



Notice of General Meeting 2019

**Global force
Thriving communities**

ABN 57 002 594 872

Our Vision

The safest, lowest cost, most profitable mining company

Fortescue's Values



Safety



Family



Integrity



Enthusiasm



Empowerment



Frugality



Courage and determination



Generating ideas



Stretch targets



Humility





Chairman's message

Andrew Forrest AO

Your invitation to attend our Annual General Meeting of Shareholders and to vote on key issues.

Dear Valued Shareholder(s),

It is my pleasure to invite you to the Company's 2019 Annual General Meeting to be held on Tuesday, 29 October 2019 at 10.00 am (Perth time) in the Grand Ballroom, Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia (Meeting).

Since the last Annual General Meeting (AGM), Fortescue has had a year of record achievements, most importantly in our safety performance, with the entire Fortescue team delivering excellent results across all our operations. In FY19, the Company achieved its lowest annual TRIFR of 2.8 coupled with the Annual Safety Excellence and Culture survey recording improvements across all key measures. Fortescue's unwavering determination to deliver shareholder returns through dividends and investment in growth was evident in FY19 with record dividends distributed to shareholders. The ability to deliver this increased return to shareholders is underpinned by the successful execution of the Company's strategy, through balance sheet strength, enhanced product mix, sustained cost and efficiency focus, as well as the strength of demand for iron ore.

In August, the Board welcomed the appointment of Dr Ya-Qin Zhang as a Non-Executive Director. Dr Zhang is a world-renowned scientist and leading business executive. His knowledge and experience in the areas of autonomy, technology and innovation will be highly valuable to Fortescue.

At this year's AGM, we will be seeking Shareholder confirmation of the reappointment of Ms Sharon Warburton and the appointment of Dr Ya-Qin Zhang.

The following pages contain details on the items of business to be conducted at the meeting. Your Directors believe that each of the resolutions is in the best interests of the Company and its Shareholders.

The meeting is an ideal opportunity for you to meet your Board, Core Leadership Team and senior management team and I encourage you to attend. Voting on the resolutions at the meeting is important, and if you are not able to attend I recommend that you exercise your voting rights either by completing and returning the enclosed Proxy Form or by lodging it online at www.linkmarketservices.com.au and following the directions in the Notice of Meeting and on the proxy form.

Your Directors and management team look forward to seeing you at the meeting.

Yours sincerely

Andrew Forrest AO

Chairman
Fortescue Metals Group Ltd

Please read the Notice and Explanatory Statement carefully

If you are not able to attend the Annual General Meeting of Shareholders, please complete and return the Proxy Form in accordance with the specified directions.

Fortescue FY19 Annual Report

Our FY19 Annual Report is available electronically at www.fmgil.com.au. Printed copies of the Annual Report have been mailed to Shareholders who selected this option.



Notice of Annual General Meeting

Tuesday, 29 October 2019
10.00 am (Perth time)

Hyatt Regency Perth
(Grand Ballroom)
99 Adelaide Terrace
East Perth, Western Australia



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Fortescue Metals Group Ltd (ABN 57 002 594 872) (Company) will be held in the Grand Ballroom at the Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia on Tuesday, 29 October 2019 at 10.00 am (Perth time) (Meeting).

If you are unable to attend the Meeting, you are encouraged to complete and return the Proxy Form attached to this Notice of Meeting. The completed Proxy Form must be received at the office of the Company's share registrar, Link Market Services Limited, by no later than 10.00 am (Perth time) on Sunday, 27 October 2019.

Date for determining voting entitlements

The Directors have determined that for the purposes of the *Corporations Act 2001* (Cth) (Corporations Act), the persons eligible to vote at the Meeting will be those persons who are registered Shareholders at 10.00am (Perth time) on Sunday, 27 October 2019. Accordingly, transfers of shares registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Appointment of Proxies

Each Shareholder who is entitled to attend and vote at the Meeting is entitled to appoint a proxy. The proxy does not need to be a Shareholder.

A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion of votes each proxy is to exercise.

If no proportion is specified, each proxy may exercise half the Shareholder's votes.

Voting by Proxy

A Shareholder can direct its proxy to vote for, against or abstain from voting on each resolution by marking the appropriate box in the Voting Directions section of the Proxy Form. If a proxy holder votes, they must cast all votes as directed. Any directed proxies that are not voted will automatically default to the Chairman, who must vote the proxies as directed.

