

Corporate Governance Statement 2023  
1 January - 31 December 2023

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# Corporate Governance Statement 2023

The background image shows two male workers in blue work suits and white hard hats. They are standing on either side of a large, blue, conical industrial component, possibly a part of a conveyor system or a large valve. They appear to be inspecting or adjusting the component. The setting is an industrial facility with a blue wall on the left and a corrugated metal wall in the background. The floor is concrete.

# Corporate Governance Statement 2023

## Contents

<b>Compliance with the Danish recommendations on Corporate Governance</b>	<b>3</b>
<b>1. Interaction with the company's shareholders, investors and other stakeholders</b>	<b>3</b>
1.1. Communication with the company's shareholders, investors and other stakeholders	3
1.2. The general meeting	4
1.3. Takeover bids	5
1.4. Corporate Social Responsibility	5
<b>2. The duties and responsibilities of the board of directors</b>	<b>6</b>
2.1. Overall tasks and responsibilities	6
2.2. Members of the board of directors	7
<b>3. The composition, organisation and evaluation of the board of directors</b>	<b>8</b>
3.1. Composition	8
3.2. The board of director's independence	9
3.3. Members of the board of directors and the number of other managerial duties	10
3.4. Board committees	11
3.5. Evaluation of the board of directors and the executive management	13
<b>4. Remuneration of management</b>	<b>14</b>
4.1. Remuneration of the board of directors and the executive management	14
<b>5. Risk management</b>	<b>15</b>
5.1. Identification of risks and openness in respect of additional information	15

# Compliance with the Danish recommendations on Corporate Governance

The following statutory corporate governance statement for FLSmidth & Co. A/S forms part of the management review in the Annual Report for 2023 and has been prepared pursuant to Section 107b of the Danish Financial Statements Act and the applicable rules set out in the Nasdaq Nordic Main Market Rulebook for Issuers of Shares. Pursuant to the rules set out by Nasdaq, Danish listed companies must give a public statement on how they address the Corporate Governance Recommendations issued by the Danish Committee on Corporate Governance in December 2020 based on the ‘comply or explain’ principle. The Danish Recommendations on Corporate Governance are available at: <https://corporategovernance.dk/>. In 2023, the company complied fully with all recommendations, except recommendation 3.5.1., where the company only complied partially. The company’s position on each specific recommendation is summarised in this statement below.

## 1. Interaction with the company’s shareholders, investors and other stakeholders

### 1.1. Communication with the company’s shareholders, investors and other stakeholders

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>1.1.1.</b> 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.</p>	x			<p>The management of FLSmidth values and encourages active participation in the company’s affairs by its shareholders, investors and other stakeholders through the channels and means available to them.</p> <p>The company aims at maintaining seamless and efficient communication and interaction with its various stakeholders at the company’s annual general meeting and capital markets day as well as through its website, newsletters, interim and annual reports, company announcements, press releases, etc.</p> <p>After the release of quarterly interim reports, investor meetings are held virtually, and teleconferences (direct webcasts) are held during which questions can be put directly to members of the Executive Management.</p> <p>In addition, shareholders and investors have the possibility of directly contacting the management via the company’s Investor Relations (IR) function whose main task is to maintain an ongoing dialogue between the company and its existing as well as potential shareholders and investors.</p> <p>As FLSmidth has a diversified and international shareholder base, the company also values and seeks engagement with proxy advisors to the extent possible. The company has a regular dialogue with some proxy advisors. However, the company experiences that some proxy advisors are more open to dialogue than others.</p>

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<b>1.1.2.</b> 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>FLSmith has identified several relevant stakeholders, including its shareholders, investors, customers, suppliers, employees and other business partners as well as the general public and authorities. The company has adopted an Investor Relations Policy, a Code of Conduct, a Supplier Code of Conduct as well as several other relevant policies addressed to its stakeholders which are made available on the company's website.</p> <p>Link to the company's Investor Relations Policy:  <a href="https://www.flsmidth.com/en-gb/company/investors/the-share/investor-relations-policy">https://www.flsmidth.com/en-gb/company/investors/the-share/investor-relations-policy</a>.</p> <p>Link to the company's general policy framework:  <a href="https://www.flsmidth.com/en-gb/company/sustainability/sustainability-governance/statements-and-policies">https://www.flsmidth.com/en-gb/company/sustainability/sustainability-governance/statements-and-policies</a>.</p>
<b>1.1.3.</b> THE COMMITTEE RECOMMENDS that the company publishes quarterly reports.	x			FLSmith & Co. A/S has published quarterly reports since August 2000.

