



Corporate Governance Statement

ABN 57 002 594 872

FY20

Global force | Thriving communities



Contents

1	Overview of Governance	4
2	Board of Directors	6
3	Board Committees and management	14
4	Risk management	17
5	Assurance functions	27
6	Security holders	28
7	Business ethics and integrity	29
8	Market disclosures	31
9	Compliance with Corporate Governance Standards	32



1 Overview of Governance

Good corporate governance is critical to the long-term, sustainable success of Fortescue Metals Group Ltd (Fortescue). Good governance is the collective responsibility of the Board of Directors (the Board) and all levels of management.



Fortescue seeks to adopt leading practice and contemporary governance standards and apply these in a manner consistent with our culture and Values.

Fortescue supports the intent of the 4th Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles and Recommendations). Unless otherwise disclosed, Fortescue has reported against the revised requirements of the Principles and Recommendations.

Our cornerstone principles of corporate governance are:

Transparency

Being clear and unambiguous about our structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to, stakeholders and the market generally.

Integrity

Developing and maintaining a corporate culture committed to ethical behaviour and compliance with the law.

Empowerment

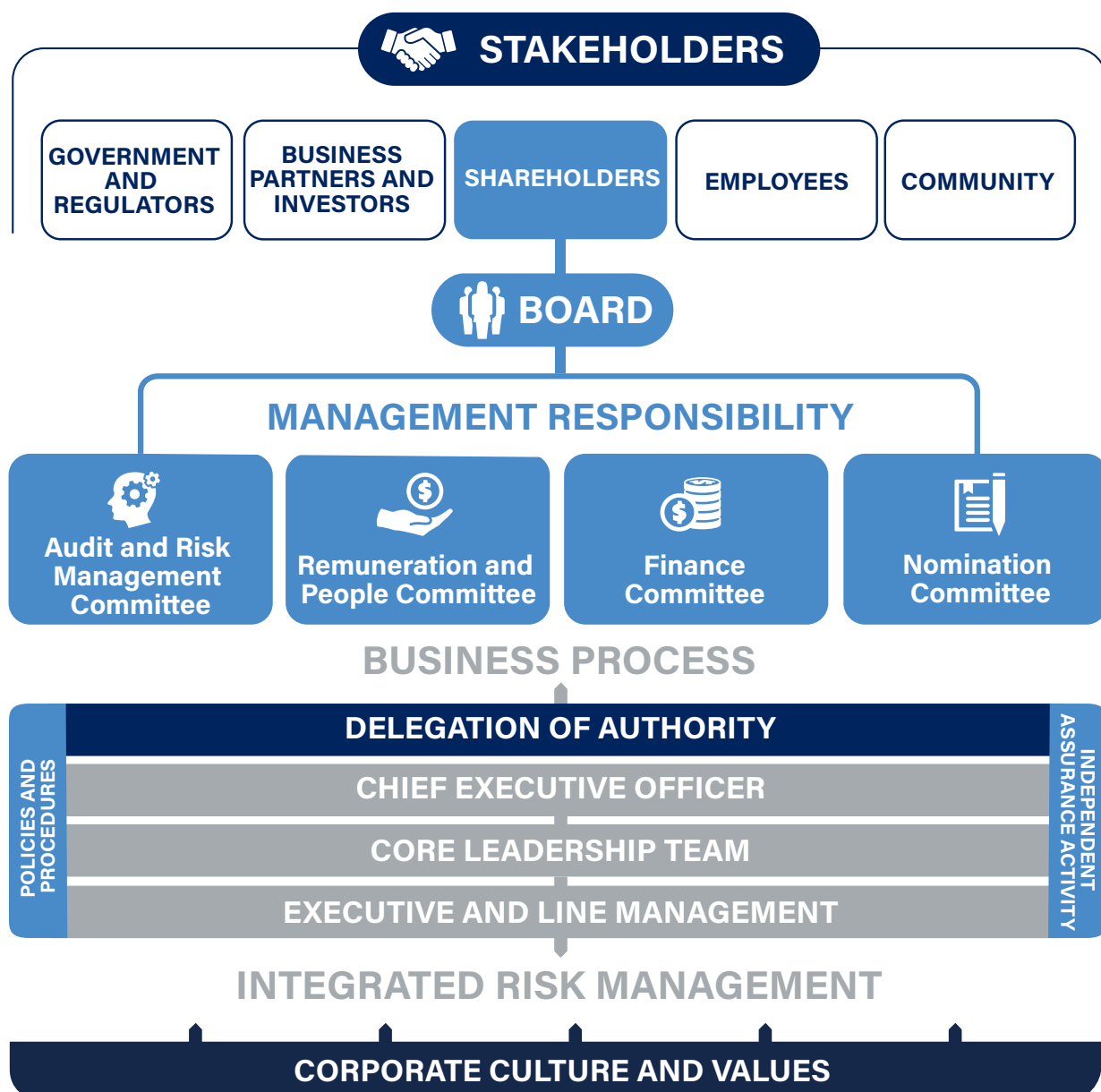
Everyone at Fortescue is empowered to make decisions that support our objectives and are in the best interests of stakeholders. Management and employees are encouraged to be innovative and strategic in making decisions that align with our risk appetite and are undertaken in a manner consistent with corporate expectations and standards.

Corporate accountability

Ensuring that there is clarity of decision making, with processes in place to authorise the right people to make effective and efficient decisions and appropriate consequences delivered when these processes are not followed.

Stewardship

Developing and maintaining a company wide recognition that Fortescue is managed for the benefit of its shareholders, taking into account the interests of other stakeholders.



2 Board of Directors

Fortescue has a talented and diverse Board committed to enhancing and protecting the interests of shareholders and other stakeholders and fulfilling a strong governance role.



Dr Andrew Forrest AO

Chairman



Mark Barnaba AM

Lead Independent Director/
Deputy Chair



Elizabeth Gaines

Chief Executive Officer/
Managing Director



Lord Sebastian Coe CH, KBE

Non-Executive Director



Jennifer Morris OAM

Non-Executive Director



Dr Jean Baderschneider

Non-Executive Director



Penny Bingham-Hall

Non-Executive Director



Dr Cao Zhiqiang

Non-Executive Director



Dr Ya-Qin Zhang

Non-Executive Director

2.1 Role and responsibilities

The Board is responsible to the shareholders for the performance of the Company. With a focus on enhancing and protecting the interests of shareholders and other key stakeholders and ensuring we are properly managed, the Board understands the importance of a strong and healthy working relationship with management.

The Board ensures that the management team is appropriately qualified and experienced to discharge their responsibilities. It has established a Statement of Matters Reserved for the Board, identifying the key responsibilities of the Board as follows:

- Approving the statement of Values which underpin Fortescue's culture and overseeing the embedding of these Values across our Company
- Appointing, evaluating the performance of, rewarding and, if necessary, removing the Chief Executive Officer (CEO)
- Developing corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management
- Monitoring actual performance against defined performance expectations
- Overseeing the management of business risks (both financial and non-financial), safety and occupational health, environmental issues and community development
- Satisfying itself that our financial statements fairly and accurately set out the financial position and financial performance of Fortescue for the period under review
- Satisfying itself that there are appropriate reporting systems and controls to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately

- Satisfying itself that remuneration policies and practices align with our purpose, Values, strategic objectives and risk appetite
- Ensuring we act legally and responsibly and in accordance with our Code of Conduct and Integrity (Code of Conduct) and all material breaches are reported to the Board
- Challenging management and holding it to account
- Assuring itself that appropriate audit arrangements are in place
- Reporting to and advising shareholders.

The Board has also established Delegations of Authority for matters delegated to the authority of the CEO, Core Leadership Team (CLT) and key executives. Management remains accountable to the Board, through those delegations, for Fortescue's overall performance. While the CEO, CLT and key executives remain accountable to the Board, management are empowered to make decisions they believe are appropriate, within the boundaries established by the Board.

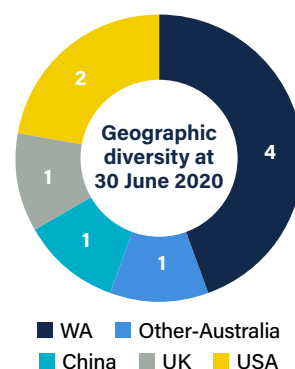
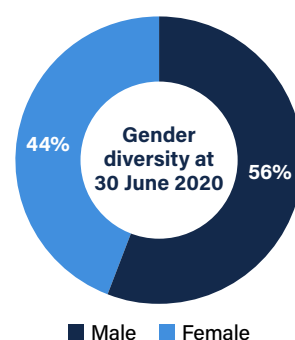
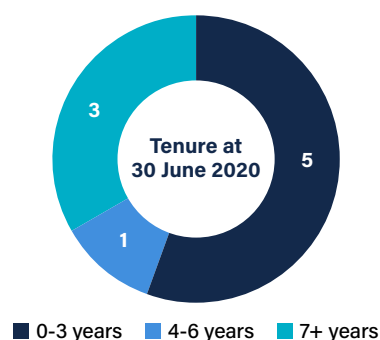
A key focus of Board meetings is monitoring the decisions of management. Appropriate time is allocated during Board meetings for consideration of key operational issues and progress towards achievement of corporate objectives. The Board has established the Key Performance Indicators (KPIs) against which the performance of management is evaluated. These KPIs are discussed in the Remuneration Report within the FY20 Annual Report which is available on our website at www.fmgl.com.au

Both the Statement of Matters Reserved for the Board and the Delegations of Authority are reviewed annually to identify areas requiring improvement or change. Any changes to these documents are approved by the Board.