If the Chairman is to act as your proxy in relation to Resolution 1 (Adoption of Remuneration Report), Resolution 4 (Approval of an increase in fees paid to Non-Executive Directors) and Resolution 5 (Participation in the Performance Rights Plan by Ms Elizabeth Gaines) (whether by appointment or by default) and you have not given directions on how to vote by marking the appropriate box in the Voting Directions section of the proxy form, the proxy form expressly directs and authorises the Chairman to cast your vote 'for' Resolutions 1, 4 and 5 (as applicable).



Voting by Proxy (continued)

Subject to the above requirements being met, the Chairman will vote all valid undirected proxies in respect of Resolutions 1 to 5 in favour of the relevant Resolution.

If you are in any doubt as to how to vote, you should consult your professional adviser.

The Proxy Form that accompanies this Notice of Meeting must be completed and received at the office of Link Market Services Limited, as detailed below, by 10.00 am (Perth time) on Sunday, 27 October 2019.

Mail:

Fortescue Share Registry
C/- Link Market Services Limited
Locked Bag A14
SYDNEY SOUTH NSW 1235

Delivery:

Fortescue Share Registry
C/- Link Market Services Limited
1A Homebush Bay Drive
RHODES NSW 2138

Facsimile:

(02) 9287 0309 (from Australia)
+61 2 9287 0309 (from overseas)

Online:

www.linkmarketservices.com.au

Select 'Shareholders Login' and in the 'Single Holding' section enter Fortescue Metals Group Ltd or the ASX code (FMG) in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN) (which is shown on the front of your Proxy Form or on your holding statement), postcode, security code which is shown on the screen, tick the terms and conditions agreement and click 'Login'.

Select the 'Voting' tab and then follow the prompts.

You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

Voting at the Meeting

This year, we are pleased to again offer Shareholders who are attending the meeting in person, an innovative way to lodge their vote using their mobile phone or tablet device. Shareholders can download the LinkVote App from the Apple App Store or 'Google Play' prior to the meeting and use the App during the meeting to lodge a vote.

Paper voting cards will also be available at the AGM for Shareholders who would prefer not to use the App.

'Google Play is a trademark of Google Inc'

Corporate Representatives

Any corporate Shareholder wishing to appoint a person to act as its representative at the AGM may do so by providing that person with:

- A letter or certificate executed in accordance with the Corporations Act authorising that person to act as the corporate Shareholder's representative at the Meeting; or
- A copy of the resolution appointing that person as the corporate Shareholder's representative at the Meeting, certified by a secretary or director of the corporate Shareholder.

Alternatively, Shareholders can download and fill out the 'Appointment of Corporate Representation' form from Link Market Services Limited's website – www.linkmarketservices.com.au. Hover over 'Resources' and click on 'Forms' and then select 'Holding Management'.

Key dates

Deadline for lodgement of proxy forms

10.00 am (Perth time) on Sunday, 27 October 2019

Determination of voting eligibility

4.00 pm (Perth time) on Sunday, 27 October 2019

Annual General Meeting

10.00 am (Perth time) on Tuesday, 29 October 2019

Queries

If you have any queries regarding the matters contained in the Meeting documents, please call Fortescue's Company Secretary, Cameron Wilson on +61 8 6218 8888.

Agenda

The Explanatory Statement which accompanies and forms part of this Notice of Meeting describes the matters to be considered at the Meeting.

CEO and Chairman's address

Financial Reports

To receive and consider the Financial Report, the reports of the Directors and the auditors of the Company and its controlled entities for the year ended 30 June 2019.

Note: There is no requirement for Shareholders to approve these reports.

Ordinary Business

Resolution 1 Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an advisory resolution:

"That the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2019 be approved and adopted."

Voting Prohibition

A vote must not be cast on Resolution 1 (in any capacity) by, or on behalf of:

- Any of the Company's key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report (KMP); or
- A closely related party of any KMP (including spouses, dependents and controlled companies).

However, a vote may be cast on Resolution 1 by a KMP as a proxy, or a closely related party of a KMP as a proxy, if the vote is not cast on behalf of a KMP or a closely related party of a KMP, and either:

- The proxy appointment is in writing and specifies the way the proxy is to vote on Resolution 1; or
- The proxy is the Chairman and the proxy appointment:
 - Does not specify the way the proxy is to vote on Resolution 1; and
 - Expressly authorises the Chairman to exercise the proxy even though Resolution 1 is connected, directly or indirectly, with the remuneration of a KMP.

The Chairman will vote all undirected proxies in favour of Resolution 1.

