| <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 (COBC) - New Anti-corruption Policy - New Competition Compliance Policy | <ul style="list-style-type: none"> - Developing Code of Business Conduct e-learning - New Corporate Governance & Compliance department - Responsible Sourcing initiative | <ul style="list-style-type: none"> - Dealing with incidents - Compliance Review 2011 - Responsible Sourcing targets 2012 | <p>Pages 14-15 Page 20</p> |

Managing a global workforce

At FLSmith we can offer a unique and challenging work place, and we strive to attract, develop, and retain the most qualified, innovative, and competent employees to get the perfect match to our job descriptions. It is through our highly skilled workforce, FLSmith is able to compete in the global market and serve our customers

Human resources policy: Integrity and equal opportunity

In our human resources policy, we state that we strive to conduct our business with the highest ethical standards, integrity, and professionalism. Clearly stated is our stance on labour practices, "FLSmith offers competitive employment conditions and remuneration and recognizes employees' right to be organized and bargain collectively. We support human rights and do not engage in child or forced labour".

The policy also emphasizes that equal opportunity is a basic tenet: "We offer equal opportunities...irrespective of gender, age, ethnic or national origin and religious beliefs, disability, political or sexual orientation and family status". Our human resources policy is posted on our external website and also on our internal website, InSite.

Professional development review

We support our employees by offering them further education, training, and development throughout their career. This emphasis on developing people is the center of attention in the annual dialogue between manager and employee, which is formalized in our Performance and Development Reviews (PDR). In 2011 we increased the focus on the continual development of our employees by increasing the number of PDR meetings. We have further refined this procedure by encouraging employees and managers to have performance and development conversations throughout the year as an ongoing process. Through the PDR, we continue to embrace our commitment to employee progress and training.

In 2010, we enhanced our explicit investments in development of line management, specialists, and project management groups of employees. In our 2010 report, it was stated that we planned to organize an annual Lead Specialist Forum to continuously enhance the specialist career tracks. The 2011 forum was held in India.

In 2011, we also provided a more standardized project management training program that builds upon 2010 efforts and links to international standards. The first participants have started the course in 2011 and more will follow in 2012.

Employee engagement

Through our 2010 Employee Engagement Survey, we learned more about our employees' view of FLSmith policies and practices and gleaned helpful suggestions and insights that we incorporated into our business in 2011.

By evaluating employee feedback from the survey, we were able to create new policies for the betterment of FLSmith. For example, the engagement survey showed a need to address sourcing from and employment of relatives. Consequently, two new policies, that lead the employees in their decisions when having a potential bias in their professional life due to their personal life, were introduced in 2011. The policies prescribe that if there is such sourcing or hiring from relatives, it should happen under consistent, supervised, and controlled conditions. Every effort was made to ensure that data privacy laws were followed with great care during and following the employee survey.

Eighty-eight percent of our employees responded to the 2010 survey. Their satisfaction with FLSmith overall was 71 points which was a two-point drop from the 2008 survey, though still above the international benchmark for satisfaction, which is 64 points. In 2011, we began the process of investigating and responding to actions derived from the 2010 survey.

In 2012, we will conduct another employee survey. We know we can learn from our employees how to continually improve our procedures, systems, and compliance efforts. The 2010 employee survey was translated into 17 languages for our global workforce. We expect to offer the 2012 survey in even more languages.

Compliance: What gets measured improves

We conduct compliance reviews to gauge the status of our human resources, safety, and health, and CSR areas of our business efforts. The response to the reviews guides us as we analyze and improve company-wide compliance.

We define compliance as:

- Adhering to local requirements (laws, regulatory requirements, and legal obligations).
- Complying with company policies, norms, standards and ethical guidelines within the scope of FLSmith's CSR, human resources, safety, and health parameters.

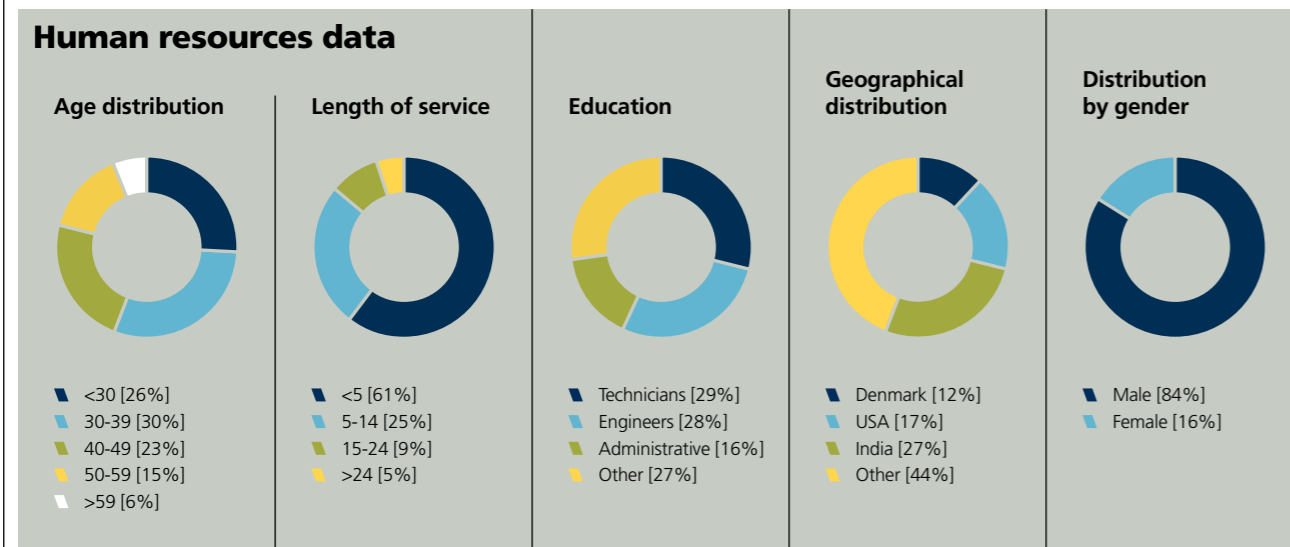
Our human resources department has started a compliance review in 2011. The purpose is to ensure that FLSmith is complying with local regulations and laws as well as adhering to our company policies, norms, standards, and ethical guidelines. When gathering and evaluating the results, any non-compliance is listed and action plans are developed and executed where needed. The compliance reviews are also a tool to ensure that FLSmith is fully committed to the UN Global Compact principles and to an ongoing process of development. We will continue to review the results from the compliance review in 2012 to measure, understand, and improve our procedures.

