



**FMG achieves record FY21 operational & financial performance. Total fully franked dividend AUD3.58 per share. FFI focused on decarbonisation.**

<b>Company/ASX Code</b>	Fortescue Metals Group Ltd ASX:FMG
<b>AGM date</b>	Tuesday 9 November 2021
<b>Time and location for attending in person</b>	1500hrs AWST Grand Ballroom Hyatt Regency Adelaide Tce Perth
<b>Registry</b>	Link Market Services Limited
<b>Webcast</b>	Physical meeting supported by live webcast. (No Online representation)
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Len Roy assisted by Ian Berry
<b>Pre AGM-Meeting?</b>	Yes, with Chair of Remuneration & People committee Ms Jennifer Morris, Company Secretary Cameron Wilson & Manager Investor Relations Andrew Driscoll

The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

<b>Item 2.</b>	<b>Consideration of FY21 Financial Reports</b>
<b>ASA Vote</b>	No vote required

**Summary of ASA Position**

Notwithstanding Covid-19, serious labour shortages in the WA mining sector and commodity volatility, FMG achieved record operational & financial performance in FY21.

A record 182.2mt was shipped and the C1 average cost was an industry leading USD13.93 wmt.

EPS was USD3.35 and ROE 66%. Gross debt June 30 2021 USD4.3bn with gross gearing 19%. Cash balance June 30 '21 was USD6.90bn. Total FY21 FF dividend \$3.58 ps (104% higher than FY20).

Government royalty payments for FY21 were USDm 1,560 pcp USDm 845.

The FY21 Financial statements include a provision of USD958 million for Restoration & Rehabilitation.

During the FY21 Covid-19 period FMG did not seek any financial support or assistance from government, lenders, landlords or others.

## Financial headline numbers

Revenue USDm	Underlying EBITDA USDm	NPAT USDm
22,284 pcp 12,820	16,375 pcp 8,375	10,295 pcp 4,735

Net cash from operations USDm	Capital Expenditure USDm	Free cash flow USDm
12,594 pcp 6,415	3,633 pcp 1,966	8,961 pcp 4,449

## Establishment of FFI

Acknowledging the Fortescue historic reliance upon a single commodity, and the company's pursuit of sustainability & growth objectives, Fortescue Future Industries – FFI- was established in FY21 with serious heavy industry decarbonisation initiatives & particular focus on green Hydrogen and green Ammonia. FFI is a subsidiary of FMG and current capital allocation is 10% of FMG NPAT. Underscoring the seriousness of FFI initiatives has been the October '21 announcement of four senior FFI executives. FFI is headed up by Julie Shuttleworth and FY21 expenditure was USD122m. FFI's expenditure in FY22 is anticipated to be USD400 -600m made up of USD100-200m capital expenditure and USD300-400m operating expenditure. In a relatively short time FFI is recognised as a global leader in the challenge of decarbonisation & lower emissions.

**Eliwana** operations contributed positively to FY21 results with first ore achieved December '20 and the mine is now running at 30 mtpa (ore processing facility). FMG has indicated a fast capital payback (subject to commodity pricing).

**Iron Bridge** suffered a blow out in capital expenditure of USD900m in FY21. Following a 12 week technical & commercial review the current capex estimate is now USD3.3 – 3.5bn with first ore production planned for December 2022 and C1 cost estimate of USD33 – 38 wmt. Iron Bridge is strategically important for FMG as it will provide approximately 22m tpa of 67% high grade magnetite concentrate thus allowing FMG to capitalise on maximising product mix and shipping flexibility.

The company is known for its stretch targets and with the establishment of FFI, it is not surprising they now have an ambitious Climate Change target of net zero operational emissions by 2030.

## Governance

The board is made up of four female & five male directors with the CEO being the only Executive Director. The professional qualifications, relevant skills experience and employment background are clearly stated. When elected or re-elected the respective directors have addressed the AGM audience outlining the skills & experience, they bring to the FMG board. The four board committees are made up of Remuneration & People; Audit, Risk Management & Sustainability; Nomination; plus Finance. All are chaired by a Independent NED. Dr Andrew Forrest AO is chairman and Mark Barnaba is Deputy Chairman and Lead Independent NED. The company is in support of ASX Corporate Governance Council Principles & Recommendations 4<sup>th</sup> Edition.

## Capital Raisings

FMG did not initiate a capital raising in FY21.

## Director & Senior Executive minimum equity participation

The company has a policy which basically requires the CEO and KMP members to each hold 200% of TFR and for NEDs to hold 100% of base annual fee within a reasonable period.