Resolution 2 Re-election of Ms Sharon Warburton

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Ms Sharon Warburton be re-elected as a Director of the Company."

Resolution 3 Election of Dr Ya-Qin Zhang

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Dr Ya-Qin Zhang be elected as a Director of the Company."

Resolution 4 Approval of an increase in fees paid to Non-Executive Directors

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 10.17, rule 11.9 of the Constitution and for all other purposes, the maximum aggregate annual remuneration that may be paid by the Company as remuneration for the services of the Company's Non-Executive Directors be increased by A\$500,000 from A\$2,500,000 to A\$3,000,000 per annum."

Voting Prohibition and Exclusions

The Company will disregard any votes cast in favour of Resolution 4 by, or on behalf of, a Director of the Company or any of their associates.

However, the Company need not disregard a vote on Resolution 4 if:

- It is cast by a Director of the Company or any associate of the Director of the Company as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.



Further, a vote must not be cast on Resolution 4 by any member of the KMP or a closely related party of any KMP (including spouses, dependents and controlled companies), that is appointed as proxy for a person who is entitled to vote, if their appointment does not specify the way in which the proxy is to vote on Resolution 4 unless:

- The proxy is the Chairman; and
- The proxy appointment expressly authorises the Chairman to exercise the proxy even though the Resolution is connected, directly or indirectly, with the remuneration of the KMP.

The Chairman will vote all undirected proxies in favour of Resolution 4.

Resolution 5 **Participation in the Fortescue Metals Group Ltd Performance Rights Plan by Ms Elizabeth Gaines**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, Shareholders approve:

- (a) The grant of 528,474 performance rights to Ms Elizabeth Gaines for the financial year ending 30 June 2020 under the Fortescue Metals Group Ltd Performance Rights Plan; and

(b) The issue, transfer or allocation of, and acquisition by Ms Elizabeth Gaines of fully paid ordinary shares in respect of those performance rights, in accordance with the terms of the Fortescue Metals Group Ltd Performance Rights Plan and on the basis described in the Explanatory Statement.”

Voting Prohibition and Exclusions

The Company will disregard any votes cast in favour of Resolution 5 by, or on behalf of, any Director of the Company who is eligible to participate in the Performance Rights Plan or any of their associates. Currently, Ms Elizabeth Gaines is the only Director who is eligible to participate in the Performance Rights Plan.

However, the Company need not disregard a vote on Resolution 5 if:

- It is cast by a Director of the Company who is eligible to participate in the Performance Rights Plan or any of their associates as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, a vote must not be cast on Resolution 5 by any member of the KMP or a closely related party of any KMP (including spouses, dependents and controlled companies), that is appointed as proxy for a person who is entitled to vote, if their appointment does not specify the way in which the proxy is to vote on Resolution 5 unless:

- The proxy is the Chairman; and
- The proxy appointment expressly authorises the Chairman to exercise the proxy even though the Resolution is connected, directly or indirectly, with the remuneration of the KMP.

The Chairman will vote all undirected proxies in favour of Resolution 5.

Dated 18 September 2019
By Order of the Board

Cameron Wilson
Company Secretary,
Fortescue Metals Group Ltd

Explanatory statement

This Explanatory Statement has been prepared for the information of Shareholders of Fortescue Metals Group Ltd (Fortescue or the Company) in connection with the business to be conducted at the Annual General Meeting of Shareholders to be held in the Grand Ballroom, at the Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia on Tuesday, 29 October 2019 at 10.00 am (Perth time) (Meeting).

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

This Explanatory Statement and all its attachments are important documents and should be read carefully and in their entirety. If you have any questions regarding the matters set out in this Explanatory Statement or the Notice of Meeting, please contact the Company or your financial adviser, stockbroker or solicitor.

Financial Reports

The first item of the Meeting deals with the presentation of the consolidated financial report of the Company for the year ended 30 June 2019, together with the Directors' declaration and report in relation to that financial year, and the auditor's report on those financial statements (Financial Reports).

Shareholders are asked to consider the Financial Reports and raise any matters of interest with the Directors when this item is being considered. Shareholders will be provided with a reasonable opportunity at the Meeting to ask questions about, or make comments on, the Financial Reports. No resolution is required to be moved in respect of this item.

Resolution 1 Adoption of Remuneration Report

In accordance with the Corporations Act, Shareholders are asked to consider and vote on the adoption of the Remuneration Report as presented in the Annual Report for the year ended 30 June 2019.

A voting prohibition statement for Resolution 1 is contained in the Notice of Meeting.