Human resources achievements in 2011 – New diversity initiative revealed

Through our actions, we demonstrate that diversity is crucial to our business in today's world. Through a diverse workforce, we are better able to relate to our customers and connect with the unique local communities that host our operations. A diverse workforce also means diverse skills, which leads to a more competent workforce and innovation.

In 2011, we announced a plan of action to increase the number of women in management at FLSmith. Our focus is to increase the number of female managers from our current 7.2 percent to a minimum 10 percent by 2014. From this point forward, we are requiring that qualified female candidates are identified for consideration for open management positions.

Our human resources managers will require and monitor action plans created by local management teams who will be accountable to reach the 10 percent target by 2014. Increasing the number of women in management is only one of the diversity initiatives that we will develop and roll out in the coming years. Through diversity initiatives, we demonstrate our commitment to a diverse workforce that will enable us to compete in a global marketplace.



HR targets for 2012

- Build on employee development initiatives – such as PDR, career paths, and training programs
- Conduct a new employee survey
- Continue to review the results from the 2011 Compliance Review
- Make action plans to secure the new diversity target of reaching minimum 10 percent female managers in 2014

Employee safety and health come first

We value our employees, customers, contractors, and partners. One of the ways we show our commitment is through safe and healthy working conditions, safe travel and finally by delivering safe products and services

Safety is our first priority!

We have aligned our safety and health policies with our basic corporate values in the areas of *responsibility*, *competency*, and *cooperation*.

Responsibility – it is the responsibility of all employees and their managers to create a safe and healthy environment for themselves, their colleagues, contractors, and our customers through the creation of proper safety and health practices for their respective workplace.

Competency – we will ensure clear leadership and competence within the safety and health area. Our policy is to provide each employee with safety training and techniques necessary for the safe and healthy performance of his or her job.

Cooperation – In cooperation with colleagues, contractors, and our customers, each employee will work to provide a safe and healthy environment, thereby creating safe and healthy workplaces.

Our regional safety managers and our safety organisation motivate and drive the call for a safety conscience culture, while local management follows through on implementation of global and local safety initiatives. The safety organisation continues to add structure to our approach and to our ability to develop our safety practices, training, and oversight.

Due to a range of activities that varies from engineering, procurement, project execution, running warehouses and to in-house production around the world at many different locations, FLSmidth has chosen

a safety strategy where the local responsibility and competences are in focus. Having competent safety and health staff globally is an example of this approach. Between 2010 and 2011 there was more than a 20 percent increase in the number of employees in safety and health jobs – a higher percentage than the increase in the total number of FLSmidth staff.

In 2011 about 80 employees used more than 50 percent of their working time on safety and health. The establishment of safety functions, both in regional levels and at business locations has improved FLSmidth's ability to develop and implement safety programs and standards globally. >>



CASE STORY: Employee safety during Arab Spring

Among the top international news stories of 2011 was the Arab Spring – a wave of revolutionary protests for democracy across the Arab world. This sudden political unrest presented a safety emergency for our employees and difficulty to meet our customer obligations.

With operations in numerous Arab countries, FLSmidth's first concern was for employee safety, serving our customers, and meeting our commitments. Our Travel Security Department has built a solid structure and the necessary logistics to accommodate and manage our operations in times of civil unrest. The department strives to protect our employees and provide safe working conditions in high-risk situations.

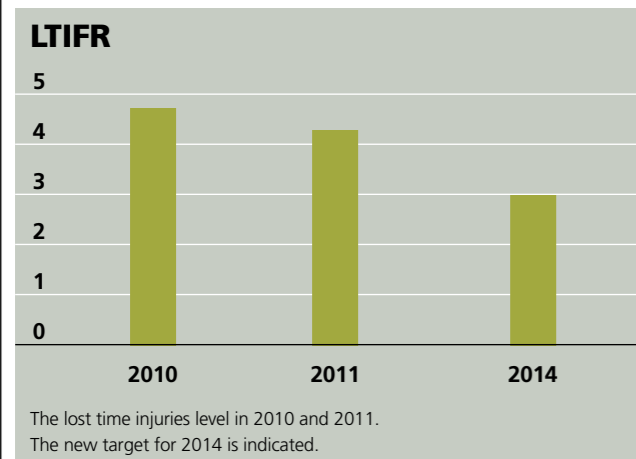
Relying on our travel security management system and plan, our Security Council correctly anticipated the escalating situation, acknowledged the risk to our non-native employees, and executed the complicated evacuation of these employees from Tunisia, Egypt, and Libya. As is our policy, these employees were offered counseling and practical help as they made the adjustment to this sudden evacuation. Our Egyptian employees were instructed in proper security measures, while continuing to safely operate the plant and thereby meeting our customer's requirements. ▽



Tracking safety and health to reach our goals

By quarter and year, our safety teams continuously track the total number of FLSmidth injuries. Through investigations and analysis, we learn how we can improve and make our workplaces safer. Today, all injuries must be investigated and corrective action plans implemented in order to avoid repeated occurrences.