2.2 Board composition

Under Fortescue's Constitution, the Board must have a minimum of three and a maximum of 12 directors. Other than the Managing Director, no director may retain office without re-election for more than three years or past the third Annual General Meeting (AGM) following the director's appointment, whichever is the longer. Additionally, any new director, with the exception of the Managing Director, appointed by the Board to fill a casual vacancy must retire and seek election at the next AGM of shareholders.

The Board believes that its composition represents an appropriate balance of executive and non-executive directors to achieve the promotion of shareholder interests and effective governance of the Company. The Board also has access to and engages with senior executives who may also attend Board and Board Committee meetings by invitation.



Board of Directors

The Directors of the Company during FY20:

	Date of initial appointment	Period of office	Last election	Next election
Dr Andrew Forrest AO (Chairman)	18 July 2003	Full year	FY17 AGM	FY20 AGM
Mr Mark Barnaba AM (Deputy Chair and Lead Independent Director)	19 February 2010	Full year	FY17 AGM	FY20 AGM
Ms Sharon Warburton ⁽¹⁾ (Deputy Chair)	13 November 2013	9 months	FY19 AGM	n/a
Ms Elizabeth Gaines (Managing Director and Chief Executive Officer)	22 February 2013	Full year	n/a – Managing Director	
Dr Cao Zhiqiang	18 January 2018	Full year	FY18 AGM	FY21 AGM
Dr Jean Baderschneider	19 January 2015	Full year	FY18 AGM	FY21 AGM
Ms Jennifer Morris OAM	9 November 2016	Full year	FY17 AGM	FY20 AGM
Ms Penny Bingham-Hall	9 November 2016	Full year	FY17 AGM	FY20 AGM
Lord Sebastian Coe CH, KBE	25 February 2018	Full year	FY18 AGM	FY21 AGM
Dr Ya-Qin Zhang	1 September 2019	10 months	FY19 AGM	FY22 AGM

⁽¹⁾ Ms Sharon Warburton resigned effective 31 March 2020.

2.3 Meeting attendance

The Board and its Committees meet as often as is necessary to fulfil their roles. Directors are required to allocate sufficient time to discharge their responsibilities effectively, including adequate time to prepare for Board and Committee meetings and attend visits to operational sites.

Attendance at Board and Committee meetings during FY20 is summarised below:

Director	Board		Audit and Risk Management Committee		Remuneration and People Committee		Nomination Committee		Finance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Dr Andrew Forrest AO (Chairman)	6	6	-	-	-	-	1	1	2	2
Mr Mark Barnaba AM (Deputy Chair and Lead Independent Director)	6	6	4	4	5	5	1	1	2	2
Ms Sharon Warburton ⁽¹⁾ (Deputy Chair)	4	4	3	3	4	4	1	-	-	-
Ms Elizabeth Gaines (Managing Director and Chief Executive Officer)	6	6	-	4	-	5	-	-	-	-
Dr Cao Zhiqiang	6	3	-	-	-	-	-	1	-	-
Dr Jean Baderschneider	6	6	1	4	-	3	-	1	-	-
Ms Jennifer Morris OAM	6	6	4	4	5	5	-	1	-	-
Ms Penny Bingham-Hall	6	5	4	4	1	3	-	1	2	2
Mr Sebastian Coe CH, KBE	6	6	-	3	-	2	-	1	-	-
Dr Ya-Qin Zhang	5	5	-	-	-	-	-	1	-	-

⁽¹⁾ Ms Sharon Warburton resigned effective 31 March 2020.



Generally, Board meetings are held over two days (including Board Committee meetings). Directors are invited to visit each of the major operations during the year, often in conjunction with Board and Committee meetings.

The Board and key members of the management team also attend a multi-day strategic 'think tank' each year that is focused on considering the strategic issues facing Fortescue and reviewing our future direction and objectives. In addition, Board members hold meetings with management as required.

2.4 Board skills matrix

The primary driver for the Board in seeking new directors is the skills and experience which are relevant to the needs of the Board in discharging its responsibilities to shareholders. Fortescue's policy is to assess all potential Board candidates without regard to race, gender, age, physical ability, sexuality, nationality, religious beliefs, or any other factor not relevant to their competence and performance as a potential Board member.

The Board believes that, collectively, the Directors have a diverse and relevant range of skills, backgrounds, knowledge and experience to ensure effective governance of Fortescue. To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Directors contribute industry knowledge, international experience, perspectives and specific subject matter expertise in a range of strategic, operational and financial aspects that are critical to the implementation of our strategy and long-term success. In particular:

- The Board demonstrates in depth knowledge of our operations and processes and brings additional relevant global industry expertise.
- The Board applies strong leadership and management skills with directors being well versed in regulatory and governance matters.
- Directors are skilled in corporate activities with experience in strategy and business development.
- Directors are proactive in staying abreast of emerging frameworks and regulations pertaining to environmental and social sustainability matters, including health and safety.

The Board is focused on its composition, ensuring that all directors continue to have an appropriate balance of skills, experience and independence.

The following table sets out the composition of skills and experience of the Board. Our directors' skills, experience and qualifications are set out in the FY20 Annual Report which is available on our website at www.fmgil.com.au

Leadership

- Successful history in business at a senior executive level working in high-performance cultures
- Publicly listed company experience
- Understanding/influencing organisational culture to ensure alignment with goals and objectives.

Strategy

- Experience in developing and implementing successful strategy
- Experience overseeing budgets that deliver on short-term and long-term strategic imperatives
- Ability to provide oversight of management for the delivery of strategic objectives.

Mining, resources and infrastructure

- Operating and technical experience in large mining organisations
- Optimisation of large and complex operating assets
- Experience in advising mining or resources companies
- Experience in exploration projects with proven results and performance
- Experience in organisations with large infrastructure.

International experience and business development

- Experience in developing successful and sustainable operations in new geographies and jurisdictions
- Knowledge and experience in providing oversight and guidance in designing and implementing appropriate operational, financial and governance structures for a multi-jurisdictional business
- Experience in and exposure to political, cultural, regulatory and business environments in a range of global locations
- Experience with doing business in China and the Asian region, including with government agencies, regulators and customers.

Information technology and innovation

- Knowledge and experience in the use and governance of critical information technology
- Understanding potential cyber risk exposure
- Understanding relevant privacy and data regulation
- Leveraging digital technology to support growth and drive competitive advantage.

Financial acumen

- Experience in financial accounting and reporting, corporate finance and internal financial controls
- Experience with substantial mergers/acquisitions
- Experience in business analysis and financial forecasting.

Tax risk management and compliance

- Understanding corporate tax requirements and tax risk management
- Experience with oversight and application of corporate tax policies and frameworks
- Experience in reviewing tax sensitive matters associated with major transactions.

Governance

- Experience in governance within complex organisations and multi-jurisdictional compliance environments
- Commitment to ensuring effective governance structures
- Maintaining effective risk management and internal controls.

Health, safety and environment

- Experience related to complex workplace health and safety management
- Experience with environmental and community issues and frameworks in a large organisation.

Capital projects

- Experience in assessing commercial viability of major capital projects
- Experience in the delivery of large-scale capital projects
- Experience in effective project governance and risk management processes that support the successful delivery of large scale capital projects.

Stakeholder management

- Experience with managing issues associated with working with local communities, pastoralists and Traditional Custodians to ensure that positive economic, social and environmental outcomes are delivered for all stakeholders
- Executive experience managing complex industrial relations challenges
- Experience in dealing with a crisis in an organisation of similar size and complexity
- Experience in regulatory policy and government affairs, including implications for corporations.

Sales and marketing

- Senior executive experience in sales and marketing
- Building long-term, sustainable customer relations across a diverse customer base
- Detailed knowledge of Fortescue's strategy, markets and competitors.

Capital management

- Experience with equity and debt funding strategies
- Understanding local and overseas capital and debt markets
- Experience in capital and debt raising
- Experience building a long-term investment case and narrative.

Public policy and regulation

- Experience in managing how organisations adapt and respond to changing public policy settings
- Oversight and management of regulatory frameworks and processes designed to ensure that all regulatory obligations are met
- Experience developing and communicating key policy positions on critical issues and regulatory matters, including submissions.

