



Inside the 'chaos' at Forrest's Fortescue

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Body

Leadership As the group winds back its plans for hydrogen, there has been an executive exodus and gripes aplenty, writes Primrose Riordan.

Andrew Forrest uses terms of endearment freely. In interviews and around the office, he often calls people "darl", "babe", "digger". Those close to him say that's just how he communicates.

But for members of a small **Fortescue** chat group, one message that flashed across their phone screens a few years ago still came as a surprise.

Some of the group of executives and directors were in the iron ore company's Perth headquarters when they were alerted to a new message in their group on the Signal app. The **Fortescue** chairman was overseas and had clearly made a mistake. The message, directed to a female employee, was quickly deleted but not before it rang alarm bells, according to four people with knowledge of the incident.

"From what I remember it said 'Jessie*, love, we need to talk, Jessie where are you? You know I need to know where you are'," says a former executive who was part of the Signal group. "It was overly familiar, and the wrong tone for the conversation as it was a chat with a handful of senior people about business stuff."

Another person who saw it says: "It was cringeworthy. People were shaking their heads."

It was sent at the tail end of the 2020-21 world tour, which involved a team of enthusiastic **Fortescue** staffers flying around the globe on the hunt for renewable energy projects to power Forrest's dream of building **Fortescue** into a green hydrogen powerhouse. They had looked at everything from damming the Congo to developing hydropower in Afghanistan, Papua New Guinea and North Kalimantan, all aimed at creating enough renewable energy to make affordable hydrogen.

Apart from scouting for deals, Forrest had also become an ambassador for the superfuel, extolling its virtues on the world stage. He was at the UN's COP26 climate conference in Glasgow in late 2021, attending a reception hosted by then-Prince Charles and Prince William and sharing a panel with US President Joe Biden. And just to expel any

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doubts about his faith in its potential, he had painted a fleet of London taxis green and emblazoned them with the **Fortescue** Future Industries logo, alongside the claim: "Green hydrogen can save us."

It was all part of the Andrew Forrest evolution from fossil fuels magnate to green saviour.

At the Golden Rays luxury resort in Croatia, there is a path that winds its way along the coast to the local town of Primosten. Guests are encouraged to wander into the village and stop on the way to take in the ocean views and swim at the many small beaches.

In October 2020, a group of **Fortescue** staff members did exactly that. They were invited on the outing by Forrest. Golden Rays was one of two global bases for the team that was touring the world - the other was the equally picturesque Neptune Villas in the West Indies. They had escaped Australia's COVID-19 lockdowns and were visiting dozens of countries in Europe, Africa and Central Asia in the search for hydrogen opportunities. "He basically said we're going on an adventure to save the world, are you coming with us," says an employee who was part of the tour. "Of course I said yes."

But on the ocean walk in Croatia, some staff were unsettled. They had only just returned to the base from Uzbekistan and hours earlier had been informed that Forrest tested positive for COVID-19. This was significant news. At that stage, there was no vaccine, and the reported global death toll had reached more than 1 million in just 10 months. The protocols for dealing with the virus varied between countries, governments and companies, but Australia had taken a tough approach. The government was evacuating citizens from overseas, and Melbourne was deep into what would become one of the world's longest continuous lockdowns. Residents needed a valid excuse just to leave their homes.

"No communications to external parties or back to Perth is permitted as we do not want third parties to dramatise what is a very manageable and expected event," Forrest said in a message to staff, seen by The Australian Financial Review.

Despite testing positive, Forrest had his cleaner and property manager continue to service his villa, and staff were surprised that he went on the walk to town, even with his stated instructions to stay four to five metres apart.

Eventually, when back in Australia, Forrest would tell reporters about his COVID-19 episode, insisting he was the only one among the team to contract the virus. However, messages sent to staff in Croatia reveal that Jessica* also tested positive. Again, the company asked for this to be kept secret.

In a message to staff, Forrest said there was "evolving science around herd immunity" and that for staff who contracted the virus once, the risk of getting it again or passing it on "will likely be negligible".

When Forrest and his team embarked on the tour in the depths of the pandemic, many in Australia were left scratching their heads. A period of frenetic travel was followed by a series of grand announcements about multibillion-dollar investment opportunities - some of which had to be walked back by the company in statements to the stock exchange - and tales of adventure. But there was also real chaos, aggressive outbursts and questionable decisions that would lead to a litany of executive departures.

The Financial Review has interviewed 23 former executives and associates, as well as analysts who have followed Forrest and the company closely for years. They say the COVID-19 incident and the way it was managed is just one of many examples of Forrest's erratic and at times impulsive leadership style, and that this contributed to the company's dramatic and costly backdown from its hydrogen ambitions this year.

The foundation of Forrest's success is a combination of relentless energy, the confidence to take on the establishment and an unwillingness to admit defeat. But his frenetic management style comes with a cost. Of the 11 people on the company's executive team in 2020, just one remains - Peter Huston, **Fortescue**'s director of corporate services, described by those who know him as one of Forrest's closest confidantes. They say Forrest's propensity to release hyperbolic statements and overpromise undermined the progress of **Fortescue**'s green energy business and that paranoia around intellectual property theft created a culture of fear among employees.

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(Earlier this year, court documents revealed that **Fortescue** hired private investigators to watch and photograph former employees and their families, after they set up a rival business.) They also worry Forrest has surrounded himself with people who will only give him good news and that all of this contributed to the unravelling of **Fortescue** Future Industries' hydrogen business. Many of these sources asked not to be named so they could speak candidly.

