



Corporate Social Responsibility Report **FY18**

Together we are Fortescue

ABN 57 002 594 872



Fortescue
The New Force in Iron Ore



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The year at a glance

VTECs anniversary

10th

Billion Opportunities
Program milestone
achieved

A\$2bn

Total taxes paid in FY18

A\$1.2bn

Stays in the Fortescue
Family Room

971

Active heritage places
managed

5,597

Recycled waste

86%

About this report

Integrity is a fundamental Fortescue Value and the Company works to maintain open and transparent relationships with its stakeholders.

This report outlines the performance of Fortescue Metals Group Limited (Fortescue) against key material corporate social responsibility issues and opportunities during the financial year 1 July 2017 to 30 June 2018 (FY18).

Fortescue is a signatory to the United Nations Global Compact (UNGC) and this report represents the Company's ongoing commitment to report progress towards the principles of the UNGC. The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards Core option and a copy of the GRI Content Index is provided on pages 90 to 96. The report also takes into account issues identified through Fortescue's Risk Management Framework and guidance provided by key bodies including the International Council on Mining and Metals (ICMM).

A summary of Fortescue's operations and financial statements for 1 July 2017 to 30 June 2018 is reported separately in the FY18 Annual Report available at www.fmgl.com.au

All references to Fortescue, the Group, the Company, refer to Fortescue Metals Group Limited (ABN 57 002 594 872) and its subsidiaries. All references to a year are the financial year ended 30 June 2018 unless otherwise stated. Unless otherwise stated, this report refers to Fortescue's operating sites.

Greenhouse gas emissions, total energy consumption and total energy production were subject to independent assurance by auditors, PwC, in accordance with the National Greenhouse and Energy Reporting (Audit) Determination 2009 and ASAE 3410: Assurance Engagement on Greenhouse Gas Statement, and the Australian Standard on Assurance Engagement.

In addition, Fortescue undertakes a variety of internal reviews and assessments of its emission and energy consumption data. Any such audits are reported to the Board's Audit and Risk Management Committee in accordance with the Corporate Governance Statement FY18.

Other than stated, no additional external assurance has been sought regarding the content of this report.

This report was approved for publication by Fortescue's Board of Directors on 20 August 2018.

Feedback

Fortescue appreciates feedback on its reporting and communication with stakeholders. Please forward any comments or requests for additional information to CSR@fmgl.com.au

A survey requesting specific feedback on this report is also available at www.fmgl.com.au

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Overview



Chief Executive Officer's message

Elizabeth Gaines



Corporate Social Responsibility is our commitment to behave ethically, to create value for our stakeholders, to protect Aboriginal heritage and the environment, and to empower and partner with communities to build capability and capacity.

Building a strong business

When Fortescue was founded 15 years ago, it was our vision that by first and foremost creating a strong business, we could create economic opportunities and contribute to thriving local communities.

Since the beginning, family has been at the heart of Fortescue's culture; including respect for each other and for the broader community, and we keep this at the core of everything we do.

We are proud of our achievements and our ongoing contribution to Western Australia (WA) and the country's economic strength. Since Fortescue began, we have paid corporate tax of more than A\$3 billion, royalties to the State of more than A\$4.5 billion and have invested over US\$22 billion in Australia's economy.

We currently employ more than 8,500 people, of which 50 per cent are direct employees. Of our direct employees, 70 per cent are based in WA and 20 per cent in regional WA.

The long-term sustainability of our core iron ore business in the Pilbara remains a key priority for Fortescue. The Eliwana mine and rail project is important to Fortescue and the state of Western Australia, creating up to 1,900 jobs during construction, 500 full-time site positions once operational and the continued flow of benefits to our communities and the economy.

Fortescue remains a signatory and is committed to the initiatives and principles of the United Nations Global Compact. We are also committed to contributing to the achievement of the United Nations Sustainable Development Goals and use this report to demonstrate our contribution.

Safety of our people

The health, safety and wellbeing of the Fortescue family is our number one priority and our focus remains on ensuring our people go home safely after every single shift.

We are committed to providing strong leadership and empowering all our team members to take the action required to ensure the safety of their workmates and themselves.

Over the past five years, our TRIFR has reduced by 38 per cent. Although we did not achieve our stretch target of 2.6 in FY18, we continue to work towards our goal of becoming global leaders in safety.

Creating opportunities for Aboriginal people

At Fortescue, we are proud to be one of Australia's biggest employers of Aboriginal people. Our commitment to championing generational change within Aboriginal communities includes working with our Traditional Custodian and Native Title groups to create economic opportunities through the provision of training, employment and business development.

Fortescue currently employs 810 Aboriginal people, representing 14.1 per cent of the total workforce. 16.7 per cent of employees at our Pilbara sites are Aboriginal.

Invested over

US\$ **22** bn

in Australia's
economy

Fortescue's
Apprenticeship Program

98%

completion
rate

Delivering over

A\$ **2** bn

in contracts
to Aboriginal
businesses and
joint ventures

This financial year we celebrated the tenth anniversary of graduations from Fortescue's pioneering Vocational Training and Employment Centre (VTEC) Program. Since the initiative began 12 years ago, 797 Aboriginal people have commenced employment with Fortescue through the program.

Our Billion Opportunities Program also continues to provide support and assistance to Aboriginal businesses. In January 2018, the program reached a significant milestone, recognising the award of A\$2 billion in contracts and subcontracts to 110 Aboriginal businesses and joint ventures since its commencement in 2011. We have backed this up with a finance facility for small businesses in partnership with ANZ and guaranteed by Fortescue. The \$50 million funding scheme will ensure the long-term sustainability of these regional businesses.

Commitment to diversity

Diversity is important to Fortescue and there is empirical evidence that proves diversity drives financial performance. 24 per cent of our senior management team is female and we are proudly only one of two listed companies in Australia with greater than 50 per cent female Board members.

This year, we have continued to focus on providing practical measures to support parents in the workplace including the 24 hour Fortescue Family Room and flexible working arrangements. We were pleased to be recognised by the Bloomberg Gender-Equality Index (GEI) for our work in supporting a gender diverse environment across the business.

At a personal level, I am focussed on leadership development, retention of female talent and ensuring that women are encouraged to progress to the C-Suite so that we have equal representation in senior roles across corporate Australia.

Training pathways

Training has always been at the heart of everything we do at Fortescue, whether that be through VTEC for Aboriginal Australians, our award winning Fortescue Trade Up initiative or our Apprenticeship Program.

Our apprenticeship success rate is significant by comparison to anywhere across Australia. Fortescue's Apprenticeship Program has a 98 per cent completion rate, compared to the national average of 63 per cent and 52 per cent in Western Australia. We are particularly proud that 79 per cent of our apprentices are Aboriginal, compared to 3.5 per cent Australia wide.

Climate change

Climate change remains one of the most challenging issues facing the world and we believe that businesses, government and the community must work together to address it.

Fortescue is committed to contributing to global efforts to combat climate change. We accept the scientific consensus as assessed by the Intergovernmental Panel on Climate Change and support the Paris Agreement goal of limiting global temperature rise to less than 2°C.

As a business we are working to ensure our resilience and make the most of opportunities that may arise such as integration of renewable energy technology.

We are also committed to working with our stakeholders to ensure communities understand and are prepared for the potential future impacts of climate change.

We understand that there is growing stakeholder interest in this issue and this year have commenced the process to expand our disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our climate change disclosure is provided in this report on pages 75 to 80.

Our people

2018 was a special year for Fortescue as we celebrated 15 years of milestones. A decade ago, Fortescue's first 180,000 tonnes of iron ore left Herb Elliott Port, Australia bound for Baosteel's Majishan Port in China. In April, we celebrated our billionth tonne of ore shipped; taking less than 10 years to achieve what others have taken decades to do.

Fortescue has been on a remarkable trajectory and it is the sheer determination of the Fortescue family that has seen us become the true Australian success story we are today.

These achievements are a testament to the hard work and commitment of the entire Fortescue family and would also not have been possible without our suppliers, customers, Native Title Partners, pastoralists, government, local communities and all our stakeholders who have joined us on this journey.

Our team works with a strong sense of culture, values and community, and this is our pathway to achieving Fortescue's vision - to be the safest, lowest cost, most profitable mining company.

About Fortescue

Since it was founded in 2003, Fortescue has discovered and developed major iron ore deposits and constructed some of the most significant mines in the world. The Fortescue team is focussed on achieving the Company's vision to be the safest, lowest cost, most profitable mining company.

Now consistently producing 170 million tonnes of iron ore per annum, Fortescue has grown to be one of the largest, global iron ore producers and has been recognised as the lowest cost seaborne provider of iron ore into China based on Metalytics Resources Sector Economics analysis.

Fortescue's head office is located in Perth, Western Australia. Fortescue owns and operates integrated operations spanning three mine sites in the Pilbara, the fastest, heavy haul railway in the world and the five berth Herb Elliott Port in Port Hedland.

A natural extension of Fortescue's supply chain, the fleet of eight Fortescue Ore Carriers were designed to complement the industry best practice efficiency of Fortescue's port.

The world leading Eliwana mine and rail project will build on Fortescue's development and construction capability, utilising the latest technology, autonomous trucks and design efficiency.

Innovation in exploration, process and design is a key component of Fortescue's strategy to efficiently and effectively deliver products from mine to market.

Fortescue's longstanding relationships with its customers have grown from the first commercial shipment of iron ore in 2008 to the Company becoming a major iron ore supplier to China, and expanding into Japan, South Korea and India.

As the Company's primary customers, steel mills in China trust Fortescue to deliver safe, reliable and consistent quality products.

The Company is committed to the strategic goals of ensuring balance sheet strength and flexibility, investing in the core long-term sustainability of the business while pursuing growth options and delivering returns to shareholders.

Fortescue is focussed on ensuring communities benefit from the growth and development of its business. As a proud West Australian Company, Fortescue seeks to set high standards, create positive social change and safeguard the environment and heritage of the regions in which it operates.

A publicly listed company, Fortescue Metals Group Limited shares are listed on the Australian Securities Exchange (ASX) ASX Code: FMG.

Fortescue celebrates 10 years of iron ore exports

On 15 May 2018, Fortescue celebrated 10 years since the Company first produced and shipped ore to China, resulting in over one billion tonnes of contribution to Australia's economic growth.

A decade ago, Fortescue shipped its first 180,000 tonnes of iron ore aboard the capesize vessel Heng Shan from Herb Elliott Port in Port Hedland. Since then, the Company has become the lowest cost and most efficient supplier of seaborne iron ore into China.

Speaking at the celebration event at Cloudbreak on 15 May 2018, Fortescue's original mine site, Foreign Minister, Hon. Julie Bishop MP said Fortescue had changed the face of the Pilbara and the Australian mining industry.

"Fortescue has contributed to the economic strength of our nation, providing employment and training opportunities for thousands of people including Indigenous workers, significant contracts that benefit local communities as well as playing a key role in the Australia-China relationship," the Minister said.

Founder and Chairman Andrew Forrest AO, paid tribute to the hard work and determination of the entire Fortescue family including suppliers, customers, government pastoralists, Native Title Partners and local communities since the Company's inception in 2003.

"From the first discovery hole drilled at Cloudbreak to now sustaining consistent production at 170 million tonnes per year, Fortescue is truly an Australian success story," he said.

"Ten years ago, I said Australia now had a new flagship Company and today Fortescue continues to proudly wave that flag."

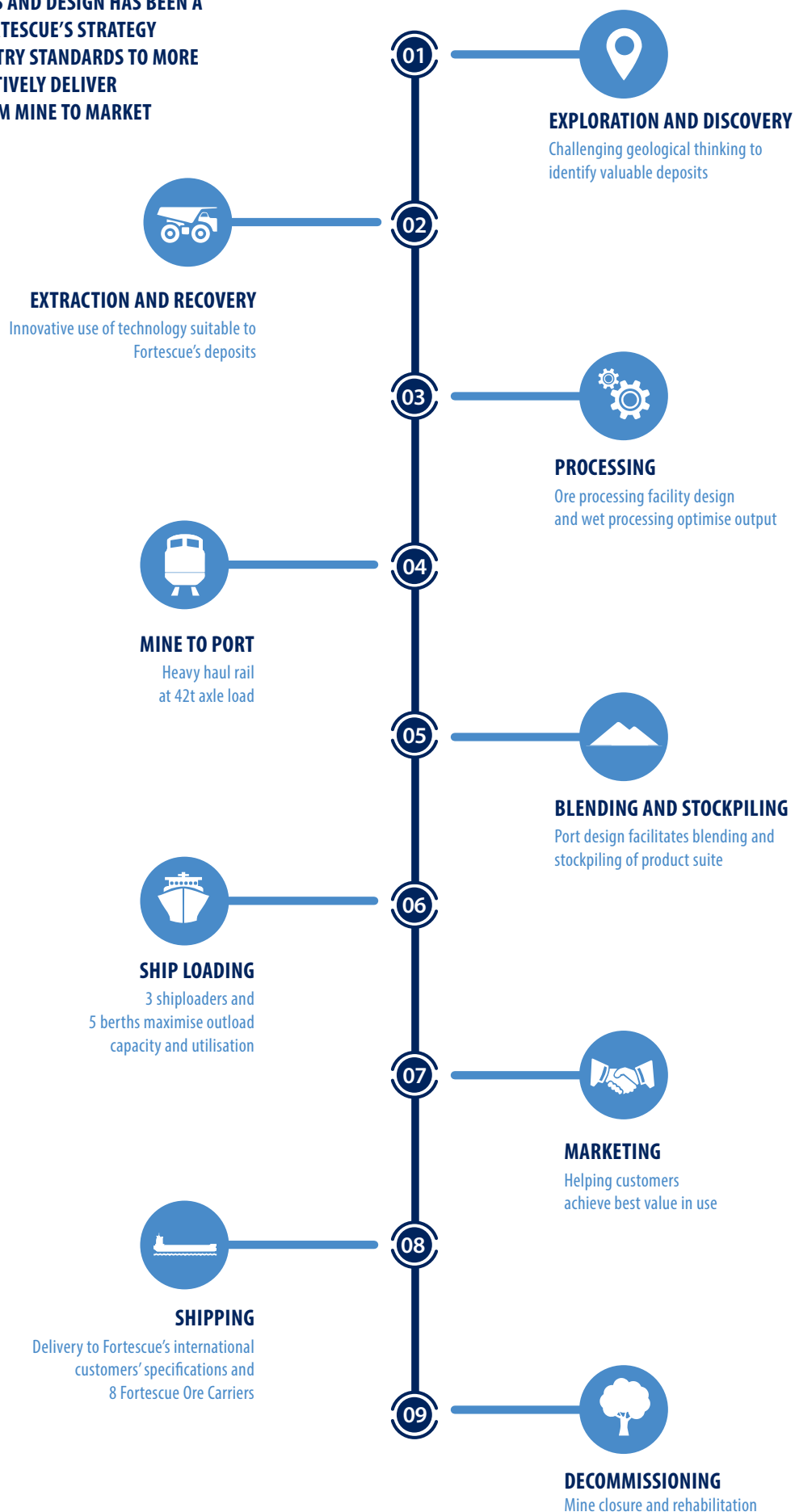
Mr Forrest also acknowledged Fortescue's long-term relationship with its Chinese customers, who have played a critical role in the Company's growth.

"We are proud of our contribution to China's remarkable economic development and our role in supporting the important trade relationship between China and Australia which has been vital to driving economic growth in both nations," he said.

"There is an exciting future ahead. We look forward to continuing to invest in the long-term sustainability of our core iron ore business in the Pilbara and ensuring that local communities continue to benefit from our growth and development."

Value Chain

INNOVATION IN PROCESS AND DESIGN HAS BEEN A KEY COMPONENT OF FORTESCUE'S STRATEGY IN CHALLENGING INDUSTRY STANDARDS TO MORE EFFICIENTLY AND EFFECTIVELY DELIVER ITS PRODUCT SUITE FROM MINE TO MARKET





Fortescue has a talented and diverse Board committed to enhancing and protecting the interests of shareholders and other stakeholders and fulfilling a strong governance role over the Company's affairs.

The Board Overview

The appointment and reappointment of directors is intended to maintain and enhance the overall quality of the Board through a composition which reflects a diversity of skills, experience, gender and age. The primary driver for the Board in seeking new directors is skills and experience which are relevant to the needs of the Board in discharging its responsibilities to shareholders.

All new Board members benefit from a comprehensive induction process that supports their understanding of Fortescue's business.

Fortescue's policy is to assess all potential Board candidates without regard to race, gender, age, physical ability, sexuality, nationality, religious beliefs, or any other factor not relevant to their competence and performance.

There is also a range of support given to Board members which enables them to stay strongly connected to the Company and its culture.

These include:

- Opportunities for significant contribution to the annual strategy setting process conducted with executive and senior management

- Regular briefings from executive and senior management regarding all major business areas, tailored site visits and annual site tours to operations
- Visits to meet with key customers that strengthen their understanding of the Company's key markets
- Regular formal and informal opportunities for the directors to meet with management and staff.

The Board has established Committees to assist in the execution of its duties and to ensure that important and complex issues are given appropriate consideration. The primary Committees of the Board are the Remuneration and Nomination Committee, the Audit and Risk Management Committee and the Finance Committee. Each Committee has a non-executive Chair and operates under its own Charter which has been approved by the Board.

Directors are expected to act independently, ethically and comply with all relevant requirements of the *Corporations Act 2001*, ASX Listing Rules and the Company's constitution. The Company actively promotes ethical and responsible decision making through its Values and Code of Conduct and Integrity that

embodies these values. There is a formal process and policy to identify, disclose and manage potential conflicts of interest, should they arise.

