

CORPORATE GOVERNANCE 2021

CORPORATE GOVERNANCE STATEMENT 2021

COMPLIANCE WITH RECOMMENDATIONS on CORPORATE GOVERNANCE

The following statutory statement pursuant to the Danish Financial Statements Act Section 107b is part of the Management's Review in the 2021 Annual Report.

Pursuant to Section 4.3 of the rules for issuers of shares listed on NASDAQ Copenhagen, Danish companies must give a statement on how they address the recommendations on Corporate Governance issued by the committee on Corporate Governance in December 2020 based on the 'comply or explain' principle (www.corporategovernance.dk).

FLSmidth's position on each specific recommendation is summarised in this report. **In the Board's opinion, FLSmidth complies fully with all the recommendations except 3.5.1.**

where the company only complies partially.

| Recommendation | The company complies | The company complies partially | The company does not comply | The company complies / explanation for complying partially or not complying with the recommendation |
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| 1. Interaction with the company's shareholders, investors and other stakeholders | | | | |
| 1.1. Communication with the company's shareholders, investors and other stakeholders | | | | |
| 1.1.1. THE COMMITTEE RECOMMENDS that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work. | x | | | <p>The Board and the Executive Management value and encourage shareholders' active participation in the company's affairs through the channels and means available to them, either according to statutory rules or by other means, notably the Company's Annual General Meeting.</p> <p>FLSmidth & Co. A/S aims at maintaining seamless and efficient communication with its shareholders. Among other channels, FLSmidth & Co. A/S provides information to its shareholders via its website, interim reports, annual reports, and company announcements to NASDAQ Copenhagen, press releases as well as at Annual General Meetings. After the release of quarterly interim reports, investor meetings are held virtually or physically in Denmark and abroad, and teleconferences (direct webcasts) are held during which questions can be put directly to members of the Executive Management.</p> <p>In addition, investors have the possibility of directly contacting the Executive Management and the Board via the Company's Investor Relations function whose task is to maintain an ongoing dialogue between the company and its present and future prospective shareholders.</p> <p>FLSmidth has a diversified and international shareholder base, and thus we also value and seek engagement with proxy advisors to the extent possible. It is our experience that some proxy advisors are more open to dialogue with companies than others are, and with some proxy advisors we have regular dialogue, including in-person meetings.</p> |

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| 1.1.2. THE COMMITTEE RECOMMENDS that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website. | x | | | <p>The Board of Directors have adopted policies on the company's relationship with our investors as well as a policy framework that defines our commitments for major sustainability impacts, risks, governance and transparency. This is enshrined in the Health, Safety and Environment policy, Code of conduct, Diversity, Inclusion and Equality policy, Human Resources policy, Human rights policy, Supplier code of conduct, Tax policy, Trade compliance policy, Competition policy, Quality policy and Online recruitment policy.</p> <p>Link to Investor Relations policy: https://www.flsmidth.com/en-gb/company/investors/the-share/investor-relations-policy Link to our commitments and policy framework: https://www.flsmidth.com/en-gb/company/sustainability/policies</p> |
| 1.1.3. THE COMMITTEE RECOMMENDS that the company publishes quarterly reports | x | | | FLSmidth & Co. has published quarterly reports since August 2000. |
| 1.2. The general meeting | | | | |
| 1.2.1. THE COMMITTEE RECOMMENDS that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission. | x | | | <p>Any shareholder is entitled to ask for specific topics and proposals to be considered at the Annual General Meeting. Shareholders can address the Board of Directors and the other shareholders who participate in the General Meeting, either verbally at the meeting or in writing before the General Meeting. In order to be discussed and/or considered at the General Meeting, resolutions proposed by the shareholders must be submitted in writing to the Board of Directors within the statutory time limits.</p> <p>All shareholders can follow the general meeting via webcast live or as replay with access from the company website. Shareholders who are not present at general meetings may also exercise their influence by way of proxy to another person, including to the Board of Directors, or by casting their vote by letter. According to the Danish Companies Act, proxies given to the Board of Directors must be limited to one particular General Meeting. Shareholders may also attend general meetings accompanied by a professional adviser.</p> |
| 1.2.2. THE COMMITTEE RECOMMENDS that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda. | x | | | Together with the notice of the Annual General Meeting, the Board of Directors sends out proxy forms that enable the shareholders to place their vote regarding each item on the agenda. |

