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Remuneration Report 2022

FLSmidth & Co. A/S
Vigerslev Allé 77
DK-2500 Valby
CVR No. 58180912

Remuneration Report 2022

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Integrated report

This remuneration report is an integrated part of the annual report 2022. The annual report can be found on the company website: www.flsmidth.com/annualreport2022



INTRODUCTION

In combination with the remuneration policy the annual remuneration report ensures stakeholder transparency of the various elements in the total remuneration framework and how it is applied.

Strategy and sustainability

FLSmidth is on a transformation journey from an engineering-based company with a legacy in large capital projects towards a product and technology company focused on service offerings. Our key purpose is rooted on the much-needed green transition in the mining and cement industries and how we at FLSmidth can support this. The core drivers of our transformation are sustainability, innovation, simplification, de-risking, transparency, performance and living our company values.

With this strategic standpoint, FLSmidth offers remuneration that aims to ensure the sustainability of FLSmidth.

Remuneration policy and framework

The remuneration policy describes the framework for the total remuneration to the Board of Directors and the Group Executive Management of FLSmidth & Co. A/S registered with the Danish Business Authorities. The registered Group Executive Management is the Group CEO and Group CFO. Other members of Group Executive Management are non-registered.

The remuneration framework is designed to enable FLSmidth to attract, motivate and retain a diverse team of highly qualified members of the Board of Directors and Group Executive Management. Additionally, the remuneration framework shall encourage the Board of Directors and the Group Executive Management to demonstrate a well-balanced and sustainable management of FLSmidth with creation of short- and long-term shareholder value through efficient business strategy execution and high performance.

The remuneration policy is available at www.flsmidth.com

Governance

The terms of employment and remuneration of Group Executive Management are approved by the Board of Directors.

The Board of Directors has established a Compensation Committee to serve as the Board Committee on matters related to executive remuneration. In that capacity, the Compensation Committee is also responsible for the remuneration policy, including ongoing revision and updates.

The Compensation Committee mandate and charter is available at www.flsmidth.com

Continuously and at least on a yearly basis, the Compensation Committee considers if a revision of the remuneration policy is needed. All proposals for revisions will be presented to the Board of Directors for approval. The Board of Directors must ensure the approved revision is submitted to the shareholders for approval at the General Meeting.

As the remuneration of the Board of Directors is a fixed cash fee approved at the Annual General Meeting, and as the remuneration policy is approved separately at the Annual General Meeting a conflict of interest is not considered likely.

The Remuneration Report 2021 was presented at the Annual general meeting 30 March 2022 and passed by advisory voting.

Deviation from the policy

The Board of Directors may temporarily and in extraordinary circumstances, decide to deviate from this policy, if deemed necessary. In 2022 there were no deviations from the policy.



KEY DEVELOPMENTS 2022

FLSmidth delivered an improved performance in 2022.

Total management remuneration is lower in 2022 than 2021. This is primarily due to the termination package to the former Group CEO in 2021 and from lower other incentive payments in 2022 than 2021.

Financial performance

Throughout the year, our legacy FLSmidth Mining business showed a sustainable growth in order intake and revenue. Cement has shown a stable performance and continued the positive trend of improving profitability, and has returned to positive EBITA. We realised an organic revenue growth of 10% and an EBITA margin of 4.3%. Adjusted for costs incurred for the integration of Mining Technologies (ex TK) as well as costs related to the exit from our activities in Russia, the EBITA margin was 6.4%. Order intake grew 16% organically. This resulted in an above target fulfilment of the financial KPIs in the short-term programme and an increase compared to the payout for the short-term programme in 2021.

Total remuneration

Total remuneration comprises of Board and registered executive remuneration. Total remuneration granted in 2022 decreased compared to 2021, primarily due to 2021 being impacted by the termination package agreed with the former Group CEO and from lower other incentive payments in 2022 than in 2021.

Total remuneration

(DKK1,000)	2022	2021
Board remuneration	6,641	6,505
Executive remuneration	29,393	38,699
Total remuneration	36,034	45,204

The remuneration of the Board of Directors in 2022 was in line with remuneration in 2021.

The registered executives in 2022 were Group CEO Mikko Juhani Keto, and Group CFO Roland M. Andersen.

The elements of the executive remuneration consist of a fixed cash-based salary, short-term-, long-term- and other incentives.

Base salary

The new CEO entered service 1 Jan 2022 and did not receive a base salary adjustment in 2022. An adjustment of +3.0% to Group CFO's monthly base salary was made in 2022.

Short-term incentive programme

The pay-out under the short-term incentive programme is above target based on the achievement of financial KPIs and individual goals.

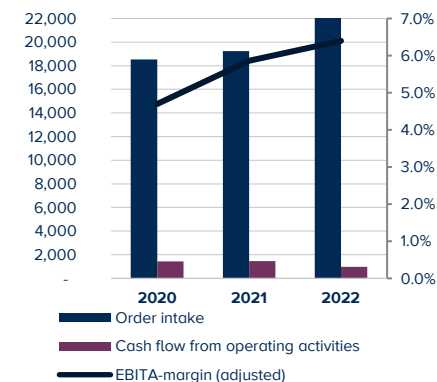
Long-term incentive programmes, LTIP

In 2022, management received no pay-out for the 2019 LTIP as the EBITA result was under the EBITA trigger level.

The KPIs for the LTIP programme granted in 2022 are: EBITA margin, total shareholder return and a sustainability-linked KPI. The KPIs planned for the 2023 LTIP are in line with the 2022 programme, however the weight of the KPIs will change.