The Board and each of its three primary Committees have established a process to evaluate their performance annually. The process is based on a formal questionnaire and interview conducted every second year by an independent consultant and every other year by the Company Secretary under the direction of the Chair of the Remuneration and Nomination Committee. The most recent review was undertaken in May/June 2018 by the Company Secretary. The results and recommendations are reported to the full Board for further consideration and agreement of improvement actions, where required.

At the date of this report, the Board has eight non-executive directors and one executive director, being Chief Executive Officer Elizabeth Gaines. The Board believes that an appropriate mix of non-executive and executive directors is beneficial to its role and provides strong operational and financial insights to support the business.



Andrew Forrest AO

Chairman

Appointed Chairman in July 2003; Assumed role of Chief Executive Officer in 2005; Resumed non-executive responsibilities in July 2011.

Mr Forrest is Fortescue's Founder and Chairman and has led the Company to its status as the fourth-largest seaborne iron ore producer. Under Mr Forrest, Fortescue has made significant investments in the Australian resources sector of more than US\$20 billion and become the lowest cost and most efficient supplier of iron ore into China.

In 2001, Mr Forrest co-founded the Minderoo Foundation with his wife Nicola, which has supported over 250 initiatives across Australia and internationally in pursuit of a range of causes. Mr Forrest was appointed an Officer of the Order of Australia (AO) in 2017 for distinguished service to the mining sector, to the development of employment and business opportunities, as a supporter of sustainable foreign investment, and to philanthropy.

He is an Adjunct Professor of the Central South University in China, a longstanding Fellow of the Australian Institute of Mining and Metallurgy, and a leading global representative of the resources sector. He is co-Chairman of the Senior Business Leaders' Forum, the leading formal dialogue for China and Australia's most senior business leaders.

In 2014, Mr Forrest was named Business Leader of the Year at the Australian Institute of Management Western Australia Pinnacle Awards and was awarded an honorary doctorate by The University of Western Australia for his service to the country.

In 2017, he was named West Australian of the Year for his contribution to the community and in 2018, he was honoured with the EY Entrepreneur Of The Year Alumni Social Impact Award for the "lasting and exceptional legacy" of his philanthropic work.

Committee memberships:

Finance Committee (Chair)



Mark Barnaba AM

Lead Independent Director/Deputy Chair

Deputy Chair since November 2017; Lead Independent Director since November 2014; Non-Executive Director since February 2010.

A member of the Board of the Reserve Bank of Australia, Mr Barnaba previously worked for McKinsey and Company and also held several senior executive roles at Macquarie Group where he served as Chairman and Global Head of Natural Resources for Macquarie Capital.

Mr Barnaba is Chairman of The University of Western Australia's Business School Board and an Adjunct Professor of Finance and Investment Banking at the University of Western Australia. He is co-founder of Azure Capital and has previously served as the Chairman of Western Power, Edge Employment Solutions, the West Coast Eagles Football Club and Alinta Infrastructure Holdings.

After graduating from The University of Western Australia with a Bachelor of Commerce, Mr Barnaba entered Harvard Business School receiving a Master of Business Administration. He received an Honorary Doctor of Commerce from The University of Western Australia in 2012 and was granted the Honorary designation Fellow of CPA from CPA Australia. He is a Fellow of the Australian Institute of Company Directors.

In 2015, Mr Barnaba was named a Member in the General Division of the Order of Australia (AM) for significant service to the investment banking and financial sectors, to business education, and to sporting and cultural organisations.

Committee memberships: Audit and Risk Management Committee (Chair); Remuneration and Nomination Committee (Member)



Elizabeth Gaines

Chief Executive Officer/Managing Director

Chief Executive Officer since February 2018 and Executive Director since February 2017; Former Non-Executive Director since February 2013.

Elizabeth Gaines commenced as Chief Executive Officer of Fortescue Metals Group in February 2018.

A highly experienced business leader with extensive international experience as a Chief Executive Officer and group executive, Ms Gaines has a proven track record in financial and operational leadership across a number of industries, including resources, construction and infrastructure, financial services and travel and hospitality.

After joining Fortescue as a Non-Executive Director in February 2013, Ms Gaines was appointed Chief Financial Officer and Executive Director in February 2017. She is a former Chief Executive Officer of Helloworld Limited and Heytesbury Pty Limited and has also held the position of Chief Financial Officer at Stella Group and Entertainment Rights Plc.

A member of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and Chief Executive Women, she holds a Bachelor of Commerce degree and Master of Applied Finance degree.

Former directorships in the last three years (ASX Listed Entities): NEXTDC Limited (Non-Executive Director); Mantra Group Limited (Non-Executive Director); Nine Entertainment Co. Holdings Limited (Non-Executive Director); ImpediMed Limited (Non-Executive Director); Helloworld Limited (Executive Director).

The Board



Sharon Warburton

Deputy Chair

Deputy Chair since July 2017; Non-Executive Director since November 2013.

Ms Warburton has extensive experience in the mining, infrastructure and construction sectors. She gained substantial operational, commercial and risk management experience in the global resources sector through her time as an executive at Rio Tinto. She has also previously held senior executive positions at Brookfield Multiplex, ALDAR Properties PJSC, Multiplex, and Citigroup.

In recognition of her experience, she was awarded Western Australian Telstra Business Woman of the Year in 2014 and was a finalist in The Financial Review's Westpac 100 Women of Influence (2015).

She is on the board of not-for-profit organisation Perth Children's Hospital Foundation and formerly the Chairman of the Northern Australia Infrastructure Facility and Director of Western Power.

Ms Warburton is regarded as a financial, governance and remuneration expert and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand and Australian Institute of Building. She is a Graduate of the Australian Institute of Company Directors, a member of Chief Executive Women and a part-time member of the Australian Takeovers Panel.

She holds a Bachelor of Business (Accounting and Business Law) from Curtin University.

Other current directorships (ASX listed entities): Gold Road Resources Limited (Non-Executive Director); NEXTDC Limited (Non-Executive Director).

Former directorships in the last three years (ASX Listed Entities): Wellard Limited.

Committee memberships: Remuneration and Nomination Committee (Chair); Audit and Risk Management Committee (Member); Finance Committee (Member)



Lord Sebastian Coe CH, KBE

Non-Executive Director

Non-Executive Director since February 2018.

Lord Coe is currently a senior advisor with Morgan Stanley & Co International plc and a Non-Executive Director of the Vitality Group of health and life insurance companies.

In 2017, he became Chancellor of Loughborough University having previously served as Pro Chancellor of the University.

Based in the United Kingdom, Lord Coe is the Executive Chairman of CSM Sport and Entertainment, within the Chime Communications group. He was elected President of the International Association of Athletics Federations (IAAF) in 2015 where he is driving significant governance reforms through the organisation and its 214 Member Federations around the world.

Lord Coe previously served as Chairman of the British Olympic Association and was Chairman of the Organising Committee for the London 2012 Olympic Games and Paralympic Games. He was a member of the British athletics team at the 1980 and 1984 Olympic Games where he won two gold and two silver medals, as well as breaking eleven world records.

In 1992, Lord Coe became a Member of Parliament and during his political career served as a Government Whip and then Private Secretary to William Hague, Leader of the Opposition and Leader of the Conservative Party. He was appointed to The House of Lords in 2000.



Jennifer Morris OAM

Non-Executive Director

Non-Executive Director since November 2016.

Ms Morris is a former Partner in the Consulting Division of Deloitte, where she specialised in complex large-scale business transformation programs and strategy development. She currently holds a senior position at the Minderoo Foundation as Chief Executive Officer of the Walk Free Foundation.

She has senior corporate governance experience and is currently a Commissioner of the Board of Australian Sports Commission. A former Director of the Fremantle Football Club and Western Australian Institute of Sport, Ms Morris also served as Chairperson of the Board of Healthway – the WA Government's peak health promotion body.

A former member of the Australian Women's Hockey Team, Ms Morris won Olympic gold medals at the Atlanta 1996 and Sydney 2000 Olympic Games. In 1997, she was awarded a Medal of the Order of Australia (OAM).

Ms Morris is a Member of the Australian Institute of Company Directors, a Fellow of Leadership WA, an affiliate member of Chartered Accountants Australia and New Zealand, and a member of the Vice Chancellor's List, Curtin University.

She holds a Bachelor of Arts (Psychology and Journalism) received with Distinction and has completed Finance for Executives at INSEAD.

Committee memberships: Remuneration and Nomination Committee (Member); Audit and Risk Management Committee (Member)

Nev Power

Former Chief Executive Officer and Managing Director

Mr Power was appointed Chief Executive Officer in July 2011 and Managing Director in September 2011 and retired from Fortescue's Board after resigning from his role as Chief Executive Officer in February 2018.

With more than 30 years' experience in the mining, steel and construction industries, Mr Power led Fortescue's strong, values based culture and commitment to safety excellence. Prior to joining Fortescue, Mr Power held chief executive positions at Thiess and Smorgon Steel Group.



Dr Jean Baderschneider

Non-Executive Director

Non-Executive Director since January 2015.

A highly regarded leader in both business and civil society, Dr Baderschneider brings 35 years of extensive international experience in procurement, strategic sourcing and supply chain management along with a deep understanding of high-risk operations and locations and complex partnerships.

Dr Baderschneider retired from ExxonMobil in 2013 where she was Vice-President of Global Procurement. During her 30-year career, she was responsible for operations all over the world, including Africa, South America, the Middle East and Asia.

A past member of the Board of Directors of the Institute for Supply Management and the Executive Board of the National Minority Supplier Development Council, Dr Baderschneider also served on the boards of The Center of Advanced Purchasing Studies and the Procurement Council of both The Conference Board and the Corporate Executive Board. In February 2011, she was the Presidential appointee to the US Department of Commerce's National Advisory Council of Minority Business Enterprises. She holds a Master's Degree from the University of Michigan and a PhD from Cornell University.

Cameron Wilson

Company Secretary

Mr Wilson was appointed Company Secretary in February 2018, bringing over 20 years mining industry experience across the gold, nickel, coal and mineral sands sectors. He started his career as a lawyer in private practice with a leading Australian law firm and subsequently held a number of senior legal, commercial and governance positions, including most recently as General Counsel and Company Secretary at Iluka Resources Limited.

Mr Wilson holds a Bachelor of Laws from the University of Western Australia and is a Graduate of the Australian Institute of Company Directors.



Penny Bingham-Hall

Non-Executive Director

Non-Executive Director since November 2016.

Ms Bingham-Hall brings significant operational skills and experience from executive roles including Head of Strategy at Leighton Holdings (now CIMIC) – Australia's largest construction, contract mining, infrastructure and property development group – together with 20 years' experience as a company director.

Ms Bingham-Hall is a Fellow of the Australian Institute of Company Directors, a Senior Fellow of the Financial Securities Institute of Australasia and a member of Chief Executive Women and WomenCorporateDirectors Foundation. She holds a Bachelor of Arts (Industrial Design).

Other current directorships (ASX listed entities): BlueScope Steel Limited (Non-Executive Director); DEXUS Property Group (Non-Executive Director).

Committee memberships: Finance Committee (Member); Audit and Risk Management Committee (Member)

Alison Terry

Group Manager Corporate Affairs and Joint Company Secretary

Ms Terry joined Fortescue in 2014 as Group Manager Corporate Affairs and serves as Joint Company Secretary, having been appointed to the role in February 2017.

With significant experience in corporate affairs, legal, company secretarial and general management, Ms Terry has previously held senior executive and Board roles across a number of sectors including automotive, telecommunications and superannuation. Ms Terry holds a Bachelor of Economics and Bachelor of Laws (Honours) and a Graduate Diploma of Business (Accounting).



Dr Cao Zhiqiang

Non-Executive Director

Non-Executive Director since January 2018 (nominated director from Hunan Valin Iron and Steel Group Company Ltd).

Dr Cao is currently the Chairman of Hunan Valin Iron and Steel Group Company Ltd and brings extensive experience in technology and steel mill management, along with a deep background in international co-operation.

Dr Cao joined Valin Xiangtan Steel in 1997 and has worked in a variety of roles including Director of the Research and Development centre, before being appointed Chief Executive Officer.

He holds a PhD in Science and is a senior engineer research fellow.

Cao Huiquan

Former Non-Executive Director

Mr Cao was appointed Chief Executive Officer of Hunan Valin Iron and Steel Group Company Ltd in 2005 and concurrently held the position of General Manager of Lianyuan Iron and Steel Group Co Ltd.

Mr Cao resigned from Fortescue's Board in January 2018. Dr Cao Zhiqiang was appointed to Fortescue's Board, replacing Mr Cao in January 2018.



Core Leadership team

The Core Leadership team was announced on 30 November 2017

as part of a move from a traditional leadership focus to a team with active Board support, devolving authority throughout the organisation.

Elizabeth Gaines

Chief Executive Officer

Ms Gaines commenced as Chief Executive Officer in February 2018.

A highly experienced business leader with extensive international experience as a Chief Executive Officer and group executive, Ms Gaines has a proven track record in financial and operational leadership across a number of industries, including resources, construction and infrastructure, financial services and travel and hospitality.

After joining Fortescue as a Non-Executive Director in February 2013, Ms Gaines was appointed Chief Financial Officer and Executive Director in February 2017. She is a former Chief Executive Officer of Helloworld Limited and Heytesbury Pty Limited and has also held the position of Chief Financial Officer at Stella Group and Entertainment Rights Plc.

A member of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and Chief Executive Women, Ms Gaines holds a Bachelor of Commerce degree and Master of Applied Finance degree.



Left to right: Ian Wells, Elizabeth Gaines, Julie Shuttleworth, Greg Lilleyman

Greg Lilleyman

Chief Operating Officer

Mr Lilleyman commenced as Chief Operating Officer in February 2018, after joining Fortescue as Director Operations in January 2017.

With nearly three decades of extensive international experience in the mining sector, including over 20 years in the iron ore sector, across multiple commodities in large scope project development and construction, operational and business leadership, JV management and technology deployment, Mr Lilleyman brings significant business credentials and iron ore market knowledge to Fortescue's Core Leadership team.

Mr Lilleyman holds a degree in Construction Engineering from Curtin University and has completed the Vincent Fairfax Fellowship in Ethical Leadership at the University of Melbourne as well as the prestigious Wharton Business School's Advanced Management Program. He is a member of the Australian Institute of Mining and Metallurgy, the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Julie Shuttleworth

Deputy Chief Executive Officer

Ms Shuttleworth commenced as Deputy Chief Executive Officer in January 2018, following four years as General Manager Cloudbreak and later General Manager Solomon at Fortescue. She has over 23 years' experience in the mining industry in Australia, China and Tanzania, including 19 years in gold/copper working for Newcrest Mining, Sino Mining and Barrick Gold.

Ms Shuttleworth holds a double major in Extractive Metallurgy and Chemistry from Murdoch University. She is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy, a Graduate Member of the Australian Institute of Company Directors and is on the International Committee of the Society of Mining Metallurgy & Exploration. She has attended INSEAD and Harvard Business School, holds several Diplomas in Financial Markets and Management, and sponsors the Julie Shuttleworth Prize in Mineral Processing at Murdoch University.

Ms Shuttleworth has received numerous accolades including 2012 West Australian Business Woman of the Year, she is listed in the 2013 WIM (UK) 100 Global Inspirational Women in Mining, and is one of the 2014 Australian Women of Influence.

Ian Wells

Chief Financial Officer

Mr Wells joined Fortescue in 2010 and has held multiple senior executive roles in the Finance team, including funding, treasury, planning and analysis as well as Company Secretary. He commenced as Chief Financial Officer in February 2018.

Prior experience includes financing Fortescue's US\$10 billion major iron ore project development to 155 million tonnes per annum, and successfully undertaking multi-billion dollar capital raising and refinancing transactions in domestic and international capital markets.

Most recently, he has held the position of Group Manager Corporate Finance, leading Fortescue's capital management strategy with group responsibility for Treasury and Funding.

With more than 20 years' experience as a senior executive in leading ASX listed and private companies in the mining, energy infrastructure and healthcare industries, Mr Wells' prior positions include Chief Financial Officer of Singapore Power subsidiary Jemena Limited and Acting CFO of Alinta Limited.

Mr Wells holds a Bachelor of Business in Accounting, is a Fellow of CPA Australia, a Certified Finance and Treasury Professional and a Graduate of the Australian Institute of Company Directors.

Executive team

Fortescue's Executive team is accountable for the safety of its people, upholding the Company's Values, acting with integrity and honesty, and leading the business to achieve its vision of becoming the safest, lowest cost, most profitable mining company.



Danny Goeman



Peter Huston



Tim Langmead



David Liu



Linda O'Farrell



Alison Terry



Gerhard Veldsman



Rob Watson

Danny Goeman

Director Sales and Marketing

Mr Goeman was appointed Director Sales and Marketing in August 2018.

Mr Goeman has more than 25 years of experience in management, sales and marketing, strategy development and high level commercial negotiations, including more than 20 years with the Rio Tinto group of Companies.

Mr Goeman has a wealth of experience in leading commercial transactions in different geographies including Australia, Asia and Europe, and has experience in a range of commodities including diamonds, iron ore, coal and potash.

Mr Goeman has a Masters degree in Business Administration.

Peter Huston

Chief General Counsel and Director Corporate Services

Mr Huston joined Fortescue as Chief General Counsel in January 2005 and joined the executive team in January 2009 as Director Corporate Services.

Prior to joining Fortescue, Mr Huston spent 12 years as a partner of the law firm now known as Norton Rose and 10 years in private equity, mergers and acquisitions.

Mr Huston holds a Bachelor of Laws (Honours), Commerce and Jurisprudence and a Master of Laws.

