



Tax report 2022

FLSmidth Tax Report 2022

Tax is a material topic for FLSmidth and this report provides insight into our approach to taxes generally and into certain tax data for the year ended 31 December 2022 for the significant countries of our global footprint.

Our approach to taxes:

Tax policy and governance

The Board of Directors is accountable for and has approved the Group Tax Policy, which establishes the overarching principles and philosophies in the governance of FLSmidth's tax affairs globally. As stated in the Tax Policy wherever we operate around the globe, FLSmidth is committed to support community development and sustainable growth. FLSmidth contributes with products and services that enables our customers and partners to extract natural resources and build societies with the lowest possible environmental impact and we acknowledge that taxes contribute to building societies. A copy of the policy can be found at:

<https://www.flsmidth.com/en-gb/company/sustainability/policies>.

The Group Tax Policy is reviewed by the Board of FLSmidth annually on the background of business, organizational and regulatory developments and amended as deemed appropriate.

The Group Tax Policy is mandatory for all companies and employees within the Group.

Regulatory compliance

All FLSmidth's business and financial operations must comply with applicable local tax laws and reflect generally accepted principles of international taxation. This includes the preparation of complete and accurate tax returns and timely filing with the relevant tax authorities.

Local direct and indirect tax returns and other compliance work are outsourced to external specialists where the Group does not have the competencies internally.

We adopt tax positions which are correct in the light of all material facts and relevant legislation. Where uncertainty exists in application of the legislation to a tax position an assessment is made as to the likelihood that an adopted position is correct in the light of all material facts and relevant legislation. Where appropriate, an opinion from a reputable external professional advisor is obtained.

Pricing mechanisms for intercompany transactions are aligned to arm's length principles, unless we are legally required to apply an alternative pricing mechanism.

Seeking and accepting tax incentives

We only claim government provided tax incentives where they are transparent, consistent with regulatory frameworks and directly connected to the commercial substance of our business in the country offering the incentive. The FLSmidth companies in Denmark undertake research and development activities which are eligible for a tax incentive in the form of additional tax deductions. The value of the additional deductions in 2022 were DKK 38m (tax value: DKK 8m). This incentive is not unique to FLSmidth and is generally available under the Danish tax legislation.

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Relationship to business and sustainable goals

We acknowledge that direct and indirect taxes contribute significantly to government budgets. Being a responsible taxpayer is therefore of utmost importance to us. Responsibility means paying the correct amount of taxes at the right time in all countries where we operate.

Tax strategies are developed based on the principles that they are:

- Aligned to business operations
- Sustainable
- Compliant with:
 - FLSmith's Code of Business Conduct, and
 - Applicable tax laws

The business structures utilized within the FLSmith Group are driven by commercial considerations and aligned to the abovementioned principles. We do not use artificially fragmented structures or contracts to avoid establishing a taxable presence in jurisdictions where we do business.

Wherever we operate around the globe, FLSmith is committed to support community development and sustainable growth through our business activities. FLSmith's 2030 goals and targets support the UN Sustainable Development Goals (SDGs). Specifically, through its approach to and the payment of taxes FLSmith contributes to SDG target 16.6, the development of effective, accountable and transparent institutions.

Our governance, controls and risk management of tax:

Governance and risk

The responsibility for the Group Tax Policy and tax risk management lies with the Group CFO and Group Executive Management, and is overseen by the Audit Committee, who will update the Board of Directors on a regular basis. Group Tax is responsible to ensure an adherent application of the Group Tax Policy throughout the Group. The central Group tax function manages the operational aspects of the Group Tax Policy including tax risk assessment and mitigation, which includes an annual risk assessment in terms of both economic loss and reputational damage.

We employ appropriately qualified and trained tax professionals with the right levels of expertise and understanding. If there is uncertainty as to the application or interpretation of tax laws, we engage reputable external professional tax advisors.

With respect to all tax disclosures our review process includes input from relevant internal and external stakeholders. We provide a number of consolidated financial tax disclosures in the Group annual report, which is audited by our independent external auditor, EY.

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Business structures

The legal form of business structures utilized in our Group is typically wholly owned corporate subsidiaries. A feature in our project businesses in the Cement and Mining industries is the use of Permanent Establishments in countries outside of Denmark. This is aligned to the commercial activity and substance of these projects.

The FLSmith Group does not utilize tax havens or non-cooperative jurisdictions to generate tax outcomes. Our limited presence in non-cooperative jurisdictions is as a direct result of normal commercial trading activities. The financial tax information for these countries is included in the disclosures provided below.