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| 1.3. Takeover bids | | | | |
| 1.3.1. THE COMMITTEE RECOMMENDS that the company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting. | x | | | The company has set up contingency procedures in the event of a takeover bid. The Board of Directors complies with the issuer rules of the Companies Act, the Securities Trading Act and Nasdaq Copenhagen regarding the obligation of the Board of Directors to assess any takeover bids and prepare the Board's recommendations to the company's shareholders. Based on its assessment of how binding and concrete a take-over bid is in fact, the Board of Directors assess whether the bid is sufficiently binding and concrete for the Board to form a well-informed opinion on the offer and for the Board to submit a reasoned recommendation to the shareholders, and if this is the case, what the Board of Directors wish to recommend to the shareholders. |
| 1.4. Corporate Social Responsibility | | | | |
| 1.4.1. THE COMMITTEE RECOMMENDS that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy. | x | | | <p>FLSmidth has adopted a Sustainability policy framework (formerly Corporate Social Responsibility policy) with particular focus on safety, human resources, diversity and equality, compliance (Code of Conduct), environment and human rights. The company also has a Sustainable procurement programme in place for its suppliers and subcontractors, who must follow the minimum guidelines listed in the Supplier Code of Conduct. The company is a signatory to the United Nations Global Compact reporting at an Advanced level, and the Sustainability Report is prepared with reference to selected GRI Standards, adherent to the Danish Financial Statements Act section 99a, and transparent with its carbon emissions as it discloses through the CDP. Implementation of the Sustainability policy framework is handled by the various business units and is being coordinated by the Group Sustainability Manager. FLSmidth's Board of Directors has also adopted a Diversity, Inclusion and Equality policy, which is available on the company website.</p> |
| 1.4.2. THE COMMITTEE RECOMMENDS that the board of directors adopts a tax policy to be made available on the company's website. | x | | | <p>FLSmidth's Board of Directors has adopted a Tax Policy, which is available on the company website: https://www.flsmidth.com/en-gb/company/sustainability/policies</p> |

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| 2. The duties and responsibilities of the board of directors | | | | |
| 2.1. Overall tasks and responsibilities | | | | |
| 2.1.1. THE COMMITTEE RECOMMENDS that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website. | x | | | <p>FLSmith's purpose and values are accounted for in the management commentary in the Annual Report and on the company website. FLSmith's vision to be 'the leading supplier of sustainable productivity to the global mining and cement industries' is in support of the statutory objects according to the Articles of Association. To strengthen our position as 'Sustainable Productivity Provider #1' we have identified key strategic focus areas that are described in the annual report. Mining and cement are key in the transition to a sustainable and low carbon future.</p> <p>In 2019, FLSmith launched its MissionZero programme, which will help enable this transition. We recognise our role and shared responsibility to bring these industries into a sustainable future, and we see it as a good business opportunity supporting long-term value creation. To ensure and promote a good culture and sound values, we have defined three company values; competence, cooperation and responsibility, which form the basis for engagement internally and with our customers, business partners, suppliers, shareholders and other stakeholders in the communities in which we live and operate.</p> |
| 2.1.2. THE COMMITTEE RECOMMENDS that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company. | x | | | <p>As part of the Board's annual plan, the strategy of the company is reviewed.</p> <p>Sustainability, in particular, gained strategic priority in 2019, where FLSmith announced the global launch of MissionZero, sending a strong message to our customers that we are determined to provide zero emissions technology to mining and cement by 2030. Throughout 2020 and 2021, the board of directors has closely monitored the pandemic impact on FLSmith's business, strategy and business model. To address the challenging cement end market, steps have been taken to increase outsourcing, simplify the cement business and adjust the cost structure. In July 2021, FLSmith and thyssenkrupp Industrial Solutions AG reached an agreement that FLSmith will acquire thyssenkrupp's Mining business (TK Mining). The transaction offers an attractive opportunity to create long-term value for FLSmith's shareholders, and it is FLSmith's expectation that TK Mining will contribute positively to net profit and cash flow from 2024 on a stand-alone basis in addition to net effects from synergies.</p> |
| 2.1.3. THE COMMITTEE RECOMMENDS that the board of directors on a continuous basis take steps to examine whether the company's share and capital structure | x | | | <p>FLSmith has a clear priority for its capital structure, which is described in the annual report and on the company website: https://www.flsmith.com/en-gb/company/investors/the-share/share-and-dividend-key-figures</p> <p>In connection with annual strategy and budget meetings, the Board of Directors reviewed and ensured that the necessary competencies and financial resources are in place and available within the company. Funding of the acquisition of</p> |