Order intake, CFFO & EBITA-margin

DKKm



REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration framework

The members of the Board of Directors do not participate in the incentive programmes, and they are remunerated in cash only.

The members of the Board of Directors are eligible for the following remuneration:

Board of Directors fixed fee

The Board of Directors receive an annual fixed fee in cash. The Board of Directors' fees are pre-approved at the Annual General Meeting for the year in question and receive final approval at the Annual General Meeting the following year.

Newly elected and resigning Board members receive a proportionate fee for the year in question.

The fixed annual fees for the chair and the vice-chair are higher than the fixed annual fee for ordinary members of the Board of Directors. Currently, the chair receives three times the annual fixed fee and the vice-chair receives two times the annual fixed fee.

Board Committee fixed fee

The Board of Directors has established four Board Committees.

Additional fixed fees for serving on Board Committees are applied. Such fees are differentiated so the chair of a Board Committee receives a higher fee than ordinary committee members.

The chair and the vice chair of the Board of Directors do not receive extra fees for serving on Board Committees.

Fee for ad hoc assignments

The members of the Board of Directors are eligible for additional fees for unexpected workload and special ad hoc assignments in addition to the preliminary approved fees.

Benefits

FLSmidth pays the Board of Directors' costs for travel, hotels, meals and social security costs relating to Board meetings, either through the Company's direct payment of these expenses or through subsequent expense reimbursement according to the Company's Expense Management Policy.

Type of remuneration for the Board of Directors

Type of remuneration for the Board of Directors (DKK 1,000)	2022	2021
Member of Board of Directors, fixed fee	450	450
Vice chair of Board of Directors, fixed fee	900	900
Chair of Board of Directors, fixed fee	1,350	1,350
Members of Board Committees, fixed fee	125	125
Chair of Board Committees, fixed fee	225	225
Fee for ad hoc assignments		
Benefits		

Total remuneration

The remuneration of the Board of Directors in 2022 was DKK 6,641k compared to DKK 6,505k in 2021. The increase relates to higher social security cost and that fees for the Audit committee increased due to the new chair of the committee is ordinary member of Board of Directors. No variable elements were part of the remuneration to the Board of Directors.

Fixed fees

The fixed fee for the Board of Directors was DKK 5,400k (2021: DKK 5,400k). The fixed fee for the Board Committees was DKK 1,050k (2021: DKK 975k). The fees according to type of remuneration (page 5) have been unchanged since 2017.

Other remuneration

The members of the Board of Directors have not received any other remuneration during 2022 and 2021. The remuneration is aligned with the objective of the remuneration policy and supports the achievement of the Company's long-term targets and sustainable management.

Changes in the Board of Directors

At the annual general meeting 2022, Vagn Sørensen resigned and Tom Knutzen took over as Chair. Mads Nipper was elected to the board and appointed Vicechair.

Total remuneration – Board of Directors

(DKK1,000)	Period	Board Committees					Benefits and social security charges	2022
		Board of Directors	Audit Committee	Compensation Committee	Nomination Committee	Technology Committee		
Tom Knutzen, Chair (from AGM 2022)	Since AGM 2012	1,238		0	0		100	1,338
Vagn Sørensen, former Chair	AGM 2009- AGM 2022	337					24	361
Mads Nipper, Vice chair	Since AGM 2022	675	0	0	0			675
Richard Robinson Smith	Since AGM 2016	450				225		675
Anne Louise Eberhard	Since AGM 2017	450	200					650
Gillian Dawn Winckler	Since AGM 2019	450	125					575
Thrasylvoulos Moraitis	Since AGM 2019	450		125	125	125	67	892
Claus Østergaard, employee-elected member	Since AGM 2017	450						450
Carsten Hansen, employee-elected member	Since AGM 2021	450				125		575
Leif Gundtoft, employee-elected member	Since AGM 2021	450						450
Total remuneration 2022		5,400	325	125	125	475	191	6,641

(DKK1,000)	Period	Board Committees					Benefits and social security charges	2021
		Board of Directors	Audit Committee	Compensation Committee	Nomination Committee	Technology Committee		
Vagn Sørensen, Chair	Since AGM 2009	1,350		0	0			1,350
Tom Knutzen, Vice chair	Since AGM 2012	900	0	0	0		64	964
Richard Robinson Smith	Since AGM 2016	450				225	11	686
Anne Louise Eberhard	Since AGM 2017	450	125					575
Gillian Dawn Winckler	Since AGM 2019	450	125					575
Thrasylvoulos Moraitis	Since AGM 2019	450		125	125	125	55	880
Mette Dobel, employee-elected member	AGM 2009-2021	113						113
Søren Dickow Quistgaard, employee-elected member	AGM 2013-2021	113				31		144
Claus Østergaard, employee-elected member	Since AGM 2017	450						450
Carsten Hansen, employee-elected member	Since AGM 2021	337				94		431
Leif Gundtoft, employee-elected member	Since AGM 2021	337						337
Total remuneration 2021		5,400	250	125	125	475	130	6,505

REMUNERATION OF THE GROUP EXECUTIVE MANAGEMENT

Remuneration framework

The remuneration of Group Executive Management is determined once a year. The Compensation Committee assists the Board of Directors in this work.

The Group Executive Management consists of management members registered with the

Danish Business Authority and other non-registered executive management members.

The remuneration policy applies only for the executive management as registered with the Danish Business Authority, which consists of the Group CEO and Group CFO.

Although not covered by the remuneration policy we have included remuneration reporting for other members of Group Executive Management in aggregate in this report.