In 2011, we increased the number of people working for FLSmidth by 18 percent and showed that we were still able to lower the lost time injuries frequency rate and experienced a drop of 11 percent compared to 2010. This safety metrics is particularly important to us being the one that we report on during the year and set targets from.



Newly acquired companies and new projects have increased the number of people working with manufacturing and on construction sites and those are areas often connected with a higher risk of work related injuries. To us, safe working conditions and safety training are key elements when maintaining a safety culture and improving our track records. Although, we experienced stable number of injuries, it is our clear target to keep working towards a lower number.

The severity rate dropped from 1.0 in 2010 to 0.9 in 2011; however we are still working to bring down the amount of severe injuries which is also one of the targets for our work with safety in 2012. On a global scale, we are analysing and tracking all of our severe accidents, and in 2012 the global safety organisation will be launching new initiatives so these types of injuries can be reduced.

Another positive aspect of our continuous safety reporting is that we have seen improvements with our reporting methods and ability to follow up on injuries and the data received from our many entities. With that information we have created a better knowledge of the safety conditions in our organisation and bettered our ability to act on the information received.

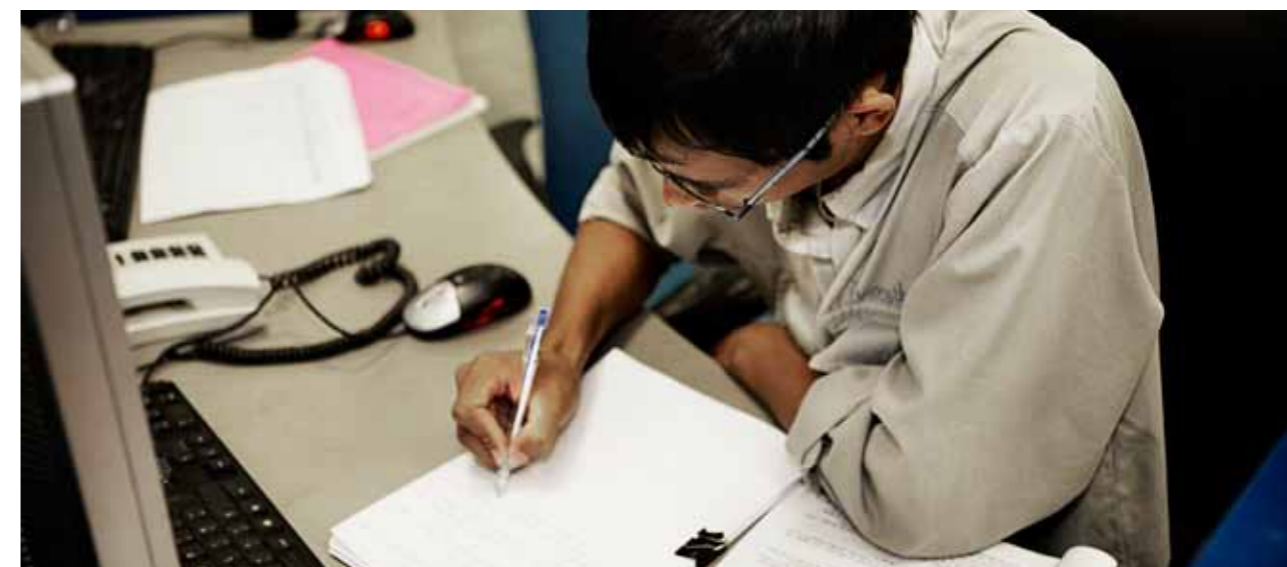
OHSAS 18001 and ISO 14001

In 2011, our Operations and Maintenance Division (O&M), which is running and maintaining plants around the world, began the process of seeking the safety and health standard OHSAS 18001 and the environment standard ISO 14001 certifications for its sites. Safety is one of the key parameters when operating and maintaining plants within the cement and mineral industries and in FLSmidth we believe this certification will support the overall ambition of having the best possible standard within the industry.

Work-related injuries

| | Number of injuries | | | | Number of lost time injuries | | | | Lost time injuries frequency rate* | | | | Lost time injuries severity rate** | | | |
|--|--------------------|------------|------------|------------|------------------------------|------------|-----------|------------|------------------------------------|------------|------------|------------|------------------------------------|------------|------------|------------|
| | 2011 | 2010 | 2009 | 2008 | 2011 | 2010 | 2009 | 2008 | 2011 | 2010 | 2009 | 2008 | 2011 | 2010 | 2009 | 2008 |
| Technology, sales, projects and administration | 24 | 46 | 34 | 45 | 10 | 19 | 9 | 19 | 0.7 | 1.3 | 0.6 | 1.5 | 0.2 | 0.3 | 0.2 | 0.3 |
| Production units | 81 | 90 | 107 | 135 | 36 | 44 | 51 | 68 | 6.0 | 9.0 | 7.3 | 11.7 | 1.2 | 2.0 | 0.8 | 1.9 |
| Operation and Maintenance | 46 | 17 | na | na | 16 | 6 | na | na | 4.1 | 1.9 | na | na | 1.8 | 0.3 | na | na |
| Cembrit | 53 | 49 | 35 | 41 | 48 | 43 | 24 | 36 | 25.8 | 23.2 | 14.8 | 22.1 | 3.7 | 3.9 | 3.9 | 4.7 |
| FLSmidth Group | 204 | 202 | 176 | 221 | 110 | 112 | 84 | 123 | 4.2 | 4.7 | 3.6 | 6.0 | 0.9 | 1.0 | 0.6 | 0.8 |

* Number of injuries causing absence per one million working hours
 ** Number of working hours lost due to injuries per 1000 working hours



Training is the safety solution

Our new global safety program works toward a standardized global and safety training program for technical supervisors. FLSmidth regards training as one of the most important and best solutions for improving safety among our employees. In the coming years, training will be one of our safety metrics and will also be a target for many of our managers through their bonus objectives.

