

Remuneration Policy

FLSmidth & Co. A/S

1 Introduction

This remuneration policy describes the framework for the total remuneration to the Board of Directors and Group Executive Management of FLSmidth & Co. A/S ('FLSmidth' or 'the Company') in accordance with the Danish Companies Act, section 139 and 139(a). Group Executive Management refers to the executives registered with the Danish Business Authority as executive officers of FLSmidth. This policy shall only apply to these executives.

The remuneration policy has been approved by the Board of Directors before being submitted for approval at FLSmidth's Annual General Meeting on 24 March 2021.

2 General principles

2.1 Objectives and purposes

The overall objective of the remuneration policy is to outline the total remuneration framework offered to the Board of Directors and Group Executive Management of FLSmidth. In combination with the annual remuneration report, the remuneration policy ensures stakeholder transparency of the various elements in the total remuneration framework and how it is applied.

The remuneration policy and total remuneration framework shall enable FLSmidth to attract, motivate and retain a diverse team of highly qualified members of the Board of Directors and Group Executive Management. The total remuneration framework shall at any time contribute to FLSmidth's efforts and ability to create short-term and long-term shareholder value through efficient business strategy execution and high performance.

Finally, the remuneration policy and total remuneration framework shall encourage the Board of Directors and Group Executive Management to demonstrate well-balanced and sustainable management of FLSmidth.

2.2 Strategy and sustainability

FLSmidth's strategic goal is to be the sustainable productivity provider number one.

With a unique combination of technology, process knowledge and services, the Company helps customers in the cement and mining industries drive success through sustainable productivity enhancement. FLSmidth's ability to take a life-cycle perspective, not only for the products supplied,

but also for customers' plants and sites, enables the Company to provide industry-leading solutions with a low total cost of ownership and reduced environmental impact. As such, sustainability is the core of FLSmidth's business.

With this strategic standpoint, the Company also believes there is a correlation between the strategic and financial success of FLSmidth and reduced environmental impact from the cement and mining industries.

Group Executive Management's variable incentive programmes are primarily based on financial KPIs measuring achievement of short-term and long-term strategic goals. The Company is confident there is sufficient motivation for Group Executive Management to drive the industries towards lower environmental impact. However, on an annual basis through its Compensation Committee, the Board of Directors will review if there is a need to further strengthen the link between the strategy and sustainability agenda and the total remuneration of the Group Executive Management.

Although the FLSmidth strategy may change or be applied differently over time, the long-term sustainability ambition has been anchored in the Company's MissionZero programme, which takes the two industries towards zero emissions by 2030. See flsmidth.com for more information on the MissionZero programme.

2.3 FLSmidth employees

Where possible and relevant, the Company strives to align the remuneration approach and principles for Group Executive Management and the general workforce to ensure global consistency across different management levels within the FLSmidth Group. Naturally, differences in remuneration elements, approach and application exist between Group Executive Management and the general workforce. However, there are also remuneration principles and approaches which are similar and are applied across the organisation, creating alignment throughout the group to drive higher shareholder value.

An example of this is the way the annual base pay is determined by applying the same factors and approach across the organisation. Reference is made to section 3.2 of this policy (*'base salary'*).

Another example is the alignment between the remuneration terms of the general workforce and the remuneration terms of Group Executive Management. Specifically, members of Group Executive Management are enrolled in the same incentive programmes (Short-term and Long-term Incentive Programmes) as other eligible employees in the FLSmidth Group. However, FLSmidth applies relevant modifications to ensure Group Executive Management hold the largest accountability for driving

strategy execution and creating shareholder value. This means that Group Executive Management are applied higher incentive levels than the general workforce. Likewise, when it comes to short-term value creation, Group Executive Management have a larger part of their Short-term Incentive Programme tied to the financial results of the Company than the general workforce. Reference is made to section 3.2 of this policy ('Short-term Incentive Programme' and 'Long-term Incentive Programme').

2.4 Policy governance, policy revisions and decision making

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

Continuously and at least on a yearly basis, the Compensation Committee will consider if a revision of the remuneration policy is needed to meet the objectives and purposes of the policy and to be aligned to the overall short-term and long-term goals of FLSmidth. All proposals for revisions will be presented to the Board of Directors for approval, according to the normal approval procedures for the Board of Directors. If a proposed revision of the remuneration policy is approved, the Board of Directors must ensure the revision is submitted to the shareholders for approval by 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 by the General Meeting a conflict of interest is not considered likely.

3 Remuneration

3.1 The Board of Directors

Fixed fees

The remuneration of the *Board of Directors* is a fixed remuneration. The members of the Board of Directors do not participate in the incentive programmes at FLSmidth, and they are not remunerated in shares or similar non-cash instruments.

The Board of Directors shall 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 in the following year. Newly elected and resigning Board members shall

receive a proportionate fee for the year in question. The Company may also pay foreign social charges and similar charges assigned by foreign authorities in relation to the fees.

Based on the decision at the Annual General Meeting, the fixed annual fees for the chair and the vice-chair shall be 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.

Similarly, and based on the Annual General Meeting decision, additional fixed fees for serving on Board committees shall be 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 shall not receive extra fees for serving on Board committees.