Tim Langmead

Director Community, Environment and Government

Mr Langmead was appointed Director External Relations in January 2014, after joining Fortescue as Group Manager Corporate Affairs in January 2013 and was subsequently appointed Director Community, Environment and Government.

Previously, Mr Langmead held senior corporate affairs roles in the Australian business units of global oil and gas companies.

Mr Langmead served in senior staff roles for Ministers in the Howard-Anderson and Howard-Vaile governments and commenced his career as an agribusiness journalist.

David Liu

Senior Adviser to the CEO and COO

Mr Liu was appointed Director Sales and Marketing in 2011. He has almost 30 years' experience in trade and investment projects between Australia and China and a strong understanding of Chinese culture and business practices.

Mr Liu moved from Director Sales and Marketing into the role of Senior Adviser to the Chief Executive Officer and Chief Operating Officer in August 2018.

Linda O'Farrell

Group Manager Fortescue People

Ms O'Farrell joined Fortescue in October 2013 as Group Manager Fortescue People, joining the executive team in December 2014.

Having held a number of executive human resources roles in major Australian resource companies, Ms O'Farrell brings deep experience in strategic people management, diversity and Aboriginal employment.

Ms O'Farrell holds a Bachelor of Economics (Honours in Industrial Relations) from the University of Western Australia.

Alison Terry

Group Manager Corporate Affairs and Joint Company Secretary

Ms Terry joined Fortescue in 2014 as Group Manager Corporate Affairs and serves as Joint Company Secretary, having been appointed to the role in February 2017.

With significant experience in corporate affairs, legal, company secretarial and general management, Ms Terry has previously held senior executive and Board roles across a number of sectors including automotive, telecommunications and superannuation.

Ms Terry holds a Bachelor of Economics and Bachelor of Laws (Honours) and a Graduate Diploma of Business (Accounting).

Gerhard Veldsman

Executive GM Pilbara Operations

Mr Veldsman was appointed Executive General Manager Pilbara Operations in February 2018. He started his career at Fortescue in 2011 and has led the Port and Rail operations and Solomon Hub. Most recently, he was GM Iron Ore Projects, responsible for the Iron Bridge Joint Venture Magnetite Project and feasibility studies into the Western Hub and Nyidinghu.

With more than 15 years' industry experience spanning various commodities and operations in Australia and South Africa, Mr Veldsman's previous experience includes senior operations management, asset reliability and overseeing mechanical, structural and expansion projects.

Mr Veldsman holds a Bachelor of Engineering (Mech), Masters of Engineering (Mech), and is registered as a Professional Engineer in South Africa.

Rob Watson

Group Manager Health and Safety

Mr Watson was appointed Group Manager Health and Safety in 2014 after joining Fortescue in 2011. Prior to this, Mr Watson spent 15 years in a number of senior corporate health and safety roles in large mining companies.

Mr Watson's career in health and safety spans over 25 years in a number of industries and commodities. Mr Watson holds a Masters in Occupational Health and Safety.

Fortescue's Vision

To be the safest, lowest cost, most profitable mining company.

Values



Safety

Look out for our mates and ourselves



Empowerment

Take action and encourage your team



Family

Care for your work mates



Frugality

Use your brain not your cheque book



Stretch targets

Deliver against challenging targets



Integrity

Do what you say you're going to do



Enthusiasm

Be positive, energetic



Courage and determination

Never, ever give up



Generating ideas

Always be on the lookout for better ways



Humility

Show vulnerability in leadership



02

Operating and Financial Review

Overview



Operating and financial highlights

Production

170 _{mt}

C1 costs

US\$
12.36 _{/wmt}

Cash on hand

US\$
863 _m

Revenue

US\$
6.9 _{bn}

Gross debt

US\$
4.0 _{bn}

Net debt

US\$
3.1 _{bn}

Overview of operations

Chichester Hub

The Chichester Hub in the Chichester Ranges, comprising the Cloudbreak and Christmas Creek mines, has an annual production capacity of 95 million tonnes per annum (mtpa) from three Ore Processing Facilities (OPFs).

Fortescue's innovative Papa Waringka (Niyiyaparli language for water in the ground) Managed Aquifer Recharge Program at the Chichester Hub represents one of the largest dewatering schemes in the world and is fundamental to the Company's commitment to protecting the adjacent Fortescue Marsh.

The Christmas Creek and Cloudbreak teams are proud of their strong relationships with the local Aboriginal people as Fortescue's Chichester operations covers Niyiyaparli, Palyku, Njamal and Martu Idja Banjima Native Title groups.

During the year, Fortescue converted Native Title Agreements with the Niyiyaparli and Palyku people to Indigenous Land Use Agreements, further strengthening the Company's long-term relationships with the Traditional Custodians.

Throughout the year, having successfully completed training at Fortescue's VTEC in Port Hedland, 10 VTEC trainees began full-time employment at the Chichester Hub.



Christmas Creek



Cloudbreak

Solomon Hub

The Solomon Hub in the Hamersley Ranges is located 60 kilometres (km) north of Tom Price and 120km to the west of Fortescue's Chichester Hub. It comprises the Firetail and Kings Valley mines which together have production capacity of 75 mtpa.

Fortescue is committed to maximising the Pilbara's rich endowment of natural gas to its advantage. The Fortescue River Gas Pipeline operating at Solomon reduces the mine's

diesel consumption and drives sustainable improvements in greenhouse gas emissions and energy intensity.

Operating on Yindjibarndi, Eastern Guruma, Ngarluma/ Yindjibarndi and Kariyarra land, Solomon is proud to provide training and employment opportunities for Aboriginal people. In FY18, 12 VTEC graduates from Fortescue's VTEC training centre in Roebourne started full-time work at the Solomon Hub.



Solomon

Hedland Operations

Fortescue wholly owns and operates its purpose built and designed rail and port facilities, constructed to deliver iron ore from its mines to Port Hedland and on to its customers. Covering 620km of track, the railway is the fastest, heavy haul line in the world. The port has five operating berths and is capable of exporting more than 170mtpa, making Fortescue's port the most efficient bulk port operation in Australia. Construction of Fortescue's tug haven commenced during the year.

During FY18, a shelterbelt or 'green windbreak' was planted at Fortescue's port. The 3,000 trees, purchased from the Pilbara's only commercial native plant nursery, form a 2.2 kilometre by six metre vegetation belt which will decrease wind speeds across Fortescue's operational sites, reducing capacity for open areas to generate dust.

With its port operations built on Kariyarra land, Fortescue converted the Native Title Agreement with the Kariyarra people to an Indigenous Land Use Agreement in FY18. Fortescue is a proud member of the Port Hedland community and supports a residential workforce of 374 people.

Eliwana

During the year, Fortescue's Board approved the development of the Eliwana mine and rail project. With an estimated capital cost of US\$1.275bn, the development consists of 143km of rail and a new 30mtpa dry OPF.

This project is important to Fortescue and the state of Western Australia, creating up to 1,900 jobs during construction, 500 full-time site positions once operational and the continued flow of benefits to local communities and the state economy.

Iron Bridge

Iron Bridge, located 100km south of Port Hedland, is a joint venture between Fortescue, Taiwan's Formosa Group and China's Baosteel Resources Ltd, a subsidiary of China's Baowu Group, incorporating the world class North Star and Glacier Valley Magnetite ore bodies. Feasibility studies for the high grade magnetite project continue to be assessed with a decision, in conjunction with Fortescue's joint venture partners, expected during the 2018 calendar year.

Exploration

Fortescue has the largest tenement portfolio in the Pilbara. Details of the Company's Reserves and Resources are summarised in the Ore Reserves and Mineral Resources Report on pages 35 to 42 of the FY18 Annual Report. Exploration activity in FY18 included the discovery of several iron ore deposits along the southern and western margins of the Jeerinah Anticline in the western portion of the Hamersley Group.

During the year, Fortescue continued to undertake early stage, low cost exploration on copper-gold prospective tenements in South Australia and New South Wales.

South America

Fortescue continued to assess exploration and development opportunities throughout South America including Ecuador, Colombia and Argentina. As Fortescue increases its presence and exploration activities in these countries, the Company is committed to providing training and employment opportunities for local, Indigenous communities. In Ecuador, Fortescue has engaged with the community to create field assistant roles to support exploration activities.



Construction of Fortescue's tug haven commenced during the year.

Empowerment is at the heart of Fortescue's approach to Corporate Social Responsibility





03

Approach to Corporate Social Responsibility

Creating shared value

Corporate Social Responsibility (CSR) is Fortescue's commitment to behave ethically, to create value for the Company's stakeholders, to protect Aboriginal heritage and the environment and to empower and partner with communities to build capability and capacity.

Fortescue is committed to ensuring communities benefit from its growth and development and recognises that, in order to achieve its vision of being the safest, lowest cost, most profitable mining company, CSR must be embedded within all aspects of its business.

Empowerment is at the heart of Fortescue's approach to CSR – as is an absolute determination to achieve practical outcomes.

It is demonstrated by Fortescue's ability to empower individuals within the Company and communities to be their best; to find innovative solutions to the most complex business and societal challenges and to find ways to improve the business' bottom line while delivering positive change.

Compliance with all relevant legislation and obligations including those that govern health, safety and environment is the absolute minimum standard to which the Company adheres.

Fortescue's Values form the foundation of the Company's approach to CSR, setting the ethical and moral compass by which business is undertaken. Fortescue's Code of Conduct and Integrity establishes the essential standards of personal and corporate conduct and behaviour of employees, suppliers and contractors.

This strong base supports the Company's commitments and principles and leads to the development and implementation of policies, opportunities and objectives, ultimately informing the application of specific business unit targets, processes and plans.

Strategy:

Fortescue's people deliver shared value by maximising their energy and targeting their resources.

Material issues

This report covers the material issues associated with Fortescue's operations.

Issues are considered material if they reflect the Company's key environmental, social and economic impacts or if they influence the assessments and decisions of stakeholders.

CSR material issues are determined via an annual assessment process that considers associated risks and opportunities and internal and external stakeholder views. The assessment is undertaken through a cycle of identification, prioritisation, validation and review.



During FY18, the assessment included consideration of the following:

- Fortescue's existing CSR initiatives
- Material issues identified by peers and sustainability leaders
- Corporate risk assessments outcomes
- Existing company policies, standards and guidelines
- Outcomes of internal and external engagement
- Media and investor interest areas
- Government/regulator interest and feedback.

Priorities were informed by internal and external engagement which included focussed workshops with Fortescue's leaders and consultation sessions offered to all employees.

Materiality was validated by subject leaders and the executive team. Specific formal feedback on material issues will be sought from stakeholders during FY19.

Based on this assessment, the following were determined to be Fortescue's most material issues:

- Employee health and safety
- Creating employment and business opportunities for Aboriginal people
- Ensuring ethical conduct
- Eradicating slavery in the supply chain
- Building local communities
- Workforce diversity
- Protecting biodiversity and water resources
- Protecting Aboriginal culture and heritage
- Climate change action and disclosure.

Fortescue's performance against each material issue is reported against three core areas:

Setting high standards

by championing safety, preserving Aboriginal heritage, embracing diversity and demonstrating integrity

Creating positive social change

by building local communities, empowering Aboriginal people and eradicating modern slavery in Fortescue's supply chain

Safeguarding the environment

by protecting biodiversity, managing water resources, reducing greenhouse gas emissions and waste

United Nations Sustainable Development Goals

On 25 September 2015, the United Nations adopted the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development. The goals are a call for global action to end poverty, protect the planet and ensure all people are able to enjoy peace and prosperity.

Fortescue is committed to contributing to the achievement of these goals. The table below demonstrates how the Company's CSR targets, are working towards the SDGs.

Material issues, related targets and link to SDGs

Target	Performance	Comments	SDGs
Employee health, safety and wellbeing			
Annually, achieve zero fatalities at Fortescue's operations		Zero fatalities in FY18	  
By 2020, reduce injuries to lowest TRIFR and severity quartile of resources industry		TRIFR – 3.7	
By the end of FY18, achieve top quartile Safety Excellence and Culture Survey results		94% of employees and contractors completed the survey	
By the end of FY18, develop and implement a business-wide healthy lifestyle program		Business wide healthy lifestyle program - Health inSite launched in February 2018	
Annual decrease in positive alcohol and illicit drug test results		Percentage of positive drug tests reduced by 28% in the last two years	
Workforce diversity			
By 2020, achieve an employment rate of 25% women		Female employment rate of 17.4%	  
By 2020, achieve an employment rate of 30% women in manager and above roles		24% of GM roles and above are female 22% of manager roles are female	
Annually, support community led programs empowering women and ending discrimination		Various programs supported including Port Hedland Women's Refuge and White Ribbon Day including Port Hedland's White Ribbon Day march	
Protecting Aboriginal heritage			
Annually, ensure Fortescue has no impact on Aboriginal heritage without free, prior and informed consultation with Aboriginal people		No reportable heritage incidents in FY18	 
Ethical conduct, anti-bribery and corruption			
Annually, ensure ethical conduct is maintained by targeting leadership programs, training, performance assessments and remuneration		Leadership programs, training, performance assessments targets to ensure ethical conduct	    
Annually, meet and exceed global anti-bribery and corruption standards including requirements in respect to <i>US Foreign Corrupt Practices Act</i> (FCPA) and <i>UK Anti-Bribery Act</i>		No violations of anti-bribery and corruption laws	

Target	Performance	Comments	SDGs
Creating opportunities for Aboriginal people			
By 2021, achieve a spend of 10% of total procurement with Aboriginal businesses, with 50% of the number of contracts awarded to businesses with more than 50% Aboriginal ownership		7.5% spend of total procurement with Aboriginal businesses	
By 2020, achieve an employment rate of 20% for Aboriginal people across the business		14.1% of the workforce is Aboriginal	
By 2020, achieve an employment rate of 10% for Aboriginal people in leadership roles		7% of leadership positions held by Aboriginal people	
By 2022, achieve an employment rate of 20% for Aboriginal people in skilled trades		15% of skilled trade positions held by Aboriginal people	
Annual involvement in the policy debate to address Aboriginal disadvantage		Ongoing contribution to policy debate through engagement with peers, government and industry groups	
Annually, deliver at least two major community projects with Indigenous Land Use Agreement partners		Major community projects delivered including the Big hART and Jawun Programs	

Building local communities			
Annually, achieve at least 5% of actual spend with local Pilbara suppliers		Spend of 7% achieved with local suppliers	
By the end of FY18, update the approach to local employment and Fortescue's residential workforce		Approach to local employment and Fortescue's residential workforce updated	
By the end of FY18, review and update the community investment strategy		Community Investment Strategy updated in FY18	

Respecting human rights			
Annually, source 100% of procurement through compliant suppliers		No suppliers were identified as having a significant role in incidents of modern slavery	
By the end of FY18, complete an audit of high risk suppliers		No high risk suppliers onboarded in Australia	
By mid FY19, complete a human rights assessment across the business		Human rights assessment completed in FY18	
Annual, active engagement on human rights issues in business		Ongoing program. Engagement with peers, stakeholders and regulators	

Target	Performance	Comments	SDGs
Safeguarding the environment			
Achieve a net positive impact on biodiversity		Ongoing program	  
Annual improvement in water use efficiency		Efficiency improvement met	
By the end of FY18, complete investigations into alternative water disposal options		Alternative water disposal options investigated and assessed	
By FY21, complete and publish findings of a Pilbara-wide hydrogeological systems study		Data collection commenced in FY18	
By mid FY18, develop and communicate a whole of business closure standard		Business closure standard communicated in FY18	
By mid FY18, establish a Closure Steering Committee to oversee closure planning and implementation		Closure Steering Committee established in FY18	
By the end of FY18, develop a stakeholder engagement strategy on mine closure		Mine closure engagement incorporated into Company stakeholder engagement strategy	
By mid FY18, develop a product lifecycle and waste disposal procurement policy (excluding large mining tyres known as OTRs)		Waste disposal procurement policy developed in FY18	
By the end of FY18, achieve >90% recycling rate for total waste volumes		86% of waste materials recycled	
By the end of FY20, identify a sustainable disposal method for OTRs and conveyor belt		Investigation ongoing	
Climate change and emissions reduction			
By FY20, achieve a 25% decrease in emissions intensity in electricity generation from FY15 levels		15% reduction in emissions intensity in electricity generation from FY15 levels	   
By FY20, achieve a 5% decrease in emissions intensity in energy consumption in the production process from FY17 levels		3.7% reduction in emissions intensity in energy consumption in the production process from FY17 levels	

-  Target met
-  Target on track
-  Target not met

04

Corporate governance



Good governance is embedded throughout Fortescue and is the collective responsibility of the Board of Directors and all levels of management. Fortescue seeks to adopt leading practice, contemporary governance standards and apply these in a manner consistent with its culture and Values.

Fortescue supports the intent of the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations 3rd Edition (Principles and Recommendations) and meets the specific requirements of the Principles and Recommendations, unless otherwise disclosed. Fortescue is also monitoring the development of the 4th Edition of the Principles and Recommendations and welcomes the enhanced focus on corporate culture in driving ethical and socially responsible behaviour, as outlined in the Public Consultation document, issued on 2 May 2018 by the ASX Corporate Governance Council.

The cornerstone principles of corporate governance at Fortescue are:

Transparency: Being clear and unambiguous about the Company's structure, operations and performance, both externally and internally, and maintaining a genuine dialogue with, and providing insight to stakeholders and the market generally.

Integrity: Developing and maintaining a corporate culture committed to ethical behaviour and compliance with the law.