After the Financial Review sent the company a list of 50 questions, Forrest agreed to be interviewed during a visit to his Pilbara mines last week. Just off a flight from China, the 63-year-old rejected negative characterisations of the way he ran the company and defended the high staff turnover.

"It's a lot of talent to lose because people join Australia's most successful company and they think it's going to be a cakewalk," he says. "We've only got to where we are by constant change. You want to put a handbrake on that change, that constant evolution of **Fortescue**, then it's not who we are."

But current and former staff members, who spoke to the Financial Review, found the constant change, and the subsequent departures, disruptive. A former insider says: "Forrest thought he was building Google, but he was building the Chinese Communist Party."

The genesis of Forrest's "save-the-world" tour started with **Fortescue**'s pivot to green energy a few years earlier. Forrest was finishing off a PhD in marine ecology, having stepped back from day-to-day operations at **Fortescue** in 2011. But his successor in the CEO role, Nev Power, retired, giving him an opening to re-engage with the business. And just a few months later, in April 2018, **Fortescue** quietly registered a new company that would become **Fortescue** Future Industries.

Insiders at the time believed Forrest's decision to spearhead the company's push into green hydrogen was inspired by his children, particularly his eldest daughter, Grace, an anti-slavery advocate. Helped along by lobbying from the Forrests, the Modern Slavery Act was on its way to passing parliament. Grace had told her father it was one thing to talk about the issue, it was vastly more effective to create businesses that acted on it. "His kids were a huge influence" on his decision to dive into green energy, says a company associate, who spoke to Forrest about the move at the time. Forrest has three children: Grace, 31, Sophia, 30, an actor who recently married their partner at a ceremony at Munderoo Station, and Sydney, 24.

But although the new company had been registered, it would not be until the end of 2018 that it began to take shape. In November, after long-running talks, FFI signed a deal with the CSIRO to develop and commercialise new hydrogen technologies. (**Fortescue** immediately hired CSIRO principal research scientist Michael Dolan, and last year, the national science agency's former boss, Larry Marshall, joined the **Fortescue** board.)

Forrest began to talk more about hydrogen and renewables and became more involved day-to-day at the company. He hosted retreats for staff at Munderoo Station, the 2300-square-kilometre property in Western Australia that his father had been forced to give up and he famously bought back after making his fortune.

Power's replacement as **Fortescue** CEO, Elizabeth Gaines, also started talking about decarbonising **Fortescue**'s mining operations with solar and pursuing opportunities in copper and other minerals used in renewables and electric vehicles. And Christine Nicolau, Forrest's former executive assistant, was sent to Argentina to head up the company's South American operations and scout for opportunities in copper, lithium and rare earth assets used in batteries and electric vehicles.

But it was the prospect of green hydrogen that most captured Forrest's attention. Hydrogen is made by threading an electric current through water to split the H₂O molecules into hydrogen and oxygen. It can then be converted to electricity or used as a fuel in engines. To make millions of tonnes of green hydrogen, you need huge amounts of water and gigawatts of renewable energy to power the electrolyzers that split the molecules. So far, no one has been able to do that in an affordable way. Forrest was hoping to be the first.

Until that point, **Fortescue** had a simple business model: build mines, dig up iron ore and ship it to China. What he was about to embark on was far more complex - dealing with multiple countries in sometimes unstable areas with uncertain regulatory regimes to develop projects for a technology that was yet to find financial backing.

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But Forrest was being taken seriously. The former stockbroker had built up one of the biggest corporate success stories in Australia over the previous two decades. After being forced out of his disastrous first mining venture Anaconda Nickel in 2001, he founded **Fortescue**, taking on the might of BHP and Rio Tinto and creating a third player in the lucrative iron ore trade, making himself a billionaire along the way.

Forrest's pitch was particularly compelling for governments looking for solutions other than just asking citizens to use less power. "The voices in favour of hydrogen have got a lot more traction because they've been promoting a silver bullet kind of solution," says David Cebon, a professor of mechanical engineering at Cambridge University, who is also a member of the Hydrogen Science Coalition, an independent group of researchers focused on hydrogen policy.

Fortescue's pivot came as the company was shipping a record amount of iron ore at high prices. At the start of 2020, it reported a \$3.7 billion half-year profit, more than triple that of the previous six months.

So as Australia locked down during the pandemic, Forrest embarked on his global tour and, never one to shy away from publicity, he commissioned longtime Perth journalist and former editor of The West Australian Mark Drummond to write a book about it. (So far, nothing has been published. "He's keeping a record, I'm not sure what I'm going to do with it," says Forrest.)

When he later delivered the ABC's prestigious Boyer Lectures in January 2021, in a speech titled Confessions of a Carbon Emitter, he said: "Timing was everything. The world was in lockdown. Economies and energy markets were collapsing. The diaries of political leaders were eerily empty, and foreigners were a rarity. Particularly foreigners with a vision to develop their wasting renewable assets, within a global strategy."

Turbocharged global tours are nothing new for Forrest. In 2006, **Fortescue** raised cash to build its first iron ore mines by sending two teams of executives to Europe and the US, in a bid to convince fund managers across 14 cities to buy its bonds.

