

A high-angle photograph of a city skyline, with the Empire State Building as the central focus. The sky is a clear, bright blue.

# CORPORATE GOVERNANCE 2018

Female  
Board Members

33%

Unchanged

Independent  
Board Members

100%

Unchanged

Registered  
Shareholders  
(DKK 1,000)

37

Down from 38

Board and  
Committee meetings

24

Up from 22

# CORPORATE GOVERNANCE STATEMENT 2018

## 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 2018 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 November 2017 based on the 'comply or explain' principle ([www.corporategovernance.dk](http://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 explanation for complying partially/not complying with the recommendation
<b>1. COMMUNICATION AND INTERACTION BY THE COMPANY WITH ITS INVESTORS AND OTHER STAKEHOLDERS</b>				
<b>1.1. Dialogue between company, shareholders and other stakeholders</b>				
1.1.1. THE COMMITTEE RECOMMENDS that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company, and in order for the board of directors to be aware of the shareholders' views, interests and opinions on the company.	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 &amp; Co. A/S aims at maintaining seamless and efficient communication with its shareholders, for example through the internet. Among other channels, FLSmidth &amp; Co. A/S provides information to its shareholders via its website, interim reports, annual reports, and company announcements to the NASDAQ Copenhagen, press releases as well as at Annual General Meetings.</p> <p>After the release of quarterly interim reports, investor meetings are held in Denmark and abroad, and teleconferences (direct webcasts) are held during which questions can be put directly to members of the Executive Management.</p>



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				In addition, investors have the possibility of directly contacting the Executive Management and the Board via the Company's Investor Relations function whose task it is to maintain an ongoing dialogue between the company and its present and future prospective shareholders.
1.1.2. THE COMMITTEE RECOMMENDS that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.	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 business conduct, diversity &amp; equality policy, human resources policy, human rights policy and supplier code of conduct.</p> <p>Link to Investor Relations policy: <a href="http://www.flsmidth.com/en-US/About+FLSmidth/Our+Company/Business+Policies/Investor+Relations">http://www.flsmidth.com/en-US/About+FLSmidth/Our+Company/Business+Policies/Investor+Relations</a>  Link to our commitments and policy framework: <a href="https://www.flsmidth.com/en-gb/company/sustainability/our-commitments">https://www.flsmidth.com/en-gb/company/sustainability/our-commitments</a></p>
1.1.3. THE COMMITTEE RECOMMENDS that the company publish quarterly reports	x			FLSmidth & Co. has published quarterly reports since August 2000.
<b>1.2. General meeting</b>				
1.2.1. THE COMMITTEE RECOMMENDS that when organising the company's general meeting, the board of directors plans the meeting to support active ownership.	x			<p>Shareholders can exert influence by participating in and voting at general meetings. Besides, each shareholder has the right to 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.</p> <p>Any shareholder is entitled to ask for specific topics and proposals to be considered at the Annual 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>Since 2006, voting by shareholders has been based on the principle of "one share – one vote", as FLSmidth at that time abandoned the former A and B share classes, which provided different voting rights for A and B shares, and went to one common class of shares.</p> <p>Shareholders who are not present at general meetings may 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 or votes by post for the general meeting allow 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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<b>1.3. Takeover bids</b>				
1.3.1. THE COMMITTEE RECOMMENDS that the company set up contingency procedures the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.	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 takeover bid is in fact, the Board of Directors assesses 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 wishes to recommend to the shareholders.
<b>2. TASKS AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS</b>				
<b>2.1. Overall tasks and responsibilities</b>				
2.1.1. THE COMMITTEE RECOMMENDS that at least once a year the board of directors take a position on the matters related to the board's performance of its responsibilities.	x			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.
2.1.2. THE COMMITTEE RECOMMENDS that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.	x			In connection with the on-boarding of the new CEO in 2013, a health check of the company's strategy was undertaken by the Board of Directors. As a continuation of the strategy health check, a new divisional structure was announced in August 2014 and became operational on 1 January 2015. During the summer of 2015, a review of all product lines was performed with a view to assessing the profitability and attractiveness of all business segments. As a consequence, in November 2015, it was announced to pursue divestment of the bulk materials handling activities.  As part of the Board's annual plan, the strategy of the company is reviewed.
2.1.3. THE COMMITTEE RECOMMENDS that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the	x			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.