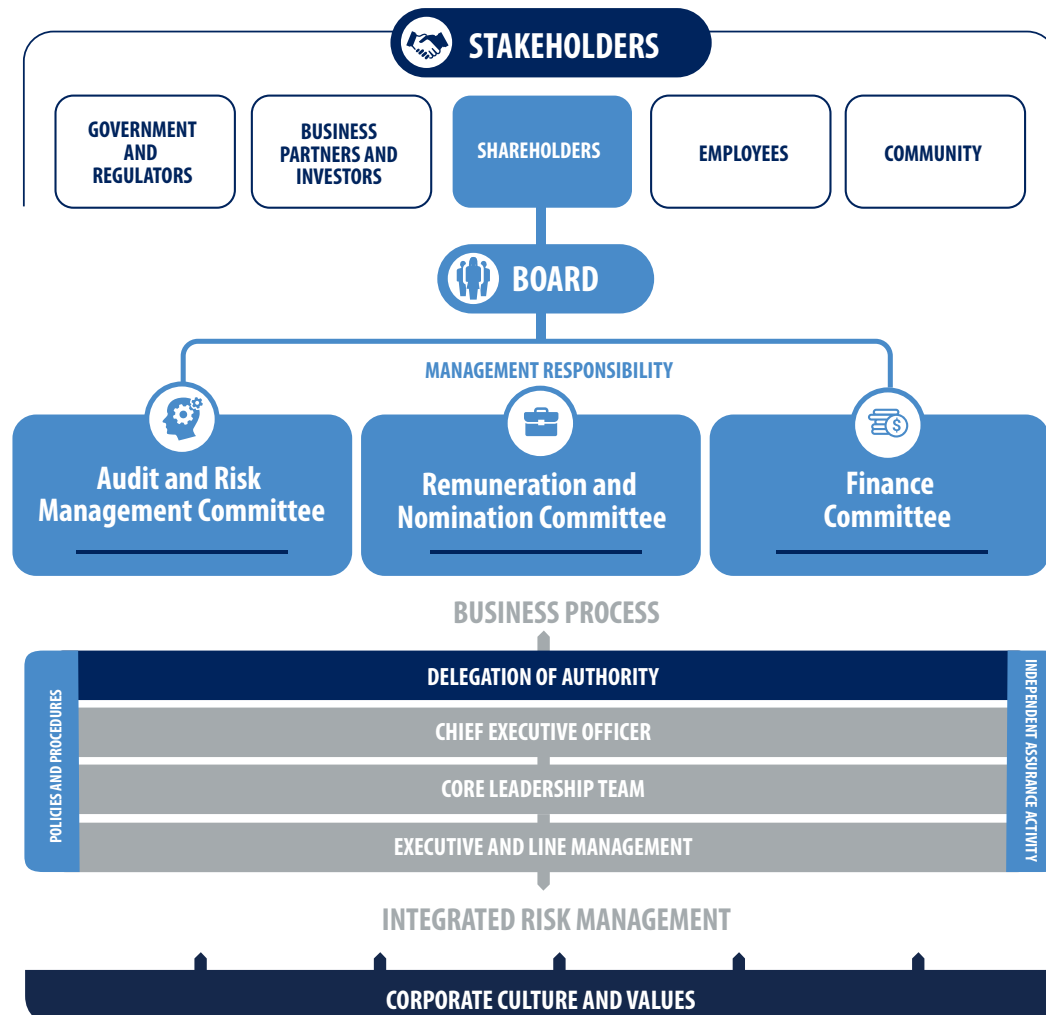
Empowerment: Everyone at Fortescue is empowered to make decisions that support the organisation's objectives and are in the best interests of stakeholders. Management and staff are encouraged to be innovative and strategic in making decisions that align with Fortescue's risk appetite and are

undertaken in a manner with corporate expectations and standards.

Corporate accountability: Ensuring that there is clarity of decision making within the Company, with processes in place to ensure the right people have authorised approval to make effective and efficient decisions, with appropriate consequences delivered for failures to follow those processes.

Stewardship: Developing and maintaining a Company-wide recognition that Fortescue is managed for the benefit of its shareholders, taking into account the interests of other stakeholders.

A full copy of the Corporate Governance Statement is available on the Company's website at www.fmgil.com.au





05

Engaging with stakeholders

Working together

Overview

Meaningful stakeholder engagement is at the heart of Fortescue's approach to building trust and understanding within the communities in which it operates.

The Company's Stakeholder Engagement Framework encourages open, transparent, continuous and inclusive communication, allowing new relationships to be developed and existing ones to grow.

Fortescue has ongoing interactions with a large number of stakeholders and identifies stakeholders based on the level of interest, potential impacts and opportunities related to its activities, prioritising those who may be directly impacted.

The Company works to ensure the resolution of grievances in a transparent and accountable manner via the formal process outlined in the External Stakeholder Grievance Procedure.

Feedback mechanisms and a monitoring and evaluation process are adopted to ensure continual improvement. A summary of the interests of key stakeholders, and the engagement and responses provided in FY18 is detailed on the following pages.



Employees

Interests

- Ensuring a safe workplace
- Fostering a rewarding work environment, where employees feel empowered through career development and promotional opportunities
- Building a strong and unique culture through a Values-driven approach
- Building and maintaining diversity and committing to preventing discrimination of any form
- Flexible working arrangements

Engagement/response

- Regular, open, internal communication events including whole-of-team weekly meetings and senior leader forums with the CEO and Core Leadership team
- Leadership Excellence Pathway to provide professional development for employees
- Annual Safety Excellence and Culture Survey and regular engagement on safety performance and improvement
- Formal employee recognition programs, such as Northern Spirits for exceptional performance, and Legends events for employment milestones
- Internal communication channels including pre-start meetings, internal social media platform; Workplace, Company-wide emails, site notices, intranet, internal newsletter, Fortescue TV screens, live-streamed Workplace meetings and events
- Ongoing implementation of Fortescue's FY18 Diversity Plan
- Celebrating Fortescue's 15 years of milestones through live streaming the One Billionth Tonne celebrations, 10 years since first ore was shipped event and the Company's 15th birthday



Customers

Interests

- Safe, reliable and consistent supply and delivery of blended iron ore products
- Maintenance of strong technical and commercial relationships through timely, open and honest communication

Engagement/response

- Regular engagement, including face to face and electronic communication
- In-country presence through offices in Shanghai and Singapore
- Highly skilled and experienced marketing and sales team
- Quality control of product
- Implementation of targeted, continuous improvement programs
- Visits to customer operations
- Customer visit to Fortescue's Cloudbreak operations in May 2018



Shareholders and Investors

Interests

- Delivery of strong shareholder returns
- Management of risk
- Delivery of cashflows to maintain a strong balance sheet
- Strong governance

Engagement/response

- Regular briefings including quarterly, half year and full year results
- Regular meetings and briefings of financiers and investors including site visits
- Email alert systems that allow interested parties to register for automatic ASX lodgement notifications
- Participation in investor/advisor sustainability assessments including the 2017 Dow Jones Sustainability Index Assessment
- Annual General Meeting



Local communities

Interests

- Sustainable growth and development for communities through local training, employment and business opportunities, education and other services
- Development of a diversified local economy - interface with mining, agriculture and tourism industries
- Potential environmental, economic and social impacts associated with Fortescue's operations
- Culture and heritage management

Engagement/response

- Community development plans
- Dedicated community office and community engagement team
- Meaningful community consultation and engagement
- Fortescue-hosted community events
- Fortescue community support program
- Partnerships and investments in significant projects
- Fortescue's Vocational Training and Employment Centre (VTEC)
- Dedicated heritage, pastoralist and Aboriginal development teams
- Implementation of Fortescue's Stakeholder Engagement Framework
- Local procurement targets and strategy
- Targeted proposal presentations



Native Title Partners

Interests

- Native Title rights and interests
- Compliance with Land Access Agreements (LAAs) and Indigenous Land Use Agreements (ILUAs)
- Strengthening cultural awareness and understanding
- Opportunities through training, employment, and business development
- Potential environmental and social impacts of operations

Engagement/response

- Dedicated Aboriginal heritage, Native Title and Aboriginal development teams
- Progressive negotiated review of LAAs and registration of ILUAs
- Regular communication and consultation with Native Title groups and prescribed working group committees
- Support for Aboriginal heritage protection and promotion activities
- Continued growth of the Billion Opportunities Program
- Fortescue's Vocational Training and Employment Centre (VTEC)
- Targeted and tailored business development meetings
- Fortescue hosted business and employment exhibitions and events
- Local content procurement targets and strategy
- Dedicated community office and community engagement team
- Development and implementation of multiple programs for education and professional development such as high school scholarships, cadetships, school and work based traineeships and University Graduate Program
- Continued participation in national policy debates



Suppliers and contractors

Interests	Engagement/response
- Ensuring economic opportunity through sustainable business development - Working together to achieve mutually beneficial outcomes - Transparent communication through procurement processes	- Regular meetings, communication and reviews with strategic suppliers and contractors - Strategic relationships and partnerships developed with contractors and suppliers - Continued growth of the Billion Opportunities Program - Local content procurement targets and strategy - Strong policy framework - Early engagement with key contractors and suppliers for major projects - Practical solutions to support Aboriginal and local businesses such as 14 day payment terms and ANZ Leasing Facility



Government and regulators

Interests	Engagement/response
- Job creation, economic activity and local content - Social and environmental impacts, management and biodiversity offsets - Environmental, social and fiscal performance and compliance - Legislative and regulatory policy frameworks - Land access and approvals - Community development - Royalty payments - Tax transparency	- Regular, ongoing engagement with Government and regulators at Federal, State and Local levels - Public information including financial results and development of community reports - Signatory to the <i>Tax Transparency Code of Australia 2016</i> - Detailed annual compliance reporting - Contributing to government/regulator policy development including on modern slavery - Providing site visit opportunities



Pastoralists

Interests	Engagement/response
- Protection and maintenance of productivity levels - Preservation of groundwater reserves - Safeguarding of grazing areas	- Dedicated pastoral access team - Formal agreements - On ground mitigation of impacts - Ongoing, informal and formal consultation with individual pastoralists - Minimise and offset impacts on pastoral operations



Educational institutions

Interests	Engagement/response
- Providing access to career pathways and opportunities - Supporting Aboriginal students and creating economic opportunity through education and training - Attracting high calibre employees by positioning the Company as an employer of choice	- Development and implementation of multiple programs including high school scholarships, cadetships and school and work based traineeships, Fortescue's Trade Up and University Graduate Program - Involvement in local career expos such as AMMA Resources Connect - Site visits and work placement opportunities - Operational funding for Hedland Senior High School Trade Training Centre - Engagement with universities across Australia to encourage graduates to join the Fortescue family - Australia China University partnership



Non-government organisations

Interests

- Social and environmental impacts and their management
- Environmental performance
- Community engagement
- Human rights performance

Engagement/response

- Involvement in UNGC and other industry forums
- Continued inclusive engagement and consultation
- Partnerships in delivery of services and supporting programs
- Development of corporate policies
- Reporting, ASX announcements and media releases
- External Stakeholder Grievance Procedure
- Maintenance of strong environment and community teams



General community

Interests

- Social and environmental impacts and their management
- Community engagement
- Environmental performance
- Human rights performance
- Employment and business opportunities
- Community support

Engagement/response

- Regular communication and consultation including specific forums on social and environmental impact mitigation and management for new developments
- Targeted and tailored business development meetings
- Fortescue hosted business and employment exhibitions and events
- Local content procurement targets
- Dedicated community office and community engagement team
- External Stakeholder Grievance Procedure
- Continued support for community programs and events



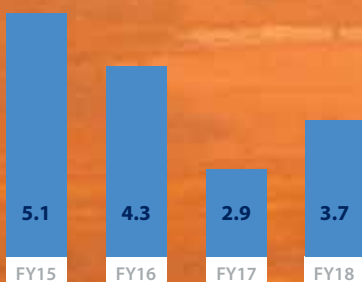
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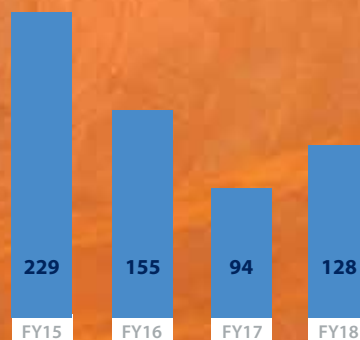
Setting high standards

Championing safety,
embracing diversity and
demonstrating integrity

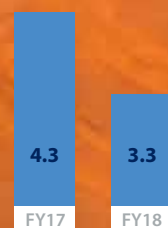
Total Recordable Injury
Frequency Rate (TRIFR)



Severity Rate



Significant Incident
Frequency Rate (SIFR)
per million hours



Employee health, safety and wellbeing

Objective

To be global leaders in safety across all operations.

Target

- Annually, achieve zero fatalities at Fortescue's operations
- By 2020, reduce Total Recordable Injury Frequency Rate (TRIFR) and severity to the lowest quartile of the resources industry.

The mining industry still has one of the highest fatality rates of any industry. Fortescue acknowledges its activities have the potential to expose its employees, contractors and communities to health and safety risks and works diligently to identify these risks and ensure adequate controls are in place to mitigate them.

Safety is Fortescue's number one priority and the Company focusses on building safety leadership and a culture that empowers each person to look out for their mates. Every team member working on Fortescue sites is encouraged to pause and take the time to assess a task to ensure it is safe before proceeding.

The Company implements a program of education, coaching, training, monitoring and reporting, to encourage continuous improvement and is actively engaged at both a local and global level.

The prevention of high-risk events is managed through the implementation of a critical control monitoring program, where critical control audits are conducted by leadership teams, made up of leaders from sites, to ensure these controls are in place and effective.

Fortescue's Board of Directors is responsible for overseeing the management of safety and occupational health, while the Core Leadership team has overall responsibility to ensure health and safety in the workplace.

Case Study Health and Safety Program



Fortescue has implemented a tiered Health and Safety Program to ensure a consistent approach to safety management across the business. The program includes:

- **Health and Safety Management Standards**
An overarching framework which includes all of the controls required to achieve safe outcomes
- **Major Hazard Control Standards**
65 common and 14 site-specific critical controls, which are continuously monitored across all areas of the business by leaders to ensure fatality and serious injury risks are eliminated
- **Life Saving Choices**
12 simple rules which empower all employees and contractors to manage the fatality risks where they have direct control and influence of the job
- **Mental health and wellbeing blueprint**
Outlines Fortescue's approach to ensuring the health and wellbeing of the workforce is effectively managed.

Fortescue strives to be a global leader in health and safety. There were no workplace fatalities or prosecutions in FY18 for workplace safety breaches.

During FY18, the Significant Incident Frequency Rate (SIFR) per million hours reduced from 4.3 in FY17 to 3.3, totalling a 23 per cent reduction. A Company-wide focus on improving safety has seen Fortescue's TRIFR reduce by 38 per cent over the past five years, including a reduction of 14 per cent in the past two years despite an increase in the last year.

By having a focussed effort on proactive injury management, Fortescue's injury severity rate per million hours worked has reduced by 22 per cent over the past two years and increased over the last year.

Fortescue's reporting is aligned with the United States Government Occupational Safety and Health Administration (OSHA) guidelines for the recording and reporting of occupational injuries and illnesses. The rates provided include all employees and contractors working on a Fortescue site and are based on one million hours. The severity rates include days lost and days restricted from work and are also based on one million hours.

Zero

workplace fatalities
since FY14

Safety culture

Objective

To continuously improve and develop a leading safety culture that works towards an organisational wide value for safety, that is led by leadership teams and to create an organisation that actively cares for all employees and contractors.

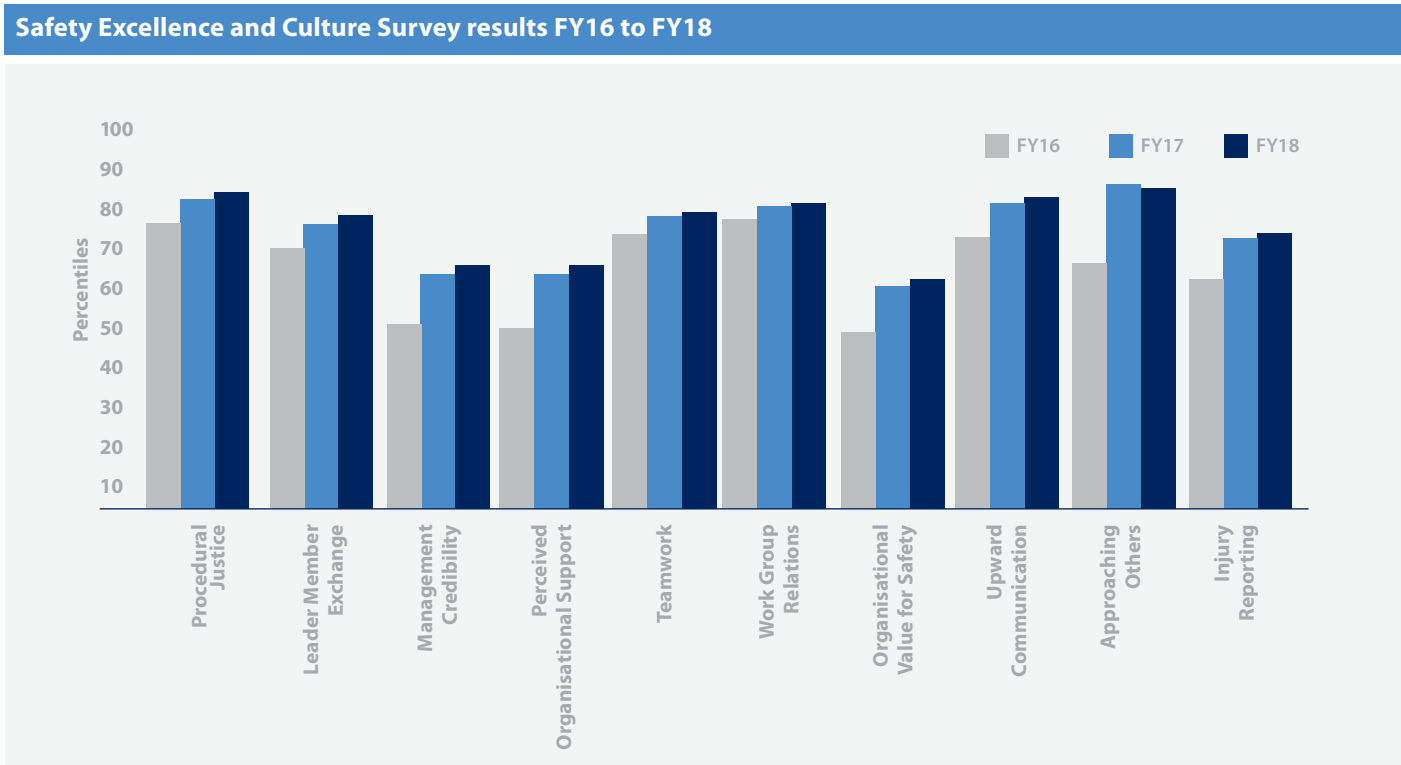
Target

By the end of FY18, achieve top quartile Safety Excellence and Culture Survey results.