But the 2020 tour was a much bigger undertaking. Between August and December, Forrest visited 47 countries from bases in Croatia and the West Indies with a team of 40 staff. The private jet would take smaller groups to look at projects and talk to governments in countries including Pakistan, Afghanistan, Indonesia, Papua New Guinea and South Korea. Those left behind would scout for other opportunities and arrange the next trip. Sometimes, the destination would only be announced mid-flight. "It was a very hectic rollercoaster," says one member of the team.

In early September, a month before Forrest tested positive for COVID-19 in Croatia and less than a year before the Taliban captured Kabul, the team travelled to Afghanistan. One of their main points of contact was the country's then-vice president, Amrullah Saleh. While they were there, Saleh was wounded by a roadside bomb attack in Kabul. Forrest later told journalists that Saleh came to meetings with burns on his face and a bandaged left hand. Members of the **Fortescue** team also travelled by road and were accompanied by military security. One person on the Afghanistan trip said Forrest brought along more members of his travelling party than advised, including a fitness trainer.

He took part in a training session while staying in the Afghan presidential palace, the Arg, at a time when some employees were sceptical of whether they should have travelled there at all.

Alongside the potential hydropower sites they were looking at were heavily fortified Chinese mining sites, which had been abandoned. "If even the Chinese weren't prepared to stay, what were we doing there?" says one person familiar with FFI's international projects. FFI did sign an agreement for exclusive rights to mineral and hydropower exploration in Afghanistan, and Forrest made big promises on behalf of the Minderoo Foundation including to assist with the education of girls.

There was little distinction between **Fortescue** and Forrest's philanthropic efforts, and promises around philanthropy were often used as a carrot in the negotiations, sources with knowledge of the meetings say. President Ashraf Ghani gave Forrest an antique gun, which he then instructed **Fortescue** staff to find a way to bring back into Australia. This caused stress for some staff, who were unfamiliar with the rules around the importation of firearms.

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In the lead-up to the trip and while in Afghanistan, Forrest was told by officials and experts he was dining with the wrong crowd if he wanted progress in the country because nothing happened without the approval of the Taliban. So Forrest asked his team whether it was possible to set up a meeting with the group's leadership, who were based in Qatar at the time, according to two sources with knowledge of the request. Staff were anxious about the request to meet with a group considered to be a terrorist organisation by the US, believed to have links to al-Qaeda and responsible for Australian soldiers' deaths in Afghanistan. Forrest said at the time that "we would meaningfully engage with anybody, including the Taliban, if they guaranteed equal education outcomes for girls and boys", but the meeting did not go ahead.

After Afghanistan, the team flew to the war-torn Democratic Republic of Congo, which has large amounts of the minerals needed for the energy transition but is also plagued by political uncertainty. **Fortescue** was chasing the contract for the construction of the Grand Inga mega dam, one of the world's biggest hydropower projects. Stalled for years, it involves building a dam over the Congo river, and proponents claim it could provide power to half of Africa.

FFI engaged a consultant, Pentecostal pastor Olivier Tshilumba Chekinah, who was an adviser to DRC president Felix Tshisekedi and a close friend, according to African media outlets. The project was also championed by Tshisekedi's infrastructure adviser, Alexy Kayembe De Bampende, who was described by local media as "leading" **Fortescue** into meetings with other senior officials. **Fortescue** ploughed resources into pursuing the deal, employing dozens of staffers in Kinshasa. Forrest told journalists the project carried a \$US80 billion price tag.

However, consultants hired by the company later estimated it would cost more than \$US138 billion and noted there were "errors" in **Fortescue**'s calculations. "A number of errors in the estimate compilation are a result of using Excel incorrectly and human error," the consultants said, according to a report seen by the Financial Review.

As it turned out, FFI missed out on the deal. It was announced last year that the contract had been awarded to a Nigerian oil producer, but not before FFI's arrangement with Chekinah and the initial memorandum of understanding signed between **Fortescue** and Congo attracted scrutiny from local media and civil society groups.

In August last year, news website Africa Intelligence reported that under the contract, Chekinah's company, OL Consult, was paid \$US35,000 a month with the promise of a \$US540,000 bonus if the bid was successful. Asked about the contract, Forrest says Chekinah "had his own running costs and, of course, most consultants would like a success fee. Half a million dollars is not a fancy success fee."

"It was an office that had staff ... and he was out there helping us cross the DRC, understand the place from small communities to big communities, all the way through the hierarchy of Kinshasa," he says.

Sources with direct knowledge of the contract told the Financial Review that Forrest personally negotiated the agreement, which was signed by FFI's then-chief, Julie Shuttleworth. They add, however, that Chekinah did not end up being a major force in the project and his company's main input was helping to arrange appointments in the president's diary.

One person involved in the Congo meetings was uncomfortable about the contract with Chekinah. "They would do whatever it took to get a deal done."

At the end of that first tour, Forrest returned to Australia convinced more than ever that green hydrogen was the future of clean energy and the world. When he gave the ABC's flagship series of talks, the Boyer Lectures, in January 2021, he predicted that the green hydrogen market could generate revenues of at least \$US12 trillion by 2050, "bigger than any industry we have". That included iron ore, he pointed out, which with "export revenue of more than \$150 billion, is barely one-100th of this".

Forrest was going all in. **Fortescue** stunned the market by announcing in February that year it would direct 10 per cent of the annual profits generated by its traditional iron ore mining business to the clean energy venture. That was worth about \$1 billion a year. The company bought a second plane - a Bombardier Global Express - so that FFI

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staff could continue touring the world looking for projects. It also went on a hiring spree - FFI's headcount jumped from 100 to 700 by the end of the year as it signed agreements with dozens more countries.