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shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.				
2.1.4. THE COMMITTEE RECOMMENDS that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board 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 of Directors' annual plan, the cooperation between Management and Board is evaluated once a year through a formalised dialogue between the Chairman and the Chief Executive Officer. The results of the dialogue are presented at a subsequent Board meeting.
2.1.5. THE COMMITTEE RECOMMENDS that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	x			The Board of Directors continually evaluates the work of the Group Executive Management by specifying targets and assessing as to what level or degree such targets have been met. As part of the Board of Directors' annual plan, the composition of the Group Executive Management as well as developments, risks and succession plans are discussed once a year at a Board meeting.
<b>2.2. Corporate social responsibility</b>				
2.2.1. THE COMMITTEE RECOMMENDS that the board of directors adopt policies on corporate social responsibility.	x			<p>FLSmidth has adopted a Sustainability policy (formerly Corporate Social Responsibility policy) with particular focus on safety, human resources, diversity and equality, compliance (Code of Business 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, prepared in accordance with the GRI Standards: Core option, 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 is handled by the various business units and is being coordinated by the Group Sustainability Manager.</p> <p>All available policies for relevant sustainability topics may be found here:  <a href="https://www.flsmidth.com/en-gb/company/sustainability/our-commitments">https://www.flsmidth.com/en-gb/company/sustainability/our-commitments</a></p>
<b>2.3. Chairman and vice-chairman of the board of directors</b>				
2.3.1. THE COMMITTEE RECOMMENDS appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	x			Immediately after the Annual General Meeting the Board of Directors elects from its own members a Chairman and a Vice Chairman. A job and task description outlining the duties and responsibilities of the Chairman and the Vice Chairman has been drawn up. The task description is reviewed each year as part of the Board's annual plan.



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<p>2.3.2. THE COMMITTEE RECOMMENDS ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be announced.</p>	x			<p>The Board of Directors has currently not asked the Chairman 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.</p>
<p><b>3. COMPOSITION AND ORGANISATION OF THE BOARD OF DIRECTORS</b></p>				
<p><b>3.1. Composition</b></p>				
<p>3.1.1. THE COMMITTEE RECOMMENDS that the board of directors annually evaluates and, in the management commentary, accounts for the skills it must have to best perform its tasks, the composition of the board of directors, and the special skills of each member.</p>	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.</p> <p>At least one member of the Board must have experience as Chief Financial Officer in a major listed company, and all other members must have experience as Chief Executive Officer in a major internationally operating, preferably listed, company.</p> <p>The composition of the Board of Directors reflects that all 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 have a background in construction contracting and possess technical expertise on process plants and process technology, including cement and/or minerals.</p>
<p>3.1.2. THE COMMITTEE RECOMMENDS that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, prepares, and adopts a policy on diversity. The policy should be published on the company website.</p>	x			<p>The Board of Directors has adopted a Diversity &amp; Equality policy, which is published on the company's website. The policy along with other sustainability related policies may be found here: <a href="https://www.flsmidth.com/en-gb/company/sustainability/our-commitments">https://www.flsmidth.com/en-gb/company/sustainability/our-commitments</a></p>



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<p>3.1.3 THE COMMITTEE RECOMMENDS that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors, in addition to the need for competences and qualifications, should take into consideration the need for integration of new talent and diversity.</p>				<p>The FLSmidth Board of Directors has set up a nomination committee, currently consists of the Board of Directors' chairmanship i.e. Mr. Vagn Sørensen and Mr. Tom Knutzen as well as Mr. Marius Kloppers.</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 all 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 technical expertise on the cement and/or minerals processing industries.</p>
<p>3.1.4 THE COMMITTEE RECOMMENDS that the notice convening the general meeting when election of members to the board of directors is on the agenda be accompanied by a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>■ other executive functions, among these memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises, and demanding organisational tasks</li> <li>■ Furthermore, it should be indicated whether candidates to the board of directors are considered independent.</li> </ul>	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: <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>



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3.1.5. THE COMMITTEE RECOMMENDS that members of the company's executive board are not members of the board of directors and that a chief executive officer who is stepping down does not take up the position of chairman or vice chairman for the same company.	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.
3.1.6. THE COMMITTEE RECOMMENDS that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.	x			The members of the Board elected at the General Meeting retire at each Annual General Meeting. Re-election may take place.
<b>3.2. Independence of the board of directors</b>				
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: <ul style="list-style-type: none"> <li>■ be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>■ within the past five years, have received larger emoluments from the company/group, a subsidiary undertaking or an associate in another capacity than as member of the board of directors,</li> <li>■ represent the interests of a controlling shareholder,</li> <li>■ within the past year, have had significant business relations (e.g. personal or indirectly as partner or</li> </ul>	x			All members of the Board elected at the Annual General Meeting are independent in the opinion of the Board of Directors and according to the criteria specified by the Committee on Corporate Governance in the left column.