## Shareholder communications

We have found FMG announcements including quarterly reporting, annual reports and notifications to be of a high standard.

## Safety performance FY21

Remote Mining, production, land transportation & ship loading involves risks and it is noted FMG has progressively reduced the Total Recordable Injury Frequency Rate -TRIFR – to 2.0 for FY21. A 17% improvement on FY20.

<b>Item 3. Resolution 1.</b>	<b>Adoption of the Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

## Summary of ASA Position

During FY21 FMG took a holistic view of performance in determining its approach to outcomes.

For FY21 the basic Total Fixed Remuneration TFR, Executive & Senior Staff Incentive Plan ESSIP, and Long Term Incentive Plan LTIP continued. The remuneration report sets out hurdles & metrics in a detailed manner. Remuneration mix is as follows;

	TFR	ESSIP at risk	LTIP at risk	Total at risk
CEO	28%	31%	41%	72%
Other KMP	36%	27%	37%	64%

In FY21 no changes were made to NED fees. The NED Fee Cap of AUD3.0 million continues to be upheld and Dr Forrest as NED chairman does not receive director fees

The following KMP TFR increases were put in place on and from July 1 2020;

Elizabeth Gaines 8%. Greg Lilleyman 3%. Julie Shuttleworth 3%. Ian Wells 5%.

Above & beyond the FMG structured remuneration outcomes involving TFR, ESSIP and LTIP, the FMG board determined the exceptional financial performance including dividends to shareholders warranted a one-off cash award to all executives equal to 50% of TFR. The relevant KMP outcomes are as follows;

CEO AUD1,000,000

CFO AUD525,000

FFI CEO AUD515,000

In addition to the above special recognition awards Julie Shuttleworth CEO FFI in recognition of her exceptional travel & support required was paid a one-off exertion payment of AUD100,000.

The financial impact of these FY21 special recognition awards will be brought to account in FY22.

Looking ahead, FMG are planning to incorporate carbon emissions targets into the formal remuneration structure inclusive of short & long term incentives. Also, in FY22 FMG is planning to report remuneration numbers in USD in line with all financial reporting in the annual report.

Whilst LTIP has a 60% threshold vesting, exceeding ASA preferred position, the LTIP Performance period at 3 years is below our preferred position of four years. FMG has in FY21 used board discretion with special recognition awards and the use of “Cliff-Vesting” within the ESSIP.

We have noted that the CEO, CFO and COO had elected to forego their entire ESSIP at risk entitlement for FY21 considering the challenges associated with the Iron Bridge project.

Also, a 50% cap on the payout on the FY19 LTIP was a discretionary board decision resulting in only 28% of the LTIP vesting – refer p125 of the Annual Report.

Whilst we acknowledge the detail and structure of the FMG remuneration report is generally in line with ASA preferred guidelines, we note the dynamics in the WA mining sectors have to some extent justified flexing of remuneration outcomes.

On balance we support the resolution.

### Summary Five Year Financial Performance

(As at FYE June 30)	2021	2020	2019	2018	2017
NPAT (US\$m)	10295	4735	3187	878	2093
UPAT (\$m)	10349	4746	3187	1080	2134
Share price (A\$)	23.34	13.85	9.02	4.39	5.22
Dividend (A\$)	3.58	1.76	1.14	.23	.45
TSR (%)	98%	73%	131.4%	(11.5)%	62%
EPS (US cents)	334.6	153.9	103.1	28.2	67.3
*CEO total remuneration, actual cash (fixed rem and ESSIP cash) (A\$m)	5.688	2.891	2.572	1.239	4.118

CEO total remuneration , actual cash is made up of fixed remuneration AUD2,000,000, Nominal value of FY19 LTIP vested rights AUD2,687,523 plus discretionary Special Award AUD1,000,000.

For FY21 the CEO’s total actual remuneration was 63.9 **times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics).

For November 2020, the Full-time adult average weekly total earnings (annualised) was \$89,003 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, “Full-time adult average weekly total earnings”).

<b>Resolution 2</b>	<b>Re-election of Lord Sebastian Coe CH KBE</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Lord Coe joined the board February 2018 as Independent NED and chairs the Nominations Committee. He is a Senior Advisor with Morgan Stanley & Co International plc. He is currently serving his second term as President of World Athletics and is a member of the International Olympic Committee. He was a member of the British athletics team at the 1980 & 1984 Olympic games breaking 12 world records. Considering his sporting, academic & earlier parliamentary roles plus his global business experience, we support the resolution.

