



FMG achieves No 1 TSR position in FY20 on S&P/ASX100 index. Proactive on AI, diversity and sustainability.

Company/ASX Code	Fortescue Metals Group Ltd ASX: FMG
AGM date	Wednesday November 11, 2020
Time and location for attending in person	10am, Level 3 Perth Convention & Exhibition Centre 21 Mounts Bay Rd Perth
Registry	Link Market Services Limited
Webcast	Online platform provided by Link Market Services
Poll or show of hands	Poll on all items
Monitor	Len Roy assisted by Ian Berry
Pre AGM Meeting?	Yes, with Chair of Remuneration & People committee Ms Jennifer Morris and Company Secretary Cameron Wilson

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

Item 2.	Consideration of Financial Reports
ASA Vote	No vote required

Summary of ASA Position

FMG had a very successful year with strong & positive performance across safety, operations, financial outcomes, shipping schedules plus management of their two large capex projects – Eliwana Mine & Rail and Iron Bridge Magnetite.

The combination of record crude steel production in China, FMG record shipments in a COVID-19 environment and high iron ore prices resulted in exceptional financial performance.

The blending capabilities, five Fe product mixes plus 8 x 260,000 tonnes (t) inhouse ore carriers to compliment external shipping arrangements enables FMG to flex according to its clients' requirements. The FY20 revenue per tonne increased by 21% compared to FY19 demonstrating the importance of FMG's product mix. By comparison the globally recognised Platts 62% CFR Index FY20 was 16% above the FY19 level.

When Eliwana Mine & Rail plus Iron Bridge Magnetite projects come on stream (CY21 & CY22 respectively), the company plans to further capitalise on maximising product mix and shipping flexibility.

During our pre AGM online meeting we asked if both Eliwana and Iron Bridge capex projects were both running to schedule and that there was no material change to overall budget costs. FMG responded that at this stage of the projects both Eliwana & Iron bridge are running to schedule and on budget.

About 3 years ago FMG established the Core Leadership Team to improve executive management accountability & performance. The CLT reports to the board on all aspects of the increasingly complex FMG business and is made up of CEO, Deputy CEO, COO and CFO.

Headline FY20 data		FY19 data
Safety TRIFR	2.4	2.8
Shipped	178.2mt	up 6% on 2019
C1 costs	USD 12.94 wmt incl of COVID-19 costs.	USD 13.11wmt
Revenue	USD 12.8billion	
Realised price	USD 79dmt	USD 65 dmt
NPAT	USD 4.7billion	USD 3.2billion
Cash on hand	USD 4.9billion as at June 30 2020	USD 1.9 billion
Gross debt	USD 5.1billion.	USD 4.0 billion
Net debt	USD 0.3billion	USD 2.1 billion
Gearing	28%	27%
Capex	USD 2.0billion	USD 1.045 billion
Total dividend	AUD 1.76 per share fully franked (77% of NPAT).	AUD 1.14 per share fully franked

The FY20 Financial statements include a provision of USD753 million for Restoration & Rehabilitation.

During the FY20 COVID-19 period FMG declared it did not seek any financial support or assistance from government, lenders, landlords or others.

Based upon the earlier success of remotely managing 170 heavy haul trucks and more recently the FMG Pilbara heavy haul rail operations, the Perth based Remote Operations Facility now encompasses the complete mine to market supply chain. Using artificial intelligence, the company is continuing to improve operational performance and containing costs.

In FY20 the company paid a total AUD4.3billion in government tax and royalty payments.

The company is known for its stretch targets and it is not surprising they have set an ambitious Climate Change target of net zero operational emissions by 2040. In support of this objective FMG has four current investment programs -

Chichester solar – gas hybrid power project

Pilbara Energy Connect program

decarbonising the mobile fleet program

Partnership with CSIRO to develop & commercialize hydrogen technology

The aboriginal workforce is currently 10% of the FMG Australian workforce & 14% of the Pilbara based employees. Also, the female participation in FY20 was 19% of total roles & 26% of senior leadership roles.