## 1.2. The general meeting

<b>1.2.1.</b> 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>Shareholders who are unable to attend a general meeting in person can vote via FLSmith's InvestorPortal, by using a postal vote form or by granting a proxy to a specific third party or the Board of Directors. Shareholders who are unable to attend in person are also able to raise questions to the management before or at the general meeting. The procedure for voting by proxy, post or electronic means as well as the procedure for raising questions are set out in the notice convening the general meeting.</p> <p>Shareholders are also entitled to submit a request that a specific topic is included on the agenda of the general meeting. However, the request must be submitted in writing to the Board of Directors within the statutory time limits in order to be included.</p> <p>All shareholders can follow the general meeting live via webcast, and the webcast is subsequently made available on the company's website.</p>
<b>1.2.2.</b> 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 convening the general meeting, the Board of Directors sends out proxy and postal vote forms that enable shareholders to place their vote regarding each item on the agenda.

### 1.3. Takeover bids

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>1.3.1.</b> 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.</p>	x			<p>The company has set up contingency procedures in the event of a takeover bid. The procedures, <i>inter alia</i>, contain a road map covering relevant matters for the Board of Directors to consider and also reflects that the Board of Directors abstains from countering any takeover bids by taking actions that seek to prevent shareholders from deciding on a takeover bid without the approval of the general meeting. The procedures also address how to respond if the Board of Directors obtains reasonable grounds to suspect that a takeover bid may be submitted.</p>

### 1.4. Corporate Social Responsibility

<p><b>1.4.1.</b> 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.</p>	x			<p>FLSmidth has adopted a sustainability policy framework with particular focus on safety, human resources, diversity, equity and inclusion, compliance (Code of Conduct), environment and human rights. As part of the sustainability strategy, FLSmidth has processes in place to work towards a sustainable supply chain. This includes a Supplier Code of Conduct as well as supplier assessments. Furthermore, suppliers are engaged specifically in relation to climate change and emission reduction targets.</p> <p>Concurrently with the Annual Report, FLSmidth has published its annual Sustainability Report covering non-financial performance related to environmental, social and governance impacts. The report has been published every year since 2010, guided by Global Reporting Initiative (GRI) standards, and is prepared in compliance with sections 99a and 107d of the Danish Financial Statements Act and the EU Taxonomy Regulation disclosure requirements. The report also serves as an addition to the online Communication on Progress to the United Nations Global Compact. The report has received limited assurance performed by the company’s auditor. Implementation of the sustainability policy framework is handled by the various business units and is being coordinated by the Group Sustainability Manager. The Board of Directors has also adopted a Diversity, Equity and Inclusion Policy, which is available on the company website.</p> <p>Link to the company’s general sustainability policy framework:  <a href="https://www.flsmidth.com/en-gb/company/sustainability/sustainability-governance/statements-and-policies">https://www.flsmidth.com/en-gb/company/sustainability/sustainability-governance/statements-and-policies</a></p>
<p><b>1.4.2.</b> THE COMMITTEE RECOMMENDS that the board of directors adopts a tax policy to be made available on the company’s website.</p>	x			<p>The Board of Directors has adopted a Tax Policy which is available on the company website.</p> <p>Link: <a href="https://www.flsmidth.com/en-gb/company/sustainability/sustainability-governance/statements-and-policies">https://www.flsmidth.com/en-gb/company/sustainability/sustainability-governance/statements-and-policies</a>.</p>