The remuneration of Group Executive Management is based on a key principle that the total reward offering shall consist of fixed and variable

incentive-based remuneration. This total remuneration framework ensures the Company can attract and retain key executive profiles on competitive terms, while the incentive-based remuneration also encourages Group Executive Management to deliver results through strong strategy execution and value creation for shareholders.

Type of 2022 remuneration for the Group Executive Management

Type of remuneration for the Group Executive Management	Remuneration elements
Base salary	Fixed cash salary based on market levels, paid on a monthly basis.
Short-term incentive programme	Cash based variable remuneration up to 75% of the annual base salary, paid annually. The pay-out level is dependent on fulfilment of KPIs. The KPIs are a combination of individual (financial/non-financial) and group wide financial KPIs. Group wide financial KPIs are: - Order intake - Revenue Contribution Margin - EBITA-margin - Cash flow from operating activities (CFFO)
Long-term incentive programme	Share based variable remuneration up to 100% of the annual base salary. The pay-out level is dependent on fulfilment of the following group wide KPIs: - EBITA-margin - Total Shareholder Return (TSR) - Sustainability target - 3 years continued employment or good leaver status
Other incentives	At the Board of Directors' discretion, supplementary bonus schemes may be provided in special circumstances. The incentive may not exceed 150% of the annual base salary and may be cash and/or share based.
Benefits	Eligible for customary benefits, such as company car allowance, news-, telephone- and internet subscription, etc. Pension contributions are paid fully by the executives.
Termination and severance payments	Ordinary notice of termination of employment may be up to 18 months. Severance payment may correspond to a maximum of 6 months base salary. The entitlement to keep already granted performance share units is defined in the programme.
Expenses	FLSmidth pays costs for travel, hotels, meals according to the Expense management policy.

As the incentive-based remuneration consists of a combination of short-term incentives and long-term incentives, it ensures the incentive programmes contribute to the achievement of both short- and long-term strategic goals and encourages prudent and reasonable behaviour and acceptance of risk.

The Group Executive Management is eligible for the following remuneration:

Base salary

The base salary is considered the foundation of the total remuneration framework offered to Group Executive Management. The base salary is determined by the Board of Directors using a multiple of factors, of which the most important are:

- Base salary levels in the market
- Skills, expertise, and background in relation to position requirements
- Performance delivered in the position, including consistency of performance

In accordance with principles applied across the global organisation, the base pay of Group Executive Management is benchmarked against similar positions in the local market using external survey data.

Short-term incentive programme

The purpose of the cash incentive is to drive and motivate Group Executive Management to achieve the Company's short-term targets.

Group Executive Management may receive an annual cash incentive which may not exceed 75% of the base salary for the year in question. The individual target and maximum levels of the cash incentive for Group Executive Management are fixed as part of the ongoing remuneration adjustment cycle.

Each year when issuing the annual short-term incentive programme, Group Executive Management receives a number of pre-determined key performance indicators (KPIs), against which the performance is measured. The final value of the cash incentive will therefore depend on the achievement levels of these KPIs.

To ensure Group Executive Management has the necessary focus on short-term strategy execution and value creation for shareholders, the weight of financial KPIs must be significantly higher than the weight of other KPIs in the programme (if any). The financial KPIs are defined in

connection with the annual budget process. For all KPIs, a 100% achievement level shall result in target pay-out for the given KPI. Maximum pay-out on a given KPI requires performance substantially over and above target performance. A minimum performance threshold must be achieved to be entitled to the entry level payment of the cash incentive.

In addition to the fulfilment of the yearly KPIs and to ensure the right balance between the financial performance of FLSmidth and the cash incentive pay-out, payment of the cash incentive may be fully or partially conditional upon FLSmidth achieving one or more additional financial thresholds.

The Board of Directors has the overall authority in deciding the final design of the annual short-term incentive programme for Group Executive Management. The Board of Directors may decide to deviate from the short-term incentive programme design, if deemed necessary.

Long-term incentive programme

Long-term incentives are offered in the form of a performance share programme. The purpose of this programme is to ensure value creation for shareholders by aligning the value of the long-term incentive awards with the performance of Group Executive Management and the achievement of the FLSmidth's long-term targets whilst also retaining management and other key talent.

Subject to the Board of Directors' approval, the granting of performance share units may take place once a year, normally upon presentation of FLSmidth's annual report. For 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. However, the individual target and maximum levels of the performance share programme for Group Executive Management is fixed as part of the ongoing remuneration adjustment cycle. Vesting of the performance share units is dependent on (i) time (minimum a three (3) year vesting period), (ii) continued employment, and (iii) performance, i.e. achievement of at least one or more of the announced long-term KPIs.

The long-term KPIs of the programme are set by the Board of Directors. A 100% achievement level of the KPIs of the programme shall result in a target level awarding of performance shares. Maximum awarding of performance shares requires performance substantially over and above target performance. A minimum threshold for financial performance may be required to award any performance share units.

Vesting of the performance share units happens in the form of cliff vesting upon the expiry of the vesting period. Once vested, corresponding FLSmidth shares are delivered to Group Executive Management without any payment in return of the delivery. All shareholder rights and obligations stay with FLSmidth until the shares have been delivered.

The Board of Directors has the overall authority in deciding the final design of the annual long-term incentive programme for Group Executive Management. The Board of Directors may decide to deviate from the long-term incentive programme design, if deemed necessary.

Other incentives

Supplementary bonus schemes or other incentive-based remuneration for special purposes, e.g. retention schemes, change-of-control scenarios, sign-on schemes or similar may be provided, if deemed necessary.

In any given financial year, the value of such supplementary bonus schemes or incentive-based remuneration may not exceed an amount corresponding to 150% of the annual base salary. These incentives may consist of cash and/or share-based remuneration and the conditions in respect of such grants, e.g. whether the grant and/or vesting should be subject to fulfilment of KPIs, are determined by the Board of Directors.