Resolution 1 - Adoption of Remuneration Report

The Annual Report of the Company for the year ended 30 June 2019 contains a Remuneration Report, which sets out:

- The remuneration policy for the Company; and
- The remuneration arrangements in place for the Directors and specified Executives of the Company.

A copy of the Remuneration Report, as contained in the FY19 Annual Report, is available on the Company's website at www.fmgj.com.au under the 'Investors' tab.

The vote on Resolution 1 is advisory only and will not require the Company to alter the arrangements set out in the Remuneration Report, should Resolution 1 not be passed. Notwithstanding the effect of this legislative requirement, the Board will take the outcome of the vote into consideration when applying the Company's Remuneration Policy.

Directors' Recommendation

The Board recommends that Shareholders vote in favour of Resolution 1.

Resolution 2 Re-election of Ms Sharon Warburton

Ms Sharon Warburton retires by rotation at the Meeting and, being eligible, offers herself for re-election as a Director.

Ms Warburton was originally appointed Director of the Company in November 2013, and has served as Deputy Chair of the Board since July 2017.

Ms Warburton has extensive experience in the mining, infrastructure and construction sectors. She gained substantial operational, commercial and risk management experience in the global resources sector through her time as an executive at Rio Tinto. She has also previously held senior executive positions at Brookfield Multiplex, ALDAR Properties PJSC, Multiplex and Citigroup.

In recognition of her experience, she was awarded Western Australian Telstra Business Woman of the Year in 2014 and was a finalist in 2015 for The Australian Financial Review's Westpac 100 Women of Influence.

She is currently a Non-Executive Director of Gold Road Resources Limited, NEXTDC Limited, WorleyParsons Limited and Wesfarmers Limited. She is also a Director of the Perth Children's Hospital Foundation and was formerly the Chairman of the Northern Australia Infrastructure Facility and Director of Western Power.

Ms Warburton is regarded as a financial, governance and remuneration expert and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and Australian Institute of Building.

She is a Graduate of the Australian Institute of Company Directors, a member of Chief Executive Women and a part-time member of the Australian Takeovers Panel.

She holds a Bachelor of Business (Accounting and Business Law) from Curtin University and is an Adjunct Professor of Curtin University's Faculty of Business and Law.

Directors' Recommendation

Ms Sharon Warburton has an interest in Resolution 2 and refrains from making any recommendation as to how Shareholders should vote on the Resolution.

The Company's remaining Directors recommend that Shareholders vote in favour of Resolution 2.

Resolution 3

Election of Dr Ya-Qin Zhang

Dr Ya-Qin Zhang, having been appointed by the Board as a Director of the Company since the last General Meeting, offers himself for election by Shareholders.

Dr Zhang is currently President of Baidu (NASDAQ: BIDU), a leading Chinese multinational technology company, and will retire from that position in October 2019. During his five years with Baidu, Dr Zhang has led various key functions including technology infrastructure, consumer business, marketing and government relationships, and new business initiatives including finance, education, cloud computing, autonomous driving and global business. Prior to joining Baidu, Dr Zhang was a key executive of Microsoft Corporation for 16 years, including as Corporate Vice President for Mobile and Embedded Products, Managing Director of Microsoft Research Asia, and Chairman of Microsoft China.

Based in Seattle, USA, Dr. Zhang is a world-renowned scientist and a leading business executive who has made significant contributions to the software and internet industry. Dr Zhang is a leader in digital video, artificial intelligence, autonomous driving and cloud computing. He currently serves on the Board of Stewardship for the Future of Mobility of the Davos World Economic Forum and as Chairman of the Apollo

Alliance, the largest open platform for autonomous driving in the world.

Dr Zhang holds a Bachelor's and Master's degree in Electrical Engineering from the University of Science and Technology of China, and a Ph.D. in Electrical Engineering from George Washington University. He also serves on the board of directors of Chinasoft International Ltd (HKEX: 354), AsiaInfo Technologies Ltd (HKEX: 1675), and Tarena International, Inc. (NASDAQ: TEDU).

Directors' Recommendation

Dr Ya-Qin Zhang has an interest in Resolution 3 and refrains from making any recommendation as to how Shareholders should vote on the Resolution.

The Company's remaining Directors recommend that Shareholders vote in favour of Resolution 3.

Resolution 4

Approval of an increase in fees paid to Non-Executive Directors

In accordance with the ASX Listing Rules and the Company's Constitution, Shareholders are asked to consider and vote on the proposed increase in the fee pool available to Non-Executive Directors by A\$500,000 from A\$2,500,000 to A\$3,000,000 per annum.