Fortescue conducted an independent Safety Excellence and Culture Survey of its employees and contractors in May 2018. This annual survey is a valuable tool to engage with employees and contractors and identify further opportunities to improve the Company’s unique safety culture.

The survey was completed by 94 per cent of eligible participants, compared to 92 per cent in FY17. This represents almost 6,700 responses.

The improvement in culture of the workforce from FY16 to FY18 is illustrated below:



Case Study

Controlling Energies Program

During FY18, a Controlling Energies Program was developed and implemented across all mobile maintenance teams within Fortescue. The objective of this program was to ensure that mobile maintenance trades personnel were competent in controlling all energy sources whilst maintaining surface mobile equipment.

The program content was developed by mobile maintenance trades personnel by focussing on specific machine types and outlined how to effectively control energy sources which have the potential to be fatal or cause serious injury or harm.

The program was owned and implemented by the operational mobile maintenance teams and was delivered by the leaders

in an engaging workshop, with feedback noting a refreshed focus and greater understanding of potential hazardous energy sources with the information easily accessible, via simple matrixes. The result of this program is a safety package that is designed especially for upskilling and keeping mobile maintenance workers in control of potentially damaging energies.

An example of one of the energies required to be controlled for excavators involves the hydraulic energy stored in the boom stick prior to commencing maintenance activities.

The program is currently also being adopted by contractor partners within Fortescue’s operations.

Promoting healthy lifestyles

Objective

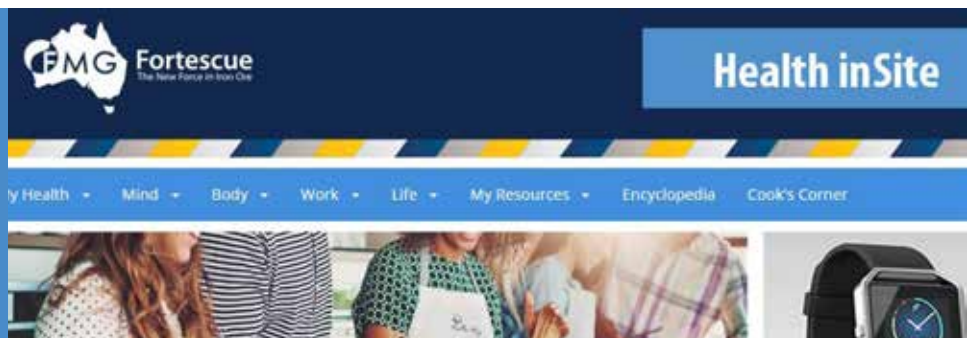
To promote the value of a healthy lifestyle to Fortescue employees and contractors, emphasising mental and physical wellbeing.

Target

By the end of FY18, develop and implement a business-wide healthy lifestyle program.

To support its employees on the journey to better health, Fortescue introduced Health inSite.

Case Study Health inSite



A healthy body and mind helps individuals succeed at both home and work and contributes to stronger relationships with those around us.

To support its employees on the journey to better health, Fortescue introduced Health inSite in February 2018, an online health and wellbeing resource that provides individuals with tailored information and advice based on their health profile.

Also available on mobile devices, the online resource allows staff to access:

- Individual health recommendations
- Nutrition and fitness advice
- Recipes
- Health and wellbeing articles.

Alcohol and other drugs

Objective

To address the prevention of substance abuse, including the harmful use of alcohol and illicit drugs.

Target

Annual decrease in positive alcohol and illicit drug tests.

Fortescue's alcohol and other drugs (AOD) program reinforces the importance of maintaining a zero tolerance of alcohol and drugs while working.

In FY18, Fortescue conducted over 20,000 drug tests across sites through random, blanket or 'for cause' programs.

The percentage of positive drug tests reduced by 18 per cent in the last two years. This reduction can be attributed to a range of initiatives including online awareness and education training, the 'Speak Up' program and the continued support provided to employees by leadership, the Fortescue Chaplains and the Employee Assistance Program.

18%
**reduction in positive
drug tests since FY16**



Fortescue would not be where it is today without the hard work and dedication of its people.

5,751

Direct employees

A\$

71m

**Total
superannuation**

A\$

694 m

Total salaries

Fortescue family

Fortescue would not be where it is today without the hard work and dedication of its people.

The Company strives to be an employer of choice and implements programs and incentives to attract, develop, challenge and retain its people.

Fortescue respects freedom of association, the right to a fair wage and ensures all employees are treated fairly and without

discrimination including against age, race, gender, political or religious belief, culture, family commitments, physical or mental ability, marital status or sexual orientation.

As at 30 June 2018, Fortescue employed 5,751 employees. Of these, 347 were permanent part-time employees and 1,226 people worked under labour hire contracts. 52 per cent of Fortescue's employees were covered by enterprise agreements and the annualised voluntary turnover is 10.5 per cent.

Fortescue is a values-based business with a unique and strong culture that is maintained and strengthened through its leaders and every employee.

Case Study

Values Forums 2018



Safety and family shine through

In May 2018, Fortescue's Core Leadership team (CLT) held a series of interactive Values Forums in Perth, Solomon Hub, Cloudbreak, Christmas Creek and Hedland Operations.

More than 400 people attended the forums where they were given a business update by the CLT and then led discussions on Fortescue's Values.

CEO Elizabeth Gaines, said she was pleased to see the number of participants at the Forums and was buoyed by their enthusiasm to have their say on the Values which underpin the business.

"Particular emphasis was placed on safety and the importance of family which we will continue to focus on throughout all facets of our operations," she said.

Employee engagement is a key priority for Fortescue and the Company is committed to ensuring its employees are provided with opportunities to help shape the way it conducts business.

As a result of the Values Forums, a Values campaign is underway to reinforce all 10 Fortescue Values by using examples across the workplace.

Supporting leaders

Fortescue places great importance on personal leadership development and implements a number of programs and initiatives to support its leaders through the Leadership Excellence Pathway. The pathway includes a two-day Emerging Leaders Program, four-day Leadership Fundamentals Program, two-day Advanced Leadership Program and short and targeted Leadership Development Programs on sites, focussing on specific leadership aspects.

In FY18, 1,084 current and emerging leaders completed formal leadership training in 91 courses. Since its inception in 2015, 4,551 leaders have completed this development program.

For the last five years, Fortescue has also provided career resiliency training to support high performing female employees to develop their careers and achieve their potential. In FY18, this commitment was extended to include a pilot program for males and females at its Solomon Hub. Over the course of the year, 40 females and eight males attended the course.

Recognising the Fortescue team

Fortescue's employee recognition program, Northern Spirits, celebrates and rewards Fortescue team members who strengthen the Company's culture.

The awards recognise the contribution of team members against one of the six categories:

1. Keeping our mates and ourselves safe
2. Building great team culture
3. Inspiring female employees to thrive
4. Having a crack at the bottom line
5. Closing the gap by supporting Aboriginal achievement
6. Going the extra mile for our community.

Employee support

Fortescue's Chaplaincy is a dedicated pastoral care service available to all employees, contractors and their families. The vision of Fortescue's Chaplaincy is to be proactive in offering pastoral care in a welcoming and wholesome work environment. The Chaplaincy also provides support to families at home when employees are on sites.



Company Chaplain David Bradbury, providing support.

Case Study

New career opportunities



Fortescue's innovation projects, including the Autonomous Haulage System (AHS) rollout and the Cloudbreak relocatable conveyor trial, provided the Company's mining operators with the opportunity to explore a career in a different area of the business.

Many of these employees started their journey with Fortescue through VTEC.

During the year, a series of career nights were held for employees to find out more about other roles that interested them. These events were attended by more than 400 people.

Employees also spent time with their leaders to discuss career goals and Career Centres were established to provide ongoing advice and support.

Career opportunities were also provided through training programs, internal promotions and transfers and flexible work arrangements, including job share. 108 employees have started new roles across the business through this successful initiative.

Case Study

New opportunities for apprentices



28 apprentices from Fortescue's Apprenticeship Program successfully gained permanent employment during FY18, representing Fortescue's largest cohort of apprentices to graduate to date.

The Apprenticeship Program has been running for over seven years and covers a range of trades to support the business, including electricians, heavy vehicle mechanics, fixed plant mechanics, fabricators and light vehicle mechanics.

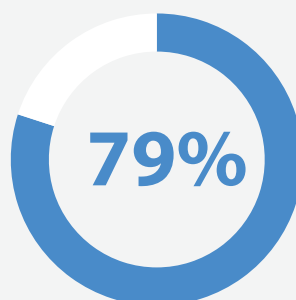
It complements other initiatives already in place, including Fortescue's Trade Up Program and Vocational Training and Employment Centres, which are providing sustainable career development prospects for Aboriginal and female team members.

Graduate Thomas Thyne, who commenced employment at Cloudbreak as a heavy mobile mechanic, said the program has allowed him to complete his apprenticeship and also gain confidence working as part of a large team.

"The inclusion in our apprenticeship of six-monthly rotations across different sites, as well as a three-month external secondment, means you become a well-rounded tradesperson through exposure to all aspects of trades," Thomas said.

Fortescue's Apprenticeship Program has a 98 per cent completion rate, compared to the national average of 63 per cent and 52 per cent in Western Australia.

The Company is particularly proud that 79 per cent of its apprentices are Aboriginal, compared to 3.5 per cent Australia-wide.



of all Fortescue's apprentices are Aboriginal.



Fortescue celebrates and respects its people's differences and is committed to being inclusive at all times.

The Company strives to create a welcoming and encouraging environment which directly enhances Company success by improving diversity.

Workplace diversity

Objective

Increase the number of female employees and leaders, to build a more inclusive culture.

Target

- By 2020, achieve an employment rate of 25 per cent women
- By 2020, achieve an employment rate of 30 per cent women in manager and above roles.

Objective

Support the empowerment of women and end discrimination in local communities.

Target

Annually, support community led programs empowering women and ending discrimination.

Case Study

CEO Elizabeth Gaines' thoughts on diversity in the workplace



I spent a number of my early school years in the Kimberley where the benefits of diversity were made clear to me from a very early age. I found myself in classrooms full of children from all walks of life, who brought a whole range of different experiences and perspectives.

Through that lens and from my experiences throughout my life and career, I have seen first-hand that encouraging diversity is not just the right thing to do, it is the smart thing to do.

There is evidence that diversity in the boardroom delivers better outcomes for shareholders.

In recent years, strong progress has been made on this front and I am proud to be part of a company with over 50 per cent female representation on our Board of Directors.

However, if you look at Australia's top ASX100 companies, there are currently more CEOs with the name 'Dave' or 'John' than there are women CEOs. Corporate Australia needs to address this by focussing on leadership development, retention of female talent and ensuring more balance and flexibility in the workplace to ensure we have equal representation of genders in the C-Suite roles. In turn, this will ensure we have a strong pipeline of Board ready candidates, both male and female.

Our recently lodged *Workplace Gender Equality Act* report details Fortescue's achievements and goals in creating equality and diversity, including increasing our female employment from 16.7 per cent in May 2017 to 17.3 per cent in May 2018. We are on our way to reaching our goal of a 25 per cent female workforce by 2020.

While we are pleased to see the steady increase in our female participation rate, diversity is not simply about filling a quota. To achieve a truly diverse workplace, an embedded culture of inclusion is critical and this is a responsibility which lies with the entire workforce.

Fortescue is proud to have introduced a number of leading workplace diversity initiatives:

• Flexibility in the workplace

Setting the tone for an inclusive, flexible workplace starts with leaders genuinely understanding the needs of individual team members and offering a variety of flexible working options, including job share, part-time and flexible start and finish times. These options should not just apply to an office-based workforce but should extend to all roles, including those on shiftwork or a fly-in, fly-out roster.

The implementation of these working options as well as a flexible workplace is significant in supporting gender diversity and inclusivity, especially for parents juggling their careers and family commitments.

• Supporting parents

Family is one of Fortescue's core Values and along with safety resonates very strongly across our workforce.

Introducing a family-friendly workplace which supports parents is key to encouraging diversity and inclusiveness. For example, the Fortescue Family Room in Perth provides parents with alternative child-minding services and is available 24 hours a day, seven days a week.

• Building talent pools

To benefit from increased diversity in the resources sector, we also need to ensure we are building a greater pool of talent. Nationally, female participation in the trades servicing the mining industry is only one per cent and at Fortescue we are helping build a pipeline of women who are ready to pursue a career in the trades.

Programs such as Fortescue's Trade Up and Vocational Training and Employment Centre (VTEC) are providing female team members with practical measures to gain trade qualifications. Since 2006, more than 200 Aboriginal women have been trained and employed through VTEC, representing 25 per cent of all participants in the program.

At our rail operations, we are trialling a traineeship program aimed at female school leavers, offering entry-level positions and providing a clear career pathway.

• Creating safe working environments

We aspire to create a space where every member of the Fortescue family is safe and as part of this focus are currently focused on becoming a White Ribbon Australia accredited workplace.

This is an important step in our commitment to be an industry leader on important issues impacting women and encouraging everyone to stand up, speak out and act to prevent domestic violence.

Implementing initiatives that cater to a diverse workforce sends a strong message about our organisation's attitude to inclusivity and the expectations of our people. We hope that by 'walking-the-walk' we are breaking down the silo mentality and encouraging a unified, inclusive team.

Of course, inclusivity extends beyond gender and includes ethnicity, religion, sexual orientation and those living with a disability. None of these should result in an unfair disadvantage or voice that is less important than others.

For a company to be the best it can be, it needs to harness the very best ideas across every part of its business and empower its workforce to collaborate across all levels.

The best results will come from a diverse workforce who have a broad range of backgrounds, skills, experience and personalities and who are supported and encouraged to reach their full potential.

Elizabeth Gaines, CEO

Fortescue is proud to have introduced a number of leading workplace diversity initiatives.



Case Study

Career Resiliency Program



To be the best Company Fortescue can be, it needs the very best ideas across every part of its business.

The best ideas come from a diverse workforce and the Company needs to ensure its talented women have the opportunity to reach their full potential.

Fortescue's Career Resiliency Program forms a critical aspect of the Company's ongoing commitment to diversity and inclusivity. The program supports female employees identified as having leadership potential to focus on their career direction and to take responsibility for their career development.

Over four sessions, participants put together a detailed career development plan which helps them build career pathways, business relationships and effective leadership and communication skills.

Remuneration Analyst Danielle Gillman, said the program was a fantastic opportunity to further develop her skills.

"It was great to hear from different female leaders from around the business and take inspiration from their career journeys," she said.



Objective	Target	Progress
Continue to increase female employment rate	Company-wide target set at 25% female employment by 2020	In FY18, the number of female employees increased to 1,002, an increase from 17.3% in FY17 to 17.4% in FY18 24% of Fortescue's senior management team are female, an increase from 20% in FY17 Fortescue will continue to enhance its programs and initiatives to meet its 2020 targets The FY18 target of 25% participation overall was exceeded in the following programs: • Fortescue's Trade Up - 42% • Graduate Program - 100% • VTEC - 40%
Build talent pools	Set targets for internal and external recruitment providers of 20% female employment	Female applicants make up 20.2% of the pool, with women achieving 22.8% of roles
	Attract parents to return to work following career breaks	96.3% retention rate of employees returning from parental leave A Business Update event was held in FY18 at the Fortescue Centre for parents wanting to return to the workplace after having children
		Employees are encouraged to participate in 'Keeping in Touch days,' where employees have the option of working up to 10 days (not continuous) during the Unpaid Parental Leave period to assist with the transition back to work. Support is also provided during the parental leave period through the Fortescue People department
	Encourage female employees to obtain professional qualifications	In FY17, Fortescue's Trade Up was opened to all women. 11 females form part of Fortescue's Trade Up which is close to 42% of the overall participants Fortescue encourages female employees to obtain qualifications and further their career opportunities through its six monthly performance review program Success Factors and through the Career Resiliency Program

During FY18, Fortescue placed a greater emphasis on female team members' career progression, while continuing to focus on existing programs which promote diversity.