## 2. The duties and responsibilities of the board of directors

### 2.1. Overall tasks and responsibilities

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>2.1.1.</b> 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.</p>	x			<p>FLSmith's strategies for Mining and Cement respectively are accounted for in the management commentary in the Annual Report and on the company website. FLSmith's Mining related purpose of 'Mining for a sustainable world' and for Cement 'To help build a sustainable future for all' are in support of the statutory objects according to the Articles of Association. To strengthen the company's position as leading players in the industries it operates in and to drive the green transition through the company's offerings, the company has identified key strategic focus areas that are described in the Annual Report.</p> <p>Mining and Cement are key in the transition to a sustainable and low carbon future. FLSmith's continued focus on sustainability and the MissionZero programme enables this transition for the company's customers. FLSmith recognises the company's role and shared responsibility to bring these industries into a sustainable future, and the company sees it as a good business opportunity supporting long-term value creation. Furthermore, FLSmith will transform its business from an engineering company delivering large projects into focusing on technology and the company's largest share of revenue to come from its service business. This will yield higher returns from the more profitable service market, more stable value generation for the company as well as a more balanced risk profile. To ensure and promote a good culture and sound values, FLSmith has a defined set of company values; Trust, Empowerment, Accountability, Collaboration and Honesty, which form the basis for engagement internally and with our customers, business partners, suppliers, shareholders, and other stakeholders in the communities in which FLSmith lives and operates.</p>
<p><b>2.1.2.</b> 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.</p>	x			<p>As part of the Board of Directors' annual plan, the strategy of the company is reviewed.</p> <p>FLSmith continues the overarching focus on sustainability, being dedicated to deliver on our MissionZero programme which was globally launched in 2019 by providing zero emission technology to our customers in Mining and Cement by 2030.</p> <p>In 2023, FLSmith has launched 'pure play' strategies for the two business segments Mining (CORE'26) and Cement (GREEN'26) and accordingly long-term financial targets. The pure play approach accounts for the different market dynamics and industry fundamentals. In addition, the synergies, overlap in customer base and overlap in product offerings between the two businesses are limited. A separate approach allows each business to focus on its own unique opportunities and challenges, and thus maximise their respective full potential. Besides Mining and Cement, the company has continued to operate and review a Non-Core Activity segment to wind-down or divest selected mining activities. On 23 August 2023, FLSmith announced the fulfilment of the closing conditions for the sale of Non-Core Activities material handling assets to KOCH Solutions.</p> <p>The Board of Directors has in 2023 continued to discuss and review the strategies and financial targets for those business segments individually, and in relation to the combined/global impact to the consolidated company.</p>

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<p><b>2.1.3.</b> THE COMMITTEE RECOMMENDS that the board of directors on a continuous basis takes steps to examine whether the company's share and capital structure 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>		x		<p>The Board of Directors regularly examines whether the company's share and capital structure supports the strategy and long-term value creation in the interest of the company as well as the shareholders, and FLSmidth has a clear priority for its share and capital structure which is described in the Annual Report and on the company website.</p> <p>In connection with annual strategy and budget meetings, the Board of Directors reviews and ensures that the necessary competencies and financial resources are in place and available within the company.</p> <p>In addition, a long-term incentive plan is in place to ensure Executive Management's focus on long-term value creation.</p> <p>Link to the company website: <a href="https://www.flsmidth.com/en-gb/company/investors/the-share/share-and-dividend-key-figures">https://www.flsmidth.com/en-gb/company/investors/the-share/share-and-dividend-key-figures</a></p>
<p><b>2.1.4.</b> 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.</p>		x		<p>The Board of Directors has adopted Rules of Procedure for the Executive Management which define the relationship between the Board of Directors and the Executive Management. The Rules of Procedure are guidelines for the Executive Management and include, inter alia, a description of the duties, distribution of work and the requirements in respect of reporting to the Board of Directors. The Rules of Procedure for the Executive Management are reviewed annually in light of the company's current situation, challenges and strategic objectives.</p>

## 2.2. Members of the board of directors

<p><b>2.2.1.</b> 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.</p>		x		<p>The Board of Directors elects from its own members a Chair and a Vice Chair who can generally act as the Chair's close sparring partner and step in if the Chair is absent. A job and task description outlining the duties and responsibilities of the Chair and the Vice Chair has been drawn up. The task description is reviewed each year as part of the Board's annual plan.</p>
<p><b>2.2.2.</b> 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.</p>		x		<p>The Chair and each board member regularly discuss the competencies and knowledge of the respective board member.</p> <p>All board members continuously update and supplement their knowledge of relevant matters based on individual needs and requirements, and the board members' special knowledge and qualifications are deliberately taken into account in a number of ways, for instance, when considering the composition of the board committees.</p> <p>Information about the qualifications and special knowledge of each board member is included on the company website and in the Annual Report. Link: <a href="https://www.flsmidth.com/en-gb/company/about-us/organisation/board-of-directors">https://www.flsmidth.com/en-gb/company/about-us/organisation/board-of-directors</a></p>
<p><b>2.2.3.</b> 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 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.</p>		x		<p>The members of the Board of Directors do not participate in the daily management of the company and are not undertaking any special tasks for the company in that respect.</p> <p>If any board member would be requested to take on special duties for the company in an exceptional case, a decision to that effect would take place in accordance with these recommendations.</p>