Under rule 11.9 of the Company's Constitution and in accordance with ASX Listing Rule 10.17, the maximum aggregate amount payable by way of fees to Non-Executive Directors in any financial year is determined by Shareholders from time to time in general meeting (NED Fee Pool). The current NED Fee Pool of A\$2,500,000 was approved by Shareholders at the 2017 Annual General Meeting.

Shareholder approval is sought to increase the NED Fee Pool by A\$500,000 from A\$2,500,000 to A\$3,000,000 per annum. In accordance with ASX Listing Rule 10.17, the NED Fee Pool is inclusive of superannuation contributions made by the Company for the benefit of Non-Executive Directors and any fees which a Non-Executive Director agrees to sacrifice on a pre-tax basis.

Rationale for increase in NED Fee Pool

The Directors are seeking Shareholder approval to increase the NED Fee Pool for the following reasons:

- To ensure the NED Fee Pool can accommodate payment of fees to any additional Non-Executive Directors, including Dr Ya-Qin Zhang, and other Non-Executive Directors who may be appointed as part of the Board's succession planning strategy to ensure that the Board continues to have the right balance of skills, experience and expertise;
- To ensure that the Company has the ability to set fees at a competitive level so that it can attract and retain the services of Non-Executive Directors of the highest calibre; and
- To allow for some growth in Non-Executive Directors' fees in the future to reflect market competitiveness for Non-Executive Directors with the skills and experience that are appropriate for the Company's business.

The remuneration provided to Non-Executive Directors is reviewed annually to consider consistency with remuneration trends and the overall case for any remuneration changes in the context of external market factors and the Company's performance. Details of Non-Executive Director remuneration for the financial year ended 30 June 2019 are contained within the Remuneration Report, which is a section of the FY19 Annual Report. The total aggregate value of remuneration provided to all Non-Executive Directors during FY19 was A\$2,008,018. Based on the current fee schedule, total remuneration in FY20 will be approximately A\$2,470,130.

Based on market benchmarking, the Company's average Non-Executive Director fees remain below the market median of the ASX 100 Resources Index.

No securities have been issued to any Non-Executive Director under ASX Listing Rules 10.11 or 10.14 with Shareholder approval within the last three years.

Directors' Recommendation

As the Non-Executive Directors have an interest in the outcome of Resolution 4, the Board does not believe it is appropriate to make a recommendation to Shareholders as to how to vote in relation to this Resolution.

Resolution 5
Participation in the Fortescue Metals Group Ltd Performance Rights Plan by Ms Elizabeth Gaines

In accordance with the ASX Listing Rules, Shareholders are asked to consider the grant of performance rights to Ms Elizabeth Gaines under the Performance Rights Plan.

At the 2018 Annual General Meeting, the Company received Shareholder approval in respect of the grant of up to 3,353,397 performance rights to Ms Elizabeth Gaines over a three year period under the Fortescue Metals Group Ltd Performance Rights Plan. However, in the interests of good corporate governance, the Company is seeking fresh approval at this Annual General Meeting from Shareholders in respect of the grant of performance rights to Ms Elizabeth Gaines under the Performance Rights Plan for the financial year ending 30 June 2020 and will not rely on the previous approval granted by Shareholders at the 2018 Annual General Meeting in respect of potential grants for the financial years ending 30 June 2020 and 30 June 2021. The Company proposes to seek approval at the 2020 Annual General Meeting for any performance rights to be granted to Ms Elizabeth Gaines in respect of the financial year ending 30 June 2021.

Under ASX Listing Rule 10.14, a company requires Shareholder approval to issue equity securities to a director of the company under an employee incentive scheme. It is currently intended that the Company will purchase the equity securities required to satisfy any award that vests on market and therefore is not required to seek Shareholder approval in respect of the proposed grant of performance rights to Ms Gaines. However, in the interests of good governance, transparency and to preserve flexibility in case, for any reason, it is ultimately considered in the Company's best interests to issue shares, rather than acquire them on market, Shareholder approval is being sought. Accordingly, Resolution 5 seeks Shareholder approval to issue securities to Ms Gaines, Managing Director and Chief Executive Officer, under the Performance Rights Plan.

For the purposes of the approval sought under ASX Listing Rule 10.14 and in accordance with the requirements of ASX Listing Rule 10.15 and for all other purposes, the following information is provided to Shareholders in respect of the proposed grant of performance rights under the Performance Rights Plan to Ms Elizabeth Gaines.

