

FLSmidth Group

Trade Compliance Policy

1 Introduction and scope

The Trade Compliance Policy is a set of rules and principles for how we need to ensure compliance with international sanction and embargo regulations.

The Policy applies to FLSmith & Co. A/S and all of its subsidiaries, offices and sites worldwide (henceforth 'FLSmith') and includes all members of the Board of Directors, executives, officers and employees, irrespective of location. It also applies to any company acting on behalf of or in the name of FLSmith, including all employees. Compliance with this policy is a condition of employment in FLSmith and non-compliance may result in sanctions.

FLSmith has put in place a number of Sub-Policies and Procedures to the Code of Conduct, which further detail and interpret the rules and procedures for specific topics. Please note that there may be local or regional policies that puts in place stricter rules on top of this group level Policy.

2 Rules

2.1 Compliance with laws

All FLSmith employees must comply with the laws and regulations of the European Union, no matter their location, nationality or employment status. These include, but are not limited to, the EU dual use regulation; Council Regulation (EC) No 428/2009 including amendments, the Consolidated list of persons, groups and entities subject to EU financial sanctions, and European Union Restrictive measures (sanctions) in force.

Secondly, all individuals or goods subject to the United States of America (U.S.) Export Regulations must comply with U.S. Export Regulations including, but not limited to, the Commerce Control List, The U.S. Department of the Treasury Office of Foreign Assets Control Sanctions Program, and the Specially Designated Nationals And Blocked Persons List (SDN).

2.2 Local laws

In addition to EU and U.S. Export Control Regulations, local laws may also affect an order. Such laws are not extraterritorial, and thereby only affect FLSmith if the export is executed between two countries for which a regulation or trade restriction exists. Local laws can apply to both export and import.

2.3 Export definition

A violation can occur when executing an 'export'. In terms of trade compliance, an 'export' is defined as to ship a commodity / good to other countries or places for sale, as well as sending documents, ideas, drawings, data etc. to another place or country.

An export furthermore includes temporary exports, such as measurement or service equipment to be used on-site by FLSmith service engineers. It does not matter if the equipment is shipped or part of the employee's luggage.

3 Procedures

3.1 Red flags

It is each employee's responsibility to be aware of red flags, that is, warning signals indicating that something is out of the ordinary for an order. The presence of a red flag does not

necessarily stop an order, but if an employee identifies a red flag, Group Compliance should be contacted immediately.

Examples of red flags:

- The customer / end-user is unknown to FLSmith and information about the customer / end-user is not readily obtainable.
- The customer / end user is a military institution or has connections to military institutions.
- The customer is reluctant to offer information about end use or end user.
- The customer has little or no business background.
- A freight forwarding firm is listed as the equipment's destination.
- The desired shipping route is abnormal for the equipment and destination.
- The customer / end-user's address is suspicious, e.g. a hotel address or logistic hub.

3.2 Requests and approvals

The procedures for requesting and getting approval for orders and exports, as well as internal Standard Operating Procedures can be found on HowToDo (D4) or by contacting Group Compliance.

3.3 The general procedure

For all orders, no matter the destination, it is important that all FLSmith employees ask themselves the following four questions:

1. *Is the business permitted by EU law?*

All FLSmith entities must follow the same export control and sanction laws of FLSmith A/S, which is regulated by the EU.

2. *Is the order subject to U.S. regulations?*

The order is subject to U.S. regulations, and U.S. export control and sanctions laws apply if any U.S. equipment, employee, entity or currency have been involved in the order.

3. *Do local sanctions apply?*

In addition to EU and U.S. laws, it is important to consider the laws of the country where the FLSmith entity handling the order is located as well as the laws of the country where the order is executed.

4. *Have you identified any red flags? And if so, have you informed Group Compliance?*

All red flags could potentially be a risk to FLSmith. It is therefore important that such red flags are informed to Group Compliance prior to execution or signing.

These four steps can be seen illustrated in the picture below:



4 Implementation

It is the responsibility of each individual FLSmidth employee to sign up for Trade Compliance Training (Export Control Awareness Training). The training is available to all employees, online, and at several offline locations. The training schedule is communicated through the trade compliance news letter.

The training gives a general overview about export control, sanctions and embargoes, as well as internal procedures.

All third parties located in embargo or sanctioned countries must be approved by Group Compliance prior to any order. Approvals of customers can be requested by contacting Group Compliance.

5 Governance

This policy is approved by the Group CEO. The policy is maintained, implemented and updated by Group Compliance. Note that there may be local or regional policies that puts in place stricter rules on top of this group level policy.

Thomas Schulz,
Group CEO

Vagn Ove Sørensen,
Chairman of the Board of Directors