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

#### 3.1. Composition

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>3.1.1.</b> 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"> <li>▪ which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and</li> <li>▪ the composition of and diversity on the board of directors.</li> </ul>	x			<p>The Board of Directors annually assesses the composition of and the diversity on the Board of Directors as well as the qualifications that the Board of Directors should possess, collectively and individually, to perform its duties in the best possible manner, and such information is included in the management commentary of the Annual Report.</p> <p>In order to ensure that the Board of Directors can perform its duties in the best possible manner and to achieve a highly informed debate with the Group Executive Management, the company strives for board membership profiles that reflect substantial managerial experience from internationally operating industrial companies and match FLSmith's company values.</p> <p>At least one member of the Board of Directors must have CFO experience from a major listed company, and amongst the other board members there should be a strong representation of experienced CEOs from major internationally operating and preferably listed companies. Further, most board members elected by the general meeting should hold competencies in general management including strategy development, financing and market dynamics, international controls and accounting as well as the acquisition and sale of companies. In addition, it is preferable that board members have a background in the capital goods sector with expertise in products and services. A complete overview of competencies and skills of the Board of Directors is included in the Annual Report as well as on the company website.</p>
<p><b>3.1.2.</b> 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>Updates on diversity targets and initiatives throughout the organisation are provided by People and Sustainability to the Board of Directors on an ongoing basis and are subsequently being discussed by the Board of Directors.</p> <p>The Board of Directors has adopted a Diversity, Equity and Inclusion Policy which is published on the company website. Link to the Diversity, Equity and Inclusion Policy: <a href="https://www.flsmidth.com/en-gb/company/sustainability/policies">https://www.flsmidth.com/en-gb/company/sustainability/policies</a></p> <p>The Board of Directors has also adopted a specific Gender Diversity Policy that includes the voluntary group target and initiatives to increase the share of the underrepresented gender across the organisation as well as any statutory targets and/or policies to increase the share of the underrepresented gender. The required statutory information regarding FLSmith &amp; Co. A/S is included in the management commentary of the Annual Report in accordance with applicable law.</p>
<p><b>3.1.3.</b> THE COMMITTEE RECOMMENDS that candidates for the board of directors 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>	x			<p>The Board of Directors has established a formal, thorough and transparent process for recruitment of candidates to the Board of Directors.</p> <p>As part of the recruitment process, the company's Compensation &amp; Nomination Committee identifies and recommends candidates to the Board of Directors. When assessing candidates, the committee takes into consideration the individual competencies and qualifications as well as the need for continuity, renewal and integration of new talent. In addition, the committee considers the composition of and the diversity on the Board of Directors.</p>



Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>3.1.4.</b> 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"> <li>▪ qualifications,</li> <li>▪ other managerial duties in commercial undertakings, including board committees,</li> <li>▪ demanding organisational assignments and</li> <li>▪ independence.</li> </ul>		x		When election of members to the Board of Directors is on the agenda for a general meeting, the notice convening such general meeting includes the statutory items as well as the recommended information about the proposed candidates.
<p><b>3.1.5.</b> THE COMMITTEE RECOMMENDS that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>		x		The members of the Board of Directors elected by the general meeting serve for a one-year term and therefore stand for election every year. However, re-election may take place. Further, board members are nominated and elected individually.

## 3.2. The board of director's independence

<p><b>3.2.1.</b> THE COMMITTEE RECOMMENDS that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests. In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> <li>▪ be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company,</li> <li>▪ within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors,</li> <li>▪ represent or be associated with a controlling shareholder,</li> <li>▪ within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship,</li> <li>▪ be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting,</li> <li>▪ be a CEO in a company with cross-memberships in the company's management,</li> <li>▪ have been a member of the board of directors for more than twelve years, or</li> <li>▪ be closely related to persons, who are not independent, cf. the above-stated criteria.</li> </ul> <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>		x		All members of the Board of Directors elected by the general meeting are considered independent.
<p><b>3.2.2.</b> 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 Executive Management. Thus, no members of the Executive Management are members of the Board of Directors, and members retiring from the Executive Management do not join the Board of Directors immediately thereafter.