Participation

- Under the Performance Rights Plan, performance rights may be granted to the Managing Director and Chief Executive Officer, Ms Elizabeth Gaines, as part of her reasonable remuneration. Further information on Ms Gaines' remuneration package is contained within the Remuneration Report, which is a section of the FY19 Annual Report.
- Ms Gaines is the only person referred to in ASX Listing Rule 10.14 eligible to participate in the Performance Rights Plan. Any additional persons referred to in ASX Listing Rule 10.14 who become entitled to participate in the Performance Rights Plan will not do so until any Shareholder approval required under ASX Listing Rule 10.14 is obtained.

Number of performance rights which will be granted

The number of performance rights that may be granted to Ms Gaines under the Executive and Senior Staff Incentive Plan (ESSIP) and Long Term Incentive Plan (LTIP) is as follows:

	For the financial year ending 30 June 2020
ESSIP Performance Rights	226,489
LTIP Performance Rights	301,985
Total	528,474

The number of performance rights that will be granted to Ms Gaines in respect of the financial year ending 30 June 2020 has been determined as follows:

- Ms Gaines' maximum value under the FY20 ESSIP is \$2,081,250 (being 112.5 per cent of Total Fixed Remuneration);

- A minimum of 50 per cent of the ESSIP is awarded in vested rights and the participant has the option to elect up to 100 per cent of the ESSIP in vested rights;
- Ms Gaines' maximum value under the FY20 LTIP is \$2,775,000 (being 150 per cent of Total Fixed Remuneration);
- The LTIP is awarded entirely in vested rights;
- The maximum value of both the FY20 ESSIP and FY20 LTIP has been divided by the volume weighted average share price of Fortescue shares traded over the first 5 days of the performance period, being \$9.1892.

Entitlement to shares

Subject to the terms of the Performance Rights Plan, the satisfaction of vesting conditions and other conditions attached to performance rights, each performance right entitles the holder to be issued, transferred or allocated one share in the Company. Under the Performance Rights Plan, shares will only be issued, transferred or allocated to recipients (and value received) upon the vesting of relevant performance rights.

Vesting conditions

Under the Performance Rights Plan, the Board must determine the vesting conditions that will apply to the vesting of performance rights prior to the date of grant of those performance rights. Further information regarding the vesting conditions is set out below.

Vesting period

The vesting period during which each of the vesting conditions attached to the performance rights to be granted in respect of the financial year ending 30 June 2020 under this Resolution must be satisfied is as follows:

- In relation to the ESSIP Performance Rights, from 30 June 2019 to 30 June 2020; and
- In relation to the LTIP Performance Rights, from 30 June 2019 to 30 June 2022.

At the end of the vesting period, the vesting conditions, as further particularised below, will be assessed to determine the number of ESSIP Performance Rights and LTIP Performance Rights (as the case may be) that vest.



ESSIP Performance Rights

The vesting of ESSIP Performance Rights granted to Ms Gaines will be dependent upon an assessment of Company performance against certain objectives, which are designed to drive both a short and long-term perspective on performance, and protect the long-term interests of Shareholders.

The performance measures of the ESSIP were chosen as they represent the key drivers for the short-term success of the Company and provide a framework for delivering long-term value.

By way of summary, the targets and objectives that the Board, on the recommendation of the Remuneration and People Committee, has determined will apply to ESSIP Performance Rights to be granted to Ms Gaines are as follows.

Category	Sub-Category	Objective	Financial / non-financial targets
Operations	Safety	Target percentage reduction in Total Recordable Injury Frequency Rate (TRIFR)	Non-financial
	Production	Target tonnes shipped	Financial
	Cost	Target cost per tonne shipped	Financial
	Cash flow	Target capital expenditure	Financial
	Revenue	Targets in relation to EBITDA, shipping volumes and regional sales	Financial
People and culture	People and culture	Targets informed by the Company's Safety Excellence and Culture Survey	Non-financial
Strategic KPIs	Strategy/growth	Strategic options for growth, including iron ore and other commodities	Financial

Once the Board has assessed overall performance of the Company at the end of the vesting period, based on the vesting conditions determined prior to the commencement of that period, and determined the extent of vesting of the ESSIP Performance Rights, the results achieved will be communicated to Ms Gaines and to Shareholders as part of the Company's annual remuneration reporting obligations.