Insiders describe this time in the business as chaotic. "There wasn't a cost centre even to bill things to," one person who worked for the company says. Employees on the mining side would get calls directly from Forrest asking to assist with approvals in sub-Saharan Africa. This was typical of Forrest's crash or crash-through approach.

It wasn't only in Afghanistan and the DRC where Forrest sought to make powerful government connections and insert himself in those "eerily empty" diaries of political leaders. He became "obsessed" with the idea of meeting Russian President Vladimir Putin, multiple sources say, and he made several trips to Russia.

Forrest enlisted the help of a Russian government relations executive, Arina Slynko, who had worked with Moscow consultants known for their Kremlin connections. She helped him arrange meetings with officials when he spoke at the St Petersburg International Economic Forum in June 2021. Forrest was also part of a smaller group of business leaders to meet Putin over a Zoom call. (Slynko would later be hired by **Fortescue** in Kazakhstan, after Forrest urged the team there to hire the "whip smart" executive.)

Forrest's Russian outreach in 2021 was broader than the government. He and his staff had meetings with oligarch Alisher Usmanov including in Sardinia, an Italian island in the Mediterranean. Usmanov, who is now subject to sanctions in the US and Australia, is one of Russia's richest and most connected billionaires. The US government has noted that he and Putin "allegedly have financial ties".

The plan at the time - although it didn't go ahead - was that Usmanov would act as **Fortescue**'s facilitator in Russia, providing access to land, hydropower projects and "sorting out the politics".

Forrest also met another oligarch, Vladimir Yakunin, the sanctioned former president of Russian Railways, at an apartment in Moscow. The meeting was for Forrest to get a deeper understanding of the Russian political landscape as he sought to build his business there. (After Russia's invasion of Ukraine the next year, Forrest would change his tune, urging the government to provide arms for Volodymyr Zelensky and promising hundreds of millions towards the eventual national rebuild.)

Of his international adventures, one insider says: "He has an unquenchable desire to be at the centre of these things." This played out on the world stage as Forrest appeared alongside Biden at the COP26 climate conference in Glasgow in November 2021. The lead-up to the conference was peak FFI - the company was everywhere. Forrest took out full-page ads in the Financial Times and local media and launched his green taxi advertising blitz.

"The world will go on consuming fossil fuel until the population sees that there is something which is entirely different, has a production supply chain which has no pollution in it. Then they can believe it," Forrest told the Financial Review during a ride through London traffic in one of the cabs.

Behind the scenes, Forrest and FFI were recruiting more people from the security services and defence forces. "He wanted people to run things very similar to a military operation, [people who] didn't question what he was trying to do," says one person familiar with his recruitment preferences.

Forrest engaged former Australian Secret Intelligence Service head Nick Warner on a contract, and hired several former Special Air Service soldiers, an elite military unit with a base in Perth. Some overseas trips were akin to military operations, and Forrest himself would often use the term "code red" to impress on staff a new priority. Logistics were run using 24-hour time, and the former SAS soldiers led staff in training drills to keep them fit.

Forrest also began poaching former ministerial staffers - people who had worked for the likes of Scott Morrison, George Brandis and Kevin Rudd. While these staffers were highly skilled and good at delivering quickly under pressure, their presence grated with some older employees. "He wanted acolytes who just love this shit," one former **Fortescue** executive complains.

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People inside the company say that during this period, Forrest was constantly on the phone, up until 3am and rushing to the next meeting, making wild promises. Before one meeting, Forrest went around his team assigning them new titles. An engineer became the head of engineering, the fitness trainer was now the director of wellness.

Forrest gave an insight to his hiring process in an interview with the podcast Equity Mates: "Don't employ the smartest, most brilliant nerds, whatever you do," he said. "Pick a team around you which are really positive, which are really determined, [who] never ever give up."

The chaos of the global tour seeped into the company's culture at home. At an FFI "green cafe" meeting - a regular all-staff catch-up - Forrest announced the introduction of a "freedom culture". This came as some staff argued the company needed more, not less, structure.

Members of Forrest's inner circle at the time - FFI's director of corporate services, Emily Ward, former chief of staff Claudia Blanch and Cameron Smith, head of **Fortescue**'s hydrogen policy - came across the concept of "freedom culture" at Stanford University when they were sent there in 2021 for a leadership course. The university sits at the heart of Silicon Valley, and the 2009 slide pack in which former Netflix CEO Reed Hastings laid out his "no rules" management philosophy has become HR lore.

After their return, Forrest embraced some of Hastings' ideas and announced that from then on, staff would have no manager and would instead self-assemble into clusters. One employee says the initial implementation of this Netflix strategy was "just chaos" as people lacked clear roles, responsibilities and goals. "They were building a start-up from the top down."

Forrest was also paranoid about staff leaving and joining rivals or setting up their own companies. At the same meeting where he announced the adoption of "freedom culture", he threatened to sue any employees if they stole intellectual property from **Fortescue**, an announcement that rattled the FFI team. One employee describes having to calm down their colleagues. Another was so alarmed they rearranged their finances so fewer of their assets were in their own name. Asked about the incident, **Fortescue** said in a statement that IP protection was critical to its success: "We invest significant resources in creating IP and are committed to vigorously managing and enforcing its protection."