2.5 Diversity

Fortescue is committed to providing a balanced and inclusive working environment underpinned by a documented Diversity Policy, built on our Values. The Board has implemented a Diversity Policy and measurable objectives which reflect our commitment to ensuring there are no impediments to diversity at any level of the organisation. The Diversity Policy includes targets and practices that promote diversity through a range of criteria including age, gender mix and Aboriginal employment across all areas of the business.

The Board has a range of diverse skills, experience and backgrounds. At Fortescue, we believe that a diversity of views and opinions is critical in building sustainable, long-term value for all key stakeholders. This diversity is inherently valuable and promotes a range of perspectives on the key challenges and risks we face. This commitment to diversity is reflected in a Board with real gender equality, demonstrated by four of the nine Board members being female, achieving 44 per cent female Board composition. The Directors' age range is 48 to 68.

Part of the Board's role is to consider and approve measurable targets for workforce diversity each financial year and to assess both the targets and their progress annually. Information on the proportion of females in our workforce, women in positions of manager and above, and Aboriginal employment is included in the FY20 Sustainability Report, which is available on our website at www.fmgl.com.au. The Diversity Policy can be accessed through the Corporate Governance section of our website at www.fmgl.com.au.

2.6 Appointment, induction and continuing education of directors

With the exception of the Managing Director, directors are required to retire by rotation at least once every three years and are able to offer themselves for re-election.

A letter of appointment sets out terms of engagement including the basis of remuneration and clear direction about the amount of time that directors are required to commit in order to adequately discharge their responsibilities. Prior to appointment, or offering themselves for re-election, non-executive directors are required to specifically acknowledge that they have the time available to fully discharge their responsibilities to Fortescue.

Prior to appointing a director, a rigorous process of evaluation and checks is undertaken to ensure their suitability and capacity to discharge their duties as a Board member.

This evaluation covers matters such as:

- Skills and experience, including the expected contribution to the collective skills and experience of the Board
- Current and prior directorships and/or executive roles
- Independence
- Any other matters (including interests, positions and associations) which could adversely affect their ability to effectively discharge their duties as a Board member.

Following appointment, directors are supported through a formal induction program to familiarise them with our business. This typically involves a combination of meetings with senior management, site visits and briefings on specific issues. This process continues throughout the directors' tenure.

All directors are expected to maintain the skills required to discharge their obligation to Fortescue, including undertaking continuous education and relevant training. Existing directors periodically undertake personal development to maintain the skills and knowledge required to perform their role effectively.

Directors are expected to contribute to Fortescue, primarily in relation to the matters set out in the Statement of Matters Reserved for the Board, which can also be accessed through the Corporate Governance section of our website www.fmgl.com.au

In addition, directors are expected to contribute to the business of the Board Committees on which they sit. It is recognised that directors have a diverse range of skills, experience and knowledge and they are expected to contribute their considerable expertise at the boardroom table and at other times as required.

Directors are expected to act independently by challenging the status quo constructively, to act ethically in all dealings and assist in setting our standards, as well as being involved and contributing to all decisions before the Board.

Directors are expected to comply with all requirements imposed upon them by the *Corporations Act 2001*, ASX Listing Rules and our Constitution, a copy of which can be obtained from the Corporate Governance section of our website at www.fmgl.com.au

It is Fortescue's practice to allow its non-executive directors to accept appointments outside Fortescue with prior approval of the Chairman. The commitments of non-executive directors are considered by the Nomination Committee prior to a director's appointment to the Board and are reviewed on an ongoing basis.

2.7 Chairman

The Chairman has a primary responsibility to lead the Board and promote the Company's interests, both internally and in the broader business context. A key part of the Chairman's role is to develop a cohesive Board which operates effectively in protecting shareholders' interests and maintaining strong relationships with the CEO, CLT and key executives.

Fortescue Founder, Dr Andrew Forrest AO, was appointed to the role of Non-Executive Chairman by the Board in August 2011.

Dr Forrest, while being a non-executive director, is not an independent director due to his significant shareholding.

2.8 Executive directors

At the date of this report, the Board has one executive director, being Ms Elizabeth Gaines, Fortescue's CEO. The Board believes that an appropriate mix of non-executive and executive directors is beneficial to its role and provides strong operational and financial insights into the business. The role of independent directors and their composition on the Board is discussed on the following pages.

2.9 Independence

All directors have an obligation to be independent in judgement and actions. Directors are considered to be independent if they satisfy established criteria, including:

- They are not a substantial shareholder of Fortescue, or an officer of, or otherwise affiliated with, a substantial security holder of the entity
- They have not been employed in an executive capacity by Fortescue or there has been a period of three years between ceasing such employment and serving on the Board
- They have not, within the last three years, been a principal of a material adviser or consultant to Fortescue
- They have not, within the last three years, been in a material business relationship with Fortescue, or an officer of, or otherwise associated directly or indirectly with, someone with such a relationship
- They do not receive performance-based remuneration or participate in an employee incentive scheme
- They do not have close personal ties with any person who falls within any of the categories described above

- They are a non-executive director of Fortescue and have not been a director for such a period that their independence from management and substantial holders may have been compromised
- Any fees paid to a non-executive director by Fortescue for services provided are not of such amounts that could make the director reliant on such remuneration
- They have no other material contractual relationships with Fortescue other than as directors of the Company
- They are free from any interest which could reasonably be perceived to materially interfere with their ability to act in Fortescue's best interest.

Directors are required to disclose circumstances that may affect, or be perceived to affect, their ability to exercise independent judgement so that the Board can make regular assessments of independence. If a circumstance arises whereby a director may consider a matter in which the director has a material personal interest, that director shall cease to be involved in the decision making regarding that matter.

At the date of this report, the Board has eight non-executive directors. Based on the above criteria, of the eight non-executive directors, six are considered to be independent and two are considered to be non-independent.

Director	Executive/ Non-Executive	Independent
Dr Andrew Forrest AO	Non-Executive	No
Mr Mark Barnaba AM	Non-Executive	Yes
Ms Elizabeth Gaines	Executive	No
Dr Cao Zhiqiang	Non-Executive	No
Dr Jean Baderschneider	Non-Executive	Yes
Ms Jennifer Morris OAM	Non-Executive	Yes
Ms Penny Bingham-Hall	Non-Executive	Yes
Lord Sebastian Coe CH, KBE	Non-Executive	Yes
Dr Ya-Qin Zhang	Non-Executive	Yes

Ms Jennifer Morris has previously been categorised as being non-independent due to her position as the CEO of the Walk Free Foundation (Walk Free), an initiative of the independent, privately funded charity Minderoo Foundation (Minderoo). While Dr Forrest is the Chairman and co-founder of Minderoo, its activities are not controlled by Dr Forrest.

When Ms Morris stepped down as the CEO of Walk Free in December 2019, the Board reassessed her independence status and determined that she is an independent director of Fortescue.

The Board considers that it has independent directors involved in all areas of Board activity where director independence is critical, including Lead Independent Director involvement in the various Board Committees.

Changes in Board membership and composition will occur from time to time which may impact on the overall ratio of independent versus non-independent Board members. A majority of independent directors has been maintained during the year. The Board is satisfied that it operates in a manner which ensures directors exercise independent judgement and the interests of shareholders are always at the forefront when important decisions are made.

The table on page 12 shows the current composition of the Board by reference to their executive/non-executive status and whether they are considered to be independent or non-independent as at the date of this report.

Mr Mark Barnaba holds the position of Deputy Chair. The Deputy Chair's role includes chairing the Board and shareholder meetings when the Chairman is unable to do so, approving meeting agendas and ensuring a consistent quality of information is provided to the Board.

Mr Barnaba also acts as the Lead Independent Director. This role includes:

- Representing the Board as the senior independent director when the Chairman is unable to do so due to his non-independent status
- Acting as principal liaison between the Independent Directors and the Chairman.

Transactions during the financial year that are classified as material related party transactions with directors or director related entities, reported to the Board, are disclosed in note 17 to the financial statements in accordance with International Financial Reporting Standards.

2.10 Evaluating Board and Committee performance

The Board and each of its Committees have established a process to evaluate their performance annually. The process is based on a formal questionnaire covering a range of performance topics. The process is managed by the Company Secretary under the direction of the Lead Independent Director. The most recent review was undertaken in June 2020.

The results and recommendations from the evaluation of the Board and Committees are reported to the full Board for further consideration and action, where required.

The entire Board agrees on improvement actions, where appropriate, and these are acted upon with support from the Company Secretary.

The individual performance of directors is considered during the Board and Committee performance evaluation process in addition to ongoing consultation between the Chairman, Lead Independent Director and the relevant directors as required.