LTIP Performance Rights

LTIP performance measures

The Board has determined that the vesting conditions applicable to the LTIP Performance Rights to be granted under Resolution 5 shall include the following performance measures, which shall be weighted as set out below:

Performance measure	Weighting of measures
Absolute Return on Equity	33%
Relative Total Shareholder Return	33%
Strategic Objectives	34%

The relative weighting between the tranches of LTIP Performance Rights, vesting conditions and objectives will be agreed at the beginning of the period.

The Board will assess overall performance of the Company at the end of the three-year vesting period, based on the vesting conditions determined prior to the commencement of that period. This assessment will determine the extent of vesting of the LTIP Performance Rights. The results achieved will be communicated to LTIP participants (including Ms Gaines) and to Shareholders as part of the Company's annual remuneration reporting obligations.

Measurement of performance and maximum performance cap

Each of the performance measures provide for a determination by the Board that the Company has performed at a 'Threshold', 'Target' or 'Stretch' level. These graduated levels of performance have been included in order to align and reward LTIP participants through market cycles. In the event that performance is at the "Target" level in respect of the relevant performance measure, the LTIP participants will be entitled to 100% of the tranche of LTIP Performance Rights to which the performance measure relates. Where performance is at the 'Stretch' level, the LTIP participants will be entitled to 150 per cent of the tranche of LTIP Performance Rights to which the performance measure relates.

Nevertheless, if the target for any individual performance measure is exceeded, so that up to 150 per cent of the relevant number of LTIP Performance Rights may vest, the total number of LTIP Performance Rights that may vest across the three performance measures is capped in aggregate at 100 per cent (of the LTIP Performance Rights the subject of the applicable vesting period). The Board believes that by incorporating the "Stretch" level of performance into the vesting schedule, the Company will be better able to effectively reward and recognise LTIP participants in years where outstanding performance is achieved. This will serve as further motivation and assist in retention through more challenging periods.



Absolute Return on Equity (AROE)

AROE performance is measured over the three-year performance period with targets established at the beginning of the performance period.

The AROE vesting schedule in respect of LTIP Performance Rights to be granted to Ms Gaines is as follows:

AROE performance	AROE (%)	Portion of tranche that vests (%)
Below Threshold	< 15%	Nil
Threshold	15%	25% of share rights vest
Target	20%	100% of share rights vest
Stretch	>30%	150% of share rights vest

Vesting of awards is granted on a pro-rata basis for performance between Threshold, Target and Stretch.

Relative Total Shareholder Return (TSR)

TSR is a measure of the performance of the Company's shares over a three-year period against the ASX100 Resources Index. It combines share price appreciation and dividends paid to show the total return to the Shareholder expressed as a percentage. The use of TSR relative to a peer group is well accepted by the market. Relative TSR hurdles are valuable because the Company needs to outperform a peer group for participants to receive any rewards and, therefore, is aligned to relative market performance. A further consideration for the Board in using relative TSR is the selection of the peer group. The ASX100 Resources Index has been chosen as the comparator group because this is a transparent market indicator and includes Fortescue's ASX listed commodity market peers.

TSR performance	TSR percentile ranking (%)	Portion of tranche that vests (%)
Below Threshold	Below the 60th percentile	Nil
Threshold	At the 60th percentile	25% of share rights vest
Target	At the 80th percentile	100% of share rights vest
Stretch	At the 100th percentile	150% of share rights vest

Vesting of awards is granted on a pro-rata basis for performance between Threshold, Target and Stretch.

The above levels for determining TSR performance may not be modified during the vesting period.



Strategic objectives

In line with the recommendations of the Remuneration and People Committee, the LTIP performance measures comprise strategic measures with associated key performance indicators for the Company aimed at directing performance towards the Company's long-term objectives (strategic objectives). Whether a strategic objective has been achieved is measured at the end of the vesting period on an outcome basis.

In respect of the LTIP Performance Rights to be granted to Ms Gaines, the Board, on the recommendation of the Remuneration and People Committee, has selected the following list of strategic objectives:

Performance measure	Objective (KPI)
Strategy execution	<ul style="list-style-type: none"> • Targets in relation to the successful completion of the Iron Bridge Magnetite Project and Eliwana Mine and Rail Project • Targets in relation to the progression of identified strategies for non iron ore commodities

The achievement of the Strategic Objectives is assessed on an overall basis at the absolute discretion of the Board and is subject to a score of between 0 and 15. The relevant portion of LTIP Performance Rights that would vest is then determined by reference to the total score achieved as follows:

Strategic objective performance	Score	Portion of tranche that vests (%)
Below threshold	<5	Nil
Threshold	5	25% of share rights vest
Target	10	100% of share rights vest
Stretch	15	150% of share rights vest

Vesting of awards is granted on a pro-rata basis for performance between Threshold, Target and Stretch.

