

Conflict of Interest Policy

Mount Gibson Iron Limited

ACN 008 670 817

Adopted by the Board on 7 November 2017

1 Introduction

1.1 Purpose

- 1.1.1 Mount Gibson Iron Limited (the **Company**) is committed to a high standard of corporate conduct and governance. A key aspect of this commitment is to ensure that Directors disclose all conflicts and potential conflicts of interest to the Board of Directors (**Board**).
- 1.1.2 This Policy supplements the Board Code of Conduct and outlines the processes to be applied in circumstances where a Director has, or there is a real and sensible possibility that the Director may have:
- (a) a material personal interest in a matter that is being considered or will be considered at a meeting of the Board;
 - (b) a conflict or perceived conflict between the duties he or she may owe to another company of which he or she is a director or salaried executive, and his or her duties as a Director of the Company in considering a matter that is before, or will be placed before, a meeting of the Board; or
 - (c) any other business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In this Policy, any of these circumstances is referred to as “a conflict of interest”.

- 1.1.3 The purpose of this Policy is to:
- (a) Set out Directors’ legal duties and obligations under the Corporations Act concerning conflicts of interest.
 - (b) Establish a conflict of interest protocol requiring each Director to disclose conflicts of interest.
 - (c) Establish procedures for determining the extent to which conflicted Directors may participate in the Board’s decision-making processes.
- 1.1.4 The procedures in this Policy apply equally to any matters to be brought before any Board Committee. If this applies, references to the Chairman should be read as references to the Chairman of the relevant Committee and references to the Board should be read as references to the relevant Board Committee.
- 1.1.5 References in this document to the “Managing Director” are also taken to include a person acting in the role of “Chief Executive Officer”.
- 1.1.6 Where a Director is nominated to the Board by or otherwise associated with a particular shareholder, any dealing between the Company and that shareholder or an associated entity of that shareholder will be taken as giving rise to an actual or perceived conflict of interest.
- 1.1.7 Section 3 of this Policy provides for the management of conflicts of the nature referred to in paragraph 1.1.6 in the context of the Company’s contractual relationships with commercial counterparties (eg offtake customers), but does not limit the application of the other provisions of this Policy.

1.2 Obligations under the Corporations Act

- 1.2.1 Directors have obligations under the Corporations Act in relation to the disclosure of interests and management of conflicts of interest.
- 1.2.2 Relevant statutory duties and obligations include:

- (a) The duty to act in good faith in the best interests of the Company¹.
- (b) The duty to act for a proper purpose (ie not to exercise powers for any purpose other than the purpose for which they were conferred) ².
- (c) The duty not to improperly use their position as director, or information received through holding that position, to gain an advantage for themselves or someone else³.
- (d) Where a director has a material personal interest in any matter that relates to the affairs of a company, that director must give the other directors notice of the interest, except in certain limited circumstances specified in the Corporations Act (eg where the director is a shareholder of the company and the interest is an interest held in common with other shareholders) ⁴.
- (d) Except in certain limited circumstances, where a director has a material personal interest in a matter that is being considered at a directors' meeting, that director:
 - (i) must refrain from being present while the matter is being considered at the meeting ⁵; and
 - (ii) must not vote on the matter⁶.

2 Conflict of interest protocol

2.1 Conflict of interest protocol

- 2.1.1 Every Director has an obligation to notify the Board or the Chairman in writing, immediately upon becoming aware of any conflict of interest which that Director may have in relation to any particular matter that relates to the affairs of the company. The notice must comply with section 191 of the Corporations Act, if that section applies. A Director may give a standing notice of his or her interests to the Board in accordance with section 2.2.
- 2.1.2 Where no notification is given, the Board may make its own assessment as to whether a Director has a conflict of interest (whether actual or perceived). If a potential conflict of interest concerns a Director other than the Chairman, the assessment process will be initiated by the Chairman. If a potential conflict of interest concerns the Chairman, the assessment process will be initiated by the Lead Independent Director or (if there is no Lead Independent Director) by the longest-serving independent Director.
- 2.1.3 A Director who is in any doubt about whether a notifiable conflict of interest exists should contact the Chairman to discuss the matter. Where the conflict concerns the Chairman, the Chairman should contact the Lead Independent Director (if there is one) or if there is no Lead Independent Director, the longest-serving independent Director.
- 2.1.4 Where a Director notifies the Board or Chairman of a conflict of interest, or where the Board determines that a Director has a conflict of interest:

¹ Section 181(1)(a) of the Corporations Act.

² Section 181(1)(b) of the Corporations Act.

³ Sections 182 and 183 of the Corporations Act.

⁴ Section 191 of the Corporations Act.

⁵ Section 195(1)(a) of the Corporations Act.

⁶ Section 195(1)(b) of the Corporations Act.