2.11 Remuneration and executive performance

The Board, through the Remuneration and People Committee (RPC), periodically reviews the performance of senior executives. A review was performed in FY20 and the results have been incorporated into remuneration results. Details of the remuneration policies and the remuneration paid to directors (executive and non-executive) and executives are set out in the Remuneration Report section of the FY20 Annual Report which is available on our website at www.fmgil.com.au

2.12 Use of information

The Board has implemented a Code of Conduct designed to ensure that all directors and employees act ethically and do not use confidential information for personal gain.

2.13 Independent advice

Directors and Board Committees, in connection with the discharge of their responsibilities, have the right to seek independent professional advice at Fortescue's expense. Prior written approval of the Chairman is required in these circumstances, and such approval is not to be unreasonably withheld.

2.14 Non-English speaking directors

Appropriate access to experienced translators and interpreters is provided to ensure that non-English speaking directors understand, and are able to participate in, Board meeting discussions ensuring they can properly discharge their directors' duties and obligations.

2.15 Company Secretary

The Company Secretary is directly accountable to the Board through the Chairman on all matters regarding the proper functioning of the Board. The Company Secretary is appointed and removed by the Board.

The Company Secretary is also responsible for ensuring compliance of Board procedures and advising the Board on governance matters. All directors have access to the Company Secretary for advice and support services as required. In addition to these responsibilities, the Company Secretary is responsible for oversight of the share registry services provided by Link Market Services.

3 Board Committees and management

Fortescue's culture and Values operate within a strong governance framework and are the foundation of delivering on our commitments for the benefit of all stakeholders.

The 'tone at the top' is set by the Board so that it promotes effective and transparent governance practices through a well-structured framework that delegates consideration of specific matters to nominated Board Committees. The Committees are responsible for providing robust oversight and challenge and for supporting management in the execution of the business strategy.

3.1 Board Committees

The Board has established Committees to assist in the execution of its duties and to ensure important and complex issues are given the detailed consideration they require. The Committees of the Board are:

- Audit and Risk Management Committee (ARMC)
- Remuneration and People Committee (RPC)
- Finance Committee
- Nomination Committee.

Each Committee has its own Charter approved by the Board, under which the Board delegates authority. Each Committee is required to report the outcomes of its deliberations to the Board so that it is fully informed. Committee Charters are available in the Corporate Governance section on our website at www.fmgil.com.au



	Members as at 30 June 2020	Composition requirements	Responsibilities include oversight of the following:
Audit and Risk Management Committee	- Mr Mark Barnaba AM (Chair) - Dr Jean Baderschneider - Ms Jennifer Morris OAM - Ms Penny Bingham-Hall	- Minimum three non-executive directors - Majority independent directors - Chair must be an independent director	- Corporate governance - Financial reporting - Internal control framework - External audit - Risk management - Tax risk management and compliance - Internal audit - Anti-bribery and corruption - Whistleblower reporting and investigation - Sustainability and climate change - Human rights and modern slavery - Compliance with the <i>Corporations Act 2001</i>, ASX Listing Rules and Corporate Governance Principles and Recommendations
Remuneration and People Committee	- Ms Jennifer Morris OAM (Chair) - Mr Mark Barnaba AM - Ms Penny Bingham-Hall	- Minimum three non-executive directors - Majority independent directors - Chair must be an independent director	- Remuneration strategy - Non-executive director remuneration - CEO and executive director remuneration - Senior executive remuneration - Short-term and long-term incentive plans - Performance management - Succession planning and talent management - Diversity strategy, targets, policy and practices - Gender pay equity - Matters relating to recruitment, retention and termination policies
Nomination Committee	- Lord Sebastian Coe CH, KBE (Chair) - Dr Andrew Forrest AO - Mr Mark Barnaba AM	- Minimum three non-executive directors - Majority independent directors - Chair must be an independent director	- Non-executive director skills - Board membership and diversity - Nomination and review of applicants for Board director positions - Committee member appointments - Recruitment of the CEO - Board succession planning
Finance Committee	- Dr Andrew Forrest AO (Chair) - Mr Mark Barnaba AM - Ms Penny Bingham-Hall	- Minimum three directors - At least two members must be independent non-executive directors - Chair must be a non-executive director	- Material investment and financing decisions that have a potentially significant impact on Fortescue including: - Capital markets and other debt issues or repayment - Major acquisitions and disposals - Critically review and challenge any proposals presented by management that may significantly alter Fortescue's position in respect of the above areas

Our Purpose

Global Force | Thriving Communities

Our Culture

We are a values-based business with a strong, differentiated culture. We believe that by leveraging the unique culture of our greatest asset, our people, we will achieve our stretch targets

Our Values



3.2 Management

The Board has delegated responsibility for day to day activities to the CEO, CLT and key executives. Financial limits associated with that delegation are set out in the Delegated Authority Policy established by the Board.

Management has been delegated responsibility for instilling and reinforcing our Values, executing our business strategy, managing business performance, reviewing and managing material risks and leading and developing people and talent within the organisation.

Management set 'the tone from the top' in terms of how we operate in a manner consistent with our Values, Code of Conduct and the risk appetite set by the Board. Management provides the Board with accurate and timely information on Fortescue's operations, including compliance with relevant legal and regulatory requirements. The Board also acknowledges its own role in promoting a strong ethical culture, and management provides regular information on any conduct that is considered to be materially inconsistent with our Values, Code of Conduct and related policies. This includes information on how any material ethical issues, where relevant, have been investigated and resolved.

Prior to appointing any key executive, a rigorous process of evaluation and checks is undertaken to ensure the executive's suitability and capacity to discharge their duties. The Board ensures the management team is appropriately qualified and experienced to discharge its responsibilities and has procedures in place to assess the performance of the CEO, CLT and key executives.

The Board sets annual performance targets, which include business and individual performance objectives under the executive remuneration plan (detailed in the Remuneration Report of the FY20 Annual Report which is available at our website at www.fmgil.com.au). These performance targets are determined by the Remuneration and People Committee on behalf of the Board and are cascaded through the management teams. The performance of key executives is evaluated against the agreed performance targets annually.

4 Risk management

4.1 Corporate culture and Values

Fortescue actively promotes ethical and responsible decision making through our culture and Values, to set the moral compass by which we undertake our business. Everyone who works for Fortescue is expected to behave in a manner consistent with our Values. We believe that by leveraging our unique and differentiating Values-based culture, we will drive business performance and achieve stretch targets.

Our Values are promoted through strong internal messaging across all communication channels, including company wide weekly meetings, social media channels, posters, websites, internal and external publications and forums, to maintain visibility, encourage increased engagement and build a positive culture.

During performance reviews, each employee is assessed on the demonstration of our Values in their roles and behaviours.

Further information on our corporate culture and Values is included in the FY20 Sustainability Report available on our website at www.fmg.com.au

4.2 Policies and procedures

Our commitment to integrity and compliance has resulted in the establishment of various policies and procedures that set out the expected behaviours of our people. These expectations are consistent with our corporate culture and Values.

Our policies and procedures are available in the Corporate Governance section of our website at www.fmg.com.au

4.3 Risk management

The Board recognises risk management and internal compliance are key elements of strong corporate governance. The Board is responsible for reviewing, ratifying and overseeing systems of risk management and internal control as well as ethical and legal compliance. Risk is recognised as inherent to our business, and effective management of risk is vital to delivering on our objectives, success and continued growth. Fortescue is committed to managing all risks in a proactive and effective manner.

4.4 Fortescue Risk Management Framework

The Fortescue Risk Management Framework (FRMF) explains the methodology, approach and responsibility for the effective management and oversight of risk within the business. The FRMF is aligned to ISO 31000, the international standard for risk management, and provides a consistent approach to the recognition, measurement and evaluation of risks across the business. It also supports executive management and the Board in meeting their corporate governance responsibilities.

Our approach to risk management is underpinned by our Values and culture. This emphasises management, employees and contractors are collectively responsible for managing all material business risks and there should be a clear understanding of responsibility and accountability for risk management. This means that everyone at Fortescue has a responsibility to be aware of the risks related to their activities at every level and to be accountable for ensuring those risks are effectively managed.

We operate in a dynamic business environment where we accept and manage a range of business risks. Fortescue's risk appetite will vary depending on the nature of activities undertaken and may change over time. Our 'appetite' for various classes of risk is reflected and/or captured in a range of documentation and processes that set parameters for risk taking within the organisation, and is reflected in the operation of the risk management framework and the collective decision making processes of the Board and management.

