

TAX REPORT 2021

1 January –
31 December 2021
Tax Report 2021

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FLSmidth Tax Report 2021

Tax is a material topic for FLSmidth and this report provides about our approach to taxes generally and certain tax data for the year ended 31 December 2021 for the significant countries of our global footprint.

Our approach to taxes:

Tax policy and governance

The Board of Directors is accountable for and has approved the Group Tax Policy, which establishes the overarching principles and philosophies in the governance of FLSmidth's tax affairs globally. As stated in the Tax Policy wherever we operate around the globe, FLSmidth is committed to support community development and sustainable growth. FLSmidth contributes with products and services that enables our customers and partners to extract natural resources and build societies with the lowest possible environmental impact and we acknowledge that taxes contribute to building societies. A copy of the policy can be found at: <https://www.flsmidth.com/en-gb/company/sustainability/policies>

The Group Tax Policy is reviewed by the Board of FLSmidth annually on the background of business, organizational and regulatory developments and amended as deemed appropriate.

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

Regulatory compliance

All FLSmidth's business and financial operations must comply with applicable local tax laws and reflect generally accepted principles of international taxation. This includes the preparation of complete and accurate tax returns and timely filing with the relevant tax authorities.

Local direct and indirect tax returns and other compliance work are outsourced to external specialists where the Group does not have the competencies internally.

We adopt tax positions which are correct in the light of all material facts and relevant legislation. Where uncertainty exists in application of the legislation to a tax position an assessment is made as to the likelihood that an adopted position is correct in the light of all material facts and relevant legislation. Where appropriate, an opinion from a reputable external professional advisor is obtained.

Pricing mechanisms for intercompany transactions are aligned to arm's length principles, unless we are legally required to apply an alternative pricing mechanism.

Seeking and accepting tax incentives

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. The FLSmidth companies in Denmark undertake research and development activities which are eligible for a tax incentive in the form of additional tax deductions. The value of the additional deductions in 2021 were DKK 44m (tax value: DKK 10m). This incentive is not unique to FLSmidth and is generally available under the Danish tax legislation.

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Relationship to business and sustainable goals

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.

Tax strategies are developed based on the principles that they are:

- Aligned to business operations
- Sustainable
- Compliant with:
 - FLSmith's Code of Business Conduct, and
 - Applicable tax laws

The business structures utilized within the FLSmith Group are driven by commercial considerations and aligned to the abovementioned principles. We do not use artificially fragmented structures or contracts to avoid establishing a taxable presence in jurisdictions where we do business.

Wherever we operate around the globe, FLSmith is committed to support community development and sustainable growth through our business activities. FLSmith's 2030 goals and targets support the UN Sustainable Development Goals (SDGs). Specifically, through its approach to and the payment of taxes FLSmith contributes to SDG target 16.6, the development of effective, accountable and transparent institutions.

Our governance, controls and risk management of tax:

Governance and risk

The responsibility for the Group Tax Policy and tax risk management lies with the Group CFO and is overseen by the Audit Committee, who are updated at least annually. Group Tax is responsible to ensure an adherent application of the Group Tax Policy throughout the Group. The central Group tax function manages the operational aspects of the Group Tax Policy including tax risk assessment and mitigation, which includes an annual risk assessment in terms of both economic loss and reputational damage.

We employ appropriately qualified and trained tax professionals with the right levels of expertise and understanding. Where appropriate, reputable external professional advisors are utilized where there is uncertainty as to the application or interpretation of tax laws.

With respect to all tax disclosures our review processes includes input from relevant internal and external stakeholders. We provide a number of consolidated financial tax disclosures in the Group annual report, which is audited by our independent external auditor, EY.

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Business structures

The legal form of business structures utilized in our Group is typically wholly owned corporate subsidiaries. A feature in our project businesses in the Cement and Mining industries is the use of Permanent Establishments in countries outside of Denmark. This is aligned to the commercial activity and substance of these projects.

The FLSmidth Group does not utilize tax havens or non-cooperative jurisdictions to generate tax outcomes. Our limited presence in non-cooperative jurisdictions is as a direct result of normal commercial trading activities. The financial tax information for these countries is included in the disclosures provided below.

Our stakeholder engagement and management of matters related to tax:

Relationships with stakeholders

We actively cooperate with tax authorities and strive to have a positive and open dialogue. Where possible, we will seek early guidance with tax authorities and certainty on matters of complexity.

As a significant Danish multinational Group we operate under the tax governance program conducted by the Danish Tax Authority.

We maintain a dialogue with various stakeholders both directly and through industry associations. We consider that this approach is generally appropriate for our business.