Our stakeholder engagement and management of matters related to tax:

Relationships with stakeholders

We actively cooperate with tax authorities and strive to have a positive and open dialogue. Where possible, we will seek early guidance with tax authorities and certainty on matters of complexity.

As a significant Danish multinational Group we operate under the tax governance program conducted by the Danish Tax Authority.

We maintain a dialogue with various stakeholders both directly and through industry associations. We consider that this approach is generally appropriate for our business.

Reporting

All our businesses operate under the FLSmith Code of Business Conduct, which combined with our Group Tax Policy reiterates the behaviors and standards expected of our employees, companies and permanent establishments.

Our Group Compliance function manages a whistleblower hotline service which operates globally and provides a mechanism for employees and third parties to confidentially raise matters regarding the conduct of our business.

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Transparent reporting of taxes:

Key country by country financial data

In order to provide improved transparency of our tax data, we detail below key figures for the significant countries of our global footprint. In this context significance has been based on Total Revenue of the country. The country disclosures below represent the top 90% of Total Revenue for the Group. The Rest of the World category represents our presence in 50 countries.

Country-by-Country	United States	Australia	Denmark	Chile	India	China	Austria	South Africa	Peru	Brazil	Germany	Canada	Italy	Kazakhstan	Rest of the world	Total
Key figures IFRS 2022 (DKKm)																
Revenue Unrelated Party	4.882	2.224	2.017	1.921	1.463	749	1.010	1.032	1.119	1.090	654	659	408	478	2.144	21.849
Revenue Related Party ¹⁾	939	245	255	56	252	777	239	86	18	10	331	103	212	0	383	3.906
Income Tax Paid (Paid / -Receipt.) ²⁾	20	56	76	7	16	52	3	17	76	43	-8	4	8	29	72	471
Income Tax Accrued (Payable / -Receivable.)	-5	-52	-118	-71	9	-48	-14	-23	-59	-48	2	-2	-9	-30	-40	-507
Tangible Assets excl Cash	953	398	445	169	160	91	9	118	149	75	84	19	40	35	-99	2.647

1) Revenue Related Party is eliminated for the purposes of the Annual Report.

2) Tax paid is booked under the country where the legally paying entity is located, also if the tax actually is paid abroad.

Key country by country other data

Details of our employee numbers and the primary business activities undertaken in each country during 2022 are:

Country-by-Country	United States	Australia	Denmark	Chile	India	China	Austria	South Africa	Peru	Brazil	Germany	Canada	Italy	Kazakhstan	Rest of the world	Total
Employees 2022																
Employees (headcount)	1.538	729	826	1.347	2.077	447	138	672	349	534	862	168	242	106	942	10.977
Primary activities 2022																
Customer sales & services	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Project execution hubs	•	•	•				•				•					•
Proprietary equipment or tech centres	•	•	•					•			•		•		•	•
Group HQ & Functions			•													•
Industry or Regional HQ's	•		•	•				•							•	•
Group shared service or assembly centres					•	•										•

A list of all companies within the FLSmidth Group as of 31 December 2022 is provided in 2022 Annual Report at Note 6.5 List of Group Companies on pages 116 and 117. The Annual Report can be accessed via: [annualreport2022 \(flsmidth.com\)](https://www.flsmidth.com/annualreport2022).

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Key country by country data – EU non-cooperative jurisdiction countries

Of the 12 countries included in the EU's list of non-cooperative jurisdictions published in October 2022¹ FLSmith is in 2022 present in Panama. Our business operations in Panama consists of sales related business development activities undertaken by an average of 4 employees.

Key country by country data – countries with a corporate tax rate of less than 15%

During 2022, FLSmith operated in 2 countries whose base corporate income tax rate is less than 15%, viz. Mongolia (10%) and Paraguay (10%). Our business operations in each of these countries consisted of sales and services to Mining and / or Cement industry customers. The average number of employees delivering these services were 34 in Mongolia and <1 in Paraguay.

The relevant data for these countries which is included in the Rest of World grouping in the table above is:

Country-by-Country	Mongolia	Paraguay	Panama
Key figures IFRS 2022 (DKKm)			
Revenue Unrelated Party	105	38	0
Revenue Related Party	0	0	0
Income Tax Paid (Paid / -Receipt.)	7	0	0
Income Tax Accrued (Payable / -Receivable.)	-5	-2	-0
Tangible Assets excl Cash	3	0	1
Employees (headcount)	34	1	4

¹ <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>