



Fortescue
The New Force in Iron Ore

FORTESCUE RISK MANAGEMENT FRAMEWORK (FRMF)

May 2016



Risk Management Framework

Fortescue Metals Group Limited (Fortescue) has an integrated approach to risk management.

To effectively identify and respond to risks, consideration is given to culture, context, reporting and decision making.

RISK MANAGEMENT FRAMEWORK



BOARD AND MANAGEMENT

REPORTING

DECISION MAKING

Relevant and timely reporting of risk analysis and activity to support good decision making

RISK INFORMATION SYSTEMS

INTEGRATED PROCESS

Corporate objectives

1 Identify

2 Assess

3 Respond

4 Monitor

A robust and consistent risk process across the business

Risk appetite



Strategic planning



Budgeting



Development



Innovation



HSES



Business continuity

RISK POLICIES AND PROCEDURES

VISION AND VALUES



Risk Management Policy

Fortescue acknowledges that risk is inherent in all of its business and that effective management of risk and opportunity is essential to our success and future growth. Fortescue is committed to managing all material risks so that residual risk is within the tolerances set by the Executive team in conjunction with the Board.

Fortescue's approach to risk management is underpinned by a view that management, employees and contractors are collectively responsible for managing all material business risks and there should be a clear understanding of responsibility and accountability for risk management. This means that everyone at Fortescue has a responsibility to be aware of the risks related to their activities at every level and to be accountable for ensuring those risks are effectively managed, whether through direct action or through support from others, or a combination of both.

The objective of the Fortescue Risk Management Framework (FRMF) is to provide a consistent approach to the recognition, measurement and evaluation of risks across the business. The Group Risk function is focussed on supporting each part of the business to assist them to better manage their risks and to align efforts across the business to facilitate a whole of business view of risk. It also supports executive management and the Board in meeting their corporate governance responsibilities.

Fortescue does this by:

- Embedding risk management into its critical business activities and processes
- Understanding the threats to and opportunities for achievement of business objectives
- Application of a structured approach to risk management (FRMF) which establishes common understanding, definitions and methodologies
- Consideration of all types of risks and how robust risk analysis supports better informed decision making
- Using the outcomes of risk assessments to drive actions that activities that mitigate risks to an acceptable level
- Maintaining a strong focus on the resilience of the business through reliance on effective recovery plans for material adverse events
- Reporting regularly to executive management and the Board on the outcomes of risk management activity.

The Chief Executive Officer of Fortescue is accountable to the Board of Directors for ensuring that this policy is effectively implemented. This policy is reviewed periodically and updated as required.



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