

Mount Gibson Iron Limited
Corporate Governance Principles and Practices Manual
Remuneration Policy
Adopted by the Board on 7 November 2017

1 STATEMENT OF PURPOSE

1.1 This Remuneration Policy (**Policy**) of Mount Gibson Iron Limited (**Company**) and its controlled entities has been adopted by the Board of the Company, to ensure that:

- (a) The Company's remuneration policies and systems comply with the Corporations Act and ASX Listing Rules and support the Company's objectives as settled by the Board from time to time.
- (b) Remuneration of the Company's key management personnel is aligned to the interests of the Company and its shareholders within an appropriate control framework.
- (c) The relationship between performance and remuneration of key management personnel is clear and transparent.
- (d) The role of the Company's Nomination, Remuneration and Governance Committee in the remuneration processes of the Company is clearly defined.

1.2 For the purposes of this Policy, "*key management personnel*" has the meaning given in the ASX Listing Rules (which adopts the definition in Accounting Standard AASB 124, *Related Party Disclosure*). The definition catches those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

1.3 Therefore this Policy covers the overall structure of remuneration for:

- (a) The Managing Director and any other executive Directors.
- (b) Non-executive Directors, including the Chairman of the Board.
- (c) Senior management.

This Policy does not cover people employed through another company such as third party contractors and secondees.

1.4 The objectives of the Company's Remuneration Policy are to ensure that:

- (a) Remuneration is structured to align with the Company's interests, taking account of the Company's strategies and risks.
- (b) The level and composition of remuneration is reasonable, sufficient and provides competitive rewards that attract, retain and motivate people of high calibre to work towards the long-term growth and success of the Company.

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- (c) The role that total fixed remuneration and short- and long-term incentives play is clearly defined.
- (d) The levels and structure of remuneration are benchmarked against relevant peers.
- (e) There is a clear relationship between Company and individual performance and remuneration of key management personnel.
- (f) The principles underlying the Company's remuneration structure are openly communicated and understood.
- (g) The Company complies with applicable legal requirements and appropriate standards of governance.
- (h) Remuneration policies and practices are evaluated over time, taking account of pay outcomes and the relationship between pay and performance, and the results of any evaluations or review processes.
- (i) Remuneration is consistent regardless of gender.

1.5 A copy of this Policy will be provided to all key management personnel as part of the Company's induction procedures. A copy can also be found on the Company's website (www.mtgibsoniron.com.au). Hard copies can be obtained from the Company Secretary.

1.6 References in this document to the "Managing Director" are also taken to include a person acting in the role of "Chief Executive Officer".

2 ROLE OF THE NOMINATION, REMUNERATION AND GOVERNANCE COMMITTEE

2.1 The Company has established the Nomination, Remuneration and Governance Committee (**NRG Committee**) in accordance with the NRG Committee Charter.

2.2 The NRG Committee is responsible for (amongst other functions):

- (a) Reviewing the performance assessment processes for key management personnel and the relevant performance assessment results.
- (b) Reviewing and recommending to the Board for approval, the Company's:
 - (i) Short-term incentive plans, performance targets and bonus payments; and
 - (ii) Long-term incentive plans,
in accordance with this Policy and, if required, setting and approving any such plans in accordance with the terms of any delegated authority from the Board. As part of this process, the NRG Committee will explain the reasons for selecting specific remuneration instruments and whether alternatives were considered.

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- (c) Providing sufficient information to the Board and the Company's executive management to enable informed decision-making regarding remuneration (including a consistent approach to remuneration regardless of gender) in accordance with this Policy.
- (d) Obtaining the advice of external advisors and consultants in respect of the foregoing as required, including to conduct periodic reviews or one-off job-sizing evaluations and, in the case of poor performance, to advise on termination arrangements.

2.3 Further information about the role and functions of the NRG Committee can be located in the NRG Committee Charter which is found on the Company's website (www.mtgibsoniron.com.au). Hard copies can be obtained from the Company Secretary.

3 OVERALL REMUNERATION STRUCTURE

3.1 Remuneration paid by the Company comprises a number of components.

3.2 The Managing Director and senior management (other than non-executive Directors) receive a base salary plus benefits. These benefits may include allowances and the Company's superannuation contribution. The total of the base salary and benefits is called Total Fixed Remuneration (TFR) and is often referred to as the relevant executive's remuneration package.

3.3 The Company's policy is that the TFR for each role should be reasonable and fair, taking into account (amongst other matters):

- (a) The scope of the role.
- (b) The level of skill, knowledge and experience of the individual.
- (c) Core performance requirements and expectations of the individual.
- (d) The Company's performance and strategy.
- (e) Legal and industrial obligations.
- (f) Labour market conditions.
- (g) Scale of business.

3.4 The table below depicts the standard components of a typical salary package.

Fixed Component			Variable Component	
Base Salary	Superannuation	Allowances	Short-Term Incentive	Long-Term Incentive

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- 3.5 The Company complements the TFR with Long-Term Incentives (**LTIs**) and Short-Term Incentives (**STIs**). The LTIs and STIs aim to reward the executive for meeting or exceeding performance targets, while at the same time linking the reward to the creation of long-term sustainable wealth for shareholders of the Company.