- (a) In cases where section 195 of the Corporations Act applies, that section must be complied with.
- (b) In other cases the Board (in the absence of the conflicted Director) is to adopt protocols which may include one or more of those set out below:
 - (i)
 - (ii) The relevant Director being required to withdraw from Board meetings for the duration of any discussion on the relevant matter, unless the Board waives that requirement.
 - (iii) The relevant Director being required to refrain from taking part in any Board decision on that matter.
 - (iv) The relevant Director being required to act in accordance with paragraph 2.1.11.

In either of the cases referred to in sub-paragraphs (a) and (b) above, the Board (in the absence of the conflicted Director) may adopt protocols which provide that the conflicted Director will not receive Board papers or other information which relates in any way to the subject-matter of the conflict.

- 2.1.5 Subject to paragraph 2.1.6, where information is withheld from a Director because the protocol in paragraph 2.1.4 applies, the Company Secretary will notify the Director of the broad nature of the information withheld and the reason why further information relating to the matter has been withheld.
- 2.1.6 Notwithstanding paragraph 2.1.5, if the protocol in paragraph 2.1.4 applies, the Chairman may consider that the conflict of interest is of such nature or sensitivity that it is not appropriate for the conflicted Director to be made aware of the broad nature of the information withheld, in which case the Chairman may rule that paragraph 2.1.5 will not apply. It is expected that such a ruling will only be made in an extreme case. Generally, issues of sensitivity are to be dealt with by describing the broad nature of the information in appropriately high-level terms.
- 2.1.7 If the protocol in paragraph 2.1.4 applies, the Company Secretary will maintain a reporting system by which the Director is kept informed, in broad terms (and with sensitive information removed), of the progress or status of the relevant matter.
- 2.1.8 In circumstances where information withheld from a Director in accordance with this Policy becomes public knowledge, or in the opinion of the Chairman the potential for conflict has passed, the excluded Director will be entitled, at his or her request, to a briefing by the Managing Director as to the status of the matter and particulars of any decision of the Board in respect of that matter.
- 2.1.9 Where a Director is provided with information that is not public knowledge (whether or not it relates to a matter then or subsequently declared or determined to represent a conflict of interest for that Director), that information should be treated as confidential and may not be passed to a third party without the informed consent of the Board (which may be given via a protocol adopted under paragraph 2.1.11).
- 2.1.10 Directors nominated by major shareholders are likely to encounter conflict between the nominating shareholder's desire to receive information, and their duty of confidentiality to the Company. The basic legal rule, as noted above, is that information must not be passed on by a Director, even to a nominating shareholder, without the Company's consent. However, it is recognised that it may be in the interests of the Company to have an interchange of information and views with a major shareholder, except in a situation where there is a real possibility of divergence between the commercial interests of the Company and the major shareholder.
- 2.1.11 For the protection of the Company, the Directors and nominating shareholders, protocols should be established so that there are clear guidelines relating to:
 - (a) the circumstances in which information may be passed on by Directors to the shareholders who nominated them, with the Company's consent;

- (b) the right of the Company to place an embargo on particular information which must not be passed on because of its sensitivity;
- (c) acceptance by the nominating shareholders of obligations of confidentiality in relation to the information received; and
- (d) confirmation by the nominating shareholders that they are aware of, and will comply with, their obligations under the insider trading provisions of the Corporations Act.

2.1.12 There may be circumstances where it is appropriate for a conflicted Director to remain in a Board meeting in order to make a contribution to the full and proper discussion of the matter to which the conflict relates. Whether the conflicted Director may remain in a Board meeting will be decided by a resolution of non-conflicted Directors (complying with section 195(2) of the Corporations Act, if that section applies). It will usually be appropriate for the conflicted Director:

- (a) to remain in the meeting only for the purposes of providing the other Board members with the benefit of his or her views, skills and experience on the matter; and
- (b) to be excluded from the remainder of the Board meeting, to provide the other Board members with a reasonable opportunity to discuss the matter in the conflicted Director's absence and if appropriate, make a decision.

2.2 Standing Notices

2.2.1 In addition to their obligations under section 2.1, Directors must disclose all material interests in other companies to the other members of the Board. For this purpose:

- (a) a Director is deemed to have a material interest in another company if he or she is a director or salaried executive of that company; but
- (b) holdings of securities in family companies, or relatively small holdings of securities in other companies for investment purposes, are not deemed to be material unless a potential conflict arises between the interests of those companies and the interests of the Company or any of its controlled entities.

2.2.2 A Director may, at any time, choose to submit standing notices of the interests described in paragraph 2.2.1 (**Standing Notices**) to all other Directors of the Board or Board Committee, as applicable. The Standing Notice must:

- (a) give details of the nature and extent of the conflict of interest; and
- (b) be provided orally at a Board meeting, or to all of the other Directors individually in writing.