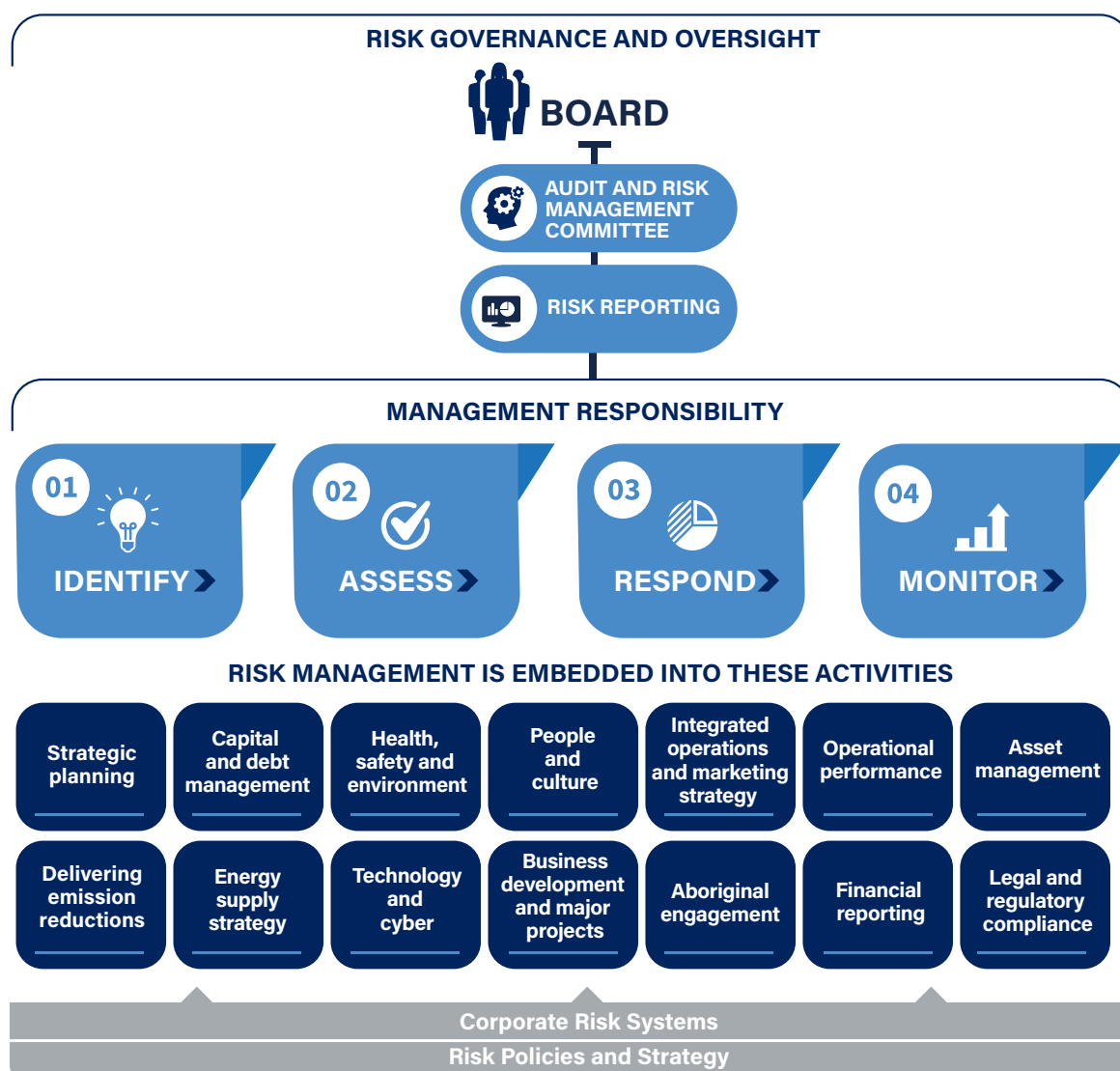
The FRMF sets a framework which aligns risk management activity at all levels of the business with a three tiered focus as follows:

- Achieving Fortescue's strategic, operational and growth objectives
- Maintaining a business that meets our obligations for health and safety, environment, heritage, sustainability and community
- Building and maintaining a resilient business capable of achieving critical objectives in the face of extreme events that may impact business as usual conditions.

We do this by:

- Embedding risk management into critical business activities, processes and decisions
- Understanding threats to, and opportunities for, achievement of our objectives
- Applying a structured approach to risk management (through the FRMF) which establishes common understanding, definitions and methodologies
- Considering all types of risks and applying robust risk analysis to support informed decision making
- Using outcomes of risk assessments to drive actions that manage risks consistent with our risk appetite
- Maintaining a strong focus on the resilience of our business through reliance on effective recovery

FORTESCUE RISK MANAGEMENT FRAMEWORK



plans for material adverse events

- Reporting regularly to the CLT and the Board on the outcomes of risk management activity.

The Group Risk and Assurance function supports each part of the business to manage their risks and to align efforts across the business to facilitate a 'whole of business' view of risk.

The ARMC reviews the FRMF on an annual basis. The most recent review was conducted in August 2020. The ARMC is satisfied the framework supports a sound system of risk management and internal control, with due regard to the risk appetite set by the Board and executive management.

4.5 Material risk exposures

We operate in a dynamic business environment which presents a range of uncertainties that have the potential to impact, both positively and negatively, on our corporate objectives. We acknowledge that risk is inherent in all aspects of the business and that effective management of risk and opportunity is essential to our success and future growth.

We are committed to managing all material risks within the risk appetite and tolerances set by the Board and executive management. Our risk profile is continually reviewed and key risks are considered in the context of the following strategic priorities:

- Embedding a world class safety culture that minimises the risk

of injury to employees and contractors

- Delivering reliable and consistent production which supports flexibility in our product strategy to meet changing patterns in customer demand
- Optimising our position in the commodity price cycle by aligning our product strategy to both customer requirements and our resource base, as well as proactive management of controllable costs
- Supporting sustainable long-term growth of the business through:
 - Delivering iron ore development projects in line with target schedules, capital and operating cost forecasts
 - Accelerating the realisation of non-iron ore development opportunities (both local and overseas) while managing the associated risks.

Consistent with previous risk updates, risks have been grouped around several key risk themes of:

- Economic risks driven by external factors such as geopolitics, market changes and government policy and regulation, as well as business factors such as business performance and execution of our business strategy, including business development activities and major project delivery

- Operational events that could negatively impact on our operations, people and legal and social licence to operate
- Social and environmental sustainability risks, including environmental pollution, hazards to health, safety and security, impacts on Aboriginal communities and threats to biodiversity and cultural heritage.

A range of material risks have been identified by management and the Board that could substantively impact our ability to create or preserve value for all key stakeholders over the short, medium or long-term.

Material risks and how those risks are managed are listed on the following pages.

Material risk	Risk management strategy
Economic risks	
Geopolitical and economic tensions increase market volatility	Escalating geopolitical and global trade tensions have potentially significant, long-term implications that could inhibit international trade, weigh on business confidence and constrain global investment. In particular, restrictive trade policies in the United States of America and People's Republic of China (China) have ramifications for global trade and could result in increasing volatility in the iron ore market. More recently, there have been increased political and trade tensions between Australia and China. It is unclear how this might influence future Chinese trade policy and regulations and, specifically, the impact on the steel and iron ore sector. We continue to monitor political and market conditions closely and are focused on maintaining strong relationships with our customers and suppliers in all key markets.
Pandemic outbreak impacting on demand by Chinese steel mills	To date, the steel making sector in China has not been significantly impacted by the coronavirus (COVID-19). However, any uncontrolled second wave of infection in China or a new pandemic has the potential to result in a sudden demand side shock due to slowed infrastructure construction activity and/or direct impacts on the workforce of steel mill operators causing production to be reduced. We have a strong balance sheet and access to significant cash reserves that should enable us to weather demand side shocks. There is also flexibility to adjust operational capacity and costs to align with changes in market demand for iron ore.
Deterioration in economic conditions in China could impact the demand for our products	Our key trading partners are Chinese steel mills and iron ore distributors. Our sales strategy would be exposed if there was any significant deterioration in the economic conditions in China and particularly in the demand for steel, of which iron ore is a key component. ▪ We continue to review our product strategy and align this to both customer expectations and our resource base. We have an agile integrated operations and marketing strategy which enables us to respond to market cycles. ▪ We have a strong track record of supporting and enhancing Sino-Australian business relationships. ▪ We continue to pursue and promote strong relationships with all levels of the Chinese government as a partner in supporting the ongoing economic development within China and resultant demand for our products. ▪ We also support a range of community and sponsorship initiatives in China, including support for educational establishments and students in collaboration between Australian and Chinese universities.