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<p>employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</p> <ul style="list-style-type: none"> <li>■ be or within the past three years have been employed or partner at the external auditor,</li> <li>■ have been chief executive in a company holding cross-memberships with the company,</li> <li>■ have been member of the board of directors for more than 12 years, or</li> <li>■ have been close relatives with persons who are not considered independent.</li> </ul> <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>				
<b>3.3. Members of the board of directors and the number of other executive functions</b>				
<p>3.3.1. THE COMMITTEE RECOMMENDS that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	x			<p>The members of the Board are encouraged by the chairmanship 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.</p> <p>Each board member's attendance in board and committee meetings is disclosed in the Annual Report 2018. The meeting attendance (physical or virtual) was 92% in 2018.</p>
<p>3.3.2. THE COMMITTEE RECOMMENDS that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>■ the position of the relevant person,</li> </ul>	x			<p>The recommended information appears from the company's website and the Annual Report. Link: <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>



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<ul style="list-style-type: none"> <li>■ the age and gender of the relevant person,</li> <li>■ the respective person's competences and qualifications that are relevant to the company,</li> <li>■ whether the member is considered independent,</li> <li>■ the date of appointment to the board of directors of the member,</li> <li>■ expiry of the current election period,</li> <li>■ the member's participation in the meetings of the board of directors and committee meetings,</li> <li>■ other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and</li> <li>■ the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>				
<p>3.3.3. THE COMMITTEE RECOMMENDS that the annual evaluation procedure, cf. section 3.5, includes an evaluation of what is regarded as a reasonable level for the number of other executive functions, where the number, level and complexity of the other individual executive functions are taken into account.</p>				<p>The annual self-assessment process includes an evaluation of number, level and complexity of other executive functions</p>



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<b>3.4. Board committees</b> 3.4.1. THE COMMITTEE RECOMMENDS that the company publish the following on the company's website: the terms of reference of the board committees, the most important activities of the committees during the year, and the number of meetings held by each committee, and the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.	x			<p>The recommended information appears in the Annual Report 2018 which is available on the company website</p> <p>Information about the committee members: <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>The Nomination Committee</b> The nomination committee consists of Mr. Vagn Sørensen, Mr. Tom Knutzen and Mr. Marius Kloppers. In 2018, the committee met three times. Its main activities in 2018 have been related to assessing the composition of the Board of Directors and the nomination of a new director.</p> <p><b>The Compensation Committee</b> The Compensation Committee consists of Mr. Vagn Sørensen, Mr. Tom Knutzen and Mr. Marius Kloppers. The Compensation Committee met five times in 2018, and the committee's main activities in 2018 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.</p> <p><b>The Audit Committee</b> The audit committee consists of Mr. Tom Knutzen (Chairman), Ms. Caroline Grégoire Sainte Marie and Ms. Anne Louise Eberhard who are all independent and have considerable insight and experience in financial matters, accounting and auditing in listed companies.</p> <p>In 2018, the Audit Committee met six times and the committee's main activities in 2018 were to look into specific financial, accounting and auditing matters, as well as paying special attention to cyber security, mergers &amp; acquisitions &amp; divestments, as well as financial management, including systems, costs, risks, internal controls and compliance.</p> <p><b>The Technology Committee</b> The Technology Committee consists of three Board members, Mr. Rob Smith (Chairman), Mrs. Caroline Grégoire Sainte Marie and Mr. Søren Dickow Quistgaard. The Technology Committee met three times in 2018. The main tasks in 2018 were to monitor the major development projects across the two industries and to approve the strategic focus areas for the coming years.</p>
3.4.2. THE COMMITTEE RECOMMENDS that a majority of the members of a board committee be independent.	x			All members of any board committee were independent in 2018 pursuant to the definition in section 3.2.1.
3.4.3 THE COMMITTEE RECOMMENDS that the members of the board of directors set up an audit committee and	x			The Board of Directors has established a formal audit committee consisting of Tom Knutzen (chairman), Caroline St.Marie Gregoire and Anne Louise Eberhard.



