

21 February, 2018



The Companies Officer  
Australian Securities Exchange Ltd  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth WA 6000

Dear Madam or Sir

**Chief Executive Officer Changes: Resignation of Mr Nev Power and Key Terms of Ms Elizabeth Gaines' Employment Contract**

Fortescue Metals Group Limited (Fortescue) has announced the details of the key terms of the employment contract for Ms Elizabeth Gaines as incoming Chief Executive Officer, effective 19 February, 2018.

Fortescue Chairman, Mr Andrew Forrest AO said the Board recognised the need for executive salaries to be closely linked to company performance.

"Fortescue's Board is committed to a remuneration structure which drives superior performance against our stretch targets to deliver shareholder value and encourages decision-making focussed on the longer term. Recognising the market expectation that salary levels for incoming CEOs are typically lower at the start of their term, we believe that the base salary and incentive arrangements for our new CEO will ensure the strongest alignment for delivery of the best outcomes for our shareholders," Mr Forrest said.

Mr Nev Power, outgoing CEO, has resigned from the Board of Directors, effective 19 February, 2018. Mr Power will receive termination benefits pursuant to the terms of his employment contract and the company's incentive plans.

Key contractual terms of Ms Gaines' employment arrangements are attached.

Yours sincerely  
**Fortescue Metals Group Ltd**

**Alison Terry**  
Company Secretary

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## Summary of Chief Executive Officer's key contractual terms

Item	Description
Term	<ul style="list-style-type: none"> <li>Ongoing (no fixed term)</li> </ul>
Commencement	<ul style="list-style-type: none"> <li>19 February, 2018</li> </ul>
Fixed remuneration	<ul style="list-style-type: none"> <li>\$1,500,000 TFR (including superannuation and other benefits)</li> <li>Subject to annual review by the Board</li> </ul>
Short term incentive (at risk) for FY18	<ul style="list-style-type: none"> <li>A maximum opportunity under the Executive and Senior Staff Incentive Plan (ESSIP) of 112.5% of total fixed remuneration.</li> <li>A minimum of 50 per cent of the incentive value (up to 100 per cent on election) is granted in share rights.</li> <li>Share rights are granted based on the volume weighted average price (VWAP) of shares traded on the ASX over the first five days of the performance period.</li> <li>The vesting of share rights will be subject to performance measures. FY18 ESSIP performance outcomes will be assessed by the Board in August 2018.</li> <li>Any shares that may be acquired on vesting of rights under the FY18 ESSIP will be purchased on market.</li> <li>ESSIP participation and terms in future years will be at the discretion of the Board.</li> </ul>
Long term incentive (at risk) for FY18	<ul style="list-style-type: none"> <li>A maximum opportunity under the Long Term Incentive Plan (LTIP) of 150% of total fixed remuneration granted in the form of share rights.</li> <li>Share rights are granted based on the volume weighted average price (VWAP) of shares traded on the ASX over the first five days of the performance period.</li> <li>The vesting of share rights will be subject to performance measures. FY18 LTIP performance outcomes will be assessed by the Board in August 2020.</li> <li>Any shares that may be acquired on vesting of rights under the FY18 LTIP will be purchased on market.</li> <li>LTIP participation and terms in future years will be at the discretion of the Board.</li> </ul>
Post employment restraint	<ul style="list-style-type: none"> <li>A 6 month restraint provision applies.</li> </ul>
Notice, termination and termination payments	<ul style="list-style-type: none"> <li>6 months' written notice must be given by either party to terminate the agreement. The CEO may be required to serve out all or part of this period or be paid in lieu of notice at the Board's discretion.</li> <li>Fortescue may terminate the agreement immediately for cause.</li> </ul>