Material risk	Risk management strategy
Economic risks (continued)	
Fluctuations in market demand and commodity prices (iron ore) may adversely impact our financial results and future cashflows	We are subject to the prevailing market price of iron ore and there are a range of market factors that directly impact the demand and/or price obtained for our products. Specifically, global supply interruptions, Chinese domestic steel demand and evolving iron ore market conditions can result in varying price differentials between our products and those of our competitors. We continue to focus on managing this risk by: ▪ Maintaining high quality relationships with our customers to ensure supplies of iron ore meet their expectations in terms of quality, consistency and reliability of supply ▪ Reviewing our product strategy and the potential to optimise longer term reserves and resource portfolio to meet the strategy ▪ Driving sustainable productivity and efficiency gains throughout our business to ensure we remain a competitive, low cost producer ▪ A disciplined approach to capital management and cash flows to further strengthen our corporate balance sheet and maintain our industry leading cost position.
Fluctuations in currency exchange rates and interest rates may adversely impact our financial results and future cash flows	We are subject to the prevailing market exchange rates and interest rates. We do not directly hedge for exchange rate or interest rate movements other than in specific circumstances. A significant portion of our cost base is incurred in Australian dollars. This could result in fluctuations in US dollar denominated costs based on movements in exchange rates. ▪ Our exposure to interest rate movements has decreased given the continuing reduction in our debt facilities. ▪ We actively monitor interest and exchange rate movements and utilise treasury and cash management techniques to manage exposure.
Actions by government, political events or tax authorities could have a negative impact on our business	Significant changes in areas such as tax policy, industrial relations frameworks and environmental regulation can have a significant impact on all companies operating in the mining industry. This applies to actions undertaken at both Commonwealth and State level and in other international jurisdictions. We proactively engage with government and other regulators to ensure any potential adverse impacts of proposed regulatory changes are understood and, where possible, mitigated.
Uncertainties in reserves and resources estimates	There is a range of inherent uncertainties associated with the identification and measurement of iron ore reserves and resources. Prior valid assumptions may change in light of new information which potentially change the economic viability of some ore reserves. Additionally, volatility in commodity prices or changes to heritage approvals may result in adjustments to our recognition of ore reserves. ▪ We have a defined and comprehensive approach to estimate our published reserves and resources. ▪ A robust methodology is well established and includes systematic peer review and calibration against operational outcomes. ▪ The process is also supported by Competent Persons as defined in the JORC Code and is subject to independent technical reviews and audits. For further information see the Ore Reserves and Mineral Resources section of the FY20 Annual Report which is available on our website at www.fmgl.com.au



Material risk	Risk management strategy
Economic risks (continued)	
Productivity and cost pressures could impact profit margins and future cash flows	Cost escalation remains an ongoing challenge across the resources industry. We are exposed to the price variability of our production inputs, including goods, services and wage costs. This could negatively impact profit margins and future cash flows. • We have a strong culture of innovation which empowers our people to develop and implement productivity and efficiency improvements that ensure we maintain our industry leading cost position. • We seek to remunerate all our employees in a fair and equitable manner that promotes high levels of employee engagement and productivity. • We are a global leader in a range of technical and operational solutions that have been deployed across our business to maximise the value obtained from our ore reserves. • We adopt a risk-based approach to the approval of major capital and operational expenditure, which ensures the optimal allocation of financial resources business strategy.
We do not fully exploit existing reserves or discover new reserves that impact on future results	Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Failure to generate reserves to meet our future production could detrimentally impact long-term shareholder returns. • We have a program of exploration and mining which identifies and exploits new ore bodies and supports the expansion of existing ore bodies. • We have also developed innovative exploration techniques which have enabled us to commercialise previously unexploited tenements and invest in new sources of ore, including magnetite deposits.
Major projects are not delivered in line with expectations which could impact on future results and cashflows	Although significant time and resources are devoted to project planning, approval and review processes, our development projects are complex and face a variety of challenges in successful delivery. Delays in project approvals, poor design and construction, industrial relations disputes and/or supply interruptions can all occur and cause delays and/or cost escalations to major project developments. This could impact on the timing of future cashflows if project commissioning and ramp-up is affected. We have a robust and agile framework for the identification, assessment and delivery of all major projects. This includes an uncompromising focus on operational and financial discipline, supplemented by a comprehensive project management capability to ensure project objectives are achieved.

Material risk	Risk management strategy
Operational risks	
Major, unplanned disruptions to operations	Any unplanned and sustained interruption to operations has the potential to impact financial performance. Such disruptions can arise from natural events (cyclones and flooding), pandemic outbreak, disruption to energy supply, cyber-attack, accidents which result in damage to port, rail or mine infrastructure or other factors such as industrial disputes. ▪ We have a comprehensive contingency plan, including business continuity, IT disaster recovery and emergency management plans in place to manage major unplanned disruptions. ▪ Our diversity in both fuel sources (i.e. gas and diesel) and supplier arrangements minimises the risk related to the continuation and reliability of long-term energy supplies. ▪ Property and business continuity insurance also mitigates the financial impact of major unplanned disruptions.
Pandemic outbreak adversely impacting continuity of operations	In FY20, all industry sectors have been challenged by the COVID-19 pandemic that has caused significant loss of life and enormous economic damage around the world. Given the lack of a COVID-19 vaccine, there is a risk that an outbreak at one of our operating sites could have a significant impact on our operations, with forced closure of sites and resultant impact on the production and sale of ore. During the current COVID-19 pandemic, our primary focus has been on maintaining a safe and healthy work environment for all our employees and contractors, their families and the community, while also ensuring sustained production. ▪ We have an Incident Management Team, chaired by the CEO, which coordinates and oversees our COVID-19 strategy and management plans across all sites, including procedures to care for team members should they become unwell. ▪ We are focused on increasing awareness of hygiene and physical distancing across all our sites, villages and offices. ▪ We have implemented both temporary and permanent changes to working arrangements for our employees and contractors, including temporary adjustments to FIFO rosters to reduce the volume of people movements, increased work from home flexibility and enhanced health and hygiene protocols. These changes have been accompanied by additional support for the physical and mental wellbeing of all employees and contractors. ▪ We have made a significant investment in COVID-19 testing capabilities and screening. ▪ We review the Commonwealth and State governments' advice, and all Fortescue international and domestic travel is managed to align with relevant Commonwealth and State guidelines and regulations.
Major unplanned disruption to supply chain	There is a significant reliance on the supply of goods and services to enable the delivery of operations and project development objectives. Disruption in the supply chain can arise from natural events (cyclones and flooding), pandemic outbreak, disruption to energy supply, cyber attack and accidents which result in schedule delays and/or increased costs. ▪ We are focused on building strong strategic partnerships with our suppliers, on a long-term and mutually beneficial basis. ▪ We actively work to secure resources within our control in order to strengthen the resilience of our operations' logistics and critical services against supply disruptions. ▪ We explore opportunities to optimise existing supply sources and identify alternative sources for critical services to diversify our supply chain. ▪ Our diversity in both fuel sources (i.e. gas and diesel) and supplier arrangements minimises the risk related to the continuation and reliability of long-term energy supplies.

Material risk	Risk management strategy
Operational risks (continued)	
Operational disruption due to ability to deliver secure and reliable energy supply	As a significant consumer of energy, secure and reliable energy generation remains an important consideration for the mining industry. We continue to identify opportunities that have the potential to reduce the use of diesel and lower operating costs, while also working towards an industry leading emissions reduction goal to achieve net zero operational emissions by 2040. We are making a US\$700 million investment in the Pilbara Energy Connect program, an integrated energy infrastructure solution in the Pilbara that enables the delivery of stable, low cost power and supports the incorporation of additional large-scale renewable energy in the future.
Incidents relating to tailings storage facilities	We maintain tailings storage facilities (TSFs) at each of our mine sites. TSFs are reservoirs which store waste material (tailings) generated from the mining and processing of iron ore. TSFs typically include a range of infrastructure, including dams, ponds, embankments, decant towers and pits. Fortescue does not use the upstream raise construction method and does not use tailings as a structural element in any of its active or closed TSFs. The Fortescue Tailings Storage Facilities Register and Tailings Storage Management Framework can be found in the Environmental Publications section of our website at www.fmgl.com.au Our TSFs are designed according to leading industry practice standards and are located away from any major populated areas, including mining camps. - Independent engineering reviews are undertaken every year on all TSFs maintained by Fortescue. In addition, the TSFs are operated and maintained in accordance with the Code of Practice issued by the Department of Mines and Petroleum (WA) and meet applicable requirements of the <i>Mines Safety and Inspection Act 1994</i> and the <i>Mining Act 1978</i>. - Property and business continuity insurance also mitigates the financial impact of major unplanned disruptions arising from potential TSF failure.
Performance of key business partners is not aligned with our expectations and they do not meet their obligations	We have contracts with various commercial and financial counterparties. Counterparties failing to meet their obligations may unfavourably impact our cost and production performance. The COVID-19 pandemic has also placed financial strain on many businesses and there is an ongoing risk of business failures which could cause disruption to our supply chain. - We work collaboratively with our business partners to achieve superior safety, operational and financial performance. - We have transitioned major elements of our mine sites to an owner/operator model to better control performance and introduce greater flexibility within our contractual arrangements, where appropriate. - We have robust mechanisms in place to regularly review and engage with our major suppliers to assess their financial stability and contractual performance.
Information technology (IT) security breach or unsuccessful innovation impacting competitive advantage	The rapid pace of technological change and the sophistication of cyber security attacks pose ongoing and real risks requiring the business to maintain constant vigilance. - We maintain a robust IT security framework and back-up data and infrastructure which provide resilience and recovery capability in the event of a system outage. - We monitor trends in the nature and frequency of cyber attacks. This includes close collaboration with relevant government agencies and industry peers to ensure that all emerging cyber threats are understood and appropriate mitigation measures are in place. - We monitor and control access to sensitive and private information maintained within our key systems. - Innovation presents both risks as well as opportunities. We have a robust evaluation process for the technical and commercial feasibility of IT innovation projects, including collaboration with partners to ensure successful implementation. - We monitor emerging technology trends and innovation.