Benefits

Group Executive Management shall be entitled to customary benefits such as a company car allowance, professional and personal development, news subscription, telephone, internet, etc.

If an executive must relocate to another country to fill a Group Executive Management position, necessary mobility related benefits such as housing allowance, school tuition fee allowances and similar may be applied at the discretion of the Board of Directors. Group Executive Management are offered to participate in FLSmidth's standard pension and insurance schemes. Contributions are paid fully by the executive.

Termination and severance payment

Executive service agreements with Group Executive Management are open-ended. Ordinary notice of termination of employment may be up to 18 months and severance payment may correspond to a maximum of 6 months base salary. In case of notice of termination in connection with change of control, Group Executive Management is eligible for a further severance payment of 12 months of base salary.

From the date notice of termination has been given, Group Executive Management has no right to be granted any further long-term incentives. The entitlement to keep already granted performance share units depends on good or bad leaver status as defined in the programme.

Expenses

FLSmidth pays for Group Executive Management's necessary expenses for travel, hotels, meals and similar either through direct payment of these expenses or through subsequent expense reimbursement according to FLSmidth's Expense Management Policy. Reimbursement of expenses is not considered remuneration.

Clawback

In special cases, clawback of the variable remuneration for Group Executive Management may be carried out, including in the event of the variable remuneration having been set based on one or more factors which turns out to be incorrect.

Total remuneration 2022

The total remuneration in 2022 for registered executives was DKK 29,393k (2021: DKK 38,699k). The decrease primarily relates to 2021 being impacted by the termination package agreed with the former Group CEO and from lower other incentive payments in 2022 than in 2021.

Including non-registered executives, the total remuneration was DKK 83,568k compared to DKK 73,850k for 2021. The increase is due to severance payment to non-registered executives.

Base salary

The base salary for the registered executives was DKK 13,301k in 2022 (2021: DKK 15,202k).

Short-term incentive programme, STIP

The expected pay-out under the 2022 short-term incentive programme to the registered executives is DKK 8,430k (2021: DKK 7,288k).

Long-term incentive programme, LTIP

The long-term incentive programme is a 3-year programme. In line with the guidance issued by the Danish Business Authority, the value of LTIP in the total remuneration overview 2022 is the fair value of the programme granted in 2022, measured at the date the programme commenced. In note 1.5 of the Annual Report 2022, the cost of LTIP is accrued over the 3-year vesting period of the programmes and with recurring updates of expectations on non-market performance conditions.

Further details on LTIP, including the 2022 grant awards, can be found in the subsequent section 'Performance share units'.

Other incentives

Other incentives include the vesting of 10,740 shares agreed in 2021. In 2021, other incentives also include the discretionary cash bonuses granted for reaching the agreement with ThyssenKrupp to acquire their Mining business.

Benefits

Usual benefits have been paid for the executives during 2022.

Severance payment

Severance expected to be paid to non-registered executives is DKK 14,497k in 2022.

Clawback

No clawback of variable remuneration has occurred during 2022 and 2021.

The table below includes the total remuneration of each registered member of the Group Executive Management for 2022 and 2021, respectively.

Total remuneration 2022 – Group Executive Management

(DKK1,000)	Mikko Juhani Keto		Roland M. Andersen		Total Group Executive Management (registered executives)		Non-registered executives		Total Group Executive Management (all)	
	Group CEO	Group CFO	Group CEO	Group CFO						
Position	Group CEO		Group CFO							
Period as registered executive	Since Jan 2022		Since Jul 2020							
Base salary	7,500	46%	5,801	45%	13,301	45%	18,939	35%	32,240	39%
Short-term incentive programme	5,065	31%	3,365	26%	8,430	29%	7,819	14%	16,249	19%
Long-term incentive programme granted	3,527	22%	1,819	14%	5,346	18%	3,794	7%	9,140	11%
Other incentives	0	0%	1,837	14%	1,837	6%	6,628	12%	8,465	10%
Benefits and social security charges	267	2%	212	2%	479	2%	2,498	5%	2,977	4%
Termination and severance payments	0	0%	0	0%	0	0%	14,497	27%	14,497	17%
Total remuneration 2022	16,359	100%	13,034	100%	29,393	100%	54,175	100%	83,568	100%
Fixed share of base salary	7,767	104%	6,008	104%	13,775	104%	21,330	113%	35,105	109%
Variable share of base salary	8,592	115%	7,026	121%	15,618	117%	32,845	173%	48,463	150%

Total remuneration 2021 – Group Executive Management

(DKK1,000)	Thomas Schulz		Roland M. Andersen		Total Group Executive Management (registered executives)		Non-registered executives		Total Group Executive Management (all)	
	Group CEO	Group CFO	Group CEO	Group CFO						
Position	Group CEO		Group CFO							
Period as registered executive	May 2013-Dec 2021		Since Jul 2020							
Base salary	9,603	39%	5,599	40%	15,202	39%	20,471	58%	35,673	48%
Short-term incentive programme	4,905	20%	2,383	17%	7,288	19%	6,352	18%	13,640	18%
Long-term incentive programme granted*	2,101	9%	1,732	12%	3,833	10%	3,815	11%	7,648	10%
Other incentives**	2,401	10%	4,136	29%	6,537	17%	2,894	8%	9,431	13%
Benefits and social security charges	624	3%	233	2%	857	2%	1,619	5%	2,476	3%
Termination and severance payments	4,982	20%	0	0%	4,982	13%	0	0%	4,982	7%
Total remuneration 2021	24,616	100%	14,083	100%	38,699	100%	35,151	100%	73,850	100%
Fixed share of base salary	9,881	103%	5,804	104%	15,685	103%	21,983	107%	37,668	106%
Variable share of base salary	14,735	153%	8,279	148%	23,014	151%	13,168	64%	36,182	101%
Short-term incentive programme pay-out adjustment	(23)		(25)		(48)		(353)		(401)	
Total remuneration 2021 (adjusted)**	24,593		14,058		38,651		34,798		73,449	

*) For the Group CEO, the amount has been reduced due to impact from resignation.