As announced in our 2010 report, we have in 2011 completed steps toward standardizing the working procedures and created methods and procedures to accomplish more safety reporting.

Looking to more safety as we grow, our target for 2015 is clear

In 2012, safety will be reinforced by incorporating safety measures in our management objectives and bonus schemes. Looking ahead to 2015 we have our strategic goal made clear as we aim to ensure that our lost time injury frequency rate is 3 or less. Keep in mind, that our level was 4.2 in 2011, and that we will need to reduce injuries by 25-30 percent over the next three years. ▽

CASE STORY: Safety training drives the change in India

Ninety-eight percent of all of our field services employees in Chennai, India, have been thoroughly trained on safety. In 2011, 7,068 sub-contractor workers on our turnkey category projects were safety inducted and 6,130 were safety trained through 277 training programs. That is a total of 8,852 staff hours of training!

Nearly 20 percent of our office employees have been trained to secure a safe office environment. All bus and car drivers have been trained to drive defensively. Our safety minded culture is incentivized with a safety rolling trophy competition in four categories. We consistently run safety management systems with external certifying agencies at our sites.

Our efforts in safety have been noted by our Indian customers, and FLSmidth has received several safety awards at our project sites for our safety performance.

Success is proven through results - in India we experienced fewer accidents among Indian sub-contractors compared to 2010. To keep the high commitment to safety training and to continue the momentum, the Indian office will implement training sessions in 2012 and will conduct brush-up training sessions too. ▽

Code of Business Conduct – it's the way we work



Every FLSmidth manager is responsible to help his or her employees to understand and comply with our Code of Business Conduct policy. In this way, we begin to teach and build a culture of officers, directors, executives, and employees who embrace our shared commitment to business ethics, integrity, credibility, and the preservation of our reputation



The FLSmidth vision statement emphasizes our values of competence, cooperation, openness, and personal and organisational responsibility for all of our actions. Our FLSmidth Code of Business Conduct encompasses three key areas:

1. Compliance
2. Business practices
3. Company assets and financial integrity

As announced in the CEO letter, FLSmidth created and launched a new Global Governance and Compliance Department in the autumn of 2011. This department will enforce our existing Code of Business Conduct as well as facilitate and support our employees' increased awareness of new international anti-bribery regulations and competition/anti-trust regulations. The department will furthermore monitor and audit our business units' compliance in the broad areas of anti-corruption, anti-money laundering, competition policies, export control, and embargoes.

FLSmidth practices a zero tolerance toward bribery and corruption, violations of competition/anti-trust regulations, and violations of export control regulations. We expect integrity and fairness in all of our business dealings. We also strive to eliminate all facility payments.

With the objective of continuously improving our internal procedures and compliance mechanisms, FLSmidth in 2011, introduced two new policies within the areas of corruption and competition law – i.e. the Anti-Corruption Policy and the Competition Compliance Policy.

What has not changed is the stewardship of business units. Business managers continue to be responsible for the actual implementation of and compliance with our business ethics policies and other legal requirements. A global network of representatives from each business unit in the Group will be established to increase communication and training as well as reporting to the new department.

Our Code of Business Conduct is not a static document. In 2011, we responded to employee suggestions made in the 2010 employee survey – which we discussed earlier in this report – that created new policies about sourcing from or hiring of relatives.

“With the objective of continuously improving our internal procedures and compliance mechanisms, FLSmidth in 2011, introduced two new policies within the areas of corruption and competition law – i.e. the Anti-Corruption Policy and the Competition Compliance Policy.”

Overseeing ethics is key to our management requirements

FLSmidth managers take seriously their obligation to oversee their employees' Code of Business Conduct compliance. Systems are in place to ensure management oversight and to introduce employees to the code. Employees are informed that they should promptly report violations or any suspicion they may have of non-compliance to their supervisor, the new Global Governance and Compliance Department, the Group General Counsel, or the Global Human Resources Department. Such reports are investigated immediately with care taken to protect employee confidentiality, as much as possible. If the investigation confirms violations, the matter is referred to Group Executive Management for action.

Making good on our promises

In our 2010 report, we committed to develop a Code of Business Conduct e-learning training module for employees as one way of emphasizing the importance of our Code of Business Conduct and adherence to it. We completed the module, and, in 2012, we will make it a mandatory training requirement for all employees.