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| supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary. | | | | <p>thyssenkrupp's Mining business was secured through a combination of debt facilities and proceeds from the issue of new shares which was completed in September 2021.</p> <p>In addition, a long-term incentive plan is in place to ensure executive management's focus on long-term value creation.</p> |
| 2.1.4. THE COMMITTEE RECOMMENDS that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors. | x | | | The Board of Directors continually evaluates the work of the Executive Group Management by specifying targets and assessing as to what level or degree such targets have been met. As part of the Board's annual plan, its rules of procedure and duties are reviewed in relation to the company's current situation, challenges and strategic objectives. Furthermore, the cooperation between Management and Board is evaluated once a year through a dialogue between the Chair and the Chief Executive Officer. The results of the dialogue are presented at a subsequent Board meeting. |
| 2.2. Members of the board of directors | | | | |
| 2.2.1. THE COMMITTEE RECOMMENDS that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner. | x | | | Immediately after the Annual General Meeting the Board of Directors elects from its own members a Chairperson and a Vice Chairperson. A job and task description outlining the duties and responsibilities of the Chairperson and the Vice Chairperson has been drawn up. The task description is reviewed each year as part of the Board's annual plan. |
| 2.2.2. THE COMMITTEE RECOMMENDS that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner. | x | | | <p>In 2021, all Board members conducted compliance training. In addition, each Board member continuously up-dates their knowledge based on individual needs and requirements.</p> <p>For more information about the competencies of the individual Board members, including other managerial posts, please refer to the company website or the company's annual report.</p> <p>Link: https://www.flsmidth.com/en-gb/company/about-us/organisation/board-of-directors</p> |
| 2.2.3. THE COMMITTEE RECOMMENDS that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the | x | | | The Board of Directors has currently not asked the Chair or other Directors to undertake special tasks for the company. If this becomes relevant, it will take place in accordance with this recommendation and subject to further arrangement with the rest of the Board of Directors. |

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| board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof. | | | | |

3. The composition, organisation and evaluation of the board of directors

3.1. Composition

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| <p>3.1.1. THE COMMITTEE RECOMMENDS that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states</p> <ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. | x | | | <p>To achieve a highly informed debate with the Group Executive Management, the Company strives for a Board membership profile reflecting substantial managerial experience from internationally operating industrial companies. At least one member of the Board must have CFO experience from a major listed company, and all other members should preferably have CEO experience from a major internationally operating and preferably listed company.</p> <p>The composition of the Board of Directors reflects that the majority of members elected at the Annual General Meeting hold competencies in acquisition and sale of companies, financing and stock market issues, international contracts, accounting and sustainability. In addition, it is preferable that the Board members have a background in construction contracting and possess technical expertise on process plants and process technology, including cement and/or minerals.</p> <p>Please refer to the annual report or company website for a complete overview of Board competencies and skill set.</p> |
| <p>3.1.2. THE COMMITTEE RECOMMENDS that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.</p> | x | | | <p>The Board of Directors has adopted a Diversity, Inclusion and Equality policy, which is published on the company's website. Updates on gender diversity targets and specific D, I and E initiatives throughout the organisation are provided by Group HR on a quarterly basis.</p> <p>The policy along with other sustainability related policies may be found here: https://www.flsmidth.com/en-gb/company/sustainability/policies</p> |
| <p>3.1.3 THE COMMITTEE RECOMMENDS that candidates for the board of directors</p> | x | | | <p>The FLSmidth Board of Directors has set up a nomination committee which currently consists of Mr. Vagn Sørensen and Mr. Tom Knutzen as well as Mr. Thrasyvoulos Moraitis.</p> |