***) For the Group CFO, it includes the accrual of the bonus agreed at signing. In 2021, a conditional payment of 10,740 shares has been agreed and will be included in 2022, if conditions are met.

Remuneration 2022 from short-term incentive programme

The level of pay-out from the 2022 short-term incentive programme (STIP) is dependent on the achievement of four financial group KPIs and individual goals. The achievement of the KPIs and individual goals is shown in the table below.

If the trigger on group CFFO is not met, there is no pay-out on any of the applied financial KPIs. For 2022, this trigger was met.

The individual goals for the Group CEO relate to progress on MissionZero and improvement of ESG ratings, to update the strategy including commencing the company transformation related to P&L setup, pure play of Cement and Mining and de-risking the business and, lastly, to ensure the integration of Mining Technologies (ex TK) progresses according to the plan.

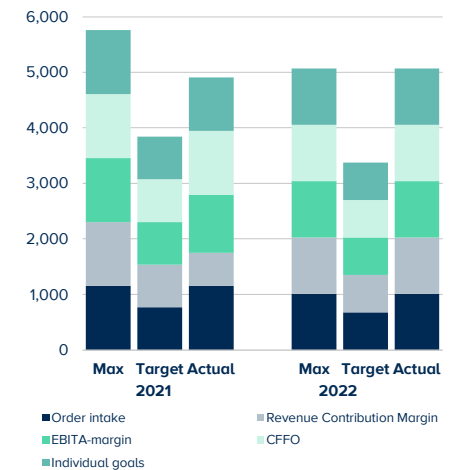
The individual goals for the Group CFO relate to establishing the future finance function and performance management structure supporting the Mining and Cement segments, respectively, to integrate Mining Technologies (ex TK), to establish the risk management board structure to steer the de-risking of projects and the product portfolio. It has further been a goal to maintain solid communication and alignment with investors and the capital markets as the strategic initiatives on de-risking etc are executed.

Remuneration 2022 from short-term incentive programme

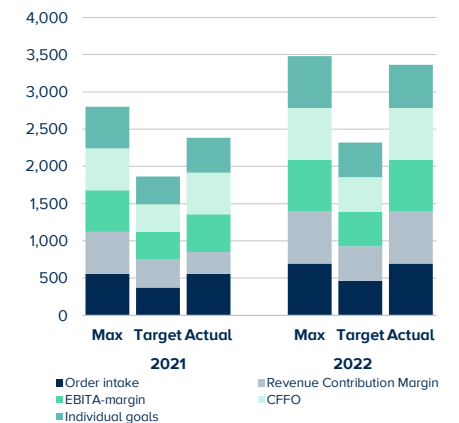
(DKK1,000)	KPI	Weight	Achievement of target	2022 pay-out	Pay-out Target	Pay-out Maximum	2021 pay-out*
Mikko Juhani Keto, Group CEO	Order intake	20%	Above target	1,013	675	1,013	-
	Revenue Contribution Margin	20%	Above target	1,013	675	1,013	-
	EBITA-margin	20%	Above target	1,013	675	1,013	-
	CFFO	20%	Above target	1,013	675	1,013	-
	Individual goals	20%	Above target	1,013	675	1,013	-
Roland M. Andersen, Group CFO	Order intake	20%	Above target	696	464	696	560
	Revenue Contribution Margin	20%	Above target	696	464	696	289
	EBITA-margin	20%	Above target	696	464	696	508
	CFFO	20%	Above target	696	464	696	560
	Individual goals	20%	Above target	581	464	696	466
Thomas Schulz, former Group CEO				-	-	-	4,905
Group Executive Management (registered executives)				8,430	5,695	8,545	7,288
Non-registered executives				7,819	7,217	10,826	6,352
Group Executive Management (all)				16,249	12,912	19,371	13,640

*) The expected pay-out for 2021 at the time of preparation of the remuneration report 2021 exceeded the actual amount. The difference is shown in the table on total remuneration 2021 on page 10.

Group CEO STIP DKKk



Group CFO STIP DKKk



Remuneration 2022 from long-term incentive programme

Performance share units

The performance share programme is a recurring three-year programme, where performance share units (PSUs) are awarded to all participants when the programme commences.

The performance share programme granted in 2022 consists of 41,578 PSU with a fair value of DKK 5,346k at grant for registered executives. The key performance indicators are EBITA margin, total shareholder return (TSR) and progress on MissionZero (MZ).

KPI programme overview

	KPI	Weight
PSU 2020	EBITA-margin	50.0%
	NWC ratio	50.0%
PSU 2021	EBITA-margin	50.0%
	TSR	40.0%
PSU 2022	Mission Zero	10.0%
	EBITA-margin	40.0%
	TSR	40.0%
	Mission Zero	20.0%

PSUs 2019 expired without any pay-out as the minimum threshold for the EBITA-margin was not met. Similarly, no pay-out is expected on the PSUs 2020.

The table below shows, the granted PSUs for active programmes and movements from the beginning to the end of 2022.