Looking ahead to 2012 – our business ethics performance goals

2012 will be a busy year at FLSmidth, where we will continue the training of managers and employees on the Code of Business Conduct and the new business ethics policies, as well as corresponding methods and procedures when dealing with the areas of anti-corruption, competition policies, export control, and embargoes. ▀

Caring for the environment

With business units servicing the minerals and cement industries, we know that we, with our technology and processes, have an indirect environmental impact on the earth. However, as a company, we have always been aware of the need to care for the natural environment while fulfilling our mission, and so we seek to be a part of the solution

Examples from Minerals

FLSmidth keeps the environment at the forefront. For FLSmidth's minerals division, one of the main challenges is to reduce the amount of water used in minerals processing. We are focused on developing equipment and processes that are even more environmentally sustainable. The following are examples:

Saving water

- Paste thickeners designed to recover more water in low cost sedimentation unit operations
- Filters that reclaim water or eliminate the need for a tailings pond
- Higher torque thickener drives to allow designs of larger diameter paste thickeners to recover more process water for effective recycling cost
- Higher tonnage filter presses that further reduce water content of minerals tailings thus allowing a greater amount of process water to be recycled and final tailings to be conveyed to a disposal area that does not require a containment dam

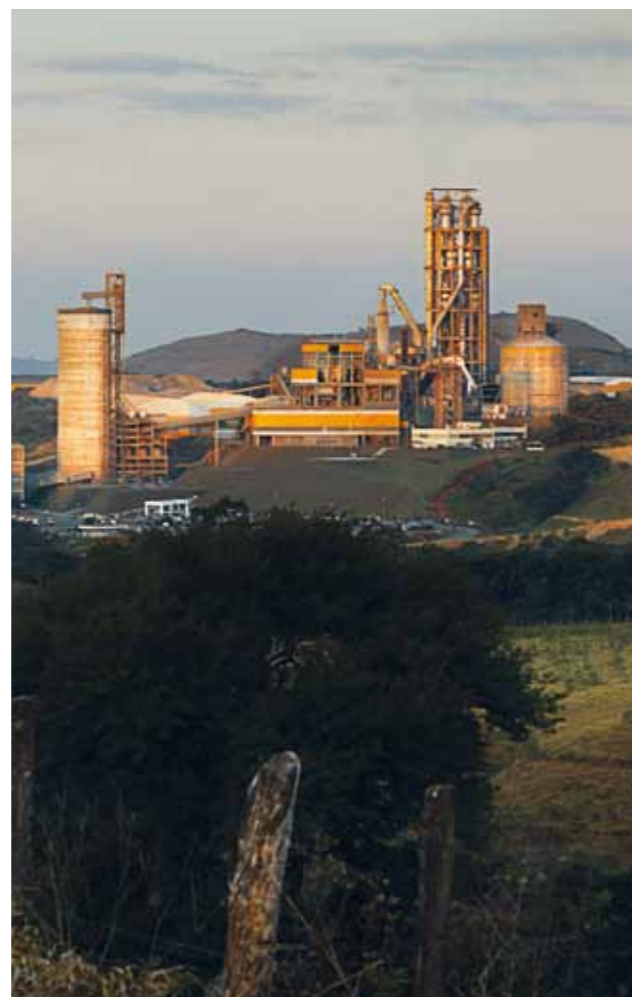
Saving energy

- Large flotation cells and tanks that offer a lower specific energy consumption per processed m³ than smaller cells
- Conveyor belts and pipe overland conveyers that cut down on dependence on large dump trucks

In both cement and minerals, we offer a waste heat recovery process which can turn excessive heat to electricity and eliminate the need to use water. ▾

FLSmidth is a supplier of equipment, technology and services. Our strength is technological leadership and knowledge that enables us to develop equipment and technologies that are – not only leading in the industries we serve – but also are developed with a concern for the environment.

One of our strengths as a company to support the fight for a better environment is our strong research and development function. Our innovations have given many of our customers the solutions they need to protect the environment while being productive and offering products the world needs for infrastructure and modern conveniences. Sustainability is prominent in our strategic business plans and drives our day-to-day practices. >>



CASE STORY: Waste heat recovery

To curb rising energy costs, reduce water consumption and CO₂ emissions, cement and minerals plant owners are constantly looking for ways to make the plants more efficient and environmentally sustainable.

In 2011, FLSmidth became the supplier of a new high-energy efficient technology for generating electricity from recovered waste heat. FLSmidth obtained exclusive rights for the Kalina Cycle®, which was first tested industrially in the 1990s. The world's first cement plant installation of a Kalina Cycle® is presently being done by FLSmidth at DG Khan Cement in Pakistan. Our reputation for innovative technologies for the global cement and minerals industries was strengthened in 2011 when we committed to making this efficient waste-heat-to-power system available to the global cement industry. This is good news for the environment. New and existing cement plants can now implement a highly efficient technology for becoming less reliant on traditional power sources, drastically cutting power costs and reducing CO₂ emissions. ▾

CASE STORY: Alternative Fuels

FLSmidth established a new department for alternative fuels four years ago to focus on cement and minerals customer needs for equipment using alternative fuels. Through our developments, a number of new technologies and alternative fuel project solutions have been introduced to plants around the world.

In September 2011, this effort was intensified with the opening of a new alternative fuels laboratory at the R&D Centre Dania in Mariager, Denmark. Designed to test and analyze new and existing alternative fuels and waste derived material streams, the facility will contribute to improving the design and performance of alternative fuel-fired plants.

Alternative fuels are sourced from a wide range of materials that include solid, liquid, agricultural wastes, and biomass. The list continues to grow with new fuel sources being identified. The new laboratory will test alternative fuel materials and the aim is to effectively support the efforts made by cement and minerals plants globally in contributing to municipal and industrial waste management, and implementation of CO₂ friendly solutions. ▾



Our R&D focus areas since 2010 are:

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

These focus areas have been agreed upon by the R&D steering committee which includes representation by top level management. Climate change and environmental challenges are inherent in our industries and are inevitably drivers for change. With that in mind, the committee ensures that environmental sustainability is high on the agenda now and moving forward. ▾



CASE STORY: Air pollution control innovation award

In 2011, we announced that FLSmidth had won the prestigious Frost and Sullivan product innovation award for air pollution control technology used in India. The award is considered a benchmark for environmental excellence and best practices around the world. It was given for FLSmidth's commitment and innovative approach to increasing the efficiency of our air pollution control equipment in order to reduce emissions from cement and minerals plants. ▾

CASE STORY: Total Hydrocarbons – FLSmidth seeks solutions to reduce emissions

FLSmidth researchers are working to solve environmental sustainability challenges even before society's expectations evolve to require such changes. The industry expects that soon there will be new requirements from the US Government regarding Total Hydrocarbons (THC) in emissions. FLSmidth is addressing this challenge in two ways.