Objective	Target	Progress									
Create a workplace which supports diversity	Celebrate success in diversity through the Company’s recognition programs	During FY18, 6 Northern Spirits recipients were recognised for their role in encouraging female employees to thrive									
	Encourage all eligible employees to access paid parental leave and to return to work following parental leave	During FY18, the number of both males and females accessing primary carer’s paid parental leave increased from previous years 347 direct employees utilised flexible working arrangements, an increase from 247 in FY17									
Provide childcare options so employees can balance work and family responsibilities	Operate Fortescue Family Room at Fortescue Centre in Perth	Fortescue’s Family Room operates 24 hours per day and has cared for 60 children over 971 stays since August 2017									
	Support employees with family responsibilities through family site visits and community based family support	During FY18, the numbers of family and friends hosted at each site was: <table><tr><td>Port and Rail (Hedland Operations)</td><td>184</td></tr><tr><td>Cloudbreak</td><td>329</td></tr><tr><td>Christmas Creek</td><td>233</td></tr><tr><td>Solomon Hub</td><td>209</td></tr><tr><td>Total number:</td><td>955</td></tr></table>	Port and Rail (Hedland Operations)	184	Cloudbreak	329	Christmas Creek	233	Solomon Hub	209	Total number:
Port and Rail (Hedland Operations)	184										
Cloudbreak	329										
Christmas Creek	233										
Solomon Hub	209										
Total number:	955										
Support and promote opportunities for aspiring female leaders	Identify females with leadership potential through talent reviews and ensure participation in Leadership Development Programs	During FY18, 40 were females identified as having leadership potential and participated in two Career Resiliency Programs The program is designed to empower and support high performing female employees in developing their career path. The program is an important career development opportunity for women at Fortescue and is a critical part of Fortescue’s ongoing commitment to diversity and inclusivity									
	Continue the Career Resiliency Program, the CEO for the Day initiative and mentoring programs	3 females participated in the CEO for the Day Program in FY18 40 women participated in the Career Resiliency Program in FY18 Fortescue continues to encourage and support its mentoring program, Rookies and Coaches, that is available to all employees									

Fortescue undertakes an annual wages benchmarking assessment to ensure that wages are comparative with those within the Australian mining industry and that equitable remuneration exists for like-for-like roles, independent of gender, race, age and culture.

Remuneration is adjusted according to the results of these reviews.

A role by role gender pay review has been successfully conducted for the last three years and female employees whose remuneration was identified as less than male peers in the same role was adjusted.

Fortescue has a proud history of championing Aboriginal diversity. The Company's Aboriginal engagement journey is captured under 'Creating opportunities for Aboriginal people.'

Case Study

Fortescue recognised for gender diversity



Fortescue was recognised by the Bloomberg Gender-Equality Index (GEI) for supporting a gender diverse environment across the business.

The GEI measures gender equality across internal company statistics, employee policies, external community support and engagement, and gender-conscious product offerings.

Fortescue was the only mining company amongst the six Australian companies recognised.

Fortescue was also recognised as the winner of the Australian Women in Resources Alliance (AWRA) award at the 2017 AMMA National Conference. The award recognises organisations that develop innovative strategies to improve women's participation in the mining industry.

Case Study

Fortescue Family Room



As part of Fortescue's broader commitment to diversity and inclusion, the Company opened the Fortescue Family Room in its Perth head office in 2017. The Family Room was introduced as a practical initiative to help team members balance work with family life and support those returning to work after having a child.

Since its opening, the service has supported 60 families through 971 stays and has become an important part of Fortescue's unique culture.

Offering care on a casual basis, the Family Room is open to children aged eight weeks and above and is available 24 hours

a day, seven days a week, for up to six hours at a time to support those working over different shifts. A third party provides qualified carers in a crèche style set up so parents do not need to remain in the family room itself, but stay on site. All costs are covered by Fortescue.

Project Manager Joh Hopfmüller, has used the family room a number of times. "The Fortescue Family Room gives me the flexibility to work while my son is having fun and being cared for in the same building. The carers are fantastic and I love being able to have lunch with him. My son loves coming to work with me," Joh said.

Looking forward - FY19 diversity plan

Ensuring Fortescue's commitment to diversity is embedded in the Company's culture will be fundamental to the sustainability of diversity initiatives. Fortescue will continue to focus on these key areas:

- Flexible working arrangements for site and Perth based employees, and extending flexible working arrangements to new employees
- Redeployment and retraining of employees impacted by innovation projects
- Continuing to support families through the operation of the Fortescue Family Room and considering options for site-based employees
- Career progression for females moving towards senior roles
- Continuing to enhance recruitment processes to ensure a strong pipeline of female applicants
- Further consultation with employees concerning diversity initiatives and retention strategies for female employment such as leadership development, child care options, breast feeding facilities, flexible working arrangements and the inclusion of key performance indicators for sites concerning gender equality
- Increasing awareness of the benefits of workplace diversity - promoting 'diversity of thought', integral to further business growth and driving innovation
- Launch of extended Flexible Working Guidelines for prospective and Perth based employees in the first quarter of FY19.

Extended Flexible Working Guidelines for prospective site and Perth based employees will launch in the first quarter of FY19.

Case Study Flexible working arrangements in Ecuador



As Fortescue increases its presence and exploration activities in Latin America, specifically Ecuador, Colombia and Argentina, the Company is committed to providing training and employment opportunities for local communities.

The Company is currently undertaking exploration activities in the southern region of Santa Ana where local community members predominantly tend to small family farms.

Fortescue has engaged with the local community to create field assistant roles to assist exploration activities.

To ensure the employees were able to continue to maintain their farms, the roles were established as shared roles where each field assistant is able to work two weeks on, two weeks off.

This arrangement has allowed members of the community to earn additional income and gain valuable skills whilst still maintaining their farms during their two weeks off.



5,597
Active heritage
places managed

0 Reportable
heritage
incidents

2.1m
Hectares ethnographically
surveyed

Protecting Aboriginal heritage

Objective

Work together with Aboriginal people to manage Aboriginal heritage responsibly and sustainably.

Target

Annually, ensure Fortescue has no impact to Aboriginal heritage without free, prior and informed consultation with Aboriginal people.

Working together to protect Aboriginal heritage

The identification and management of Aboriginal heritage is fundamental to Fortescue's approach to operating sustainably and the Company's ongoing commitment to protect and promote Aboriginal history and culture. This commitment is enshrined in Fortescue's Values, and is measured against four foundational pillars:

- Meaningful consultation with Aboriginal people and their representatives
- Implementation of effective business systems and processes
- Contributions to research and the 'Aboriginal estate'
- Ongoing education and engagement with Fortescue's workforce.

Fortescue considers these pillars critical to its focus of ensuring compliance with legislation and agreements, fostering and protecting stakeholder relationships and allowing Fortescue to understand and sustainably manage the Aboriginal cultural landscape.

Fortescue has no impact on Aboriginal heritage without free, prior and informed consultation, and wherever possible, sites of significance are protected from impact, or mitigation measures are agreed and implemented. Conducting heritage surveys early in the planning phase, together with detailed consultation enhances Fortescue's capacity to avoid and protect Aboriginal heritage.

For the third consecutive year, Fortescue is proud to report there were no reportable heritage incidents on Aboriginal heritage sites in FY18.

Fortescue consults closely with its Native Title Partners (NTPs) and State and Federal Governments to responsibly manage Aboriginal heritage, ensure the protection of Aboriginal culture and heritage sites and comply with all applicable legislation. The Company is committed to open, transparent and inclusive communication and believes partnerships with Aboriginal communities contribute to creating a positive heritage legacy for future generations. During FY18, heritage team employees organised six heritage sub-committee meetings and attended a further 13 meetings with NTPs. Heritage sub-committee meetings provide a forum to discuss heritage survey outcomes,

proposed approvals and opportunities to improve processes.

During FY18, Fortescue supported a number of heritage-related projects including The Keeping Place project, which is an innovative, user friendly and safe tool for collecting, protecting and appropriately sharing cultural knowledge. The project is designed, owned and managed by Aboriginal people. The software enables co-founding partners Nyiyaparli and Yinhawangka People to regain data sovereignty, apply cultural protocols, improve governance and unlock social and economic opportunities for current and future generations. Fortescue also continued to support the Gamburlarna Project and Foundation, with the vision of developing opportunities for Yindjibarndi engagement, employment, education and enterprise around Yindjibarndi knowledge.

Fortescue is currently working with its NTPs to refresh its Cross Cultural Awareness training program and will commence the new program in September 2018. Cross Cultural Awareness training was delivered to 1,299 employees and contractors during FY18 with 8,499 heritage inductions delivered to contractors and employees since its inception in 2006.

Fortescue's *Sustainable Heritage Report* for 2017, which provides additional detail on the Company's work in this area in approvals, compliance and project activities, was published during FY18.



Native Title Partners

Fortescue continues to build on its long-standing relationships with NTPs and has comprehensive agreements in place with seven Native Title groups.

In 2018, Fortescue completed the process of supplementing its three earliest Land Access Agreements (LAAs) with the Kariyarra, Palyku and Nyiyaparli Native

Title claim groups into Indigenous Land Use Agreements (ILUAs). LAAs remain in place with each of the Martu Idja Banjima, Eastern Guruma, Puuti Kunti Kuruma and Pinikura Native Title holders, and a Project Area Agreement with the Njamal People Native Title claim group.

The ILUA process offers Fortescue's NTPs the opportunity to work more closely with the Company to deliver greater opportunities to their communities. Fortescue looks forward to continuing the conversion process into the future with other NTPs.

Case Study Celebrating 15 years of partnerships

with the Kariyarra, Palyku
and Nyiyaparli People



In 2018, Fortescue marks 15 years since land access negotiations commenced with the Palyku, Kariyarra and Nyiyaparli Native Title claim groups.

Fortescue was determined to forge a new approach to Native Title agreements by delivering unprecedented opportunity to Native Title Partners and Pilbara Aboriginal people in the form of training, guaranteed employment, housing and business opportunities.

In October 2005, Fortescue executed LAAs with the Nyiyaparli, Kariyarra and Palyku people providing Fortescue and Native Title parties with certainty in relation to land access obligations.

Over time, and after working closely with its Native Title Partners, Fortescue recognised the need to amend these agreements to further strengthen its relationship with Native Title Partners and to better reflect changing legislative, regulatory and industry requirements.

Seven years ago, Fortescue commenced re-negotiating some of the LAA terms with three of its key Native Title Partners, with the purpose of registering the final agreements as ILUAs. After extensive negotiation and collaboration, the final ILUA was registered with the National Native Title Tribunal on 8 March 2018.

These new agreements provide Fortescue and the Native Title holders with increased certainty and confidence to continue to grow and provide even greater benefits and opportunities to the Kariyarra, Palyku and Nyiyaparli Peoples.

Fortescue hosted a celebration in Port Hedland with its valued Nyiyaparli, Kariyarra and Palyku partners in July 2018 to recognise the recent registration of its ILUAs. It provided an opportunity to reflect upon all that has been achieved together, and discuss future opportunities.

Fortescue's commitment to doing business with integrity and honesty is built on the Company's Values.



Ethical conduct, bribery and corruption

Objective

To ensure Fortescue's corporate Values reflect ethical conduct and respect and are embedded in the business through leadership, training, performance assessment and remuneration.

Target

- By mid FY18, further embed ethical conduct within Fortescue
- Annually, meet and exceed global anti-bribery and corruption standards including requirements in respect to US *Foreign Corrupt Practices Act* (FCPA) and UK *Anti-Bribery Act*.

Fortescue's commitment to doing business with integrity and honesty is built on the Company's Values, the professionalism of its employees and a collective responsibility to act with accountability and transparency.

The Company articulates and maintains ethical business principles and practices and implements sound systems of corporate governance.

Ethical conduct

Fortescue operates under a Code of Conduct and Integrity which reflects the Company's Values and represents its commitment to uphold the highest ethical business practices. The Code applies to the directors, employees, contractors, suppliers and business partners of Fortescue, its subsidiaries and related companies over which it has control.

The Code defines Fortescue's commitment to achieving and maintaining its reputation as an employer of choice, an ethical business partner and a good corporate citizen.

It reflects the policies which govern Fortescue's business activities including:

- Health and Safety Policy
- Procurement Policy
- Diversity Policy
- Anti-Bribery and Corruption Policy
- Human Rights Policy
- Equal Opportunity, Harassment and Bullying Policy
- Securities Trading and Continuous Disclosure and Market Communications Policies
- Appropriate Use of Information Technology Policy.

Each employee and contractor must ensure they are familiar with the Code, which is accessible both in printed and electronic formats on Fortescue's website and intranet. Training is provided to reinforce information contained in the Code.

Fortescue employees are subject to Performance Assessments every six months where adherence to the Code of Conduct and Integrity is assessed and reported. Remuneration is linked to these assessments.

During FY18, 13 Whistleblower disclosures were reported either in person or through Fortescue's Whistleblower system. The Whistleblower system, accessed by an online portal, phone or email, provides an independent, anonymous and confidential mechanism for anyone to raise concerns regarding potential illegal activity or breaches of Fortescue's Code of Conduct and Integrity. Each incident was investigated by Fortescue's Corporate Governance Manager, with the assistance, where required, from Fortescue's Employee Relations Manager. A number of these investigations have resulted in corrective actions, including warnings and in some cases, termination.

As Fortescue's expansion into overseas jurisdictions grows, the business recognised a need for the Whistleblower system to be multilingual and accessible from anywhere in the world. Therefore, in FY19, Fortescue will be upgrading its existing Whistleblower system to include multilingual capabilities.

In FY19, Fortescue will continue to embed ethical conduct through programs targeting leaders, training, performance assessment and remuneration.



Anti-bribery and corruption

Bribery and corruption undermines legitimate business activities, distorts competition and exposes Fortescue and its people to significant risks. Fortescue has a zero-tolerance approach to bribery and corruption and has a specialist Corporate Governance Manager to oversee compliance with anti-bribery and corruption laws. Employees who are found to have breached anti-bribery and corruption laws are subject to disciplinary action which may include termination.

Fortescue's anti-bribery and corruption compliance program includes:

- Participation in voluntary anti-corruption initiatives, including the Corporate Business Integrity Council
- Fraud and corruption risk assessments that consider the potential fraud, bribery and corruption risks associated with the business, third-party partners and geographic locations in which the Company operates
- A commitment to sourcing from suppliers that adhere to Company standards, including the Human Rights Policy, Code of Conduct and Integrity and Procurement Policy
- Prohibition of the giving and receiving of gifts in connection with the Company's operations which go beyond common courtesies associated with general commercial practice

- A number of channels for employees and third parties to anonymously report suspected or actual misconduct or violations of Company policy, including the Whistleblower reporting system (where complaints can be lodged via phone, email or through a web-based portal).

There were no violations of anti-bribery and corruption laws detected within or in connection to Fortescue in FY18.

Public policy

As an Australian Company listed on the ASX that employs large numbers of people and contributes to the growth and development of the Australian economy, Fortescue has a responsibility to its shareholders, customers, employees and stakeholders to understand and contribute to public policy development and ensure that its organisation and operating environment is understood by policymakers.

The Company participates in public policy by:

- Making submissions to inquiries and industry consultation processes, where appropriate
- Participating in public discourse
- Holding direct meetings with stakeholders
- Hosting stakeholder visits to its operations
- Participation in industry, public policy and political conferences and seminars

- Contributing to the policy work of industry groups, including:
 - Business Council of Australia
 - Association of Mining and Exploration Companies (AMEC)
 - Australian Mines and Metals Association
 - Australia-China Business Council
 - Chamber of Commerce and Industry of Western Australia (CCI).

During FY18, Fortescue had paid memberships with the bodies listed above and DomGas Alliance, equalling approximately A\$220,000 in membership fees.

Political donations

Fortescue does not make political donations to any political party, politician or candidate running for public office in any country.

Attendance at party-political functions is permitted where there is a legitimate business reason. Attendance at these functions must be approved by the Director Community, Environment and Government.

Fortescue's approach to tax

Corporate governance and transparency are essential and important elements of Fortescue's reputation; and impact the Company's ability to create and deliver value for its shareholders and the broader community.

Fortescue's Board is responsible for ensuring that a robust system of internal controls is in place for tax governance purposes. Fortescue's comprehensive Tax Governance Framework is the key policy that governs the management of tax related risks in Australia and in all relevant overseas jurisdictions. The Board of Directors receive regular updates and assurances from senior management as to the operation and effectiveness of Fortescue's tax management framework.

Fortescue is committed to ensuring communities benefit from the growth and development of its businesses and is proud of its contribution to the state and the nation's economic strength.

As a proud Australian Company, Fortescue operates transparently and in good faith with the Australian Tax Office and seeks to have good working, collaborative relationships with all revenue authorities where its business is undertaken. The Company is fully compliant with the prevailing tax laws of all jurisdictions in which it operates and is classified as a compliant and low risk taxpayer by all revenue authorities. In the last five years, no adjustments have been made to Fortescue's tax payments following income tax reviews by relevant authorities.

Fortescue accepts a low level of risk in relation to major transactions and tax compliance activities and undertakes to file only verified tax positions. Where the application of the tax legislation is unclear, Fortescue seeks external tax advice support and consults with the relevant taxation authorities to achieve an appropriate level of certainty.