The fair value at grant date is determined as the fair value of the equity instruments granted (share price at grant date) when the programme commenced and adjusted to reflect the probability of performance conditions being met.

The fair value at the end of 2022 is determined based on the share price at the end of 2022 and with updated expectations on the probability of the vesting conditions being met.

Long term incentive programmes outstanding

	Programme	Maximum number of PSUs					Closing balance (31 December 2022)		Performance period	Vesting year	Fair value (DKK 1,000)	
		Opening balance (1 January 2022)	Granted 2022	Vested 2022	Forfeited	Change in position	At grant date	End of year				
Mikko Juhani Keto, Group CEO	PSU 2021					6,306	6,306	2021-2023	2024	228.32	907	1,174
	PSU 2022		27,433				27,433	2022-2024	2025	205.04	3,527	5,160
Roland M. Andersen, Group CFO	PSU 2020	10,740					10,740	2020-2022	2023	191.35	1,541	0
	PSU 2020		10,740				10,740	2020-2022	2023	182.00	0	0
	PSU 2021	12,044					12,044	2021-2023	2024	228.32	1,732	2,243
	PSU 2022		14,145				14,145	2022-2024	2025	205.04	1,819	2,661
Thomas Schulz, former Group CEO	PSU 2019-2021	43,386				(43,386)	0					
Group Executive Management (registered executives)		66,170	52,318	0	0	(37,080)	81,408				9,526	11,238
Non-registered executives	PSU 2019	17,411			(17,411)		0	2019-2021	2022	306.04	3,996	0
	PSU 2020	22,639					22,639	2020-2022	2023	256.04	4,347	0
	PSU 2021	26,519				(6,306)	20,213	2021-2023	2024	228.32	2,907	3,764
	PSU 2022		34,125		(7,845)		26,280	2022-2024	2025	205.04	3,794	4,943
Group Executive Management (all)		132,739	86,443	0	(25,256)	(43,386)	150,540				24,570	19,945

HOLDING OF SHARES

Shareholdings by the Board

The members of the Board of Directors are not part of any share incentive programme in FLSmidth.

All shareholdings have been acquired by the individual members of the Board of Directors.

The employee elected members of the Board of Directors may be part of a long-term incentive programme (share option or performance share) in FLSmidth in their capacity as employees of FLSmidth.

Additionally, the shareholdings for employee-elected members of the Board of Directors may include any shares acquired by the individual member.

At 31 December 2022, the members of the Board of Directors holds shares in FLSmidth & Co. A/S as follows:

	Shareholdings 1 January 2022	Additions during the year	Disposals during the year	Change in position	Shareholdings 31 December 2022	Market value 31 December 2022 (DKK1,000)
Board of Directors						
Tom Knutzen, Chair	25,000	25,000	-	-	50,000	12,585
Vagn Sørensen, former chair	16,965	-	-	(16,965)	-	-
Mads Nipper, Vice chair	-	-	-	1,220	1,220	307
Richard Robinson Smith	500	-	-	-	500	126
Anne Louise Eberhard	2,000	-	-	-	2,000	503
Gillian Dawn Winckler	1,000	-	-	-	1,000	252
Thrasyvoulos Moraitis	1,000	-	-	-	1,000	252
Claus Østergaard, employee-elected	429	-	-	-	429	108
Carsten Hansen, employee-elected	16	36	-	-	52	13
Leif Gundtoft, employee-elected	128	-	-	-	128	32
Board of Directors	47,038	25,036	0	(15,745)	56,329	14,178

	Shareholdings 1 January 2021	Additions during the year	Disposals during the year	Change in position	Shareholdings 31 December 2021	Market value 31 December 2021 (DKK1,000)
Board of Directors						
Vagn Sørensen, Chair	16,965	-	-	-	16,965	4,145
Tom Knutzen, Vice chair	20,000	5,000	-	-	25,000	6,108
Richard Robinson Smith	1,000	-	(500)	-	500	122
Anne Louise Eberhard	2,000	-	-	-	2,000	489
Gillian Dawn Winckler	1,000	-	-	-	1,000	244
Thrasyvoulos Moraitis	1,000	-	-	-	1,000	244
Mette Dobel, employee-elected	864	-	-	(864)	0	0
Søren Dickow Quistgaard, employee-elected	65	-	-	(65)	0	0
Claus Østergaard, employee-elected	429	-	-	-	429	105
Carsten Hansen, employee-elected	-	-	-	16	16	4
Leif Gundtoft, employee-elected	-	88	-	40	128	31
Board of Directors	43.323	5.088	(500)	(873)	47.038	11.491

Shareholdings by the Executive Management

According to the Remuneration Policy the Group CEO is required to build up a portfolio of shares matching at least 50% of his annual base salary over five years to increase alignment of interests with shareholders.

The Group CFO holds 10.740 shares in the Company by the end of 2022.

At 31 December 2022, members of the Group Executive Management holds shares in FLSmidth & Co. A/S as follows:

The market value of the shareholding at 31 December 2022 corresponds to 9% of the 2022 fixed base salary for the Group CEO.