First, our scientists are working to reduce the THC in cement production. We have made significant progress in our research to solve the catalytic challenge and expect to be able to remove these gas components while doing it at lower temperatures, thereby improving the carbon footprint and usage of energy along the way. Should the US government require the reduction of THC in the future, we will have the capability in time for our US cement customers to meet the requirements.

Second, we have developed our mobile emissions test services which we reported in our 2010 UN Global Compact report. During 2011, testing of various plants has been carried out and has proven to be a success for customers who were interested in knowing whether they could live up to the potential regulation on THC.

In fact, it has been such a success that another FLSmidth mobile emission measurement container unit has been made available – this time to the European market. It shows that there is a growing demand for the environmentally friendly solutions that FLSmidth can deliver and that valuable expertise and knowledge are derived from the testing services we provide. ▾

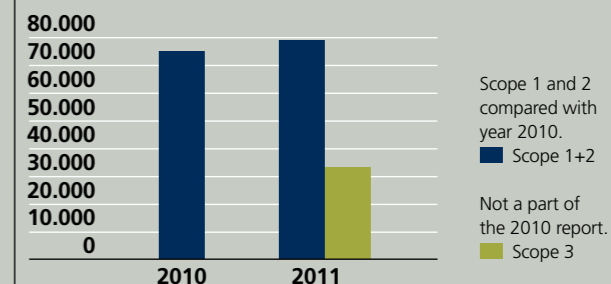
Carbon footprint

We have committed our company to annually report on our internal carbon footprint to the Carbon Disclosure Project (CDP) and this section is based on the preliminary data for the CDP report that will be published in May 2012. Building from last year's method for collecting and reporting we continue reporting on CO₂, CO₂e and other green house gasses. The total footprint for year 2010 was a total of 76,000 tonnes CO₂ reported in scope 1 (direct) and 2 (indirect), as stated in CDP Report submitted 2011.

FLSmidth's carbon footprint from 2011 equals to a total amount of 79,000 tonnes CO₂ reported from scope 1 and scope 2. The numbers from 2011 shows a slight increase in the amount compared to 2010. 39,000 tonnes CO₂ out of the total amount is derived from Cembrit's production of fibre cement which in 2010 was equal to 36,000 tonnes CO₂. An increase that correlates with Cembrits increased activities in 2011. When collecting the data from all entities they were asked to state what initiatives that have been made during the year to reduce the energy consumption and amount of CO₂. All information is collected and will lay the foundation when FLSmidth again submits the carbon

footprint reporting for year 2011 to the Carbon Disclosure Project.

As announced in last year's report to the UN Global Compact we have considered scope 3 content with relevance to FLSmidth's activities. Carbon Disclosure report to be submitted in May 2012, will include our carbon footprint for business travels which have amounted to 34,000 tonnes of CO₂. As this number indicates when compared to our total amount for scope 1 and 2 then our impact is high from our business travels. We will in 2012 analyse the numbers and evaluate what possibilities we have to reduce in the number going forward. ▾



CASE STORY: Project Supplementary Cementitious Materials

In our UN Global Compact 2010 report, we introduced a research project on the use of eco-friendly cement. The research project, which is financially supported by the Danish National Advanced Technology Foundation, is in collaboration with Aalborg University, the iNano Center at Aarhus University, and Aalborg Portland – Nordic Cement.

This is called Project Supplementary Cementitious Materials (SCM) and it is one amongst several projects in FLSmidth in the area of SCM. A goal for the four year research project is developing advanced process technology for the manufacturing of SCM. We analyze the chemical processes of activating SCM raw materials in a pyro process in order to increase the benefit of using SCM.

The Danish cement plant Aalborg Portland – Nordic Cement, serves as a case study with the goal of significantly reducing their CO₂ emission from the use of SCM. On a global level

the potential is a 30% reduction of CO₂ emissions. From our research, we aim to develop knowledge that enables us to make process technology for full-scale production of cements with less associated CO₂ emission than conventional Portland cements.

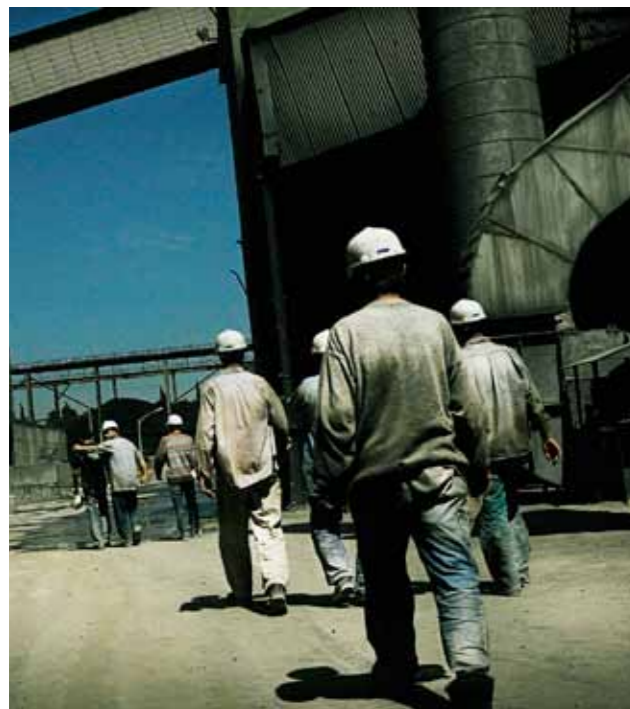
During 2010, the partnership was developed and strengthened – a development that continued in 2011. Finding researchers with the exact competences to fulfill these ambitious research goals have been an essential part of initiating the project, and in 2011, much effort has been made to recruit the right people.