Looking to the future, the company has estimated Total Mineral Resources of 5,832 mt at average Fe grade of 56.2% and Proven Ore Reserves of 826 mt at Solomon, Chichester & Eliwana deposits

Summary Five Year Financial Performance

(As at FYE June 30)	2020	2019	2018	2017	2016
NPAT (US\$m)	4735	3187	878	2093	985
UPAT (\$m)	4746	3187	1080	2134	985
Share price (A\$)	13.85	9.02	4.39	5.22	3.50
Dividend (A\$)	1.76	1.14	.23	.45	.15
TSR (%)	73%	131.4%	(11.5%)	62%	91.1%
EPS (US cents)	153.9	103.1	28.2	67.3	31.6
*CEO total remuneration, actual cash (fixed rem and ESSIP cash) (A\$ 000)	4,496	5,000	1,955	4,118	5,307

CEO total remuneration, actual cash, is made up of fixed remuneration of A\$1,850m, ESSIP cash of A\$1,041m and non-cash ESSIP vested rights of \$1,602m.

The Total excludes A\$5,452m vested rights under the LTIP.

For FY20 the CEO's total actual remuneration was 48.8 **times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2020 data from the Australian Bureau of Statistics).

For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

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, Nomination, plus Finance. All are chaired by a Non-Executive Director (NED). NED Sharon Warburton retired during the year and Dr Ya-Qin Zhang joined the board. Dr Andrew Forrest is chair and Mark Barnaba is deputy chair and lead independent NED. The company is in support of ASX Corporate Governance Council Principles & Recommendations 4th Edition.

Capital Raisings

The company's capital management program in FY20 did not involve any capital raising and the company acquired none of its own shares on market under the share buyback program. An announcement October 10, 2020 advised of a 12 month extension of the share buyback program however any transactions will depend upon financial & market circumstances. Shareholder approval would not be required as the extension is within the 10/12 limit of the Corporations Act. Shares purchased under the program would be cancelled.

Director & Senior Executive minimum equity participation

The company has a policy which basically requires the CEO and Core Leadership Team 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.

Item 3. Resolution 1.	Adoption of the Remuneration Report
ASA Vote	For

Summary of ASA Position

During FY20 no change was made to base level executive remuneration and (with exception of Mark Barnaba) no change was made to NED remuneration. In the case of Mark Barnaba it was recognised that his work load as deputy chair had substantially increased in parallel with the chair reducing some of his workload. Mr Barnaba's remuneration was increased to reflect these circumstances.

The NED Fee Cap of AUD3.0 million continues to be upheld and Dr Forrest as NED chair does not receive director fees

FMG does offer salary sacrifice to NEDs by way of a share rights plan.

The basic remuneration structure consists of Total Fixed Remuneration, Executive & Senior Staff Incentive Plan (ESSIP) and a Long Term Incentive Plan (LTIP) which has a three year performance period.

The ESSIP is an annual award with 100% payable in share rights with an option for the executive to nominate up to 50% in cash and balance in share rights.

The ESSIP weightings are ;

Operations	60% inclusive of safety, cost, production, cash flow & revenue
People & culture	20%
Individual	20%

All ESSIP stretch targets were met in FY20 resulting in 100% award for the Core Leadership team.

The LTIP has three award criteria

RTSR 33% Relative to ASX100 resources comparator group.
 Average ROE 33% Actual average achieved 27.6%.
 Key Strategic measures 34%

Actual FMG 3 year RTSR performance resulted in number 1 ranking within the S&P/ASX100 index

The company introduced a more aggressive AROE vesting with a threshold of 60th percentile and 100% vesting at 80th percentile for achieving target.

Actual hurdle metrics are considered commercially sensitive & confidential. Actual & statutory remuneration for KMP are clearly stated.

The FMG Remuneration Report is detailed, easy to follow and generally aligned with ASA Guidelines.

CEO Remuneration framework in AUD.

CEO rem. Framework for FY20	Target* AUDm	% of Total	Max. Opportunity AUDm	% of Total
Fixed Remuneration	1.85	27%	1.85	27%
STI - Cash	1.04	16%	1.04	16%
STI - Equity	1.04	16%	1.04	15%
LTI	2.77	41%	2.77	41%
Total	6.70	100.0%	6.70	100%

Resolution 2	Re-election of Dr Andrew Forrest AO
ASA Vote	For

Summary of ASA Position

Dr Forrest is the founder and major shareholder of FMG. He has successfully chaired the business for some 17 years. FMG is now in the ASX Top20.