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| <p>are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.</p> | | | | <p>The responsibilities of the nomination committee are to evaluate the work of the Board of Directors, propose replacements and nominate candidates for Board membership. In carrying out these duties, the nomination committee may choose to include the compensation committee in its discussions.</p> <p>The nomination committee bases its work on a profile description of the entire FLSmidth Board, including a profile of each Board member. The profile description is decided and updated by the Board of Directors. To achieve a highly informed debate with the Executive Management, the Board membership profile reflects substantial managerial experience from internationally operating industrial companies. At least one member of the Board must have CFO experience from a major listed company, and all other members should preferably have CEO experience from a major internationally operating and preferably listed company.</p> <p>The composition of the Board of Directors reflects that the majority of members elected at the Annual General Meeting hold competencies in acquisition and sale of companies, financing and stock market issues, international contracts and accounting. In addition, it is preferable that the Board members possess relevant expertise on the mining and/or cement industries.</p> <p>In addition to individual competencies and qualifications, the need for continuity is also considered when candidates for the Board of Directors are assessed.</p> <p>Please refer to the annual report for a full overview of Board competencies.</p> |
| <p>3.1.4 THE COMMITTEE RECOMMENDS that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> ■ qualifications, ■ other managerial duties in commercial undertakings, including board committees, ■ demanding organisational assignments and ■ independence. | x | | | <p>Information about the competencies of the individual Board members, including other executive posts, appears from the company website and the company's annual report. Notices of general meetings include references to the company website on which the information mentioned above is available.</p> <p>Information about the competencies of the individual Board members, including other managerial posts, appears from the company website and the company's annual report.</p> <p>Link: https://www.flsmidth.com/en-gb/company/about-us/organisation/board-of-directors</p> |
| <p>3.1.5. THE COMMITTEE RECOMMENDS that members to the board of directors elected</p> | x | | | <p>The members of the Board elected at the General Meeting retire at each Annual General Meeting. Re-election may take place. Members are nominated and elected individually.</p> |

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| by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually. | | | | |
| 3.2. Independence of the board of directors | | | | |
| <p>3.2.1. THE COMMITTEE RECOMMENDS that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not:</p> <ul style="list-style-type: none"> ■ be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary or an associated company, ■ within the last five years, have received significant remuneration from the company/group, a subsidiary or an associated company in a different capacity than as member of the board of directors, ■ represent or be associated with a controlling shareholder, ■ within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company, ■ be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, | x | | | The Chair, Vagn Ove Sørensen, has been a member of the Board since 2009 and will not be running for re-election at the company's AGM in March 2022. |

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| <ul style="list-style-type: none"> ▪ be part of the executive management in a company with cross-management representation in the company, ▪ have been member of the board of directors for more than 12 years, or ▪ be a close relative of persons who are not considered independent. <p>Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that lead the board of directors to decide that one or more members cannot be regarded as independent.</p> | | | | |
| <p>3.2.2. THE COMMITTEE RECOMMENDS that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.</p> | x | | | As it is general practice in Denmark, FLSmidth maintains a clear division of responsibility and separation between the Board of Directors and the Group Executive Management. |
| 3.3. Members of the board of directors and the number of other managerial duties | | | | |
| <p>3.3.1. THE COMMITTEE RECOMMENDS that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.</p> | x | | | The members of the Board are encouraged by the chairship to assess whether they have sufficient time available for the performance of their Board duties, both before being nominated as candidates for Board membership and while serving as Board members. The Board of Directors is focussed on potential overboarding and each Board member is continuously assessing how much time is required to perform their board duties satisfactorily. Each board member's attendance in board and committee meetings is disclosed in the Annual Report 2021. Meeting attendance in 2021 (physical or virtual) was 99%, which is a testament to the fact that all of the board members can satisfactorily manage the duties owed to the company. |
| <p>3.3.2. THE COMMITTEE RECOMMENDS that the management commentary, in addition to the statutory requirements, contains</p> | x | | | A description of the required Board competencies can be found in the Corporate Governance section of the Annual Report, which also includes a matrix showing the competencies of the individual Board members. In addition to individual competencies and qualifications, the need for continuity is also considered when candidates for the Board of Directors are assessed. |