Amid this upheaval, CEO Elizabeth Gaines stepped down. While she stayed on as a director, insiders say she had pushed for more rigorous scrutiny of spending by the green energy arm. At the time, Forrest announced **Fortescue** was looking for a "transformational" leader to replace her, someone who "really understands the enormity of the challenge of green energy". Looking back, he says the decision was a joint one. "We discussed the vision with Elizabeth, a really wonderful human being. And she said, 'Well, turning the company entirely off fossil fuel, this is big. What do you think you'll need?' And I said, 'I reckon we'll need 12 new leaders'," Forrest says. "She said, in the most selfless way ... 'You're not going to attract those people, Andrew, unless I step away.' And the darling girl was right."

Meanwhile, there were more fiery outbursts. In March 2022, Forrest was on a WhatsApp group with other executives. "We need to PRIORITISE," he implored the group then started a phone call to dial everyone in. There was a lot at stake. The team was trying to put together a deal to supply up to 5 million tonnes of green hydrogen to Germany-based E.ON, one of Europe's largest energy network operators. Not only was it good business, it would also allow Berlin to cut its dependency on Russian gas - or in Forrest's words, provide "freedom energy".

The problem was that **Fortescue** wasn't producing hydrogen yet. Forrest was stressed and angry that the team wasn't focused. When one executive suggested he come to Berlin to help with negotiations, Forrest said he would come after the executive if he did anything other than work on their electrolyser factory, according to a source with direct knowledge of the conversation. "He got a bollocking ... he got really beat up," says another person with knowledge of the conversation. Two weeks later, Forrest announced the deal.

"This is now the time that we can bring into the world 'freedom energy'," he said in a press conference in Berlin. "This is now the time that we do not have to rely on dictators - they will always let you down, it's just a matter of when."

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Forrest also said in the press conference that it was "a minimum \$50 billion expenditure", causing alarm back at Perth headquarters. The company was forced to pause trading in **Fortescue** shares and clarify that there was "no commitment to this expenditure and all such final investment decisions will be at the sole discretion of the **Fortescue** Board".

Asked about his use of language on the phone call leading up to the deal, Forrest says: "If you've got an issue with someone, don't write him an email or WhatsApp, go talk to them, praise in public, if you've got to criticise, criticise in private. Now, if I slip up on those values, I'm guilty. But do I try to keep them all the time? I try." The Financial Review has been told of other incidents where he lost his temper - one employee says they quit after being called by Forrest while on leave and yelled at.

Along the way, scores of staff were asked to sign non-disclosure agreements. Some thought this was ironic considering one Forrest campaign - the Minderoo Foundation's Frontier Technology Initiative - was aimed at curbing tech companies' overuse of NDAs and their restrictive approach to whistleblowers in the US.

All through this time, **Fortescue** resources were flowing to its green energy business, and this included several high-profile appointments - former ASIS head Warner as international adviser to FFI and former prime minister Malcolm Turnbull as the company's chairman. But perhaps the most fanfare was around the recruitment of Guy Debelle in March 2022. At the time, Debelle was widely tipped to be the next governor of the Reserve Bank, having toiled away at the central banks for 25 years. So when Forrest recruited him to be chief financial officer of FFI, it was a hiring coup for the ages.

"Andrew sells you the dream," one executive says. "It blows my mind they have this innate ability to divert people from their career to join **Fortescue**."

The only problem in the case of Debelle was that FFI already had a CFO. Longtime **Fortescue** employee and former close friend of Forrest Michael Masterman was out of a job. The move came as an unpleasant surprise to Masterman, according to four people with knowledge of the situation. "Forrest was always looking for the next shiny thing," says one person who worked at the company when Debelle joined, adding that this was not the only time someone was hired for a job that was already occupied.

In May 2022, Forrest told staff during a meeting in Barcelona, while most employees watched online, that he was replacing FFI's first boss, Julie Shuttleworth, with former General Electric executive Mark Hutchinson. Shuttleworth, who had been in the position for only two years, stayed on at **Fortescue** as director global growth until she left in June this year. (Debelle stepped down as an executive in November 2022 after a serious bike crash in Perth and quit the FFI board less than a year later.)

At the same time he announced Shuttleworth's replacement at the top of FFI, Forrest upgraded his own role to executive chairman.

"I will get my hands more on the tools back at the **Fortescue** Metals Group to really help it in its march to go green," he told the Financial Review in Barcelona. He was making inroads, lobbying governments around the world for favourable hydrogen policies.

He notched up a win in the US where he travelled to West Virginia in April 2022 to meet pro-coal Democrat senator Joe Manchin. Forrest claims Manchin had an "epiphany" at the meeting and, just a few months later, he would be the swing vote in Joe Biden's major climate and energy law, the Inflation Reduction Act. An early iteration of the IRA did offer subsidies for hydrogen which benefited **Fortescue**.

Prime Minister Anthony Albanese also backed the fuel, talking up its "enormous potential" and claiming the country could be a global exporter. The government would later set up a \$4 billion hydrogen fund. And Britain said it wanted 10 gigawatts of hydrogen production capacity by 2030. Forrest helped set up a new global green hydrogen organisation, and the US and China climate envoys, John Kerry and Xie Zhenhua, both spoke at its conference. Green hydrogen had momentum. But closer to home, Forrest was rocked by the exit of a long-serving executive.

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When Forrest set up his first major corporate venture, Anaconda Nickel, in the late 1990s, Masterman was by his side as finance director. He was so deeply involved in the project that he gave one of his children the middle name Murrin, in honour of the Anaconda mine, Murrin Murrin. And after the company almost collapsed in the early 2000s, owing bondholders millions of dollars, and Forrest was forced off the board, Masterman eventually followed him to **Fortescue**.