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that a chairman of the committee is appointed who is not the chairman of the board of directors.				The Chairman of the Board of Directors, Vagn Sørensen is not chairman of the audit committee, as the audit committee is chaired by Tom Knutzen The three members of the audit committee (Tom Knutzen, Caroline St. Marie Gregoire and Anne Louise Eberhard) possess considerable expertise and experience in financial, accounting and audit conditions of listed companies.
<p>3.4.4. THE COMMITTEE RECOMMENDS that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> <li>▪ significant accounting policies,</li> <li>▪ significant accounting estimates,</li> <li>▪ related party transactions, and</li> <li>▪ uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	x			<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"> <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>Responsibility for maintaining sufficient and effective internal control and risk management in connection with financial reporting lies with the Executive Group 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>3.4.5. THE COMMITTEE RECOMMENDS that the audit committee:</p> <ul style="list-style-type: none"> <li>▪ annually assesses the need for an internal audit, and in such case, makes mandates and recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function</li> <li>▪ ensures that if an internal audit has been established, a description of its functions is available and approved by the board of directors</li> <li>▪ ensures that if an internal audit has been established, that adequate resources and competences are allocated to carry out the work, and</li> </ul>	x			<p>Once a year, the audit committee evaluates the need for an internal audit function.</p> <p>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.</p>



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<ul style="list-style-type: none"> <li>monitors the executive board's follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>				
<p>3.4.6 THE COMMITTEE RECOMMENDS that the board of directors establish a nomination committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competences, knowledge and experience of the two governing bodies combined,</li> <li>annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,</li> <li>annually assess the competences, knowledge, experience and succession of the individual members of management, and report to the board of directors in this respect,</li> <li>recommendation of candidates for the board of directors and the executive board, and propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>	x			<p>The nomination committee consists of up to four members, currently Mr. Vagn Sørensen (Chairman), Mr. Tom Knutzen and Mr Marius Kloppers. 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.</p> <p>The nomination committee meets at least twice a year.</p>
<p>3.4.7. THE COMMITTEE RECOMMENDS that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p>	x			<p>The compensation committee consists of up to four Board members, currently Mr Vagn O. Sørensen (Chairman), Mr Tom Knutzen and Mr. Marius Kloppers.</p> <p>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 three times every year.</p>



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<p>to recommend the remuneration policy (including the general guidelines for incentive based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting, make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group recommend a remuneration policy applicable for the company in general and assist with the preparation of the annual remuneration report.</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 size of the compensation of the Board and the Board committees.</p> <p>Once every year the Chief Executive Officer and the rest of the Executive Management must inform the compensation committee about pay levels and performance evaluation for the Group Executive Management and managers reporting directly to the Group Executive Management.</p>
<p>3.4.8. THE COMMITTEE RECOMMENDS that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p>	x			<p>Should the compensation committee use external advisers, it is ensured that not the same external advisers are used as those used by the Executive Management.</p>
<p><b>3.5. Evaluation of the performance of the board of directors and the executive board</b></p>				
<p>3.5.1 THE COMMITTEE RECOMMENDS that the board of directors establishes an evaluation procedure for an annual evaluation of the board of directors and the individual members.</p> <p>External assistance should be obtained at least every third year. Inter alia, the evaluation should include:</p> <ul style="list-style-type: none"> <li>▪ Contribution and results,</li> <li>▪ Cooperation with the executive board</li> </ul>		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 Chairman is responsible for the evaluation which is conducted by an external provider. 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> <p>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 he or she believes this to be relevant.</p>



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>▪ The chairman's leadership of the board of directors</li> <li>▪ The composition of the board of directors (including competences, diversity and the number of members).</li> <li>▪ The work in the committees and the committee structure</li> <li>▪ The organisation and quality of the material that is submitted to the board of directors</li> </ul> <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions, at the General Meeting prior to the election to the board of directors.</p>				
<p>3.5.2. THE COMMITTEE RECOMMENDS that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.</p>	x			<p>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. The composition of Group Executive Management was evaluated and changed in connection with the new operational structure implemented on 1 July 2018.</p>
<p>3.5.3. THE COMMITTEE RECOMMENDS that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief</p>	x			<p>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 formalised dialogue between the Chairman and the CEO. The results of the dialogue are presented at a subsequent Board meeting.</p>