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| <p>the following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> ▪ position, age and gender, ▪ competencies and qualifications relevant to the company, ▪ independence, ▪ year of joining the board of directors, ▪ year of expiry of the current election period, ▪ participation in meetings of the board of directors and committee meetings, ▪ managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and ▪ the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year. | | | | <p>The recommended information appears from the company's website and the Annual Report. Link: https://www.flsmidth.com/en-gb/company/about-us/organisation/board-of-directors</p> |
| 3.4. Board committees | | | | |
| <p>3.4.1. THE COMMITTEE RECOMMENDS that the management describes in the management commentary:</p> <ul style="list-style-type: none"> • the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p> | x | | | <p>The recommended information appears in the Annual Report 2021 which is available on the company website. Mandate and charter for the Board Committees can be found on our website under "General policy frameworks": https://www.flsmidth.com/en-gb/company/sustainability/policies</p> <p>Information about the committee members: https://www.flsmidth.com/en-gb/company/investors/governance/board-committees</p> <p>The Nomination Committee</p> <p>The nomination committee consists of Mr. Vagn Sørensen (Chair), Mr. Tom Knutzen and Mr. Thrasylvoulos Moraitis. In 2021, the committee met three times. Its main activities in 2021 have been related to assessing the composition and competencies of the Board of Directors, as well as the review of potential new board members.</p> |

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| | | | | <p>The Compensation Committee The Compensation Committee consists of Mr. Vagn Sørensen (Chair), Mr. Tom Knutzen and Mr. Thrasyvoulos Moraitis. The Compensation Committee had five meetings in 2021, and the committee's main activities in 2021 were related to the approval of incentive plans and overall remuneration schemes for Group Executive Management and the management layer reporting to the Group Executive Management, as well as on the recruitment of the new Chief Executive Officer.</p> <p>The Audit Committee The audit committee consists of Mr. Tom Knutzen (Chair), Ms. Anne Louise Eberhard and Ms. Gillian Dawn Winckler who are all independent and have considerable insight and experience in financial matters, accounting and auditing in listed companies.</p> <p>In 2021, the Audit Committee met six times and the committee's main activities were to consider specific financial risk, including tax risk, accounting and auditing matters, as well as paying special attention to financial processes, internal control environment and cyber security. A particular focus area in 2021 has been to assess the financial risks associated with COVID-19 pandemic and the financial impact of the acquisition of thyssenkrupp's Mining business.</p> <p>The Technology Committee The Technology Committee consists of three Board members, Mr. Rob Smith (Chair), Mr. Thrasyvoulos Moraitis and Mr. Carsten Hansen. The Technology Committee met three times in 2021. The main tasks in 2021 were to monitor the major development projects across the two industries, to ensure the right and appropriate KPIs are set for R&D across both industries, as well as to evaluate the key IP and complementary technologies of thyssenkrupp's Mining business.</p> |
| 3.4.2. THE COMMITTEE RECOMMENDS that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent. | x | | | All Board Committees solely consist of members of the Board and the majority of the members of the four Board Committees are considered to be independent in 2021 pursuant to the definition in section 3.2.1. |
| 3.4.3 THE COMMITTEE RECOMMENDS that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Com- | x | | | <p>The Board of Directors has established a formal audit committee consisting of Tom Knutzen (Chair), Ms. Anne Louise Eberhard and Ms. Gillian Dawn Winckler.</p> <p>The Chair of the Board of Directors, Vagn Sørensen is not chair of the audit committee, as the audit committee is chaired by Tom Knutzen.</p> |