STIs

- 3.6 STIs are linked to clearly specified performance targets of the Company (including financial, production and occupational health and safety targets) and provide rewards for materially improved performance by the Company within a prescribed period, usually not exceeding 12 months, by directly linking rewards to the creation of sustainable value in the Company. STIs are provided as a combination of cash or superannuation contributions and are based on the annual performance of the individual and the Company.
- 3.7 STIs will be provisionally determined by the NRG Committee and set and approved by the Board on an annual basis (or set and approved by the NRG Committee on an annual basis in accordance with the terms of any delegated authority from the Board).

LTIs

- 3.8 LTIs are linked to clearly specified performance targets of the Company and provide rewards for materially improved performance by the Company within an extended prescribed period, usually not exceeding 42 months, by directly linking rewards to the creation of sustainable value in the Company. LTIs are provided in the form of either options, performance rights or fully paid shares in the Company (or a combination of these securities) and based on the performance of the individual and the Company over the prescribed period.
- 3.9 LTIs will be provisionally determined by the NRG Committee and set and approved by the Board on an annual basis (or set and approved by the NRG Committee on an annual basis in accordance with the terms of any delegated authority from the Board). In determining LTIs, the NRG Committee recognises that equity-based remuneration has limitations and can contribute to 'short-termism' on the part of key management personnel. The NRG Committee and the Board will ensure that LTIs do not contribute towards a 'short-termism' culture within the Company. In addition, in conformity with section 206J of the Corporations Act, the NRG Committee will ensure that the terms and conditions of LTIs clearly prohibit entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under such LTIs.
- 3.10 Where LTIs confer the right to deal in securities, these rights may only be exercised in accordance with the Company's Securities Trading Policy. Further information can be located in the Securities Trading Policy which is found on the Company's website (www.mtgibsoniron.com.au). Hard copies can be obtained from the Company Secretary.

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Termination payments

- 3.11 The Company's policy regarding termination payments is that termination payments, if any, for key management personnel are agreed in advance pursuant to the terms and conditions of the service agreement between the Company and relevant member of key management personnel, including detailed provisions in case of early termination.

Gender

- 3.12 The Company's policy is that remuneration is not based upon gender. In accordance with the ASX Corporate Governance Principles and the Company's Diversity Policy, the NRG Committee may report to the Board on remuneration arrangements using gender as a differentiator, although gender is not relevant in assessing the remuneration to be paid to a member of key management personnel.

4 REMUNERATION FOR MANAGING DIRECTOR AND DIRECT REPORTS

- 4.1 The NRG Committee is responsible for reviewing the performance and remuneration arrangements for the Managing Director and the Managing Director's direct reports (the Senior Executive Team), and making recommendations to the Board for approval. Performance reviews will be conducted by the Company's Chairman (for the Managing Director) and by the Managing Director (who may be accompanied by the Chairman) for the other members of the Senior Executive Team.
- 4.2 The components of TFR for the Senior Executive Team will be set out in their service agreement and may include all or any combination of the following:
- (a) Cash.
 - (b) Superannuation contributions as required by law.
 - (c) Accommodation and travel benefits.
 - (d) Parking and other benefits.
 - (e) Reimbursement of entertainment, home office and telephone expenses.
- 4.3 In determining TFR for the Senior Executive Team, the NRG Committee may arrange for their remuneration to be reviewed with the use of market data for positions with comparable companies. Where appropriate, the TFR may be adjusted by the NRG Committee so as to keep pace with market trends and ensure continued remuneration competitiveness.

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4.4 In addition to their TFR, and subject to Board approval, the Managing Director and other members of the Senior Executive Team are eligible to receive:

- (a) STIs in the form of a bonus payment, so long as certain key performance indicators are achieved.
- (b) LTIs in the form of performance rights or other securities under the Company's employee share scheme.

4.5 The issue of LTIs may also be required to be approved or ratified from time to time by shareholders at a General Meeting of the Company in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules.

5 STRUCTURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS

5.1 The NRG Committee is responsible for reviewing the performance and remuneration arrangements for non-executive Directors and making recommendations to the Board for approval, subject to the aggregate remuneration limit approved by the Company's shareholders. Performance reviews for non-executive Directors will be conducted by the Company's Chairman.

5.2 Non-executive Directors are remunerated to recognise the responsibilities, accountabilities and associated risks of Directors. The TFR of non-executive Directors may include all, or any combination, of the following elements:

- (a) Board fees, which reflect time spent on Board work and the degree of responsibility involved.
- (b) Committee fees, which remunerate Directors for additional work done on Board committees.
- (c) Superannuation contributions as required by law (or payment in lieu).

5.3 Non-executive Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Directors or of committees of the Directors.

5.4 Non-executive Directors do not receive any variable remuneration linked to company performance.

5.5 Any increase in the maximum aggregate remuneration payable to non-executive Directors must be approved by shareholders at the Company's Annual General Meeting, in accordance with the Company's Constitution and the ASX Listing Rules.