Shareholdings by the Executive Management

Group Executive Management	Shareholdings 1 January 2022	Additions during the year	Disposals during the year	Change in position	Shareholdings 31 December 2022	Market value 31 December 2022 (DKK1,000)
Mikko Juhani Keto, Group CEO	-	2,000	-	600	2,600	654
Roland M. Andersen, Group CFO	-	10,740	-	-	10,740	2,703
Thomas Schulz, former Group CEO	28,138	-	-	(28,138)	-	-
Group Executive Management (registered executives)	28,138	12,740	0	(27,538)	13,340	3,358
Non-registered executives	19,232	0	0	(14,433)	4,799	1,208
Group Executive Management (all)	47,370	12,740	0	(41,971)	18,139	4,566

Group Executive Management	Shareholdings 1 January 2021	Additions during the year	Disposals during the year	Change in position	Shareholdings 31 December 2021	Market value 31 December 2021 (DKK1,000)
Thomas Schulz, Group CEO	28,138	30,211	(30,211)	-	28,138	6,874
Roland M. Andersen, Group CFO	-	-	-	-	-	-
Group Executive Management (registered executives)	28,138	30,211	(30,211)	-	28,138	6,874
Non-registered executives	15,959	15,980	(7,580)	(5,127)	19,232	4,698
Group Executive Management (all)	44,097	46,191	(37,791)	(5,127)	47,370	11,572

STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors have today considered and approved the remuneration report of FLSmidth & Co. A/S for the financial year 2022.

The remuneration report has been prepared in accordance with section 139b of the Danish Companies Act.

In our opinion, the remuneration report provides a fair presentation of the remuneration that the individual management members were awarded during or for the benefit of the financial year 2022, and the remuneration report explains how the overall remuneration is in accordance with the remuneration policy, including how the remuneration contributes towards promoting the business strategy, long-term interests, sustainability and creation of value in the Company by supporting the Company's short- and long-term objectives.

The remuneration report will be presented at the Annual General Meeting for an advisory vote.

Valby, 22 February 2023

Board of directors

Tom Knutzen
Chairman

Mads Nipper
Vice chairman

Anne Louise Eberhard

Gillian Dawn Winckler

Richard Robinson Smith

Thrasylvoulos Moraitis

Carsten Hansen

Claus Østergaard

Leif Gundtoft

INDEPENDENT AUDITOR'S STATEMENT ON THE REMUNERATION REPORT

To the shareholders of FLSmidth & Co. A/S

As agreed with the Company's Board of Directors, we have examined whether the remuneration report of FLSmidth & Co. A/S for the period 1 January – 31 December 2022 includes the disclosures required pursuant to section 139b(3) of the Danish Companies Act and whether the information pertaining to remuneration, performance share units, shareholdings and financial performance included in the remuneration report tables on pages 4-6 and pages 10-14 as well as the appendix (pages 17-19) is accurate.

The degree of assurance we express in this report is reasonable.

The Board of Directors' responsibility for the remuneration report

The Board of Directors is responsible for the preparation of the remuneration report in accordance with section 139b(3) of the Danish Companies Act and the Remuneration Policy as adopted by the Annual General Meeting on 29 March 2022.

The Board of Directors is also responsible for such internal control that the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error.

Auditor's independence and quality control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, as well as ethical requirements applicable in Denmark.

EY Godkendt Revisionspartnerselskab is subject to the International Standard on Quality Control, ISQC 1, and thus uses a comprehensive quality control system, documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable requirements of Danish law and other regulations.

Auditor's responsibilities

Our responsibility is to express a conclusion on the remuneration report based on our examinations. We performed our work in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and additional requirements under Danish audit regulation to obtain reasonable assurance for our conclusion.

As part of our examinations, we performed the below procedures:

- We have verified whether the remuneration report, to the extent relevant, includes the disclosures required pursuant to section 139b(3)(i)-(vi) of the Danish Companies Act regarding the remuneration of each member of Management.
- We have reconciled the financial highlights for the Group and Parent company included in the remuneration report to financial highlights and other relevant financial information as per the annual report for the financial year 2022 and, in addition, we have on a sample basis recalculated the average remuneration based on full-time equivalents of other employees than the registered executives.
- We examined Management's process for recording, collection and presentation of disclosures on remuneration of the Group Executive Management and the Board of Directors and reconciled, on a sample basis, the disclosures to supporting agreements and records.
- We examined Management's process for recording, collection and presentation of disclosures on the Group Executive Management's performance share units and reconciled, on a sample basis, the disclosures to supporting agreements and records.
- We examined Management's process for recording, collection and presentation of disclosures on the Board of Directors' and the Group Executive Management's shareholdings and verified, on a sample basis, the disclosures to supporting documentation.

In our opinion, the examinations performed provide a sufficient basis for our opinion.

Conclusion

In our opinion, the remuneration report, in all material respects, includes the disclosures required pursuant to section 139b(3) of the Danish Companies Act and the information pertaining to remuneration, performance share units, shareholdings and financial performance included in the remuneration report tables on pages 4-6 and pages 10-14 as well as the appendix (pages 17-19) is accurate.

Copenhagen, 22 February 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised
Public Accountant
mne24687

Jens Thordahl Nøhr
State Authorised
Public Accountant
mne32212

APPENDIX

5-year remuneration overview

The below tables shows the development in the remuneration over the past five financial years

for the Board of Directors, Group Executive Management and average remuneration for employees in FLSmidth & Co. A/S and the Group's employees in Denmark, respectively.

The change in remuneration in % is calculated on an annual basis.