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| <p>mittee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, • performing the evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present. <p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> • prepare terms of reference and recommendations on the nomination, employ- | | | | <p>The three members of the audit committee (Tom Knutzen, Anne Louise Eberhard and Gillian Dawn Winckler) possess considerable expertise and experience in financial, accounting and audit conditions of listed companies.</p> <p>To ensure a high quality of the Group's financial reporting systems, the Board of Directors and the Executive Management have adopted policies, procedures and guidelines for presentation of the financial statements and internal control, which the subsidiaries and reporting units must adhere to, including:</p> <ul style="list-style-type: none"> ▪ Continuous monitoring of goals and results achieved viewed against approved budgets ▪ Continuous monitoring of projects including handling of risks and accounting for them ▪ Policies for use of IT, insurance, cash management, procurement, etc. ▪ Reporting instructions and manuals ▪ Finance manual ▪ Closing manual <p>Responsibility for maintaining sufficient and effective internal control and risk management in connection with financial reporting lies with the Group Executive Management.</p> <p>The audit committee continuously monitors the process of financial reporting and the adequacy and effectiveness of the internal control systems established, including new accounting standards, accounting policies and accounting estimates. Besides, the audit committee monitors and checks the independence of the external auditor and monitors the planning, execution and conclusions of the external auditing.</p> <p>The full mandate and charter of the audit committee can be found on the company website under “General policy frameworks”: https://www.flsmidth.com/en-gb/company/sustainability/policies</p> <p>The Board Chair and Audit Committee Chair keep regular contact with the company auditor and the Audit Committee regularly meets the company auditor without the presence of executive management.</p> <p>Once a year, the audit committee evaluates the need for an internal audit function. So far, the audit committee has seen no need for an actual internal audit function because the internal policies, procedures, guidelines and control actions in place are considered to function well and considered embedded in the Executive Management and the company's Group Control and Project Control functions. This includes internal audit requirements to reach and maintain ISO certifications, which are a license to operate. Management reviews these controls on an annual basis.</p> |

| Recommendation | The company complies | The company complies partially | The company does not comply | The company complies / explanation for complying partially or not complying with the recommendation |
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| <p>ment and dismissal of the head of the internal audit function and on the budget for the department,</p> <ul style="list-style-type: none"> • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function. | | | | |
| <p>3.4.4 THE COMMITTEE RECOMMENDS that the board of directors establish a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> ■ describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, ■ on an annual basis evaluating the board of directors and the executive management's structure, size, composition and results and preparing recommendations for the board of directors for any changes, ■ in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members' competencies, knowledge, experience and succession as well as reporting on it to the board of directors, ■ handling the recruitment of new members to the board of directors and the executive | x | | | <p>The nomination committee consists of three members, currently Mr. Vagn Sørensen (Chair), Mr. Tom Knutzen and Mr. Thrasyvoulos Moraitis. The nomination committee is elected each year by the entire Board at the initial Board meeting following the Annual General Meeting. The responsibilities of the nomination committee are to continuously evaluate the work and composition of the Board, initiate any changes and suggest new candidates for Board membership. The nomination and compensation committee are jointly reviewing new candidates for the Board of Directors and Executive Management. The process of selecting the new Chief Executive Officer has engaged both the Board of Directors and all board committees.</p> <p>The full mandate and charter of the nomination committee can be found on the company website under "General policy frameworks": https://www.flsmidth.com/en-gb/company/sustainability/policies</p> <p>In connection with recommendations and appointments, diversity is deliberately taken into account when considering the profiles and qualifications of potential candidates.</p> <p>The nomination committee meets at least twice a year.</p> |