Tax Transparency Code

Fortescue is committed to transparency across all aspects of its business, including in relation to its tax obligations. By providing the Company's investors and other external

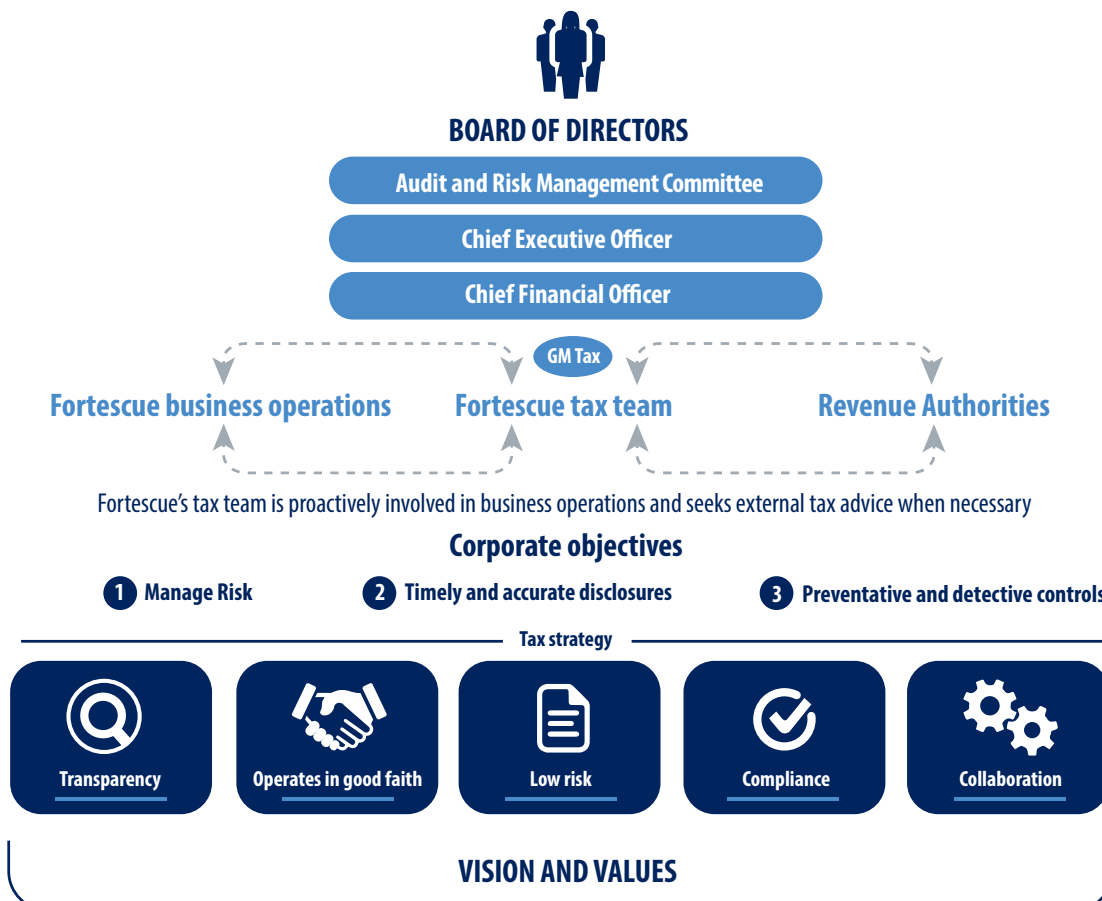
stakeholders with relevant tax information, Fortescue is able to build a deeper understanding of its tax profile.

Fortescue's continuous review of internal tax policies, industry best practice, feedback from key stakeholders and legislative developments, further underpins the Company's commitment to tax transparency.

In 2016, the Australian Board of Taxation (BoT) released a voluntary Tax Transparency Code (TTC) setting a number of principles and minimum standards to guide additional disclosures of tax information by multinational businesses. The TTC is divided into two parts, with the BoT recommending that Part A and Part B be adopted by large businesses such as Fortescue. After adopting the requirement in FY17, this is Fortescue's second year of Financial Report tax disclosures in line with the BoT's TTC.

In order to comply with Part A of the TTC, Fortescue has extended a number of disclosures contained within its annual financial report since FY17. Part B of the report is intended to detail Fortescue's approach to tax strategy and governance, as well as providing additional information on overseas operations and international related party transactions.

TAX GOVERNANCE FRAMEWORK



Total tax contributions

Fortescue operates primarily in Australia, along with a number of international locations. The Company pays taxes according to the prevailing laws in each jurisdiction. Taxes applicable to Fortescue's business include:

- Company taxes
- Value added taxes
- Royalties
- Stamp duties
- Excise and import duties
- Withholding taxes
- Comprehensive employer taxes such as fringe benefits taxes, payroll taxes and various employee insurances.

Fortescue also collects and pays a number of additional taxes beyond those directly attributable to the Company. These include PAYG withholding tax from salary and wages paid to employees.

As Fortescue's principal operations are located in Australia, the majority of the Company's tax liabilities are paid in Australia.

In addition, given the current structure of Fortescue's international operations, some companies are subject to the Australian Controlled Foreign Company (CFC) rules. Under these rules, profits generated by relevant overseas entities are attributable and taxable in Australia at the 30 per cent Australian corporate tax rate.

A summary of Fortescue's FY18 tax obligations and tax history are detailed below.

Australian Tax Office (ATO) publications

Each December, the ATO issues a Report of Entity Tax, which provides high level details of Fortescue's income tax return. The following details are expected to be published by the ATO in December 2018 for Fortescue's income tax return lodged for the prior financial year ended 30 June 2017. All figures are disclosed in Australian Dollars.

ABN	57 002 594 872
Total Income	A\$9,795,448,360
Taxable Income	A\$3,561,403,370
Income Tax Payable	A\$1,031,795,895

The following additional information provides important context for the information anticipated to be published by the ATO:

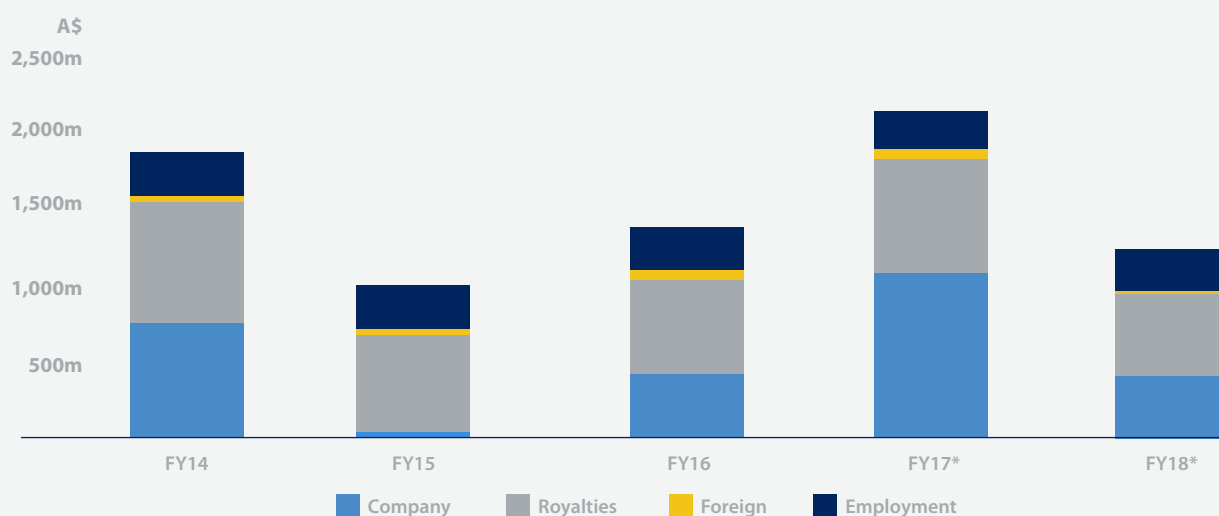
- The information provided by the ATO only reflects Fortescue's Australian accounting tax consolidated group, which is comprised of Fortescue and its 100 per cent wholly owned subsidiaries in Australia
- Total income represents gross revenue from all operating activities and not Fortescue's profit. Fortescue's Australian accounting profit for the year ended 30 June 2017 was A\$3.695bn.

The income tax payable of A\$1.03bn is determined by multiplying Fortescue's taxable income of A\$3.56bn by the 30 per cent corporate tax rate and then deducting eligible tax offsets, such as the research and development (R&D) incentive and foreign income tax offset (FITO) credits, totalling A\$38m for the year ended 30 June 2017.

Income tax payable = (Fortescue's taxable income x corporate tax rate of 30 per cent) – eligible tax offsets

(A\$3.56bn x 30%) – A\$38m = A\$1.03bn

Total tax contribution comparative



*For further detail on FY17/FY18 comparatives, refer to Part A of the TTC as contained within the Notes to Fortescue's Financial report Tax data note 14

International related party transactions

Fortescue is a proud Australian Company and has a relatively small proportion of international related party dealings. As part of Fortescue's tax strategy, all international related party dealings are priced in accordance with the requirements of relevant Australian and foreign tax legislation. Fortescue discloses all material international related party transactions

through the lodgement of tax returns and other statutory disclosures to revenue authorities, including Fortescue's detailed International Dealings Schedules and Country-by-Country reports.

For FY18, the gross value of all international related party transactions in and out of Australia was immaterial. In addition to the international related party transactions noted below, Fortescue has a number of

financing and management arrangements with its international related entities. The net impact of these arrangements is immaterial to the overall trading consolidated revenue position of the Fortescue Group.

The Fortescue Group includes a number of active subsidiary companies that are incorporated in jurisdictions outside of Australia. These are summarised in the table below:

Jurisdiction	Nature of activities
Singapore*	- FMG International Pte Ltd (FMGI) is a Singaporean resident entity, which is 100% directly owned by Fortescue - Since 2012, FMGI manages the majority of Fortescue's shipping services including chartering activities, voyage operations, technical and crew management, as well as the commercial management of Fortescue's ore carriers - Under a Transportation Operations Agreement, FMGI provides ship management services to FMG Hong Kong Shipping Ltd (FMGHKS) - FMGI lodges an income tax return in Singapore and consequently pays income tax at the prevailing corporate income tax rate of 17% on its total taxable income for the financial year. In Australia, the majority of the taxable income in Singapore is attributed back to Fortescue under the CFC provisions and taxed at 30%
Guernsey*	- GMF Insurance Limited (GMF) is a captive insurance company which provides insurance services to Fortescue and its subsidiaries - GMF is domiciled in Guernsey and is a Guernsey resident for tax purposes. The Company is taxed at the standard rate of tax in Guernsey of 0%. However, under the Australian CFC provisions, the total taxable income of GMF is attributed back to Fortescue in Australia and taxed at 30%
Hong Kong	Magnetite Investment - In 2013, Fortescue and Formosa Plastics Group (Formosa) announced a joint venture, established to develop and operate the FMG Iron Bridge project. FMG Iron Bridge Ltd (FMG IB) is a Hong Kong resident company which is jointly owned by Fortescue (88%) and Baosteel Resources International Co. Ltd., a subsidiary of China's Baowu Group (12%) - FMG IB was incorporated as a result of a restructure of Baosteel Resources interest in the magnetite tenements and it does not generate any active income and therefore does not pay any taxes in Hong Kong. As there is currently no active business, Fortescue does not incur any income tax liability for FMG IB in Australia Shipping Services - Fortescue's fully owned subsidiary, FMGHKS provides iron ore transportation services to wholly owned subsidiary FMG Pilbara Pty Ltd ('FMG Pilbara') under a Transportation Services Agreement utilising ore carriers
America	- FMG America Finance Inc has been Fortescue's registered holder of certain US dollar debt facilities - Fortescue has not generated any income in America for the year ended 30 June 2018
New Zealand and South America	- Fortescue undertakes minor exploration activities through its subsidiaries FMG Pacific Ltd (incorporated in New Zealand) and EcuadorFortescue SA, Colombia Fortescue SAS and Argentina Fortescue SAU (all incorporated in South America). - During FY18, Fortescue has further expanded its exploration activities in South America, including setting up offices in Ecuador, Colombia and Argentina - Fortescue has not generated any income in New Zealand and South America for the year ended 30 June 2018

*These companies are subject to the Australian CFC rules. Under these rules, profits generated by these subsidiaries from the trading with Fortescue are taxable at the Australian Corporate Tax rate, allowing for credit for any foreign taxes paid.

07

Creating positive social change



Opportunity

Empower Aboriginal people through engagement and by using Fortescue's influence and resources to create generational change to the lives of Aboriginal people.

Building business capabilities

Objective

Create economic opportunities for Aboriginal businesses through local procurement, business development, mentoring and capacity-building opportunities.

Target

By 2021, achieve a spend of 10 per cent of total procurement with Aboriginal businesses, with 50 per cent of the number of contracts awarded to businesses which have more than 50 per cent Aboriginal ownership.

Fortescue is in the privileged position of being able to empower individuals with the capability and capacity to effect positive change in some of Australia's most socioeconomically disadvantaged communities, in particular, Aboriginal communities.

In February 2018, Fortescue's Billion Opportunities Program marked a significant milestone, recognising the award of A\$2 billion in contracts and subcontracts to Aboriginal businesses and joint ventures.

The Billion Opportunities Program commenced in 2011 as an initiative to promote sustainable business opportunities for Aboriginal people and has since awarded 270 contracts and subcontracts worth more than A\$2 billion to 110 Aboriginal businesses.

The program forms a critical element of the Company's approach to ensuring economic opportunity and participation through Native Title agreements.

The Billion Opportunities Program is complemented by a range of additional practical measures introduced by Fortescue to provide Aboriginal businesses with the tools to build value and sustainability.

Fortescue is also committed to spending a portion of its procurement budget with Aboriginal businesses. In FY18, Fortescue spent approximately A\$230 million with 52 Aboriginal businesses, representing 7.5 per cent of the Company's total contestable procurement spend with more than 90 per cent of the spend awarded to businesses owned by Native Title groups (and their members). Fortescue also awarded or extended 34 contracts and subcontracts to Aboriginal businesses with a value of more than A\$143 million. Of these, 59 per cent were with Aboriginal businesses that have Aboriginal ownership greater than 50 per cent.



A\$230 million

with 52 Aboriginal businesses in FY18

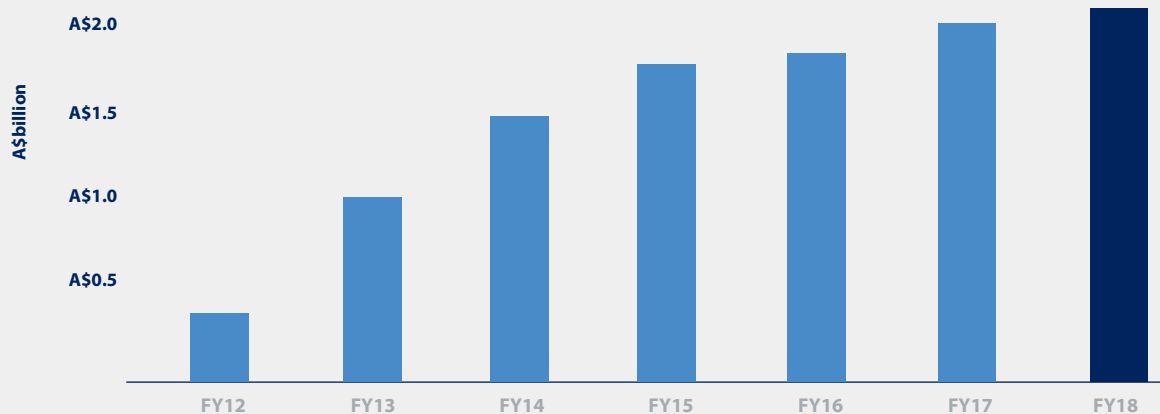
270 contracts

and subcontracts to 110 Aboriginal businesses since 2011

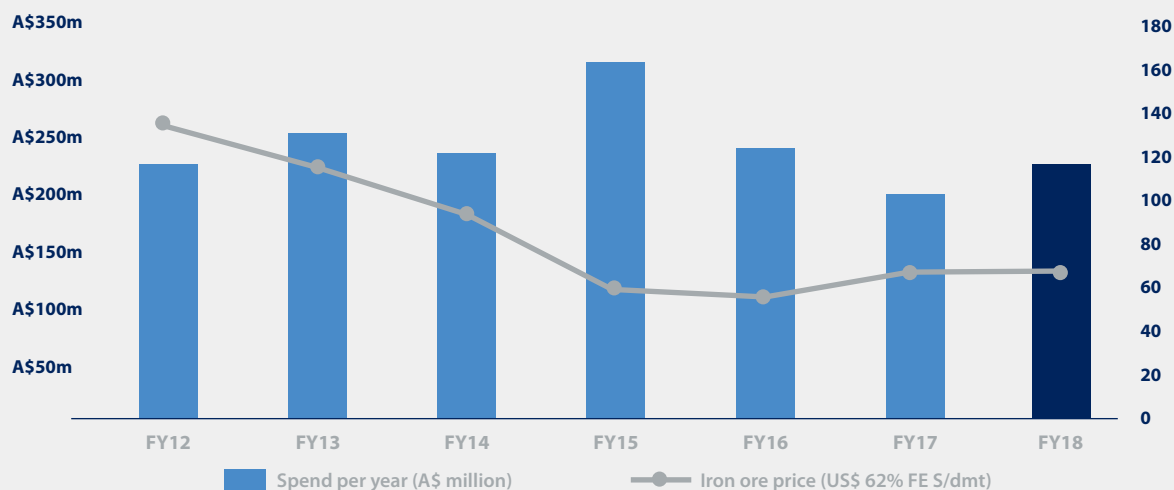
A\$2bn

in contracts since 2011

Total value of contracts awarded A\$2.06bn



Spend per year against iron ore price



Case Study

Fortescue and ANZ launch new funding model to support Aboriginal businesses



Fortescue, in partnership with ANZ, has initiated a A\$50 million funding scheme to allow eligible Aboriginal businesses to access finance at a competitive rate, to lease required assets. Under the initiative, Fortescue provides support to Aboriginal businesses that supply services to Fortescue through a guarantee. The initiative was officially launched by Senator the Hon Nigel Scullion Minister for Indigenous Affairs, in September 2017.