Material risk	Risk management strategy
Social and environmental sustainability risks	
Health and safety and environmental incidents and/or breaches of regulations could adversely affect our people, operations and reputation	Safety is one of our core Values and we aim to achieve global leadership in safety performance. ▪ We have a comprehensive Health, Safety, Environment and Security framework that promotes responsibility and accountability at all levels within the organisation. ▪ We have an active program of education, training, monitoring and reporting within the business which is focused on continuous improvement and learning from experience. ▪ We are actively engaged both locally and globally to identify and implement leading safety and environmental practices operating within the mining and resources sector. ▪ We consult with local communities, regulators and other stakeholder groups to ensure our operations are managed in an environmentally sustainable manner.
Managing workforce capacity and capability to meet our current and future skill requirements	Automation, digital platforms and other innovations are changing the fundamental nature of work, resulting in industries evolving at a rapid pace. Our ability to identify, attract and retain key talent is fundamental to establishing sufficient workforce capacity and capability to support the delivery of current and future strategic priorities. ▪ We have robust approaches to talent and recruitment management, remuneration, skills development and succession planning. ▪ We work to strengthen our reputation and status in the community as an employer of choice through community engagement programs. ▪ Employee engagement is a key priority and we are committed to ensuring our employees are provided with opportunities to help shape the way we conduct our business. ▪ We are committed to building and maintaining a workplace that is diverse and inclusive of all people. Increasing female and Aboriginal employment rates across our business and that of our key suppliers remains a strategic priority.
Climate change	Climate change presents us with a range of risks and opportunities. We are committed to contributing to global efforts to combat climate change and support the Paris Agreement long-term goal of limiting global temperature rise to well below 2°C above pre-industrial levels. We have announced an industry leading emissions reduction goal to achieve net zero operational emissions by 2040. Together with our partners, we have announced investments in excess of US\$800 million in significant energy infrastructure projects which will increase our use of renewable energy and will be a key contributor on our pathway to achieve our emissions reduction targets. We support reporting in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), recognising that this provides the transparency, standardisation and meaningful disclosure that allows our stakeholders to access our performance. More extensive disclosure on climate change risk and Fortescue's response is set out in our FY20 Climate Change Report which is available on our website at www.fmg.com.au

Material risk	Risk management strategy
Social and environmental sustainability risks (continued)	
Breaches of our legal and regulatory obligations may lead to fines and potential loss of licence to operate	The regulatory environment in which we operate remains complex with onerous compliance obligations in all jurisdictions. This includes compliance with relevant anti-bribery and corruption, sanctions and competition laws. Failure to comply with obligations can have a serious impact, ranging from fines and reputational damage through to temporary or permanent loss of our licence to operate. ▪ We understand the importance of acting with integrity, honesty and in compliance with all applicable laws and regulations, wherever we operate. ▪ We have a robust business integrity policy and compliance framework which describes the controls in place for the mitigation of this risk. Compliance with this framework is recognised as a collective responsibility at all levels of the organisation. ▪ We proactively engage early with all levels of government and with relevant regulators. ▪ We have an active program of education, training, monitoring, periodic assessments and reporting within the business relating to anti-bribery and corruption laws, competition laws and sanction laws.
Our operations adversely impact the community, including Aboriginal heritage sites	Our relationship with the communities in the areas in which we operate is an essential part of ensuring the success of our existing operations and the development of new projects. This includes managing relationships with Native Title Partners and Traditional Custodians, as mining operations have the inherent potential to cause damage to sites of cultural significance to Aboriginal people located in the vicinity of our operations. ▪ We consult closely with our Traditional Custodians and Commonwealth and State governments to responsibly manage Aboriginal heritage, enable the protection of Aboriginal culture and heritage sites and comply with all applicable legislation. ▪ Our primary objective at all times is to work on a cultural heritage avoidance basis. ▪ Our seven Native Title Land Access Agreements, and many dozens of Aboriginal heritage agreements, establish detailed processes for the conduct of Aboriginal cultural heritage surveys, consultation, project planning, impact mitigation and negotiation. ▪ We strive to create economic opportunities within the regions in which we operate by employing local people and purchasing local products and services. We recognise the need to create vibrant and flourishing communities that will attract and retain a mining workforce and their families.
Mine closure and rehabilitation	Our mine closure planning focuses on returning the land to a state that will provide future use and value when mining is complete. Plans and provisions for closure, reclamation and rehabilitation may vary over time due to changes in stakeholders' expectations, legislation, standards, technical understanding and techniques. In addition, the expected timing of expenditure could change significantly due to changes in the business environment and orebody knowledge that might vary the life of an operation. ▪ Estimated costs and liabilities are provided for and adjusted annually over the life of each operation. ▪ We work with our stakeholders including local communities, Traditional Custodians and government agencies when considering post-closure land uses. ▪ We consider mine closure implications throughout the life of project development and subsequent operations to minimise the potential financial, social and environmental risks of mine closure. Our standard operating procedures include progressive rehabilitation activities to ensure the required environmental performance objectives are met on closure.

4.6 Annual Executive Certifications

In accordance with the requirements of ASX Principle 4 'Safeguard integrity in corporate reporting' and section 295(A) of the *Corporations Act 2001*, an extensive executive certification process was undertaken for the year ended 30 June 2020. The process requires certifications from our most senior executives to support the declaration to the Board by the CEO and the Chief Financial Officer (CFO) pursuant to ASX Principle 4 and section 295(A) of the *Corporations Act 2001*.

The executive certifications are broad and consider the key elements of the control environment. In addition to providing support for the CEO and CFO declaration as noted above, the Board, through the ARMC, uses this process as a means of identifying areas of the control environment where there are opportunities for improvement. Improvement actions identified through this process are monitored by the Committee until actions are completed.

5 Assurance functions

5.1 Internal audit

An effective internal audit function is a critical part of ensuring that a strong financial risk and control environment is maintained across our business. Our internal audit function is governed by an Internal Audit Charter, approved by the ARMC.

The Group Risk and Assurance function is responsible for the design and delivery of internal audit activity, tailored to provide assurance that our risk management and internal control frameworks are appropriately designed and operating at the level expected by the Board. The Group Manager of Risk and Assurance is supported by a combination of internal and external resources to conduct internal audit reviews. Deloitte and EY support the delivery of the internal audit program. Other qualified professional service providers are used to support the internal audit program, where required.

The ARMC approves the annual internal audit plan and monitors findings issued by the Group Manager of Risk and Assurance, including actions proposed by management to address issues reported by the internal auditors. The internal audit plan is dynamic and may be revised based on changes to the risk profile of the business. Any revisions to the plan are endorsed by the ARMC.

During FY19, at the request of the ARMC, the Internal Audit function was subject to an independent, external review consistent with good industry practice and the requirements of the Institute of Internal Auditors' Professional Practices Framework. Recommendations for improvement were implemented during FY20 to ensure our internal audit function continues to effectively discharge its role and responsibilities in an objective, effective and efficient manner. The ARMC provides oversight and supports the Internal Audit function to ensure it remains appropriately objective and is free to report its findings consistent with its role as defined in the Internal Audit Charter.

While internal audit and external audit are separate and independent of each other, there is strong collaboration between both audit functions to maximise the effectiveness of the wider program of audit activity and to minimise duplication of effort and resources.

5.2 External auditor

Appointment and rotation of auditor

In accordance with the *Corporations Act 2001*, Fortescue has appointed an external auditor whose primary role is to form an opinion as to the truth and fairness of the annual financial statements. Any external auditor appointed must demonstrate a high quality of service and independence in accordance with all relevant legal and regulatory requirements.

PricewaterhouseCoopers (PwC) is the current external auditor. It is PwC policy to rotate audit engagement partners every five years in accordance with the *Corporations Act 2001*. In accordance with this policy, Mr Justin Carroll assumed the role of external audit partner, effective from 22 August 2017.

PwC attends ARMC meetings by invitation and reports annually to the Committee on its independence and the outcomes of its audit. The Committee reviews the scope of the annual audit plan and related audit fees.

Independence declaration

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, has been received by PwC and is set out in the Financial Report section of the FY20 Annual Report, available on our website at www.fmgil.com.au

Non-audit services

The Board of Directors has considered the position and, in accordance with advice received from the ARMC, is satisfied the provision of non-audit services is compatible with the general standard of independence for auditors

imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001*.