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| <p>management and nominating candidates for the board of directors' approval,</p> <ul style="list-style-type: none"> • ensuring that a succession plan for the executive management is in place, ▪ supervising executive managements' policy for the engagement of executive employees, and ▪ supervising the preparation of a diversity policy for the board of directors' approval. | | | | |
| <p>3.4.5. THE COMMITTEE RECOMMENDS that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> ▪ preparing a draft remuneration policy for the board of directors' approval prior to the presentation at the general meeting, ▪ providing a proposal to the board of directors on the remuneration of the members of the executive management, ▪ providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting, ▪ ensuring that the management's actual remuneration complies with the company's remuneration policy and the evaluation of the individual member's performance, and ▪ assisting in the preparation of the annual remuneration report for the board of directors' approval prior to the presentation for the general meeting's advisory vote. | x | | | <p>The compensation committee consists of three Board members, currently Mr. Vagn O. Sørensen (Chair), Mr. Tom Knutzen and Mr. Thrasyvoulos Moraitis. The compensation committee is elected each year by the entire Board at the initial Board meeting following the Annual General Meeting. The committee meets minimum two times every year.</p> <p>The purpose of the compensation committee is to determine the salary and other terms of employment for members of the Group Executive Management. Besides, once a year the compensation committee approves the overall principles of the Group's bonus and other short- or long-term incentive or retention plans. The compensation committee also submits proposals to the Board for the compensation of the Board and the Board committees.</p> <p>The Compensation Committee is responsible for the preparation of the remuneration report and the remuneration policy, including ongoing revision and updates. Continuously and at least on a yearly basis, the Compensation Committee considers if a revision of the remuneration policy is needed. All proposals for revisions will be presented to the Board of Directors for approval. The Board of Directors must ensure the approved revision is submitted to the shareholders for approval by the General Meeting. At the Annual General Meeting in 2020, the Board presented, based on a recommendation by the compensation committee, a revised remuneration policy for the Board and Executive Management, incorporating the requirements from the EU Shareholders Rights Directive as implemented into Danish law during 2019. The General Meeting adopted the proposal by the Board of Directors for the new remuneration policy, which can be found on the company website: https://www.flsmidth.com/en-gb/company/investors/governance/incentive-plans</p> <p>The full mandate and charter of the compensation committee can be found on the company website under "General policy frameworks": https://www.flsmidth.com/en-gb/company/sustainability/policies</p> <p>The Board's Compensation Committee considers on a regular basis the remuneration schemes for Group Executive Management and the management layer reporting to the Group Executive Management. Should the compensation committee use external advisers, it is ensured that the same external advisers are not used as those used by the Executive Management.</p> |

| Recommendation | The company complies | The company complies partially | The company does not comply | The company complies / explanation for complying partially or not complying with the recommendation |
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| 3.5. Evaluation of the board of directors and the executive management | | | | |
| <p>3.5.1 THE COMMITTEE RECOMMENDS that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> ■ the composition of the board of directors with focus on competencies and diversity ■ the board of directors and the individual member's contribution and results, ■ the cooperation on the board of directors and between the board of directors and the executive management, ■ the chairperson's leadership of the board of directors, ■ the committee structure and the work in the committees, ■ the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and ■ the board members' preparation for and active participation in the meetings of the board of directors. | x | | | <p>As part of its annual plan, the Board of Directors performs an annual self-evaluation to evaluate the contribution, engagement and competencies of its individual members. The Chair is responsible for the evaluation. It is the opinion of the Board of Directors that external assistance rarely yields any benefits. However, each board member has the right to request external assistance in the evaluation if they believe this to be relevant.</p> <p>In addition to the evaluation of the Board of Directors, each of the board committees also perform an annual self-evaluation to evaluate the contribution, engagement and competencies of its individual members.</p> |
| <p>3.5.2. THE COMMITTEE RECOMMENDS that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of</p> | x | | | <p>The result of the questionnaire is discussed at a subsequent Board meeting and the individual comments submitted are used in the planning and handling of future Board meetings.</p> |

| Recommendation | The company complies | The company complies partially | The company does not comply | The company complies / explanation for complying partially or not complying with the recommendation |
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| the evaluation are described in the management commentary, on the company's website and at the company's general meeting. | | | | |
| 3.5.3. THE COMMITTEE RECOMMENDS that the board of directors at least once a year evaluates the work and results of the executive management according to preestablished criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy. | x | | | The Board of Directors continually evaluates the work of the Executive Group Management by specifying targets and assessing as to what level or degree such targets have been met. As part of the Board of Directors' yearly plan the cooperation between Management and Board is evaluated once a year through a dialogue between the Chairship and the Executive Management. The results of the dialogue are presented at a subsequent Board meeting. |