### 3.3. Members of the board of directors and the number of other managerial duties

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>3.3.1.</b> 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			<p>FLSmith aims to have board members with sufficient time to contribute actively to the work on the Board of Directors. As part of the annual evaluation, all members of the Board of Directors are encouraged to assess how much time is required to perform their board duties, including whether they have sufficient time available.</p> <p>The Board of Directors is focussed on potential over-boarding with respect to current as well as potential new members of the Board of Directors. Each board member's attendance in board and committee meetings is disclosed in the Annual Report.</p>
<p><b>3.3.2.</b> THE COMMITTEE RECOMMENDS that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors:</p> <ul style="list-style-type: none"> <li>▪ position, age and gender,</li> <li>▪ competencies and qualifications relevant to the company,</li> <li>▪ independence,</li> <li>▪ year of joining the board of directors,</li> <li>▪ year of expiry of the current election period,</li> <li>▪ participation in meetings of the board of directors and committee meetings,</li> <li>▪ managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and</li> <li>▪ 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.</li> </ul>	x			<p>The statutory and recommended information is included in the management commentary of the Annual Report. Information on the board members' holding of shares is also included in the company's Remuneration Report.</p> <p>Information about the individual board members is also included on the company website: <a href="https://www.flsmith.com/en-gb/company/about-us/organisation/board-of-directors">https://www.flsmith.com/en-gb/company/about-us/organisation/board-of-directors</a></p>

### 3.4. Board committees

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>3.4.1.</b> THE COMMITTEE RECOMMENDS that the management describes in the management commentary:</p> <ul style="list-style-type: none"> <li>▪ the board committees' most significant activities and number of meetings in the past year, and</li> <li>▪ the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.</li> </ul> <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>	x			<p>The Board of Directors has established three board committees: a Compensation &amp; Nomination Committee (the Compensation Committee and the Nomination Committee were merged in August 2023), an Audit, Risk &amp; ESG Reporting Committee and a Technology Committee.</p> <p>The committees' most significant activities, numbers of meetings as well as committee members, including information regarding the committee chairs and independence of the respective committee members, are described in the Annual Report in the corporate governance section of the management commentary. Mandate and charters of the three board committees can be found on the company website:  <a href="https://www.flsmidth.com/en-gb/company/sustainability/policies">https://www.flsmidth.com/en-gb/company/sustainability/policies</a></p> <p>Information about the committees and members can also be found on the company website:  <a href="https://www.flsmidth.com/en-gb/company/investors/governance/board-committees">https://www.flsmidth.com/en-gb/company/investors/governance/board-committees</a></p>
<p><b>3.4.2.</b> 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.</p>	x			<p>All board committees solely consist of members of the Board of Directors, and the majority of the members of each board committee was considered independent in 2023 pursuant to recommendation 3.2.1.</p>
<p><b>3.4.3.</b> 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 Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> <li>▪ supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,</li> <li>▪ reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,</li> <li>▪ assessing the need for internal audit,</li> <li>▪ performing the evaluation of the auditor elected by the general meeting,</li> <li>▪ reviewing the auditor fee for the auditor elected by the general meeting,</li> <li>▪ supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and</li> <li>▪ 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.</li> </ul> <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"> <li>▪ prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,</li> <li>▪ ensure that the internal audit function has sufficient resources and competencies to perform its role, and</li> <li>▪ supervise the executive management's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	x			<p>The Board of Directors has established an Audit, Risk &amp; ESG Reporting Committee and adopted a charter for the committee which is available on the company website and sets out the committee's duties and responsibilities. Among its other tasks, the committee assists the Board of Directors in the recommended tasks. The appointed chair of the committee is not also the Chair of the Board of Directors.</p> <p>To ensure a high quality and correctness of the Group's financial reporting, 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"> <li>▪ Continuous monitoring of goals and results achieved viewed against approved budgets</li> <li>▪ Continuous monitoring of projects including handling of risks and accounting for them</li> <li>▪ Policies for use of IT, insurance, cash management, procurement, etc.</li> <li>▪ Reporting instructions and manuals</li> <li>▪ Finance manual</li> <li>▪ Closing manual</li> </ul> <p>Once a year, the Audit, Risk &amp; ESG Reporting Committee evaluates the need for an internal audit function. So far, the committee has seen no need for an internal audit function because the internal policies, procedures, guidelines and control actions in place are considered adequate.</p> <p>The Audit, Risk &amp; ESG Reporting Committee evaluates the auditor, including the scope of services and fees. Further, the Board of Directors keeps regular contact with the company's auditor and at least once a year meets the auditor without the presence of the Executive Management.</p> <p>Mandate and charter of the Audit, Risk &amp; ESG Reporting Committee can be found on the company website: <a href="https://www.flsmidth.com/en-gb/company/sustainability/policies">https://www.flsmidth.com/en-gb/company/sustainability/policies</a></p>