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation															
executive officer and that the outcome of the evaluation be presented to the board of directors.																			
<b>4. REMUNERATION OF MANAGEMENT</b>																			
<b>4.1. Form and content of the remuneration policy</b>																			
<p>4.1.1. THE COMMITTEE RECOMMENDS that the board of directors prepares a remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"> <li>▪ a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>▪ the reasons for choosing the individual components of the remuneration,</li> <li>▪ a description of the criteria on which the balance between the individual components of the remuneration is based, and</li> <li>▪ an explanation for the connection between the remuneration policy and the company's long-term value creation and relevant related goals.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website at least every fourth year and upon any critical amendments.</p>	x			<p>The Board of Directors has adopted a policy for remuneration of the Board and the Executive Management. Link to guidelines for incentive pay: <a href="http://www.flsmidth.com/en-US/Investor+Relations/Governance/Guidelines+for+Incentive+Pay">http://www.flsmidth.com/en-US/Investor+Relations/Governance/Guidelines+for+Incentive+Pay</a></p> <p>The incentive-based portion of the Executive Management's remuneration is presented at the company's Annual General Meeting pursuant to Section 139 of the Danish Companies Act, and the disclosure of it appears from the company's articles of association. The Board of Directors has set up a compensation committee which continuously assesses the Management's compensation. At the Annual General Meeting in 2020, the Board expects to present a revised remuneration policy for the Board and Executive Management, incorporating the requirements from the EU Shareholders Rights Directive which will be implemented into Danish law during 2019.</p> <p>The Board of Directors' total remuneration consists of an annual cash payment for the current financial year which is submitted for approval at the Annual General Meeting. The cash payment currently consists of a base fee of DKK 450,000 to each Board member, which is graded in line with additional tasks and responsibilities:</p> <table border="0" data-bbox="925 874 1861 1018"> <tr> <td>a.</td> <td>Ordinary Board members</td> <td>100 % of the base fee</td> </tr> <tr> <td>b.</td> <td>Board Vice Chairman</td> <td>200 % of the base fee</td> </tr> <tr> <td>c.</td> <td>Board Chairman</td> <td>300 % of the base fee</td> </tr> <tr> <td>d.</td> <td>Committee Chairman</td> <td>Additional fee DKK 225,000</td> </tr> <tr> <td>e.</td> <td>Committee members</td> <td>Additional fee DKK 125,000</td> </tr> </table> <p>The Chairman and Vice Chairman of the Board of Directors will not receive committee fees.</p> <p>In terms of the long-term value creation for the company and relevant related goals, please refer to the remuneration report in the Annual Report 2018. Link to financial reports: <a href="https://www.flsmidth.com/en-gb/company/investors/downloads/reports-and-presentations">https://www.flsmidth.com/en-gb/company/investors/downloads/reports-and-presentations</a> where the financial KPIs of the short-term incentive programme and the long-term incentive programme are outlined. The stretched financial KPIs used in management's short and long-term incentive programs are all directly or indirectly related to the Group ROCE (Return on Capital Employed).</p>	a.	Ordinary Board members	100 % of the base fee	b.	Board Vice Chairman	200 % of the base fee	c.	Board Chairman	300 % of the base fee	d.	Committee Chairman	Additional fee DKK 225,000	e.	Committee members	Additional fee DKK 125,000
a.	Ordinary Board members	100 % of the base fee																	
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d.	Committee Chairman	Additional fee DKK 225,000																	
e.	Committee members	Additional fee DKK 125,000																	
4.1.2 THE COMMITTEE RECOMMENDS that, if the remuneration policy includes variable components,	x			<p>The Board has adopted a remuneration policy for the Group Executive Management establishing a framework for variable salary components to support the company's short- and long-term goals (please see 4.1.1). The purpose is to ensure that the pay system does not lead to imprudence, short-term behavior or unreasonable risk acceptance on the part of the Group Executive Management.</p>															





Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>▪ limits be set on the variable components of the total remuneration package,</li> <li>▪ a reasonable and balanced linkage be ensured between remuneration for governing body members and the value creation for shareholders in the short and long terms, there be clarity about performance criteria and measurability for award of variable components,</li> <li>▪ it is ensured that variable remuneration only consists of short- and long-term remuneration components, and that long-term components must have an earning and maturity period of at least three years, and</li> <li>▪ ensures the opportunity for the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be misstated.</li> </ul>				<p>The Board's compensation committee considers from time to time the Group Executive Management's remuneration.</p> <p>The total remuneration of the Group Executive Management consists of the following components:</p> <p>Base salary (including employer's pension contributions)</p> <p>Short-term incentives in the form of a cash bonus (up to 75% of base salary)</p> <p>Long-term incentives in the form of performance shares (up to 50% of base salary)</p> <p>Severance payment, if any, corresponding to the relevant member's base salary for a maximum period of 24 months</p> <p>Customary benefits such as company car, telephone, newspaper, etc.</p> <p>For the Long-term incentive programme, the programme has a three-year maturity period. Full vesting of performance shares after three years will depend upon continued employment and on the achievement of stretched financial targets related to:</p> <ul style="list-style-type: none"> <li>• EBITA margin</li> <li>• Net working capital ratio.</li> </ul> <p>Remuneration agreements for the Group Executive Management include a right for the company to demand full or partial repayment of variable pay components which have been paid out based on information that is subsequently proved to be incorrect.</p> <p>For more information about the short and long-term incentive programmes, please see the Remuneration Report included in the Annual Report 2018. Link to financial reports: <a href="https://www.flsmidth.com/en-gb/company/investors/downloads/reports-and-presentations">https://www.flsmidth.com/en-gb/company/investors/downloads/reports-and-presentations</a></p>
<p>4.1.3. THE COMMITTEE RECOMMENDS that remuneration of members of the board of directors does not include share options.</p>	x			<p>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.</p>
<p>4.1.4. THE COMMITTEE RECOMMENDS that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have an earning and maturity period of at least three years after being allocated and should be roll over programmes, i.e. the options should be granted periodically.</p>	x			<p>Share-based remuneration is granted periodically and has a maturity of at least three years from the date of allocation. For further details, please see 4.1.2.</p>



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
4.1.5. THE COMMITTEE RECOMMENDS that the total value of the remuneration during the notice period, including severance pay, should not exceed two years of remuneration, including all components of the remuneration.	x			Agreements regarding severance allowance shall not exceed two years' annual remuneration.
<b>4.2. Disclosure of the remuneration</b>				
4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	x			The Chairman's statement at the Annual General Meeting includes information on the company's compliance with the general guidelines for incentive pay.
4.2.2. THE COMMITTEE RECOMMENDS that shareholders take up proposals for approval of remuneration for the board of directors for the current financial year at the general meeting.	x			A proposal for remuneration of the Board of Directors for the current financial year is submitted for approval at the Annual General Meeting.
4.2.3 THE COMMITTEE RECOMMENDS that the company prepares a remuneration report that includes information on the total remuneration granted to each member of the board Of directors and the executive board by the company and other companies in the group and associates for the last three years, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage between the remuneration and company strategy and relevant related goals be explained. The remuneration report should be published on the company website.	x			Full disclosure is provided in the Remuneration Report included in the Annual Report 2018. Link to financial reports: <a href="https://www.flsmidth.com/en-gb/company/investors/downloads/reports-and-presentations">https://www.flsmidth.com/en-gb/company/investors/downloads/reports-and-presentations</a>



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<b>5. FINANCIAL REPORTING, RISK MANAGEMENT AND AUDITS</b>				
<b>5.1. Identification of risks and transparency about other relevant information</b>				
5.1.1. THE COMMITTEE RECOMMENDS that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for 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.
<b>5.2. Whistleblower scheme</b>				
5.2.1. THE COMMITTEE RECOMMENDS that the board of directors establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	x			As part of the company's Code of Business 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 and/or to the Senior Vice President, Human Resources. In the case of the Executive Management, recommendation shall be given to the Chairman of the Board of Directors.
<b>5.3. Contact to auditor</b>				
5.3.1. THE COMMITTEE RECOMMENDS that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.	x			The Board Chairman and Audit Committee Chairman keep regular contact with the company auditor. The Board of Directors, including the Audit Committee meets at least once a year with the auditor without the executive board present.
5.3.2. THE COMMITTEE RECOMMENDS that the audit agreement and auditors' fee be agreed between the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.	x			The audit agreement and auditors' fee is agreed between the Board of Directors and the auditor based on a recommendation from the audit committee.