Price

No consideration is payable for:

- The grant of performance rights under the Performance Rights Plan; or
- The issue, transfer or allocation of shares upon the vesting and exercise of performance rights granted under the Performance Rights Plan.

Timing of grants

It is proposed that the performance rights to be granted to Ms Gaines will be granted as soon as practicable after the Annual General Meeting and in any event no later than 12 months after the Annual General Meeting (or such later date as permitted by an ASX waiver or modification of the ASX Listing Rules).

Cessation of employment

On cessation of Ms Gaines' employment, Ms Gaines will be entitled to retain a pro-rata portion of her unvested performance rights, which may vest, subject to satisfaction of the applicable vesting conditions, in accordance with the original terms of their grant at the end of the vesting period.



Clawback Policy

Fortescue operates a Clawback Policy which applies to both the ESSIP and LTIP. Clawback will be initiated where, in the opinion of the Board an award, which would not have otherwise vested, vests or may vest as a result directly or indirectly of:

- a) The fraud, dishonesty or breach of obligations (including, without limitation, a material misstatement of financial information) of any person; or
- b) Any other action or omission (whether intentional or inadvertent) of any person which results in an unfair benefit being obtained by any participant.

No loans

No loans have or will be made by the Company in connection with the acquisition of the relevant performance rights.

Participation and details of prior grants

- Since the Performance Rights Plan was approved by Shareholders in 2018:
 - Ms Gaines has been granted 834,796 performance rights (of which 618,101 have yet to vest, 206,294 have vested and 10,401 have lapsed)
- No other person listed in ASX Listing Rule 10.14 has received performance rights since the Performance Rights Plan was approved by Shareholders in 2018
- All shares provided to Ms Gaines on vesting and exercise of the performance rights granted under the Performance Rights Plan were acquired on market

- No acquisition price was payable for the grant of the performance rights or for the issue, transfer or allocation of shares upon the vesting and exercise of performance rights granted under the Performance Rights Plan.

Voting prohibition and exclusions

A voting exclusion statement in respect of Resolution 5 is set out in the Notice of Meeting.

Other implications

- No funds will be raised from the grant of performance rights or the issue, transfer or allocation of shares to Ms Gaines following the vesting and exercise of the performance rights. If shares will be transferred or allocated, rather than issued upon vesting and exercise, it is likely funds will be expended by the Company to acquire shares on market
- Australian International Financial Reporting Standards require the performance rights to be expensed in accordance with AASB 2 – Share Based Payments. Expensing performance rights will have the effect of increasing both the expenses and contributed equity of the Company
- There are no significant opportunity costs to the Company or benefits foregone by the Company in granting performance rights
- The grant of performance rights to Ms Gaines under the Performance Rights Plan will not have a diluting effect on the percentage interest of Shareholders' holdings if following the vesting and exercise (if required)

of the performance rights the shares transferred or allocated to Ms Gaines are acquired on market

- In accordance with ASX Listing Rule 7.2 (Exception 14), if approval for the grant of performance rights is given under ASX Listing Rule 10.14, approval is not required for the purposes of ASX Listing Rule 7.1.

Annual Report

- Full details of Ms Gaines' holdings of interests in the Company are set out in the Company's FY19 Annual Report available at www.fmg.com.au

Directors' Recommendation

Ms Elizabeth Gaines, Managing Director and Chief Executive Officer of the Company, has an interest in Resolution 5. Accordingly, Ms Gaines refrains from making any recommendation as to how Shareholders should vote on the Resolution.

The Company's remaining Directors recommend that Shareholders vote in favour of Resolution 5.



Fortescue
The New Force in Iron Ore


LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Fortescue Metals Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 733 136



X99999999999

PROXY FORM

I/We being a member(s) of Fortescue Metals Group Ltd and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (Perth time) on Tuesday, 29 October 2019, in the Grand Ballroom, Hyatt Regency Perth, 99 Adelaide Terrace, East Perth, Western Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

Important for Resolutions 1, 4 & 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 4 & 5, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.


VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Participation in the Fortescue Metals Group Ltd Performance Rights Plan by Ms Elizabeth Gaines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Ms Sharon Warburton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Election of Dr Ya-Qin Zhang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Approval of an increase in fees paid to Non-Executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Perth time) on Sunday, 27 October 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Fortescue Metals Group Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATION PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**