The project focuses on developing new types of reactive SCM and on creating machinery for large scale production to be sold globally. Because the process will be based on locally available raw materials, the technology will be tailor-made for specific cement plants. The SCM research shows remarkable promise for significantly reducing the carbon footprint of cement plants. ▾

Responsible Sourcing

The world is changing rapidly, and FLSmidth is keeping pace by methodically and consistently incorporating social, ethical, environmental, and human considerations in to our core business practices. As a corporation, we take our responsibility seriously and are well aware that our suppliers are an essential part of the way we do business

This year, as we committed in our 2010 UN Global Compact report, we continued to develop our responsible sourcing program. In today's world, human rights, labour standards, environment, and business ethics are growing to become as important as the parameters of quality and price when a company selects a supplier. Therefore, the new Responsible Sourcing initiative has been initiated in cooperation with the Quality Department.



By entering into a dialogue with our suppliers, we acknowledge that improving the quality of products in a broader sense also embraces sustainability procedures. With this approach, we strive for mutual benefits for the suppliers, communities, and for FLSmidth.

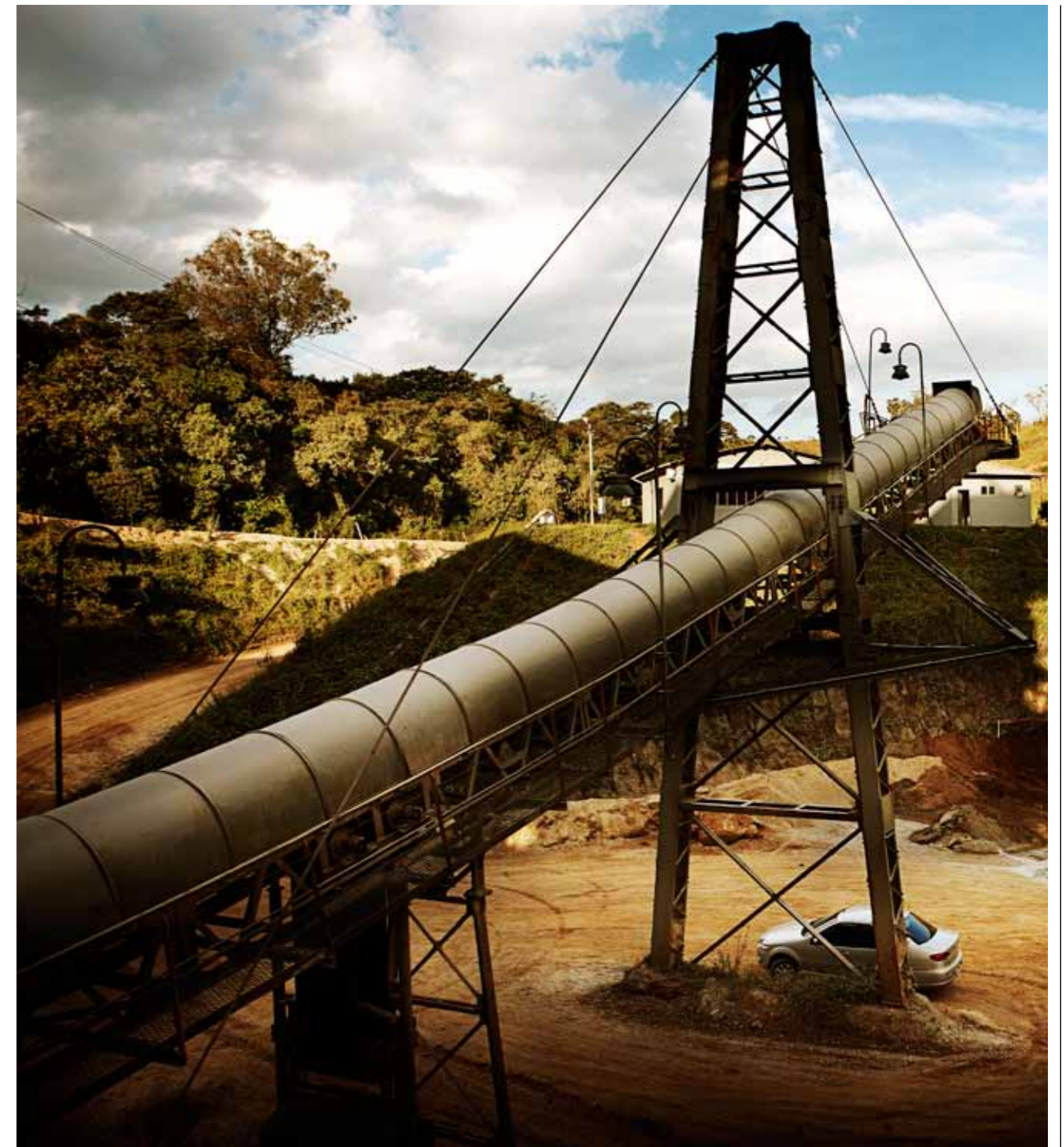
In compliance with the UN Global Compact, we work to use our sphere of influence to ensure high standards in the areas of human rights, labour standards, sustainable environmental practices, and anti-corruption standards. We have instituted quality systems and processes to ensure that the supplier's products meet agreed specifications, as well as attaining their corporate responsibilities. We are currently in the first phase of our Responsible Sourcing initiative.