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>3.4.4.</b> THE COMMITTEE RECOMMENDS that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>▪ 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,</li> <li>▪ 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,</li> <li>▪ 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,</li> <li>▪ handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors’ approval,</li> <li>▪ ensuring that a succession plan for the executive management is in place,</li> <li>▪ supervising executive managements’ policy for the engagement of executive employees, and</li> <li>▪ supervising the preparation of a diversity policy for the board of directors’ approval.</li> </ul>	x			<p>In August 2023, the Nomination Committee and the Compensation Committee of the company were combined, and the committee is now referred to as the Compensation &amp; Nomination Committee.</p> <p>The Board of Directors has adopted a charter for the combined committee which sets out the duties and responsibilities of the committee. Among its other tasks, the committee performs the preparatory tasks that are recommended for a nomination committee.</p> <p>Mandate and charter of the Compensation &amp; Nomination Committee can be found on the company website: <a href="https://www.flsmidth.com/en-gb/company/sustainability/policies">https://www.flsmidth.com/en-gb/company/sustainability/policies</a></p>
<p><b>3.4.5.</b> THE COMMITTEE RECOMMENDS that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>▪ preparing a draft remuneration policy for the board of directors’ approval prior to the presentation at the general meeting,</li> <li>▪ providing a proposal to the board of directors on the remuneration of the members of the executive management,</li> <li>▪ providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,</li> <li>▪ ensuring that the management’s actual remuneration complies with the company’s remuneration policy and the evaluation of the individual member’s performance, and</li> <li>▪ 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.</li> </ul>	x			<p>In August 2023, the Compensation Committee and the Nomination Committee of the company were combined, and the committee is now referred to as the Compensation &amp; Nomination Committee.</p> <p>The Board of Directors has adopted a charter for the combined committee which sets out the duties and responsibilities of the committee. Among its other tasks, the committee performs the preparatory tasks that are recommended for a remuneration committee.</p> <p>Mandate and charter of the Compensation &amp; Nomination Committee can be found on the company website: <a href="https://www.flsmidth.com/en-gb/company/sustainability/policies">https://www.flsmidth.com/en-gb/company/sustainability/policies</a></p>