If approved at the Annual General Meeting, the final approved fees may take into account factors such as unexpected workload and special ad-hoc assignments and increase the preliminary approved fees for all or some members of the Board of Directors.

Benefits

In terms of benefits, the Company may pay for a news subscription for any member of the Board of Directors based on the chair's approval.

Expenses

The Company pays the Board of Directors' costs for travel, hotels and meals relating to Board meetings, either through the Company's direct payment of these expenses or through subsequent expense reimbursement.

3.2 Group Executive Management

Total remuneration framework

The remuneration of Group Executive Management includes a key principle that the total reward offering shall consist of fixed and variable incentive-based remuneration. This total remuneration framework ensures that the Company is capable of attracting and retaining 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. 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-term and long-term strategic

goals and encourages prudent and reasonable behaviour or acceptance of risk.

The total remuneration of Group Executive Management is based on the following elements:

Remuneration elements	Type
Base salary	Cash
Short-term Incentive Programme	Cash
Long-term Incentive Programme	Shares
Benefits	Benefits in-hand or cash allowance
Other Incentives	Cash or shares

The Compensation Committee assists the Board of Directors in assessing and determining Group Executive Management's remuneration terms. Once a year, or if an out-of-cycle adjustment is needed to ensure the fulfilment of the purposes stated in section 2.1 of this remuneration policy, the Board of Directors decides on any adjustments to the total remuneration of Group Executive Management according to the Board of Directors' procedures for such adjustments.

Base salary

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

- Base pay levels in the market
- Skills, experience 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 the Company and the cash incentive pay-out, payment of the cash incentive may be fully or partially conditional upon the Company 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. If deemed necessary to meet the objectives and purposes stated in section 2.1 above, the Board of Directors may decide to deviate from the Short-term Incentive Programme design, as described above.

In the annual remuneration report, the Board of Directors will disclose a retrospective overview of the Short-term Incentive Programme for Group Executive Management, consisting of target, minimum and maximum short-term incentive levels and to the extent possible, also the overall achievement levels.

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 Company's long-term targets.

Subject to the Board of Directors' approval, the granting of performance share units may take place once a year, normally upon presentation of

the Company'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 (see above).

Vesting of the performance share units is dependent on (i) time (minimum a three (3) year vesting period), (ii) continued employment, and (iii) financial performance, i.e. achievement of at least one or more of the announced long-term financial KPIs of the Company.

The long-term financial KPIs of the programme are laid down by the Board of Directors. One or more additional financial KPIs may be applied to support the achievement of the announced long-term financial KPIs of the Company. A 100% achievement level of the KPIs of the programme shall result in a target level vesting of performance shares. Full vesting of the performance shares requires performance substantially over and above target performance. A minimum threshold for financial performance must be achieved to vest any performance share units.

Vesting of the performance share units happens in the form of a 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 the Company 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. If deemed necessary to meet the objectives and purposes stated in section 2.1 above, the Board of Directors may decide to deviate from the Long-term Incentive Programme design as described above.

In the annual remuneration report, the Board of Directors will disclose a retrospective overview of the Long-term Incentive Programme for Group Executive Management, consisting of target, minimum and maximum long-term incentive levels, and to the extent possible, also the overall achievement levels.

The Group CEO shall be required to hold a certain portion of vested shares from the Long-term Incentive Programme until a target portfolio of company shares has been achieved. The target portfolio of shares shall correspond to 50% of the annual base salary. The Group CEO is expected to build up this portfolio over a maximum of five (5) years. This sharehold-

ing requirement has been introduced in connection with this remuneration policy and the expectation is that the target portfolio of shares must be built up over a maximum of five years from the adoption of this policy.

Benefits

As approved by the Board of Directors, Group Executive Management shall be entitled to customary benefits such as company car, 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 FLSmith's standard pension and insurance scheme. Contributions are paid fully by the executive.

Other incentives

At the Board of Directors' discretion, 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 to meet the overall objectives and purposes stated in section 2.1 or if it is needed to protect the interests of the Company.

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.

Expenses

Per the FLSmith standard procedures for travel, hotels, meals and similar, the Company pays necessary expenses for Group Executive Management either through the Company's direct payment of these expenses or through subsequent expense reimbursement.

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, or proves to be erroneous due to gross negligence or wilful misconduct by Group Executive Management.

Termination and severance payment

Executive service agreements with Group Executive Management are open-ended. Ordinary notice of termination of employment may be up to eighteen (18) months and severance payment may correspond to a maximum of six (6) months' 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.

4 Deviations from the policy

If deemed necessary to meet the objectives and purposes stated in section 2.1 above, and if the situation of the Company necessitates so, the Board of Directors may temporarily, in extraordinary circumstances, decide to deviate from the plan framework set out in section 3.2 ('Short-term Incentive Programme', 'Long-term Incentive Programme' and 'Other incentives') of this policy in respect of select executives. Awards under this section 4 may or may not be subject to KPIs.

Any such deviation must be discussed in the Compensation Committee who will provide a substantiated recommendation to the Board of Directors.

Any deviation will be described and explained in the Company's annual remuneration report.

5 Approval and publication

This remuneration policy was submitted for approval at the Annual General Meeting on 30 March 2022.

The latest version of the remuneration policy shall, at any time, be available at FLSmith's website, www.flsmidth.com.