

Group Tax Policy

The Board of Directors has approved the Group Tax Policy, which establishes the overarching principles and philosophies in the governance of FLSmidth's tax affairs globally.

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

Wherever we operate around the globe, FLSmidth is committed to support community development and sustainable growth.

FLSmidth contributes with products and services that enable our customers and partners to extract natural resources and build societies with the lowest possible environmental impact.

At the same time, 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.

We strive to accomplish this through a strong governance framework focused on compliance with applicable laws as well as generally agreed principles of international taxation and standards for responsible business conduct.

At the same time, we consider tax an ordinary cost of business and therefore also an element in optimising the value creation for our shareholders.

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. FLSmidth is a global company undertaking complex projects and operating in a variety of developed and developing economies. Inherent risk and uncertainty in regard to compliance requirements and double taxation of income are therefore common issues faced by our businesses.

With respect to taxes we have a low risk appetite and will actively mitigate tax risks and uncertainties resulting from business operations.

Protecting our strong reputation and the brand of FLSmidth is pivotal. We pursue the right balance between responsibility and shareholder interest through tax strategies, which are sustainable and consistent with our business strategy, risk management, codes of business conduct and our values: competence, co-operation and responsibility.

The Group tax policy is to be applied by all companies and employees of the group. All areas of our business are therefore supported by an operational framework that guides the business to achieve a responsible governance of FLSmidth's tax affairs.

We recognise an increasing interest from a broad group of stakeholders in multinational companies' tax management and tax transparency. We accede to this trend and aim to communicate openly and in a clear, timely and transparent manner.

Applied principles:

Principles of Tax Strategy:

- Tax strategies should be:
 - Directly aligned to business operations
 - Sustainable
 - Compliant with FLSmidth's Code of Business Conduct
- A fundamental objective of the tax strategy is the elimination of double taxation

Tax Risk Management:

- We will adopt tax positions which are correct in the light of all material facts and relevant legislation.
- Where there is uncertainty as to the application or interpretation of tax laws, we will document positions adopted and where appropriate seek external advice.
- We assess the exposure to tax risk on an annual basis in terms of both economic loss and reputational damage and report to the Audit Committee on this process.

Compliance:

- All FLSmidth's business and financial operations must comply with applicable tax laws and reflect generally accepted principles of international taxation.
- Local tax and VAT returns and other compliance work are outsourced to external specialists where the Group does not have the competencies internally.
- Pricing mechanisms for intercompany transactions are aligned to arm's length principles, unless we are legally required to apply an alternative pricing mechanism.

Dealings with Tax Authorities:


- We actively cooperate with tax authorities and strive to have a positive and open dialogue without compromising our rights.

Governance:

- FLSmidth's Group Tax Policy is approved by the Board of FLSmidth
- The Group Tax Policy is reviewed by the Board of FLSmidth regularly on the background of business, organisational and regulatory developments and amended as deemed appropriate.
- The Group Executive Management will secure the implementation of the principles and philosophies set out in the Group Tax Policy and will establish, maintain and develop the related operational framework.
- Group Executive Management will monitor compliance with this policy and report to the Board on a regular basis.

- Group Executive Management will promptly report to the Board any material breaches of the Group Tax Policy which hold the potential of causing significant economic loss or reputational damage to FLSmidth.

26 August 2020



Thomas Schulz

Group CEO



Roland M. Andersen

Group CFO