4. Remuneration of management

4.1. Remuneration of the board of directors and the executive management

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| 4.1.1. THE COMMITTEE RECOMMENDS that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests. | x | | | <p>The remuneration framework is designed to enable FLSmidth to attract, motivate and retain a diverse team of highly qualified members of the Board of Directors and Group Executive Management. Additionally, the remuneration framework shall encourage the Board of Directors and the Group Executive Management to demonstrate a well-balanced and sustainable management of FLSmidth with creation of short- and long-term shareholder value through efficient business strategy execution and high performance.</p> <p>Through the Compensation Committee of the Board of Directors, Group Executive Management's remuneration is reviewed against market benchmarks to ensure it is competitive based upon the individuals skills and experience and considers other stakeholders' interests.</p> <p>As mentioned under 3.4.5, the Compensation Committee reviews and approves any changes to terms and conditions of employment related to fixed and variable remuneration for Group Executive Management taking into account shareholder interests and market practices.</p> <p>Link to the Remuneration report: https://www.flsmidth.com/remunerationreport2021</p> |
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| Recommendation | The company complies | The company complies partially | The company does not comply | The company complies / explanation for complying partially or not complying with the recommendation |
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| 4.1.2 THE COMMITTEE RECOMMENDS that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years. | x | | | Share-based remuneration is granted periodically and has a maturity of at least three years from the date of allocation. |
| 4.1.3. THE COMMITTEE RECOMMENDS that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios. | x | | | <p>FLSmith has a cap included in its Remuneration Policy, which can be found on the company website: https://www.flsmidth.com/en-gb/company/investors/governance/incentive-plans</p> <p>Short-term Incentive Programme: Group Executive Management may receive an annual cash incentive which may not exceed 75% of the base salary for the year in question. The individual target and maximum levels of the cash incentive for Group Executive Management are fixed as part of the ongoing remuneration adjustment cycle.</p> <p>Long-term Incentive Programme: For each year, performance share units may be granted up to a maximum value corresponding to 100% of the annual base salary for the year in question. However, the individual target and maximum levels of the Performance Share Programme for Group Executive Management is fixed as part of the ongoing remuneration adjustment cycle.</p> |
| 4.1.4. THE COMMITTEE RECOMMENDS that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements. | x | | | Agreements regarding severance allowance shall not exceed two years' annual remuneration. |
| 4.1.5. THE COMMITTEE RECOMMENDS that members of the board of directors are not remunerated with share options and warrants. | x | | | The Board of Directors' total remuneration consists of an annual cash payment which is recommended by the Board and adopted by the Annual General Meeting. |
| 4.1.6. THE COMMITTEE RECOMMENDS that the company has the option to reclaim, in | x | | | FLSmith has a Clawback clause in its Remuneration Policy, which can be found on the company website: https://www.flsmidth.com/en-gb/company/investors/governance/incentive-plans |

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| whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration. | | | | In special cases, clawback of the variable remuneration for Group Executive Management may be carried out, including in the event of the variable remuneration having been set based on one or more factors which turns out to be incorrect. |

5. Risk management

5.1. Identification of risks and openness in respect of additional information

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| 5.1.1. THE COMMITTEE RECOMMENDS that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management. | x | | | The Board of Directors accounts for strategic, financial and business-related risks and risk management in a special chapter in the Annual Report. |
| 5.1.2. THE COMMITTEE RECOMMENDS that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases. | x | | | <p>FLSmith's Board of Directors has established an active whistleblower scheme and the Audit Committee receives reporting on the total number, nature and justification of whistleblower reports submitted. We focus on increasing awareness around whistleblowing to promote the disclosure of potential wrongdoings in the organisation.</p> <p>As part of the company's Code of Conduct, employees and other persons have been given the opportunity to report confidentially violations or suspicion of violations to the Group General Counsel and/or the Head of the Global Governance and Compliance department and/or an external whistle-blower hotline. Any reporting, whether received anonymously or from a known source, is treated confidentially and is initially investigated internally by the Group General Counsel or one of her legal staff who is authorised to do so. Sanctions in case of any confirmed violations are decided by the Group Chief Executive Officer based on a recommendation by the Group General Counsel. In the case of the Executive Management, recommendation shall be given to the Chair of the Board of Directors.</p> |

Corporate Governance Statement 2021
1 January – 31 December 2021

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