

Overall guidelines for incentive pay

FLSmidth & Co. A/S

1 Introduction

The Board of Directors of FLSmidth & Co. A/S, CVR no. 58 18 09 12 (the "Company"), has approved these overall guidelines for incentive pay (the "Incentive Guidelines") pursuant to Section 139 of the Danish Companies Act.

It is set out in Section 139 of the Danish Companies Act that overall guidelines for incentive pay must be laid down by the Board of Directors and then presented to and adopted by the General Meeting before the Company can enter into specific agreements on incentive pay with members of the Board of Directors or the Group Executive Management.

The Incentive Guidelines have been approved by the Company's General Meeting held on *30 March 2017*, and the guidelines apply to agreements on incentive pay entered into as from the day after this General Meeting. The guidelines are available on the Company's website, www.flsmidth.com.

2 General principles

It is the opinion of the Board of Directors that a combination of a fixed and incentive-based remuneration to the Group Executive Management helps to ensure that the Company can attract and retain key persons whilst incentive-based remuneration also encourages the Group Executive Management to create value to the benefit of the shareholders. The purpose of the overall guidelines is to set the overall framework in respect of the incentive-based remuneration whilst considering the Company's short as well as long-term goals, thus ensuring that the remuneration system does not cause imprudent or unreasonable behaviour or acceptance of risk.

3 The individuals covered by these guidelines

3.1 The Board of Directors

The members of the Board of Directors shall receive an annual fixed fee in cash which is approved by the Company's Annual General Meeting. The Board of Directors' fees are normally pre-approved by the General Meeting for the year in question and then finally approved by the General Meeting in the following year. The final fees can take unexpected workload into consideration and increase the preliminarily approved fees for all or some members of the Board of Directors.

The Board of Directors' fees shall not include any incentive-based remuneration.

3.2 The Group Executive Management

These Incentive Guidelines shall only apply to those members of the Company's Group Executive Management that are registered as such with the Danish Business Authority and thereby covered by Section 139 of the Danish Companies Act. The Group Executive Management of the Company shall according to the Articles of Association consist of at least two and no more than six members.

The terms of employment and remuneration of the members of the Group Executive Management are agreed between each individual member and the Board of Directors.

The Board of Directors has established a compensation committee which assists the Board of Directors with assessing and determining the Group Executive Management's remuneration terms.

4 The remuneration elements

The remuneration to the members of the Group Executive Management may include the following components:

- (a) base salary (employer's pension contributions (if any) are included in the base salary);
- (b) short-term incentives in the form of a cash bonus (see section 5 below) and/or other incentives (see section 7 below);
- (c) long-term incentives in the form of performance shares (see section 6 below);
- (d) severance payment, if any, corresponding to the relevant member's base salary for a maximum period of 24 months; and
- (e) customary benefits such as company car, telephone, newspaper, etc.

5 Short-term incentive program

Cash bonus

Each member of the Group Executive Management may receive a yearly bonus which may not exceed 75% of the relevant member's base salary, for the year in question. The purpose of such cash bonus is to ensure fulfillment of the company's short-term targets.

The payment and size of the bonus will therefore depend on the fulfillment of the targets that are agreed upon for one year at a time. The targets are primarily related to the fulfillment of financial KPIs, including with regard to the Company's budgeted results, achievement of financial ratios or other measurable financial targets. In addition, other operational and/or personal KPIs may apply. For all targets a minimum performance requirement has to be achieved to get above the threshold for payment of bonus. And full payment will require a performance above the set target performance ("stretched targets").

In addition to the fulfillment of the yearly KPIs and to further ensure the right balance between the financial performance of the Company and the cash bonus payouts, payment of bonus may be conditional upon the Company achieving at least one further financial threshold. In the current bonus program this general financial threshold is defined as realising a positive cash flow (CFFO) on group level for the financial year in question. However, this general financial threshold may be changed and/or supplemented by other KPIs in the future taking into consideration the best interests of the Company.

6 Long-term incentive program

Performance share program

With effect from 2016 a performance based share program has replaced the previous share option program. This means that members of the Group Executive Management may be granted performance shares (also known as conditional shares). The purpose of such performance shares is to ensure value creation for the shareholders by aligning the long-term incentive awards with the performance of the management in terms of the fulfillment of the Company's long-term targets.

Subject to the Board of Directors' approval, the granting of performance shares may take place once a year, normally on presenting the Company's Annual report in February. For each year, performance shares may be granted up to a value corresponding to 50% of the relevant member's base salary at the grant date.

The vesting of the performance shares will be dependent on (i) time (a three (3) year vesting period), (ii) continued employment, and (iii) financial performance, i.e. achievement of one or more of the announced long-term financial targets supporting the long-term group strategy. The long-term financial target(s) are laid down by the Board of Directors.

Full vesting of the performance shares will require fulfilment of a stretched target (i.e. performance above the set target performance) for the applicable long-term financial target(s). If the minimum threshold for financial performance is not met, there will be no vesting of performance shares.

The shares are delivered to the individual in question without payment, subject to continued employment and achievement of the long-term financial target(s), following the vesting period of three (3) years. No shares are thus delivered during the vesting period, and all shareholder rights and obligations stay with the Company during the vesting period.

The Company will continuously cover its obligations under the performance share program through acquisition of treasury shares.

7 Other incentives

The Board of Directors may in individual cases and subject to applicable law, implement supplementary bonus schemes or other incentive-based remuneration for special purposes, e.g. retention bonus, sign-on bonus or similar, provided it is deemed necessary in order to meet the overall objectives of the Company or to protect the interests of the Company.

The value of such supplementary bonuses or incentive-based remuneration may not exceed an amount corresponding to 100% of the relevant member's base salary for the year in question. Unless otherwise decided by the Board of Directors in extraordinary situations, such supplementary bonuses or incentives may only be applied on a one-off basis.

These incentives may consist of cash and/or a share-based remuneration, and the conditions in respect of such grant, e.g. whether the grant and/or vesting should be subject to fulfilment of KPIs, are laid down by the Board of Directors.

8 Existing agreements on incentive pay

Existing agreements on incentive pay that are entered into prior to *31 March 2017* are subject to the previous version of the incentive guidelines that have been approved by the General Meeting. However, these Incentive Guidelines apply to any amendments to existing agreements, provided that such amendments are agreed upon on or following *31 March 2017*.

9 Approval and publication

These Incentive Guidelines have been approved by the Board of Directors and adopted by the Annual General Meeting on *30 March 2017*, and the guidelines apply to agreements on incentive pay entered into as from *31 March 2017*.

The Incentive Guidelines are available on the Company's website, www.flsmidth.com.

A list of outstanding share options and performance shares will at all times be published on the Company's website, www.flsmidth.com. The notes to the Company's accounts include a summary of the total remuneration of the Group Executive Management, including any share options or performance shares that have been granted.