He is a globally recognised philanthropist having co-founded the Minderoo Foundation with his wife Nicola. Total philanthropic donations now exceed AUD2.0 billion.

His high-level involvement & recognition in global humanitarian, cultural and environmental challenges is documented in the NOM and Annual Report.

ASA supports his re-election.

Resolution 3.	Re-election of Mr Mark Barnaba as a Director
ASA Vote	For

Summary ASA position

In recognition of his somewhat unique corporate & financial background plus professional qualifications Mr Barnaba has played an increasingly strategic role in FMG's development. He is the lead independent director on the board and deputy chair.

Mr Barnaba chairs the Audit & Risk committee and is a member of the Nomination Committee, Remuneration & People Committee and Finance Committee

Mr Barnaba's extensive corporate banking experience (particularly in the resources sector) & multiple professional qualifications are detailed in the NOM and Annual Report. We believe he brings a wealth of corporate, financial & strategic inputs to the FMG board and support his re-election.

Resolution 4.	Re-election of Ms Penny Bingham-Hall
ASA Vote	For

Summary of ASA Position

Ms Penny Bingham-Hall has 30 years' experience in senior executive & non-executive roles in large ASX Listed companies in the construction, infrastructure & property industries. She has particular interest in environmental sustainability, workplace safety & indigenous employment.

She is a Senior Fellow of the Financial Services Institute of Australasia and Fellow of the Australian Institute of Company Directors. Ms Penny Bingham-Hall's experience and professional qualifications are detailed in the NOM and Annual Report

Ms Penny Bingham-Hall is a member of three board committees; Audit & Risk, Remuneration & People, plus Finance.

ASA supports her re-election.

Resolution 5.	Re-election of Ms Jennifer Morris OAM
ASA Vote	For

Summary of ASA Position

Ms Morris is a specialist in developing & upholding high performance strategies in the workplace. Her advisory experience includes corporations, government entities, plus complex large scale business transformations. She holds professional qualifications in psychology & journalism.

She is a former member of the Australian Women's Hockey Team and won Olympic gold medals in 1996 & 2000.

Ms Morris was recently the National Director of Strategy for Cannings Purple, one of Australia's leading fully-integrated strategic communications consultancies and previously a consulting partner at Deloitte.

Her commendable qualifications & experience are further detailed in the NOM and Annual Report
ASA supports her re-election

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

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.

In the interests of good governance the company decided in 2019 not to rely upon the shareholder approval which covered a three year period and instead would seek yearly shareholder approval of relevant performance rights.

Accordingly, at the FY19 AGM FMG sought & received approval in respect of the grant of 528,474 performance rights to CEO Ms Gaines for the financial year ending June 30, 2020.

At the upcoming November 11 AGM FMG is seeking shareholder approval in respect of the grant of performance rights to Ms Gaines under the Performance Rights Plan for financial year ending June 30, 2021.

If shareholder approval is given in respect to this resolution the company will be permitted to proceed with the grant of 291,599 performance rights and to issue, transfer or allocate shares in respect of those performance rights to Ms Gaines in accordance with the Performance Rights Plan.

The proposed change takes into account ASX Listing Rules 10.14, 10.15, 10.16 and 7.1.

FMG intend to purchase the equity securities required to satisfy any award that vests in respect of the performance rights on-market and, therefore if shareholder approval in respect of this resolution is not given the company will still proceed with the grant of 291,599 performance rights to Ms Gaines in accordance with the terms of the Performance Rights Plan (PRP) but will not be able to issue shares to Ms Gaines to satisfy any award that vests under the PRP and will be required to acquire such shares on-market.

FMG has provided an extensive detailed commentary on this resolution in the NOM and interested parties should familiarise themselves with the detail.

ASA does not see any reason not to support the resolution

Resolution 7	Renewal of proportional takeover approval provisions
ASA Vote	For

Summary of ASA Position

The takeover approval provisions contained in rule 5 of the company's constitution are required to be renewed by way of special resolution every three years or the provisions cease to have effect.

If this resolution is approved by shareholders, the proportional takeover approval provisions will be reinstated in exactly the same form as set out in rule 5 of the company's constitution for a further period of three years. Full details are set out in Annexure A to the Explanatory Statement in the NOM.

ASA supports the resolution.

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