Though hundreds of people have left the resources giant in the past few years, Masterman's exit to help set up a rival company in 2022 - which resulted in a messy court dispute - was significant. "I regret that Mike is involved with that, I'm very sad about it," Forrest says.

The pair go way back. The mothers of Masterman and Nicola Forrest were school friends. Joan Masterman helped set up ecotourism ventures in Tasmania including the Cradle Mountain Huts walk; Nicola's mother, Brooke Maurice, was a talented sculptor. So close were the two men that Forrest is the godfather of one of Masterman's children. Their ties, however, have proved not enough to protect Masterman. **Fortescue** is suing Masterman along with former employees Bart Kolodziejczyk and Bjorn Winther-Jensen over intellectual property theft related to green iron technology.

"When Andrew feels he's been wronged, it doesn't matter who is on the other side," says a person who has known Forrest for decades. The three former employees set up a new company, Element Zero, and **Fortescue** is accusing them of relying on its proprietary technology - an allegation the start-up firmly rejects.

The case has been ugly. **Fortescue** attracted criticism for instructing private investigators to spy on its former executives, and court documents, including dozens of photographs of the men and their family members including children, revealed the extent of the spying. Forrest claims he had no knowledge of the surveillance and was not involved in instructing the investigators. But he insists he was right to pursue the case. "Should [I] stand in the road of the company's interests because of a personal friendship? I should stand down as chairman because that would be a form of corruption. I have always got to act in the company's interests," he says.

Just before **Fortescue** revealed it would sue Masterman over IP theft, he had attended the funeral of Forrest's father at Munderoo. "The extent and nature of the surveillance conducted was a shock to me," Masterman said in an affidavit submitted as part of **Fortescue**'s court case. "[Considering] my previous history with **Fortescue**, I do not understand why the level and nature of the surveillance on me was necessary."

The chaos in Forrest's work life was mirrored in his personal life. In July last year, after months of rumours, the Financial Review reported his separation from wife Nicola. Forrest has long dealt in known unknowns. When he resigned as chief executive in 2011, he said it was an "open secret" around the company's Perth headquarters that he had been seeking to step down for the previous three years. No notifications were ever given to the market of his plans.

Fortescue insiders describe Nicola, and daughter Grace, as a "ballast" for Forrest. Nicola once told the ABC their personal and business lives were intertwined. "I have been very involved along the way with all the projects Andrew has done," she said. With his family around, Forrest was sleeping longer at night, and was more measured, people who spent time with them said. "The extremes of his personality were less when his family were around. When they were not around you get the full [range]." After Nicola left "there was a sense of unending chaos," according to a person who travelled with him over the past few years.

The couple announced their separation on July 13 last year, in a statement to the stock exchange. Nicola and daughters Sophia and Grace did not attend **Fortescue**'s 20th anniversary party in the Pilbara last year.

Just a week after the separation became public, there was a curious disclosure from the company. "The directors of **Fortescue** became aware of an anonymous letter concerning the behaviour of the executive chairman," the company said. "The board immediately met and engaged Seyfarth Shaw LLP to independently investigate the letter and provide a report."

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Sources with knowledge of the investigation say it looked into allegations Forrest was having a relationship with an employee, Jessica*. The Financial Review is not suggesting that Forrest actually had a relationship with an employee. Only that this is the assertion that was investigated and dismissed.

Executives had already been worried about the issue and were fielding questions from journalists. Some board members even confronted Forrest, concerned that it would create a real or perceived conflict of interest inside the company, and were met with denials. Nevertheless, the findings of the investigation were clear. "The investigation concluded that none of the matters in the letter were substantiated," the company said in a statement. "There were no adverse findings."

Longtime director and Forrest ally Mark Barnaba oversaw the probe, which was conducted by Seyfarth Shaw Australian managing partner Darren Perry. Chat messages from social media apps such as WhatsApp and Signal were excluded from the investigation, and some company sources said this was strange considering how much of **Fortescue's** work was done on them.

Forrest says it made sense. "I can get hold of your phone right now and press WhatsApp delete and there's no record at all. Emails, other forms of communication, there's a permanent record. So they went straight to where there's permanent records. WhatsApps you can smoke if you like. So I think they wisely thought [it was the right call]," he says.

A source close to the board says there were "divergent views" about whether messaging services should have been included in the review.

For its part, **Fortescue** defends the allegation, saying it was forensic. In a written response, it said: "Seyfarth Shaw ... are independent, having never previously provided legal representation to **Fortescue** or Dr Forrest or his associates. Seyfarth Shaw legal fees were not contingent on any particular finding or outcome." The law firm has subsequently acted for **Fortescue** in its dispute with Element Zero.

Forrest, who says he "wasn't part of it at all", says the review was "incredibly thorough" and included interviews of executives. "When they know there's no chance of a record being made, they're utterly anonymous in their answer to an independent law firm, not to the company. That's how the board went about it, I've been told in hindsight. I think that was incredibly thorough and they came back and said: squeaky clean," he says.

"The board took a very conservative view [by investigating an anonymous letter]. So I'm grateful that they did because I'm now completely exonerated by the company."

Forrest went further, accusing his enemies of having an "axe to grind" and using the incident against him. "It's a good axe. It's working for them. This is an obvious one. It's salacious," he says. "They know that Forrest isn't gonna defend himself because that would be potentially harming other people ...I've got a thick skin, and so I'll take the pain."

