



**Fortescue**  
The New Force in Iron Ore

## Charter

# Remuneration and Nomination Committee Charter

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Fortescue Metals Group Limited

19 July 2017

# Remuneration and Nomination Committee Charter

## Purpose

The Remuneration and Nomination Committee (Committee) is a sub-committee of the Board which has been established in accordance with the Constitution of the Company.

The purpose of the Committee is to provide assistance and recommendations to the Board to ensure that it is able to fulfill its responsibilities in overseeing:

- The remuneration strategy of the Company and its application to the Chief Executive Officer, Key Management Personnel (KMP), Executives and general employees;
- The diversity strategy, policy and practices of the Company; and
- That the Board has the appropriate composition, size and skills to adequately discharge its responsibilities and duties.

For the purposes of this Charter, “the Company” refers to all entities and operations controlled by Fortescue Metals Group Limited.

## Scope

The Committee considers matters such as those listed below and makes recommendations to the Board accordingly:

- Remuneration Strategy;
- Non-Executive Director remuneration;
- Chief Executive Officer and Executive Director remuneration;
- Senior Executive remuneration;
- Short term and long term incentive plans;
- Recruitment of the CEO;
- Annual Performance Review of the CEO;
- Succession Planning and Talent Management;
- Diversity Strategy;
- Gender Pay Equity;
- Matters relating to the Company’s recruitment, retention and termination policies;
- Nomination and Review of applicants for the Board Director position; and
- Committee Member Appointments.

The attached Appendix provides guidance on the responsibilities of the Committee as determined by the Board.

## Membership

The Committee shall comprise at least three non-executive directors. It is intended that a majority of the Committee be independent directors. Committee members shall have the required skills and business acumen to allow them to be effective in their role. The Chair of the Committee should be an independent director appointed by the Board.

A quorum will comprise any two non-executive director Committee members. In the absence of the Committee Chair or appointed delegate, the members shall elect one of their number as Chair for that meeting. The Company Secretary of Fortescue Metals Group Limited shall be the Secretary of the Committee.

The Company Secretary will be the principal liaison between executive management and the Committee on remuneration matters.

## Attendees

Other directors, inclusive of executive directors, are able to attend the meetings as an observer. The Committee may invite any members of executive management or other individuals to attend meetings of the Committee, as it considers appropriate.

## Meetings

The Committee shall meet as frequently as required but not less than two times a year. Any Committee member or the Secretary may call a meeting of the Committee.

## Reporting

The Chair of the Committee, or delegate, shall report to the Board following each meeting. The Committee Chair will attend and be available to answer questions regarding the annual Remuneration Report at the Annual General Meeting.

## Resources and Independent Advice

The Committee shall have full authority and resources required to discharge their responsibilities specified within its Charter and may engage with employees within the Group or appropriate external advisors.

The Committee may obtain independent professional advice or engage independent advisors at the Company's expense as considered necessary to assist in fulfilling its relevant duties and responsibilities. The Company shall pay all administrative expenses of the Committee incurred in fulfilling its duties and responsibilities.

Where the Committee seeks advice independently of management, the Committee shall engage those advisers directly and request that any advice be provided directly to the Committee or the Chair of the Committee.

## Evaluation of Committee Performance

The Committee Chair shall assess the performance of the Committee on an annual basis and take appropriate action to address desired improvements in respect of areas where there is a need to enhance its role, effectiveness, process or composition.

## Review of Committee Charter

The Committee Chair is responsible for ensuring that the Committee Charter is reviewed at least every year for the purpose of assessing its continued relevance to the needs of the Board and identifying enhancements required. Proposed enhancements shall be submitted to the Board for approval.

This Charter was approved by the Board of Fortescue Metals Group Limited on 19 July 2017.

# APPENDIX

## Committee Responsibilities

In order to fulfil its responsibilities to the Board the Committee shall undertake the following duties:

### Remuneration Strategy

Review and approve the Company's remuneration strategy including but not limited to market position, policies and practices.