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6 STRUCTURE OF REMUNERATION FOR SENIOR MANAGEMENT

- 6.1 The performance and remuneration of each member of senior management is reviewed on an annual basis by their direct manager, which will then be reviewed and approved by the Managing Director.
- 6.2 The components of the TFR for senior management may comprise, at the ultimate discretion of the Managing Director, the following elements:
- (a) Cash.
 - (b) Superannuation.
 - (c) Accommodation and travel benefits.
 - (d) Parking and other benefits.
 - (e) Reimbursement of entertainment, home office and telephone expenses.
- 6.3 The Managing Director will determine, from time to time, whether members of senior management are eligible to be issued with STIs, LTIs or a combination of both.
- 6.4 The Managing Director will also consult with the NRG Committee from time to time to determine appropriate thresholds for the components of the aggregate remuneration of senior management (including TFR, STIs and LTIs), which thresholds may either be set and approved by the Board upon the recommendation of the NRG Committee, or set and approved by the NRG Committee in accordance with any delegated authority from the Board.
- 6.5 In determining the TFR for a member of senior management, the Managing Director may arrange for that person's remuneration to be reviewed with the use of market data for positions with comparable companies. Where appropriate, the TFR of a member of senior management may be adjusted by the Managing Director so as to keep pace with market trends and ensure continued remuneration competitiveness.

7 REMUNERATION REPORT

- 7.1 The Board will ensure that the remuneration report to be prepared each financial year for the Company has appropriate transparency, promotes shareholder understanding, is defensible and meets the requirements of the Corporations Act (including section 300A), the Corporations Regulations (including Part 2M.3) and ASX Listing Rules.
- 7.2 The approach of the Board at the Company's Annual General Meeting (**AGM**) to the non-binding shareholder resolution concerning the Company's remuneration report will be planned in advance each year with consideration being given to the following issues:
- (a) The AGM agenda and the form of resolution.

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- (b) Whether amendments to the resolution will be accepted.
- (c) Proxies.
- (d) Conflicts of interest, including ensuring that key management personnel do not vote on their own remuneration arrangements.
- (e) Pre-AGM shareholder questions and discussions.
- (f) Poll voting requirements.
- (g) The Board's response should the resolution not be approved, with consideration of the effect of the "*two-strikes rule*" in Part 2G.2 Division 9 of the Corporations Act.

7.3 If the non-binding shareholder resolution is not approved at the Company's AGM, the Board may either:

- (a) accept or partially accept the vote, which is likely to require the Board to take certain actions in response, including a review of the Company's remuneration policies, structure and packages; or
- (b) not accept the vote and explain why it believes the remuneration policies and packages are appropriate, with supporting reasons.

7.4 The matters in paragraph 7.3 will also be included in the Company's remuneration report for the following year pursuant to section 300A(1)(g) of the Corporations Act.

8 REMUNERATION CONSULTANTS

8.1 In engaging remuneration consultants for the purposes of providing advice to the Company regarding the remuneration arrangements for key management personnel in accordance with this Policy, the NRG Committee or the Board (as the case may be) will ensure that:

- (a) The requirements of Part 2D.8 of the Corporations Act are followed.
- (b) Arrangements are made to ensure that the remuneration consultants are free from any undue influence by the key management personnel to whom the advice relates.
- (c) The Company is in a position to provide the following information in the annual Directors' report if a remuneration consultant made a remuneration recommendation in relation to any of the key management personnel for the Company for the financial year:
 - (i) The name of the remuneration consultant.
 - (ii) A statement that the remuneration consultant made a remuneration recommendation to the Company.
 - (iii) If the remuneration consultant provided any other kind of advice to the Company for the financial year, a statement that the remuneration consultant

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provided that advice, and a statement of the amount and nature of the consideration paid for that advice.

- (iv) The amount and nature of the consideration payable by the Company to the remuneration consultant for the remuneration recommendation.
- (v) The arrangements the Company made to ensure that the making of the remuneration recommendation would be free from undue influence by the member or members of the key management personnel to whom the recommendation relates.
- (vi) A statement about whether the Board is satisfied that the remuneration recommendation was made free from undue influence by the member or members of the key management personnel to whom the recommendation relates and the Board's reasons for being so satisfied.

9 OTHER CONSIDERATIONS

9.1 In addition to the requirements described in this Policy, the NRG Committee and Board will, when considering the Company's remuneration arrangements, consider the remuneration requirements in:

- (a) the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*, and
- (b) Australian Accounting standards which currently apply to disclosure of remuneration in financial accounts.

10 Questions

10.1 Employees who have any questions about this Policy should seek clarification from their supervisor or the Company Secretary.

11 Review

11.1 The NRG Committee is to review this Policy annually and make recommendations to the Board on whether changes are required. The Board must consider any recommendation received from the NRG Committee and, where appropriate, amend this Policy.