### 3.5. Evaluation of the board of directors and the executive management

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>3.5.1.</b> 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"> <li>▪ the composition of the board of directors with focus on competencies and diversity</li> <li>▪ the board of directors and the individual member's contribution and results,</li> <li>▪ the cooperation on the board of directors and between the board of directors and the executive management,</li> <li>▪ the chairperson's leadership of the board of directors,</li> <li>▪ the committee structure and the work in the committees,</li> <li>▪ the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and</li> <li>▪ the board members' preparation for and active participation in the meetings of the board of directors.</li> </ul>		x		<p>The Board of Directors performs an annual self-evaluation to evaluate, among other things, the contribution, results, engagement and competencies of the individual board members as well as the composition of the Board of Directors, the organisation of work, the cooperation between board members, the Chair's leadership and the structure and work of the board committees. In addition, the cooperation between the Executive Management and the Board of Directors is evaluated through a dialogue between the Chair and the Executive Management. The Chair has the overall responsibility for the evaluation, and the results are presented at a subsequent board meeting.</p> <p>The Board of Directors only engages external assistance in the evaluation if deemed relevant. It is the general 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.</p>
<p><b>3.5.2.</b> 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 the evaluation are described in the management commentary, on the company's website and at the company's general meeting.</p>	x			<p>The board evaluation was conducted as a self-evaluation where the individual board members provided input through online questionnaires. The result of the annual evaluation is discussed among the Board of Directors at a subsequent board meeting and is used in the planning and handling of future board meetings. The overall conclusions of the 2023 board evaluation were satisfactory and showed a continued good performance by the Board of Directors and valuable cooperation between the Board of Directors and the Executive Management. Key focus areas for the Board of Directors going forward are amongst other continued focus on succession planning.</p>
<p><b>3.5.3.</b> THE COMMITTEE RECOMMENDS that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established 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.</p>	x			<p>The Board of Directors continually evaluates the work and results of the Executive Management by specifying targets and assessing as to what level or degree such targets have been met. At least once a year, the evaluation is reviewed by the Chair of the Board of Directors together with the Executive Management.</p> <p>In addition, the Board of Directors regularly assesses the need for changes in the structure and composition of the Executive Management, including in respect of the recommended criteria.</p>

## 4. Remuneration of management

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

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<b>4.1.1.</b> 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>FLSmith's remuneration framework is designed to enable the company to attract, motivate and retain a diverse team of highly qualified members of the Board of Directors and Executive Management. Additionally, the remuneration framework shall encourage the Board of Directors and the Executive Management to demonstrate a well-balanced and sustainable management of FLSmith with creation of short-term and long-term shareholder value through efficient business strategy execution and high performance.</p> <p>The Compensation &amp; Nomination Committee ensures that the remuneration of the Board of Directors and Executive Management is considered competitive and consistent with the company's long-term shareholder interests. The remuneration is generally based on individuals' skills and experience and is regularly reviewed against market benchmarks. The Compensation &amp; Nomination Committee also reviews and approves other terms of employment/service taking into account long-term shareholder interests and market practices in order to ensure consistency and competitiveness. Link to the company's Remuneration Policy and Remuneration Report: <a href="https://www.flsmith.com/en-gb/company/investors/governance/remuneration">https://www.flsmith.com/en-gb/company/investors/governance/remuneration</a></p>
<b>4.1.2.</b> 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.
<b>4.1.3.</b> 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			The company has adopted a Remuneration Policy with the purpose of ensuring transparency of the company's remuneration framework and how it is applied, including the potential value at the time of exercise under different scenarios. The policy, <i>inter alia</i> , includes a cap on the variable part of the remuneration. Under the company's Short-term Incentive Programme, members of the Executive Management may receive an annual cash incentive which may not exceed 75% of the base salary for the year in question. Under the Long-term Incentive Programme, 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. The individual target and maximum levels are fixed as part of the ongoing remuneration cycle.
<b>4.1.4.</b> 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			The overall value of the remuneration for the notice period does not exceed two years' remuneration.
<b>4.1.5.</b> THE COMMITTEE RECOMMENDS that members of the board of directors are not remunerated with share options and warrants.	x			Members of the Board of Directors receive an annual cash payment. The board members are not entitled to receive any share options or warrants.
<b>4.1.6.</b> THE COMMITTEE RECOMMENDS that the company has the option to reclaim, in 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.	x			FLSmith has the option to reclaim variable remuneration from members of the Executive Management. Clawback of the variable remuneration may be carried out in special cases, including in the event of the variable remuneration having been set based on one or more factors which turns out to be incorrect or proves to be erroneous due to gross negligence or wilful misconduct by the Executive Management. Members of the Board of Directors do not receive variable remuneration.

## 5. Risk management

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

Recommendation	Complies	Complies partially	Does not comply	The company complies / explanation for complying partially or not complying with the recommendation
<p><b>5.1.1.</b> 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.</p>	x			<p>The Board of Directors accounts for strategic, financial and business-related risks as well as risk management in the management commentary of the Annual Report.</p>
<p><b>5.1.2.</b> 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.</p>	x			<p>The Board of Directors has established an active whistleblower scheme, and the Audit, Risk and ESG Reporting Committee receives reporting on the total number, nature and justification of whistleblower reports submitted. The company 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 Group Compliance department and/or an external whistleblower 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 2023  
1 January - 31 December 2023

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