### Non-Executive Director Remuneration

Review and make recommendations to the Board on remuneration of non-executive directors for approval.

### Executive Remuneration Policy

- Review and approve the Company's policy for determining executive remuneration including, but not limited to, superannuation, pension, compensation and other applicable payments, and any amendments to that policy proposed from time to time;
- Review the on-going appropriateness and relevance of the executive remuneration policy and other executive benefit programs, including a review of the Company's recruitment, retention and termination policies and procedures for senior management;
- The Committee will need to determine whether it believes any Shareholder approvals are required; and
- Oversee the implementation of this remuneration policy within the Group.

### Executive Directors and Senior Management

- Consider and make recommendations to the Board on the entire specific remuneration for each Executive Director and other relevant senior executives (including base pay, incentive payments, equity awards, retirement rights, service contracts) having regard to the executive remuneration policy. The Committee will need to determine whether it believes any shareholder approvals are required;
- Review and approve the proposed remuneration arrangements (including incentive awards, equity awards and service contracts) for the direct reports of the Chief Executive Officer; and
- Review the general remuneration conditions of those Company employees not within the senior executive ranks, with the intention of recommending an overall salary band or increase to be applied individually at the discretion of management.

### Executive Incentive Plans

- Review and approve the design of all executive incentive plans; and
- Review and approve the total proposed payments from each executive incentive plan.

# APPENDIX

## Equity Based Plans

- Review and approve the design of all equity based plans;
- Keep all plans under review in light of legislative, regulatory and market developments;
- For each equity based plan, determine each year whether awards will be made under that plan;
- Review and approve total proposed awards under each plan;
- In addition to considering awards to executive directors and direct reports to the Chief Executive Officer, review and approve proposed awards under each plan on an individual basis for executives as required under the rules governing each plan or as determined by the Committee; and
- Review, approve and keep under review performance hurdles for each equity-based plan.

## Recruitment of the CEO

Assist the Board with the recruitment process for the Chief Executive Officer.

## Annual Performance Review of the CEO

Assist the Chairman of the Board in the annual performance review of the Chief Executive Officer.

## Succession Planning and Talent Management

- Review and advise on appropriate succession planning for the role of Chief Executive Officer and Chairman
- Oversee the talent management and succession planning for direct reports to the Chief Executive Officer.

## Diversity

- Oversee the management of the Company's Diversity strategy, policy and practices;
- On an annual basis, review progress and make recommendations to the Board as appropriate in regard to:
  - The Company's diversity initiatives;
  - The Company's gender pay equity initiatives; and
  - The relative proportion of males and females on the Board, in senior management and general workforce.

## Remuneration Report

Oversee the preparation of the annual Remuneration Report for inclusion in the Company's Annual Report and recommend the report to the Board for approval.

## Evaluation of Board and Committees

Oversee the annual self-assessment by the Board and Board Committees, with a view to ensuring that the evaluation processes employed accord with best practice.

# APPENDIX

## Board Composition

Periodically assess the skill set of the Board to ensure it can competently discharge its duties.

## Nomination of Directors and Committee Members

Oversee the nomination of suitable candidates for the position of director on the Company's Board and to evaluate any external nominations for a role of Company Director. After a review of the same the Committee will make the necessary recommendations to the Board. The Committee will also make recommendations for Committee membership positions.

## Other

The Committee shall perform other duties and activities that it or the Board considers appropriate in the context of these terms of reference. These may include, but are not limited to, the following:

- The Company's retirement plans; and
- Reviewing the operations of other executive benefit programs.

## Board Responsibilities

The Board after considering the input from the Remuneration and Nomination Committee, is responsible to shareholders for ensuring that Fortescue (inclusive of subsidiary companies as applicable):

- Has coherent remuneration and nomination policies and practices which are observed and which enable it to attract and retain executives and Directors who will create value for shareholders;
- Fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executive and the general remuneration environment; and
- Complies with the ASX Listing Rules and Corporations Act 2001 (Cth) (as applicable).