In October last year, a declaration of interests policy appeared on **Fortescue's** website requiring employees to disclose intimate relationships between board members or senior executives and other employees. This includes relationships which give rise to "a significant power imbalance", the policy says.

In the months after the investigation, **Fortescue** was hit by more high-profile departures. Director Jenn Morris resigned. After just six months as CEO, Fiona Hick abruptly quit. The announcement was made in August last year, a day before the company released its annual results. Christine Morris, the CFO of three months, left a few days later. Forrest responded by suggesting Morris had only "scraped" through FMG's hiring process. He said Hick, a former Woodside executive, was not sufficiently committed to his green dream and at **Fortescue**, you either "get on the bus or get off the bus".

That response was criticised inside and outside **Fortescue**, but Forrest says he was simply stating the obvious. "I don't see that as a criticism, but it's the truth. It's how we roll. So I'm not backing off any of that," he says.

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Internally, it was taken as a lesson that employees needed to carefully manage their exit, or they risked reputational attacks with professional consequences. In another case, Forrest accused a departing executive in an email to the FFI leadership team of mismanaging a project - an accusation several employees say was inappropriate considering the person had left the company.

Fortescue veterans say Forrest's "get off the bus" catchphrase - which one executive rephrased as "fit in or f--- off" - was used internally to justify the frequent exits. "When you've got good executives who have left, there can be additional costs and risks placed on the business that otherwise wouldn't have been if you managed to retain that very high-quality talent. But they haven't been able to because of poor governance," says Saul Kavonic, an energy analyst at MST Marquee, who covered **Fortescue** for years when he was working at Credit Suisse. "What you can tend to get is people who have ... less gravitas to push back."

Hick, who was CEO while the inquiry into Forrest's behaviour took place, has not spoken publicly about her experience. She did not respond to a request for comment. But those familiar with the situation say she was frustrated at being overruled by Forrest, who was resistant to her attempts to strengthen governance structures, appropriately cost the company's decarbonisation plans, and find savings among underutilised executives on hefty salaries. "Openness or analysis wasn't a focus," one executive says. On entering the company there was a "huge Kool-Aid effect" which could wear off, they add. Turnbull left the board of FFI's Australian arm in January.

Despite the exits, **Fortescue** has been able to attract and promote women in a male-dominated sector. Former Mineral Resources executives Shelley Robertson and Bronwyn Grieve left Mineral Resources last year and have since joined **Fortescue**. Grieve insists overall turnover is low and says in an interview: "There's a very strong sense of support and encouragement of the leadership team, whether that's a response to things in the past or whether that's just a constant."

Another gripe among staff was that there were instances where Forrest sometimes used their time for private interests. "[FMG is] run like a family office," one former employee says. The **Fortescue** governance and compliance team was asked to assist Forrest's family office, Tattarang, with the importation of decorative items in time for his daughter Sophia's wedding at Minderoo station. Staff were asked to request assistance from ministers who were in charge of Customs at the time.

"**Fortescue** staff provided very limited advice and assistance in response to a query from Tattarang and connected Tattarang staff to appropriate industry contacts. All costs of the transportation and importation of the items were covered by Tattarang," the company said in a written response. "Dr Forrest has a separate private family office, Tattarang ... There is clear separation between Tattarang, Minderoo and **Fortescue** with robust systems and policies in place to ensure good governance."

But sources told the Financial Review there was often crossover between the companies. Tattarang's chief executive, John Hartman, and other Tattarang executives would attend company events, including **Fortescue's** annual think tank meetings. "There's potential for conflicts of interest," says Kavonic.

When Forrest talked about the green energy team's world tour in his 2021 Boyer lecture, he said every time the plane took off for a new destination, they would play Tom Petty's song Runnin' Down a Dream. "In the song, he's chasing a dream that won't happen unless he pursues it, wherever it leads," Forrest said.

But this year, he was forced to dramatically scale back his hydrogen dream. On July 17, in the sixth paragraph of a "management and organisational update", **Fortescue** announced it was cutting 700 jobs from its global operations as it slowed its push into green hydrogen. At that point, FFI's expenditure was close to \$2 billion since 2021. In follow-up interviews, Forrest jettisoned the target for **Fortescue** to produce 15 million tonnes of green hydrogen by 2030. "We are not going to swim against the tide," Forrest told the Financial Review at the time. It was a far cry from his prediction a few years earlier that FFI could potentially grow into an energy player the size of the \$US2.7 trillion oil giant Saudi Aramco.

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Fortescue has been forced to pause projects across the world - from British Columbia in Canada to Cameroon - because of the high cost of renewable power. The second plane that flew Forrest and his team around the world looking for projects has already been sold. It was offloaded in March last year.

"What we see with the projects [that have been paused] is that either the electricity is too expensive or the customers are not there for the hydrogen, but they're both symptoms of the same thing because the hydrogen that's produced is way too expensive for it to be viable," Cambridge University's Cebon says, adding that the high costs had been known for "decades".

"Diverting valuable resources to applications of hydrogen that are clearly unsuitable [because of the laws of thermodynamics] is a tragic mistake."

Forrest says **Fortescue** still aims to produce 15 million tonnes of green hydrogen eventually and is working on projects in Brazil and Norway as well as other possible ventures. He blames governments, including Germany's, for his decision to slow down. "I wish I could have predicted that governments around the world were going to back off all their own targets," he says. "Governments were saying we need all this green hydrogen, [including] the government of Germany. E.ON is a government instrumentality. And so they're telling us what they need, and we're believing them. Now, when they suddenly back out, we're high and dry."