Reporting

All our businesses operate under the FLSmidth Code of Business Conduct, which combined with our Group Tax Policy reiterates the behaviors and standards expected of our employees, companies and permanent establishments.

Our Group Compliance function manages a whistleblower hotline service which operates globally and provides a mechanism for employees and third parties to confidentially raise matters regarding the conduct of our business.

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Transparent reporting of taxes:

Key country by country financial data

In order to provide improved transparency of our tax data, we detail below key figures for the significant countries of our global footprint. In this context significance has been based on Total Revenue of the country. The country disclosures below represent the top 85% of Total Revenue for the Group. The Rest of the World category represents our presence in 50 countries.

Country-by-Country	United States	Denmark	Australia	Chile	India	China	South Africa	Austria	Germany	Brazil	Peru	Canada	Italy	Rest of the world	Total
Key figures IFRS 2021 (DKKm)															
Revenue Unrelated Party	3,515	1,965	2,073	1,586	1,145	716	1,006	647	392	656	601	352	357	2,570	17,581
Revenue Related Party - Other Countries ¹	663	326	239	32	234	578	131	443	266	2	5	115	98	419	3,550
Income Tax Paid (Paid / -Receipt.)	13	167	55	3	9	20	4	39	2	17	47	15	6	140	537
Income Tax Accrued (Payable / - Receivable.)	3	-114	-56	-9	41	-34	-8	-25	-0	-34	-39	-4	-16	-153	-449
Tangible Assets excl Cash	1,049	92	323	101	180	95	117	4	25	13	59	14	42	194	2,308
Effective tax rate ²	23.4%	20.3%	28.6%	16.3%	22.9%	25.4%	115.6%	30.8%	23.0%	18.8%	34.5%	36.1%	22.8%	36.0%	36.3%

Note 1: Revenue Related Party – Other Countries is eliminated for the purposes of the Annual Report.

Note 2: Effective Tax Rates: Chile has been positively affected by a permanent difference relating to inflationary adjustments, South Africa has been adversely affected by a prior year write down of WHT credits; and Brazil has been positively affected by a prior year adjustment relating to the treatment of permanent differences, Peru and Canada have been adversely affected by permanent differences.

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Key country by country other data

Details of our employee numbers and the primary business activities undertaken in each country during 2021 are:

Country-by-Country	United States	Denmark	Australia	Chile	India	China	South Africa	Austria	Germany	Brazil	Peru	Canada	Italy	Rest of World	Total
Employees 2021															
Employees (average)	1,474	947	1,461	585	2,354	705	377	216	150	280	256	217	95	1,222	10,339
Primary activities 2021															
Customer sales & services	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Project execution hubs	•	•	•					•							•
Proprietary equipment or technology centres	•	•	•				•		•				•	•	•
Group HQ & Functions		•													•
Industry or Regional HQ's	•	•					•							•	•
Group shared service or assembly centres					•	•									•

A list of all companies within the FLSmidth Group as at 31 December 2021 is provided in 2021 Annual Report at Note 6.5 List of Group Companies on pages 102 and 103. The Annual Report can be accessed via: <https://www.flsmidth.com/en-gb/company/investors/reports-and-presentations>.

Key country by country data – EU non-cooperative jurisdiction countries

Of the 9 countries included in the EU's list of non-cooperative jurisdictions published in October 2021¹ FLSmidth undertook business operations in 2021 in Panama. Our business operations in Panama consist of sales related business development activities undertaken by an average of 4 employees.

¹ <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>

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Key country by country data – countries with a corporate tax rate of less than 15%

During 2021, FLSmidth operated in 3 countries whose base corporate income tax rate is less than 15%, viz. Mongolia (10%) Paraguay (10%) and Ireland (12.5%). Our business operations in each of these countries consisted of sales and services to Mining and / or Cement industry customers. The average number of employees delivering these services were: Mongolia - 28; Paraguay - 3 and Ireland - < 1.

The relevant data for these countries which is Included in the Rest of World grouping in the table above is:

Country-by-Country	Panama	Mongolia	Paraguay	Ireland
Key figures IFRS 2021 (DKKm)				
Revenue Unrelated Party	0	166	3	0
Revenue Related Party - Other Countries	2	0	0	1
Income Tax Paid (Paid / -Receipt.)	0	3	0	0
Income Tax Accrued (Payable / - Receivable.)	-0	-3	-0	0
Tangible Assets excl Cash	0	4	0	0
Effective tax rate	0.0%	13.0%	10.1%	0.0%

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