<b>Resolution 3.</b>	<b>Re-election of Dr Jean Baderschneider Independent NED</b>
<b>ASA Vote</b>	<b>For</b>

### Summary ASA position

Dr Baderschneider has 30 years of senior executive experience in the global energy sector with operational experience in Africa, South America, Middle East & Asia. Specifically, Dr Baderschneider was appointed independent NED January 2015 & has extensive experience in strategic global supply chain management and in-depth understanding of high-risk operations and complex partnerships.

She was a Presidential appointee to the US Department of Commerce’s National Advisory Council on Minority Business Enterprises.

Dr Baderschneider is a member of the Audit, Risk management & Sustainability Committee. Considering her relevant experience, her 6 year knowledge of the FMG business and academic accomplishments we support the resolution.

<b>Resolution 4.</b>	<b>Re-election of Dr Cao Zhiqiang NED</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Dr Cao Zhiqiang is the nominated NED representing Hunan Valin Iron & Steel Group Company Ltd of which he is chairman. He holds a PhD in Science and is a Senior Engineer Research Fellow.

He was elected to the FMG board January 2018 and has extensive experience in technology and steel mill management. Dr Cao Zhiqiang has in depth background in international cooperation.

Considering his strategic knowledge & experience, his professional qualifications plus his three year directorship with FMG, we support the resolution.

<b>Resolution 5.</b>	<b>Refresh approval of the FMG Performance Rights Plan</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

The Performance Rights Plan was last approved by shareholders at the 2018 AGM. ASX Listing Rule 7.1 (in brief) provides that a listed company must not issue or agree to issue equity securities in a 12 month period where those securities exceed 15% of the issued ordinary securities. Sometimes referred to as 15% Placement Capacity.

ASX Listing Rule 7.2 (Exception 13(b) ) provides that Listing Rule 7.1 does not apply if within three years of date of issue shareholders have approved the issue of securities under an employee incentive scheme as an exception to ASX Listing Rule 7.1.

If this resolution is approved any securities issued under the FMG Performance Rights Plan for a period of three years will not be counted towards the company's 15% Placement Capacity.

FMG provide a summary of the Performance Rights Plan key terms in the NOM.

We support the resolution

<b>Resolution 6.</b>	<b>Participation in the FMG Performance Rights Plan by Ms Elizabeth Gaines</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

At the 2018 FMG AGM the company received approval in respect of the grant of up to 3,353,397 performance rights to Ms Gaines over a three-year period under the FMG Performance Rights Plan.

The company is now seeking shareholder approval to grant 181,965 Performance Rights to the CEO for FY22 in accordance with the incentive scheme under the Performance Rights Plan.

FMG may issue shares or acquire on market and the company's 15% Placement Capacity will not be affected.

Summary of Ms Gains current total remuneration effective July 1 2021

Maximum ESSIP opportunity. Maximum LTIP opportunity.

TFR AUD	% of TFR	AUD	% of TFR	AUD	Nominal Total remuneration
2,080,000	112.5	2,340,000	150.0	3,120,000	7,540,000

We support the resolution

<b>Resolution 7</b>	<b>Special resolution to amend our Company's constitution</b>
<b>ASA Vote</b>	<b>Against</b>

**Summary of ASA Position**

A group of shareholders led by Australasian Centre for Corporate Responsibility – ACCR- seek approval of an amendment to the Company's constitution. The resolution is proposed by the shareholders under s249N of the Corporations Act. ACCR proposes a new provision which would enable shareholders by ordinary resolution to express an opinion, ask for information or make a request about the way in which the management of the business and affairs of the company has been or should be exercised. The NOM includes an extensive Statement by the Board of FMG. The resolution is not endorsed by FMG board.

<b>Resolution 8</b>	<b>Support for improvement to WA Cultural Heritage Protection Law</b>
<b>ASA Vote</b>	<b>Against</b>

**Summary of ASA Position**

This resolution is raised by ACCR and is subject to & conditional on Resolution 7 being passed.

Expansive resolution details are included in the NOM. In brief the subject matter involves cultural heritage protection & native title. We believe FMG has a credible history of working with the Aboriginal communities. It is reported employment levels of Aboriginals across Pilbara operations is approximately 14% and across the company at large about 10%. It is further reported FMG has awarded in excess of AUD3.0bn in contracts to Aboriginal businesses & JVs since 2011.

The board of FMG has considered Resolutions 7 & 8 and the supporting statements put forward and indicated both Resolutions are not in the best interests of shareholders as a whole. FMG has included a detailed Statement by the Board in the NOM and indicated the Resolution is not endorsed by the FMG board.

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