REMUNERATION 2018-2022

Board of Directors	Period	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
Tom Knutzen, Chair (from AGM 2022)	AGM 2012-	AC chair	AC chair	AC chair	AC chair	NC chair	Remuneration	900	900	900	964	1,338
		NC, CC	NC, CC	NC, CC	NC, CC	CC chair	Change %	6.6%	0.0%	0.0%	7.1%	38.8%
Vagn Sørensen, former Chair	AGM 2009-2022	NC chair	NC chair	NC chair	NC chair		Remuneration	1,350	1,350	1,350	1,350	361
		CC chair	CC chair	CC chair	CC chair		Change %	0.0%	0.0%	0.0%	0.0%	0.0%
Mads Nipper, Vice chair	AGM 2022-					AC	Remuneration	-	-	-	-	675
						NC, CC	Change %	-	-	-	-	0.0%
Richard Robinson Smith	AGM 2016-	TC chair	TC chair	TC chair	TC chair	TC chair	Remuneration	675	675	675	686	675
							Change %	3.8%	0.0%	0.0%	1.6%	-1.6%
Anne Louise Eberhard	AGM 2017-	AC	AC	AC	AC	AC chair	Remuneration	575	575	575	575	650
							Change %	0.0%	0.0%	0.0%	0.0%	13.0%
Gillian Dawn Winckler	AGM 2019-		AC	AC	AC	AC	Remuneration	-	431	575	575	575
							Change %	-	-	0.0%	0.0%	0.0%
Thrasylvoulos Moraitis	AGM 2019-		NC, CC,	NC, CC,	NC, CC,	NC, CC,	Remuneration	-	618	825	880	892
			TC	TC	TC	TC	Change %	-	-	0.0%	6.7%	1.4%
Claus Østergaard, employee-elected member	AGM 2017-						Remuneration	450	450	450	450	450
							Change %	9.0%	0.0%	0.0%	0.0%	0.0%
Carsten Hansen, employee-elected member	AGM 2021-				TC	TC	Remuneration	-	-	-	431	575
							Change %	-	-	-	0.0%	33.4%
Leif Gundstoft, employee-elected member	AGM 2021-						Remuneration	-	-	-	337	450
							Change %	-	-	-	0.0%	33.5%
Mette Dobel, employee-elected member	AGM 2009-2021						Remuneration	450	450	450	113	-
							Change %	0.0%	0.0%	0.0%	0.0%	-
Søren Dickow Quistgaard, employee-elected member	AGM 2013-2021	TC	TC	TC	TC	TC	Remuneration	575	575	575	144	-
							Change %	5.7%	0.0%	0.0%	0.0%	-
Caroline Grégoire Sainte Marie	AGM 2012-2019	AC, TC					Remuneration	700	175	-	-	-
							Change %	0.0%	0.0%	-	-	-
Marius Jacques Kloppers	AGM 2016-2019	NC, CC					Remuneration	825	207	-	-	-
							Change %	17.9%	0.0%	-	-	-
							6,500	6,406	6,375	6,505	6,641	

Group CEO / Employee ratio

In 2022, the Group CEO remuneration was 2.1 times the average FTE compensation in the parent company.

Only members of Group Executive Management, both registered and non-registered executives receive remuneration from the parent company.

In 2022, the Group CEO remuneration was 17.8 times the average FTE compensation in all group entities located in Denmark.

The change in remuneration in % is calculated on an annual basis.

Group Executive Management			Period	2018	2019	2020	2021	2022
Mikko Juhani Keto, Group CEO	Jan 2022-	Remuneration		-	-	-	-	16,359
		Change %		-	-	-	-	-
Roland M. Andersen, Group CFO	July 2020-	Remuneration		-	-	9,282	14,058	13,034
		Change %		-	-	-	13.0%	-7.3%
Thomas Schulz, former Group CEO	May 2013-Dec 2021	Remuneration		15,375	13,449	15,623	24,593	-
		Change %		9.7%	-12.5%	16.2%	57.4%	-
Annette Terndrup, Head of Group Legal and Strategy	Dec 2019-Jun 2020	Remuneration		-	589	1,950	-	-
		Change %		-	-	15.7%	-	-
Lars Vestergaard, former Group CFO	Apr 2014-Nov 2019	Remuneration		7,613	15,144	-	-	-
		Change %		7.9%	98.9%	-	-	-
Group Executive Management (registered executives)				22,988	29,182	26,855	38,651	29,393
Non-registered executives		Remuneration		16,925	19,315	37,217	34,798	54,175
		Change %		-60.0%	14.1%	92.7%	-6.5%	55.7%
Group Executive Management (all)				39,913	48,497	64,072	73,449	83,568
Group CEO/employee remuneration ratio								
Group CEO/employee ratio, FLSmidth & Co. A/S				4.1	4.0	4.0	5.0	2.1
Group CEO/employee ratio, Denmark				19.6	16.9	19.4	28.7	17.8
Average remuneration of employees								
FLSmidth & Co. A/S, parent company only		Remuneration		3,738	3,366	3,883	4,967	7,673
		Change %		-14.7%	-10.0%	15.4%	27.9%	54.5%
Denmark		Remuneration		783	798	807	858	917
		Change %		-3.2%	1.9%	1.1%	6.3%	6.9%
Women in Denmark		Remuneration		664	668	670	753	789
		Change %		-3.2%	0.6%	0.3%	12.4%	4.8%
Men in Denmark		Remuneration		824	844	852	902	975
		Change %		-2.9%	2.4%	0.9%	5.9%	8.1%

Financial performance

Financial performance - Group	Period	2018	2019	2020	2021	2022
Order intake		21,741	19,554	18,524	19,233	24,644
Order intake growth		13.4%	-10.1%	-5.3%	3.8%	28.1%
EBITA-margin		8.5%	8.1%	4.7%	5.9%	4.3%
EBITA-margin growth		1.2%	-4.7%	-42.0%	25.5%	-27.1%
Net working capital		2,200	2,739	1,752	1,058	1,893
Change in net working capital		20.0%	24.5%	-36.0%	-39.6%	78.9%
Financial performance - Parent						
Profit/loss for the year		(358)	(42)	(6)	61	(41)
Change in profit/loss for the year		-151.6%	88.3%	85.7%	-	-