



Fortescue
The New Force in Iron Ore

Governance Document

STATEMENT OF MATTERS RESERVED FOR THE BOARD

August 2019

1. INTRODUCTION AND PURPOSE

This statement summarises the roles and responsibilities of the Board of Fortescue Metals Group Ltd (Fortescue or the Company). The disclosure of the role and responsibility of the Board is designed to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and management of Fortescue.

It must be noted that the roles and responsibilities of the Board will evolve as the Company moves forward. As such, a regular review of the balance of responsibilities is seen to be appropriate to ensure that the division of the functions remains appropriate to the needs of the Company.

This policy statement is only a summary of the matters reserved to the Board and should therefore only be used as a general guide, which is not to be used in a legal capacity.

2. ROLE OF THE BOARD

2.1 Key Responsibilities

Fortescue's vision is to be the safest, lowest cost, most profitable mining company. Fortescue's unique values drive the Company's performance in a way that sets it apart from others. Fortescue is a values-based business with a strong, differentiated culture. The Company believes that by leveraging the unique culture of its greatest asset, its people, it will achieve stretch targets.

The management and control of Fortescue's business is vested in the Board. The Board's primary responsibility is to oversee Fortescue's business activities and management for the benefit of shareholders. The Board also recognises its responsibilities to Fortescue's employees, the environment and communities in which the Company operates and where appropriate, other stakeholders. The Board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded.

The key responsibilities of the Board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer (CEO);
- Development of 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 and reviewing operating information to understand at all times the state of health of the Company;
- Overseeing the management of business risks (both financial and non-financial), safety and occupational health, environmental issues and community development;

Governance Document

- Satisfying itself that the financial statements of the company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, tax, compliance, risk management and internal control process are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Satisfying itself that remuneration policies and practices align with the Company's purpose, values, strategic objectives and risk appetite;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the company has adopted a Code of Conduct (Code), that the Company practice is consistent with that Code and that all material breaches of the Code are reported to the Board
- Challenging management and holding it to account;
- Approving the statement of Values which underpin Fortescue's culture and overseeing management's instilling of the Values across the Company; and
- Reporting to and advising shareholders.

The Chairman of the Company has a primary responsibility to lead the Board and promote the interests of the Company, 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 Core Leadership Team (CLT) and the wider executive team.

The Lead Independent Director represents the Board as the senior independent director when the Chairman is unable to do so due to issues of independence. The Lead Independent Director acts as the principal liaison between the Independent Directors and the Chairman.

The joint Deputy Chair's assist with the effective operation of the Board. Their role includes chairing the Board and shareholder meetings when the Chairman is unable to do so, approval of meeting agendas and ensuring consistent quality information is provided to the Board.

2.2 Delegated Responsibility

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

The Board ensures that the team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO, CLT and key executives. The roles of the Chairman and the CEO are not combined. The CEO is accountable to the Board for all authority delegated to that position.

Governance Document

Although there is a clear division between the responsibilities of the Board and management, the Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure that this is achieved. These mechanisms include the following:

- Establishment of the following committees:
 - Audit and Risk Management Committee;
 - Remuneration and People Committee
 - Nomination Committee; and
 - Finance Committee.
- The Board oversees the purpose, values, strategic direction and risk appetite of the Company.
- The Board approves the annual budget.
- The Board periodically reviews and approves all key governance policies, including but not limited to, this Statement, Committee Charters and the Code of Conduct,
- The Board meets in person on a quarterly basis and holds teleconference board meetings in such other months as deemed appropriate. Each Board meeting has an agenda established and papers are distributed to directors with relevant information.
- Procedures are in place to allow any director or Committee of the Board to seek external professional advice as considered necessary, at the company's expense.
- Procedures are in place to incorporate presentations from senior management at relevant Committee meetings on an "as required" basis to increase the Committee's understanding of the area. Further, the Board may request further information from management from time to time on any issue.
- In the event that a potential conflict of interest may arise, involved directors withdraw from deliberations concerning the matter.