To date we have:

- CSR requirements in General Conditions of Purchase.
- Created a Code of Supplier Conduct Policy. The code reveals our plans to require suppliers to self assess their compliance and to be subject to our announced and unannounced visits. The code also requires that our suppliers pass on similar requirements to their own suppliers.
- Developed and begun to test methods and procedures for evaluating suppliers on CSR aspects.
- Laid the groundwork for a database on supplier performance.
- Launched employee training and awareness regarding our Responsible Sourcing initiative including a train-the-trainer seminar held in Denmark with representatives from our five global centres.
- Developed a Responsible Sourcing e-learning program.
- Held two supplier conferences, one in Denmark and one in India, informing our suppliers about FLSmidth's procurement and sourcing strategy called The Way Forward, which also includes our increasing focus on sustainability throughout our supply chain.

2012 - Looking Forward

The next step in our Responsible Sourcing initiative is implementing it. In 2012, we will initiate a dialogue with our 875 major suppliers, constituting more than 50 percent of our global purchase spending. However, before any changes from our newly developed Responsible Sourcing Program can be expected, it is imperative that we train the people who are involved. 2012 will consequently be about training all purchasers, quality assurance, and quality control staff – around 500 employees. These are the people who are going to implement the new working procedures, therefore they need knowledge of Responsible Sourcing procedures. ▀



Connecting with our communities

One global organisation with many local entities is key to our success in the cement and minerals industries. FLSmidth does not fund global donations, but for FLSmidth a local presence also means local responsibility

CASE STORY: FLSmidth Helwan Cement Institute in Cairo

In our 2010 UN Global Compact report, we profiled the new partnership between FLSmidth and Helwan University. With the university, we have formed the FLSmidth Helwan Cement Institute in Cairo, Egypt. The first year the institute created a two-semester certificate programme for students. In December of 2011, the institute announced its first 33 graduates.

FLSmidth has employed seven of the graduates in our local organisation, four graduates at Ramliya and three at Wadi el Nile. We have informed the other cement producers in the market that 26 graduates with cement skills are available for hire. We will be monitoring the graduates' career paths and expect they will all embark on successful careers within the cement industry.

The Supreme Council of Higher Education in Egypt has approved the next institute engineering course of study which is a diploma degree at the graduate level for students with an interest in a cement career.

Through our partnership, we are strengthening the local community by raising the education and skill levels of its engineers. Our university partnerships make a long-term difference for the community especially in the case of the plants that we operate and maintain for clients.

As the majority of the staff at our cement plants are residents of the local community, we support a positive development in the Egyptian society. Our belief is that this partnership will strengthen the future pool of potentially qualified candidates and increase local hiring. ▀

Our core business is knowledge intensive, so we believe in impacting the local societies with what we do best – offering knowledge, training, and development of people. Our philosophy is that when we are developing the local societies, we are also developing and improving our business.

Super service in our Supercenters

We have been investing time and resources to build eight service centres, called Supercenters, which will open in 2012 and 2013. The centres will be located in Mongolia, Peru, Australia, the US, South Africa, and Chile. These centres will offer warehouse parts, training, and equipment repair closer to our customers which in turn will support their goals to run efficient and safe plants with more uptime.

With our Supercenters, we will create customized training modules specific to customer and community requests, and with safety training as a consistent offering. Our local presence also means that we will employ through the local workforce. By raising the competency levels from training and creating jobs in our communities, we strive to be a partner to the communities and to our customers.

Our ties with universities and researchers

FLSmidth works with the engineering and technical education departments of universities in countries ranging from the US to Russia, Egypt, and India. Through our programs, we provide support



for graduate research, focusing on topics that also include environmentally friendly production technologies such as increasing energy efficiency and the use of alternative fuels. We also provide educational materials and subject matter experts from our company.

Through our university programs, we seek to raise the skill level and employability of local residents, as well as improve and update the local cement and minerals industries. By reaching out to students



and educating them to prepare for technical and engineering jobs in cement and minerals, FLSmidth is able to contribute to the general development of local communities. An example of this is our relationship with Mendeleev University of Chemical Engineering in Moscow and St. Petersburg State Technological Institute. Through these partnerships, we are striving to influence the Russian cement industry by delivering technological advances, and making technical students more capable. ▀

CASE STORY: Building social investment in South Africa

FLSmidth South Africa's corporate social investment programme focuses on developing people and local businesses. This programme is conducted in accordance with the requirements of the South African Broad-Based Black Economic Empowerment Act as applied to the South African mining industry. The goal of the act is to develop the mining and associated supply industries so that they reflect South Africa's aim to promote black economic empowerment.

In its second year, FLSmidth's social investment programme involves:

- Donations to the Nkomazi Community Trust, an organisation that helps orphans and vulnerable children. A three-year donation to fund the salary of the mathematics head at the Sekolo Sa Borokgo School, a high school that serves disadvantaged students.
- Donations to The Kingsway Center of Concern and Oliver's House for schooling and support of orphans and development of disadvantaged people.
- Contributions to fund entrepreneur mentoring through the Raizcorp's Competitive Enterprise Development programme.
- A donation to the Burnstone Development Trust. The money was used to teach 28 entrepreneurs business improvement skills and includes ongoing mentoring. It is expected that many of the entrepreneurs will become suppliers to the Burnstone mine.
- Funding scholarships to support university students as well as support continuing education for FLSmidth employees.

Through this social investment programme, FLSmidth South Africa strengthens local communities and budding businesses, increases education, and furthers the mining and engineering fields. ▀

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