2.2.3 If a Standing Notice is given to the other Directors individually in writing, it must be tabled at the next Board meeting after it is given.

2.2.4 In accordance with section 3, the Company Secretary will keep and maintain a record of Standing Notices to be provided to any Directors on request and to new Directors as part of the Company's induction procedures for new Directors. In particular, the Company Secretary will ensure that the nature and extent of the interest disclosed in a Standing Notice is recorded in the minutes of the meeting at which the Standing Notice is given or tabled.

2.2.5 Each Standing Notice takes effect as soon as it is given.

2.2.6 A Standing Notice ceases to have effect when a new Director joins the Board, unless the new Director is provided with a copy of the Standing Notice on appointment.

2.2.7 A Standing Notice also ceases to have effect in relation to a particular conflict of interest if the nature or extent of the interest materially increases above that disclosed in the relevant Standing Notice. Directors are therefore obliged to keep their Standing Notices

under review, and update them (or give specific disclosure under paragraph 2.1.1 or 2.2.1) if the nature or extent of the interest changes.

2.3 Open discussion

- 2.3.1 When any matter is being discussed at a Board meeting, any Director may query another Director as to whether they consider that they have a possible conflict of interest concerning the matter under discussion.
- 2.3.2 This matter should then be discussed and considered by the Board and if the Board (other than the Director who is being queried) considers that there may be a possibility of a conflict of interest, then the affected Director must disclose the nature and extent of their interest in the relevant matter and section 2.1 will apply.

2.4 Confidentiality

- 2.4.1 Subject to any protocols established under paragraph 2.1.10, Directors must maintain the confidentiality of Board papers and matters discussed at Board meetings. Directors must ensure that appropriate discretion is exercised in regard to confidential information so that this is not inadvertently disclosed to unauthorised parties.
- 2.4.2 Any public disclosure of information must be done in compliance with the Company's continuous disclosure obligations under the ASX Listing Rules and the Continuous Disclosure and ASX Announcements Policy.

2.5 Chairman's role

- 2.5.1 The Chairman will be available to discuss with any Director the application of this Policy to particular circumstances and provide guidance as to whether a Director should be making a disclosure in accordance with this Policy.
- 2.5.2 The Chairman has an ongoing obligation to ensure that Directors remain aware of and in compliance with their obligations and commitments under this Policy.
- 2.5.3 Where the Chairman has notified the Board of a potential conflict of interest involving the Chairman, the Lead Independent Director or (if there is no Lead Independent Director) the longest-serving independent Director on the Board must take on the responsibilities of the Chairman under this Policy. If this applies, all references to the Chairman in other paragraphs of this Policy should be read as references to the Lead Independent Director or the longest- serving independent Director, as the case may be.

3 Specific conflict situation - contractual issues with substantial shareholders

- 3.1 Where the Board includes Directors nominated by, or otherwise associated with, substantial shareholders who also have contractual relationships with the Company as commercial counterparties (eg offtake customers), a specific situation of potential conflict of interest arises.
- 3.2 In order to ensure that any such issues are handled in a balanced and sensitive manner with proper regard to the overall best interests of the Company, the Board has established a committee (the **Contracts Committee**) consisting of all Directors other than those associated with shareholders who are also commercial counterparties.
- 3.3 The function of the Contracts Committee is to oversee the work of management, and provide guidance to management, in identifying, managing and resolving issues and disputes of the nature referred to in paragraph 3.1 above.

- 3.4 Where a decision in relation to any such matter would in the normal course be made by the Board, it will still come to the full Board but should be accompanied by a recommendation from the Contracts Committee. At the relevant Board meeting, the other provisions of this Policy will apply.

4 Records

- 4.1 The Company Secretary will maintain records of, and will keep the Board advised as to the status of:
- 4.1.1 Each Director who has been identified as having a conflict of interest (including any Standing Notices).
 - 4.1.2 The administration of this Policy, including any discussions, disclosures, resolutions and the application of the conflict of interest protocol in this Policy. This may be recorded in the minutes of meetings of the Board or Board Committee (as appropriate).
- 4.2 As part of the Company's induction procedures for the new Directors, the Company Secretary will provide those Directors with:
- 4.2.1 This Policy.
 - 4.2.2 A report identifying each Director who has been identified as having a conflict of interest and the nature and extent of such conflict of interest and any Standing Notices.
 - 4.2.3 Copies of all current Standing Notices.

5 Review

- 5.1 The Nomination, Remuneration & Governance Committee will, at least once in each year, review the performance of the Board and this Policy to determine its adequacy for current circumstances and may make recommendations to the Board in relation to revisions to this Policy or otherwise.