Details of the amounts paid or payable to the auditor PwC and related entities for audit and non-audit services provided during the year are set out in note 19 of the FY20 financial statements which is available on our website at www.fmgil.com.au

Attendance at Annual General Meeting

The audit partner from PwC attends the Annual General Meeting (AGM) and is available to answer questions from shareholders in relation to the audit.

5.3 Other assurance

In addition to external and internal audit, there is a range of additional assurance activities associated with our financial and operational activities. In some cases, this assurance may be mandated by relevant government agencies and/or regulation. In addition, our internal policies and standards may also require some form of assurance be undertaken over specific activities. Assurance activities may be undertaken by internal teams or external parties, depending on the nature of the subject matter and any regulatory requirements. Examples of other assurance activities include assessments of compliance with Fortescue's health and safety standards, independent review of reported emissions data, validation of royalty payments to the Western Australian Government, review and assessment of cyber security controls, including periodic penetration tests, and assurance over management controls associated with tailings storage facilities.

These assurance activities provide an additional layer of strength to our corporate governance framework. Any material assurance reports or issues arising are provided to the ARMC for review and consideration.

6 Security holders

The Board represents our shareholders and is accountable for delivering value to them through achievement of strategic objectives and performance excellence.



Fortescue has developed an investor relations strategy to facilitate investor engagement and effective communication with investors. Shareholders are encouraged to attend the AGM, which is the forum for shareholders to vote on key business issues, including election of directors, periodic changes to our constitution, adoption of Fortescue's annual financial report and incentive arrangements. All substantive resolutions at shareholders' meetings, including the AGM, are decided by a poll.

Information is communicated to shareholders in respect to all resolutions tabled at the AGM, including election and/or re-election of directors.

We have implemented a Continuous Disclosure and Market Communications Policy which is available on the Corporate Governance section of our website at www.fmgil.com.au. The Policy includes a verification process of

the integrity of corporate reports released to the market that have not been audited or reviewed by the external auditor.

We use various measures to ensure we communicate effectively with shareholders, debt investors and other members of the investment community throughout the year, as outlined below:

- Timely and balanced disclosures of all relevant matters to ensure an informed marketplace for trading in our securities
- A dedicated investor relations function to manage investor engagement and respond to shareholder, and investor and analyst queries
- The publication of financial and production reports and media announcements, including the Annual Report and Quarterly Production Reports
- Participation in various investor and industry forums, conferences and investor roadshows
- Engagement with proxy advisors in respect to remuneration policy and environmental, governance and social issues
- Investor and analyst, and media calls following the release of key operating and financial information
- Periodic site tours to our operations for the institutional investment community and media
- Maintenance of our website (www.fmgil.com.au), which contains relevant and up to date information
- An email alert system allowing interested parties to register for automated alerts of ASX lodgements and other information.

7 Business ethics and integrity

We are focused on maintaining a strong culture of transparency and accountability. Our longstanding commitment to doing business ethically and honestly is built on our Values, the professionalism of our employees and collective determination to act with integrity at all times.



The Board has adopted the Code of Conduct and Integrity, Whistleblower Hotline Policy, Anti-bribery and Corruption Policy, and Continuous Disclosure and Market Communications Policy (Code and Policies), which detail frameworks for acceptable corporate behaviour. There have been no material breaches of the Code and Policies.

The Code and Policies are internally promoted on a regular basis and training programs have been developed to instil and reinforce our Values and expected behaviours under the Code and Policies. The Code and Policies are subject to periodic review and are available on our website at www.fmgl.com.au

7.1 Code of Conduct and Integrity

We understand the importance of acting with integrity and in compliance with all applicable laws and regulations wherever we operate. We maintain a publicly stated, formal policy of zero tolerance of corruption in all its forms, including bribery.

We actively promote ethical and responsible decision making through our Values and the Code of Conduct and Integrity that embodies these Values. The Code of Conduct and Integrity can be accessed on the Corporate Governance section of our website at www.fmgl.com.au

Everyone who works for us, including directors, employees, contractors, suppliers and business partners, is expected to comply with the Code of Conduct and Integrity. In addition, they are required to ensure that employees, contractors, suppliers and any other parties under their supervision or direction with whom we do business are aware of and comply with the Code of Conduct and Integrity.

New employees are required to read and acknowledge the requirements of the Code of Conduct and Integrity in writing before they commence working with us. Any material breaches of the Code of Conduct and Integrity are reported to the Board.

Further information on our approach to business ethics and integrity is set out in the FY20 Sustainability Report available on our website at www.fmgl.com.au

7.2 Whistleblower system

We provide various avenues for raising concerns about unethical or illegal business conduct, including behaviour which may not accord with our Values or Code of Conduct and Integrity, and we offer certain protection to anyone who reports concerns in good faith. This applies to all officers, employees and contractors in all jurisdictions in which we operate.

A number of options are available to employees who have questions or who wish to report suspected violations of the law, the Code of Conduct and Integrity or related policies and standards. In addition to reporting any concerns to their line manager, officers, employees and contractors can raise concerns with our Corporate Governance and Compliance Manager or via our external Whistleblower Hotline.

Our Whistleblower Hotline Policy is aligned with the *Treasury Laws Amendment (Enhancing Whistleblower Protections) Act 2019* and the Hotline is an independent and confidential reporting channel for reporting any breaches of company policy or law.

All disclosures received through this service are investigated and reported to the Executive team and the Board by the Corporate Governance and Compliance Manager. Depending on the nature of the disclosure, investigative reports may include recommendations for remedial or disciplinary action. Persons providing information to the Whistleblower Hotline have the option to remain anonymous, ensuring the protection of the individual as well as the integrity of the whistleblower system.

7.3 Anti-bribery and corruption

Fortescue has a reputation for acting with integrity and honesty wherever it does business. Fortescue is committed to a zero tolerance approach to bribery and corruption. Our reputation is built on our Values, the professionalism of our employees and our collective commitment to remaining accountable and transparent at all times.

Bribery and corruption undermines legitimate business activities, distorts competition and exposes Fortescue and our employees to significant risks. We are committed to conducting business ethically and in compliance with all applicable laws and regulations. We only conduct business in a manner consistent with the laws of the jurisdictions in which we operate, including those relating to fraud, anti-bribery and corruption and other laws that prohibit improper payments to obtain a business advantage. Any breach of the Anti-Bribery and Corruption Policy is reported to the Board.

Our Code of Conduct and Integrity outlines the standards for ethical behaviour expected of all Fortescue employees. It further provides an outline of employee obligations with regard to reporting unethical behaviour and declaring conflicts of interest. Our employees are expected to comply with all relevant laws and regulations in Australia and other jurisdictions. We prohibit bribery and corruption, in any form, whether direct or indirect, whether in the private or public sector, anywhere in the world.

7.4 Securities trading

The Board has established a Securities Trading Policy that outlines the policy for directors and employees when trading in Fortescue shares. Under the policy, certain people are identified as designated persons and they are required to comply with the policy with regard to explicit non-trading periods which are set around financial and production reporting periods.

The Securities Trading Policy sets out a brief summary of the law on insider trading and other relevant laws and also sets out the restrictions on dealing in securities by people who work for, or who are associated with Fortescue.



8 Market disclosures

The Board understands the importance of keeping shareholders and other stakeholders fully informed of material information in relation to our activities on a timely basis. For this purpose, we have established a Continuous Disclosure and Market Communications Policy, a copy of which is available on the Corporate Governance section of our website at www.fmgil.com.au. The policy summarises the processes that have been adopted to ensure we comply with our disclosure obligations.

This policy applies to all directors, employees, contractors, suppliers and business partners and is regularly reviewed to ensure it remains effective in guiding disclosure in accordance with our disclosure obligations.

With regard to general disclosures at media briefings or public presentations, only the Chairman, CEO or their delegated persons are authorised to issue public comments on behalf of Fortescue or provide journalists and members of the investment community with information.

Our external auditor, PwC, reviews the annual Directors' Report, annual Remuneration Report and the annual and half yearly Financial Statements. The balance of periodic corporate reports, including Quarterly Production Reports, the annual Corporate Governance Statement, the annual Modern Slavery Statement, the annual Reserves and Resources Report and the annual Sustainability Report, are subject to a rigorous internal review process coordinated by the Corporate Affairs team with individual verification by the relevant functional areas.

Copies of announcements to the ASX, investor briefings, half yearly Financial Report, Quarterly Production Report, the Annual Report and other relevant information is available on our website at www.fmgil.com.au



9 Compliance with corporate governance standards

Fortescue supports the intent of the 4th Edition of the ASX Corporate Governance Council Principles and Recommendations (Principles and Recommendations).

Our compliance with the Principles and Recommendations and a checklist cross-referencing these Principles and Recommendations to the relevant disclosures are outlined within ASX Appendix 4G.

Unless otherwise disclosed, we have adopted the revised requirements of the Principles and Recommendations.

ASX Appendix 4G is available on our website at www.fmg.com.au