For some **Fortescue** investors, Forrest's retreat on the company's ambitious green hydrogen expansion was a long time coming. One person says Forrest was trying desperately to make the projects cost-effective, at one point giving the team two hours before he was set to meet them for dinner to halve the schedule and the budget for a massive project. He demanded engineers working on mining projects down tools and fly overseas to assist with an FFI hydropower-to-hydrogen proposal. One employee costing a project was told not to "go to Andrew with that number". Another was told to adjust their estimate of "the shortest realistic project schedule".

"People were lying to him," an insider says. "There's stretch targets, and then there's lunacy."

Forrest has long favoured stretch targets, believing that more can be achieved if you set ambitious goals. This goes back to the early days of **Fortescue**. He famously had clocks installed at his Perth headquarters counting down the days, minutes and seconds before the company shipped its first iron ore from Port Headland in 2008.

"We don't make any apologies for challenging team members to try to achieve the impossible. This will always take them outside their comfort zone with the upshot being creating massive value," Forrest says in a written response provided before the interview. Grieve adds that expectations are high as the business attempts to decarbonise. "[But] my experience is that where things are not possible ... you can go and have a very frank conversation about it and there is movement."

But with green hydrogen, Forrest's advisers had been ringing the alarm bells for years. "We told him the cheapest it could be made for was \$8 [a kilogram], and possibly \$5 when, and if, US subsidies applied," one executive says. By some estimates, hydrogen costs would need to drop to about \$3 a kilogram to be competitive with other fuels.

"Every single person and company familiar with the hydrogen industry that I have spoken to did not understand the commercial case for what **Fortescue** was doing and tended to leave meetings with **Fortescue** with little idea as to what value-add **Fortescue** could bring to potential hydrogen endeavours," says MST Marquee's Kavonic.

Forrest says there's been no retreat. "Don't for a second think we've smoked \$US2 billion because we haven't. We've got billions of dollars of assets we're waiting to switch on. They're not smoked. We're not pulling out of these projects. They're there on the asset sheet of the company," he says. **Fortescue** is not like all the rest, he adds. "There's companies all around the world, BP, others, who are all backing out of their hydrogen projects at the same time. We're not, we're keeping our projects whole. We've got projects around the world. They will have their day."

He concedes, however, that he should have been tougher on ensuring his projects had access to cheap renewable power. "I should have really insisted, don't come to me with a hydrogen project unless you can demonstrate you've got 20 years of cheap electrons that you've either secured or you're gonna build yourself," he says.

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One executive says that although Forrest often signed MOUs without the board's express approval, they were very carefully worded to avoid any onerous obligations on **Fortescue**'s part that needed to be announced to the sharemarket. However, the executive says the creation of expectations inevitably tied the hands of the board.

In 2011, when Forrest stepped back from the day-to-day operations of **Fortescue**, he commissioned Nichola Garvey to sketch out his life story. Garvey closely trailed Forrest for years and interviewed some of his closest advisers. She was paid about \$30,000 a year for her efforts, which she says put her family under financial strain. Forrest was unhappy with how he was characterised in her book and she was forced to give up on the project in 2015 - but not before a particularly stinging farewell meeting where Forrest left before paying for their coffees. Garvey did, however, write a personal essay reflecting on her experience for a university publication.

"Beyond the friendly, chatty persona was a character that could use words to slice a person in two. Yet this, at times, acid tongue was amazingly effective at keeping people in check," she wrote in the essay. "If the Army employed a tactic of kick, kick, kiss to fortify the troops and engender loyalty, Forrest's way was more kiss, kiss, kick. And when he returned to the smiling, friendly Forrest, as he always did, there was left a small kernel of wariness that kept people forever slightly on the back foot."

The essay did not go unnoticed. "He literally went through the article line by line," she says of his follow-up phone call with a laugh.

These days, Garvey is working on her PhD on a different topic while her manuscript is collecting dust in her top drawer. Forrest contacted her when she was seriously ill and the two buried the hatchet, she says.

At **Fortescue**'s Christmas Creek mine, in a dusty conference room where we are sitting to escape the 45-degree heat outside, I ask Forrest if "kiss, kiss, kick" is an accurate way to describe his approach to management.

"I thought that it's a kind of realistic way [to say that] - that not everyone is going to be perfect all the time," he says. "I'm certainly not even good all the time, but I try."

Meanwhile, he is throwing another hat over the fence. He tells me that **Fortescue** is aiming to produce 100 million tonnes a year of green iron metal from next year. Steel making is responsible for more than 10 per cent of the world's carbon emissions, he says. He is already talking with China's largest steel producer, Baosteel, about it. That's why he was just in Shanghai.

The conversation moves quickly from one topic to the next - plastics, marine biology, AI, central African politics, shipping fuel. "You're getting bombarded and that's really big chunks of the information in soundbites," he says. "So feel free to come back to me."

When will it stop? When will he decide it might be better for someone else to take over at **Fortescue**?

"There'll come a time where it's the most fashionable, obvious, proper thing to do ... to go green. And everyone will jump on the bus. And at that stage I'll think about getting off." AFR

*Jessica/Jessie is not the employee's real name. The Australian Financial Review has not named the person because they are not a public figure.

A transcript of the Financial Review's interview with Andrew Forrest has been published on www.afr.com.

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