The initiative followed ongoing consultation with Aboriginal groups and businesses that identified access to capital to fund income generating assets as a major barrier to building sustainable businesses.

This practical measure provides these businesses with tools to help build value and sustainability, which in turn creates employment and development opportunities.

Jilpanti Enterprises Pty Ltd, a 100 per cent Aboriginal-owned business, was the first business to benefit from the innovative financing arrangement. Part of a A\$30 million joint venture with Cross Verwijmeren, Jilpanti Enterprises provides exploration related earthworks for Fortescue.

Under the agreement, Jilpanti will be provided access to A\$1.2 million in funding to purchase equipment needed as part of the three year contract with Fortescue.

Fortescue won the Supply Nation Corporate Member of the Year award for the third time at the 2018 Supplier Diversity Awards, recognising the Company's substantial contribution to Aboriginal procurement. Fortescue has been a member of Supply Nation since 2013, and has received the following awards at the annual Supplier Diversity Awards.

2018	Corporate Member of the Year
2017	Corporate Member of the Year and Outstanding Impact award
2016	Corporate Partnership of the Year with Print Junction
2015	Corporate Member of the Year and Supplier Diversity Advocate of the Year
2014	Supplier Diversity Partnership Award with ICRG Guma

Case Study

Shelter Belt



In 2018, Fortescue partnered with IBN Services, the Pilbara's only commercial native plant nursery, to plant a vegetation shelterbelt around its Port operations.

Around 3,000 trees were purchased from IBN Services, a wholly owned subsidiary of IBN Corporation, a leading Aboriginal organisation owned by the Yinhawangka, Banyjima and Nyiyaparli people. The trees were planted to form a 2.2 kilometre by six metre shelterbelt to decrease wind speeds to reduce the capacity for open areas to generate dust.

The shelterbelt or 'green windbreak' is part of a number of environmental controls to manage dust at Fortescue's Port. Other initiatives include a boundary monitoring network, sealing of trafficable areas and the use of belt wash stations and under belt sprays on conveyors.

The shelterbelt is a more sustainable long-term solution to engineered wind fences and also provides soil stability during rain events and flooding.



14.1%

Aboriginal employment

Employment opportunities for Aboriginal people

Objective

Train, employ and develop Aboriginal people within Fortescue and its contractor partners.

Target

- By 2020, achieve an employment rate of 20 per cent Aboriginal people across Fortescue
- By 2020, achieve an employment rate of 10 per cent Aboriginal people in leadership roles
- By 2022, achieve an employment rate of 20 per cent Aboriginal people in skilled trades.

Fortescue has a proud history of championing Aboriginal employment and strives to provide training, employment and development opportunities for Aboriginal people. Fortescue is leading the way in Aboriginal employment within large mining companies and currently directly employs 810 Aboriginal people, representing 14.1 per cent of the total workforce. The total number of Aboriginal people working on Fortescue sites is 1,161 which includes direct employees, labour hire and contractors.

Meet Megan Lockyer



Megan Lockyer, a Drill and Blast Operator at Solomon Hub, was a finalist in the 2018 Chamber of Minerals and Energy of Western Australia (CME) Women in Resources People's Choice Award.

Megan, a Ngarluma, Yindjibarndi and Kuruma woman from Roebourne, began her career in the resources industry as a clerical trainee before chasing her dream to work in the field with big machinery.

Outside of her role as a Drill and Blast Operator, Megan raises awareness of the effects domestic violence has in the community.

Megan is also a role model for young girls in her community and is part of numerous leadership groups for Aboriginal women.

Fortescue implements a range of development and support initiatives to assist Aboriginal people in gaining employment with Fortescue.

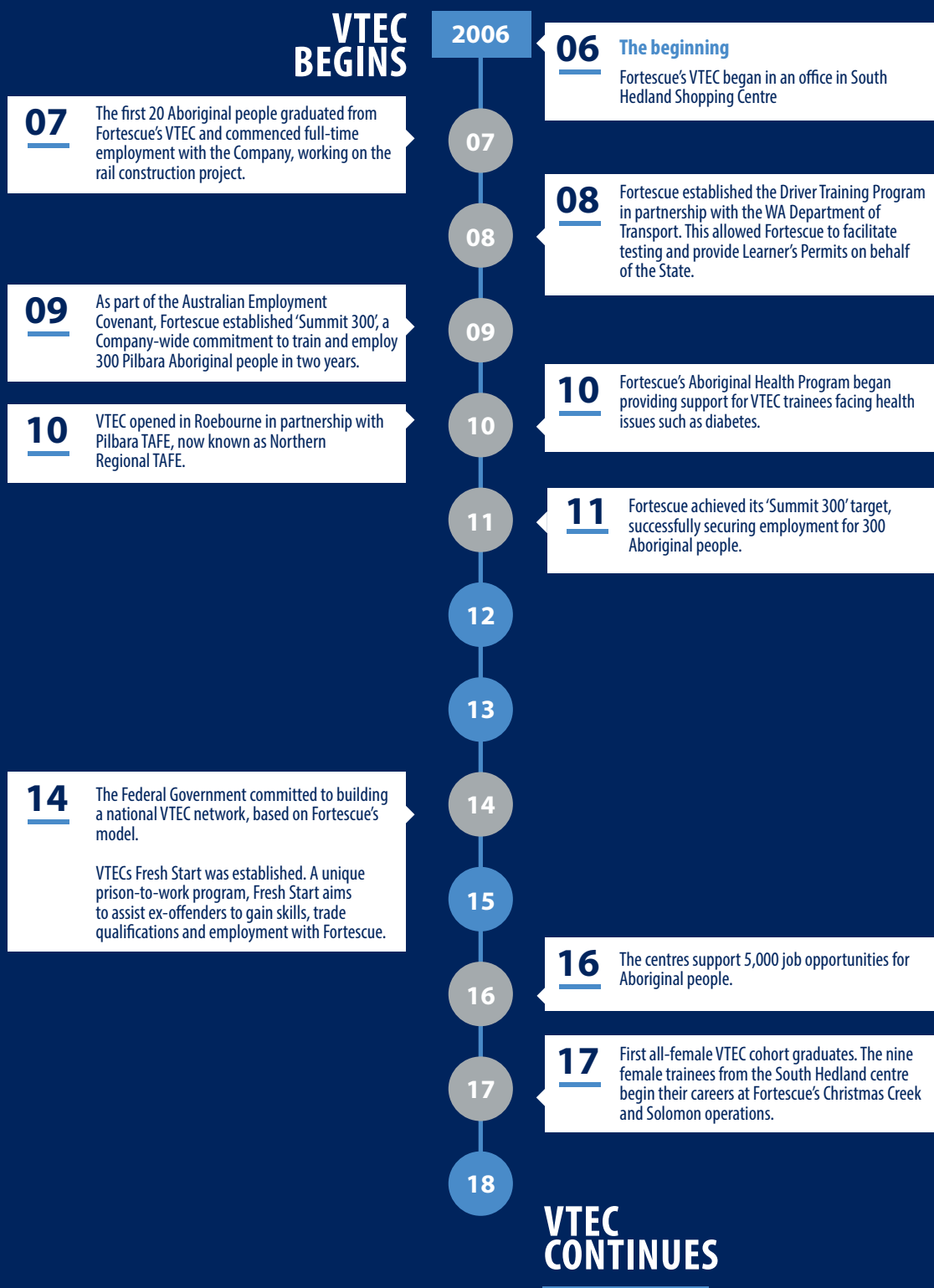
Fortescue implements a range of development and support initiatives to assist Aboriginal people in gaining employment with Fortescue. Engagement initiatives prioritise practical solutions to provide support to Aboriginal people in the workplace. The objectives for FY18 and progress towards these are summarised below.

Objective	Progress
Promote Aboriginal participation, with a target of 20% by 2020	Fortescue currently employs 810 Aboriginal people, 14.1% of the total workforce. The total number of Aboriginal people working on Fortescue sites is 1,161 which includes contractors The Company will continue to enhance its programs and initiatives to meet its 2020 targets
Build talent pools through opportunities within Fortescue's programs for Aboriginal people	• 22 people completed VTEC training in FY18 • 75 Trade Up trainees were employed during FY18 • 81% of Trade Up employees were Aboriginal
Create a workplace which supports Aboriginal employment	• Key programs supporting Aboriginal employees: - Fortescue's Trade Up - Cultural awareness training of all employees - Leadership and Excellence in Aboriginal People Program (LEAP) - Regional FIFO - CEO for the Day Program - Aboriginal development team support - Housing support - Aboriginal Health Programs



Objective	Progress										
Provide family support options including organising family site visits and implementing a plan for community based family support	All Fortescue sites hosted family visits during FY18, with total numbers detailed below: <table border="1" data-bbox="754 1330 1249 1518"> <tr> <td>Port and Rail (Hedland Operations)</td><td>184</td></tr> <tr> <td>Cloudbreak</td><td>329</td></tr> <tr> <td>Christmas Creek</td><td>233</td></tr> <tr> <td>Solomon Hub</td><td>209</td></tr> <tr> <td>Total number:</td><td>955</td></tr> </table>	Port and Rail (Hedland Operations)	184	Cloudbreak	329	Christmas Creek	233	Solomon Hub	209	Total number:	955
Port and Rail (Hedland Operations)	184										
Cloudbreak	329										
Christmas Creek	233										
Solomon Hub	209										
Total number:	955										
	The following key Aboriginal community-based programs were supported during FY18: - Hedland Trade Training Centre - Community Support Grants - Roebourne High School Working Bee - Jawun - Big hART - National Indigenous Hockey Program - Hedland Women's Refuge - Mingle Mob										
Promote opportunities for Aboriginal employees to move into the LEAP Program and CEO for the Day Program	• During FY18, 38 Aboriginal employees participated in the LEAP Program • 4 Aboriginal employees participated in the CEO for the Day Program • 1 Aboriginal woman completed the Career Resiliency Program										

FORTESCUE'S VTEC TIMELINE



VTEC celebrates ten years of creating opportunities





797

Aboriginal people have begun employment through Fortescue's VTEC

29

VTECs established in Australia, modelled on Fortescue's VTEC

22

Graduates through VTEC in FY18

Case Study Fortescue celebrates VTECs 10th anniversary of graduations



The tenth anniversary of graduations from Fortescue's pioneering Vocational Training and Employment Centre (VTEC) Program was celebrated at events across Fortescue's sites in October 2017. Founder and Chairman Andrew Forrest AO, and Former CEO Nev Power, joined past and present VTEC participants and members of the Port Hedland community to celebrate the milestone.

VTEC first opened in South Hedland Shopping Centre in 2006, based on a simple but compelling idea: after successfully completing training with Fortescue, you are guaranteed a job. In 2007, 20 Aboriginal people graduated from Fortescue's VTEC after completing the first ever Aboriginal training program for rail track laying in the Pilbara and commenced full-time employment with Fortescue.

Since the initiative began a decade ago, 797 Aboriginal people have begun employment with Fortescue, while a further 849 Aboriginal people have received driver education and health and literacy support services from VTEC.

"I have always believed in the power of providing a hand up, not a hand out and this is what VTEC is all about. By giving Aboriginal people the chance to develop their skills and seize the opportunities provided by VTEC, we are breaking the cycle of jobless training once and for all," Mr Forrest said.

The Federal Government adopted Fortescue's VTEC model in 2014 and established 29 VTECs across Australia.

"It's been incredibly humbling to see this simple, common sense approach, which was born in the Pilbara, reach communities across the country and provide job opportunities for over 7,000 Aboriginal people," Mr Forrest said.

Education and professional development

Fortescue implements four key education and professional development initiatives which are available to Aboriginal people.

Up4It

Fortescue has supported RoleModels Australia in the delivery of the Up4It program for almost a decade. The program is designed to attract students back to school and reward those with good attendance in remote Pilbara communities.

Aboriginal Cadetship Program

Secondary school students are able to access this program which provides mentoring, training and professional development opportunities. Cadets are offered direct entry to the Graduate Program or Certificate II courses or the opportunity to apply for permanent employment upon completion of their studies.

Graduate Program

Aboriginal secondary school or University graduates are employed for two years where they complete a structured program with exposure to a range of departments across Fortescue.

Fortescue's Vacation Student Program

Aboriginal University students are supported in completing work experience during their holidays. Three students were enrolled in this program during FY18.

Career development and support

Building a supportive culture

Fundamental to the provision of meaningful employment is the ongoing development of Fortescue's Aboriginal workforce through training and professional development, and a workplace culture that understands, supports and champions Aboriginal participation.

Fortescue has a range of programs which actively work to build a culture among the entire workforce that is openly supportive of Aboriginal employment.

This includes:

- Compulsory cultural inductions run by local Aboriginal Traditional Custodians for all employees
- Rewarding and recognising those people who are helping to close the gap by supporting Aboriginal development and employing Aboriginal Development Superintendents and Coordinators at each site to support Aboriginal employees
- The Company's primary leadership development training is a three and a half day program. Half of one day is devoted to training leaders on managing Aboriginal employees
- Fortescue celebrates significant Aboriginal cultural events during the year, including NAIDOC Week
- Fortescue is a member of the Jawun Program in which Fortescue employees undertake secondments to remote communities in the East Kimberley to support Aboriginal organisations.

Supporting Aboriginal leaders

Fortescue believes Aboriginal leaders are essential to ensuring a culture that truly supports Aboriginal people. The Company established the Leadership and Excellence in Aboriginal People (LEAP) Program in 2015 to support Aboriginal employees with leadership aspirations.

LEAP is a 12-month formal training program that includes off-site education, practical on-site development, internal mentoring, Aboriginal leadership education and business leadership training.

Each year, the launch of the program coincides with the Company's Annual General Meeting, giving LEAP participants an opportunity to spend time with Fortescue's Board and to be inspired by the most senior leaders in the business. To date, 38 Aboriginal people have participated in LEAP, with up to 12 candidates selected each year.

Fortescue's Trade Up

Fortescue's Trade Up is an award-winning initiative that provides a pathway to an apprenticeship for Aboriginal employees. Supported by Fortescue's contracting partners Thiess, Goodline and Eastern Guruma Wirlu-Murra Yindjibarndi Joint Venture, there are currently 75 Aboriginal people undertaking a traineeship or apprenticeship as a result of the program.

Personal and family support

Fortescue's training and employment programs are complemented by initiatives designed to overcome the barriers faced by Aboriginal people in securing and maintaining work. Fortescue employs a full-time Aboriginal Health Coordinator and in 2018, the Aboriginal Health Program commenced with a vision to proactively improve the health of Fortescue's Aboriginal workforce.

Fortescue is the only Pilbara-based mining Company with flights in and out of all mine sites to the major Pilbara communities of Karratha, Port Hedland, Broome, Kununurra and Fitzroy Crossing. This allows Aboriginal people to remain on country with their families and access the employment opportunities created by a remote mining operation.

In FY18, all Pilbara-based employees were eligible to receive housing support and entitlements. Currently, 233 Aboriginal employees are accessing Fortescue owned and leased properties. The Company spends over A\$11 million annually on housing support for Aboriginal employees who reside in the Pilbara and its surrounds.

Addressing Aboriginal disadvantage

Objective

Increase engagement with governments, corporate Australia, non-government organisations and industry peers to address Aboriginal disadvantage.

Target

Annual involvement in the policy debate to address Aboriginal disadvantage.

Fortescue's operations provide a unique opportunity to empower Aboriginal people and help bring generational change.

As the industry leader in Aboriginal engagement, employment and business development, Fortescue participates in a wide range of industry organisations and global bodies including:

- Member and active participant in Business Council of Australia's Industry Network

- Member and active participant in Association of Mining and Exploration Companies (AMEC) Aboriginal Heritage Affairs Committee
- Membership and active participant in Business Council of Australia's Indigenous Taskforce. CEO Elizabeth Gaines, sits on this taskforce
- Active participant in Supply Nation's Leadership Round Table discussions
- Vocational Training and Employment Centre advisor.

Partnerships with Aboriginal corporations

Objective

Empower Aboriginal corporations and develop partnerships to address key challenges facing communities, with a focus on education and young people.

Target

Annually, deliver at least two major community projects with ILUA partners.

Fortescue continues to work with Aboriginal corporations to address challenges facing Aboriginal communities and during FY18, continued to build on two key partnerships.

The Wiru-murra Yindijibarndi Aboriginal Corporation (WMYAC) and Fortescue partnered with Big hART, a not-for-profit, non-government organisation to deliver an Aboriginal youth workshop program to children living in Roebourne. The program uses art and media to lead social change on issues including the prevention of family violence, connection to culture and engagement in education.

In January 2017, Fortescue joined the Jawun Program and during FY18, five secondees travelled to the East Kimberley region for six-week placements.

Jawun is a program focussed on building the capacity of Indigenous people by placing skilled individuals from Australia's leading companies and government agencies into Indigenous organisations. These secondees share their expertise and support Indigenous leaders to achieve development goals for the community.

Case Study

Six weeks in the East Kimberley – the Jawun experience



Environmental Advisor Olivia Hertsted, participated in a six-week secondment with East Kimberley Job Pathways, as part of Fortescue's partnership with the Jawun Program.

Olivia completed induction week which included regional specific training to give an insight into the Miriwoong culture and then went onto her placement at East Kimberley Job Pathways (EKJP), an organisation funded to deliver the federal Community Development Program (CDP).

The CDP supports job seekers in remote Australia to build skills, address barriers and contribute to their communities through a range of flexible activities.

Olivia helped the organisation to build capacity, achieve business goals and develop its stakeholder, communications and engagement strategy.

Collaboration with leadership was critical and visiting some of the remote communities allowed Olivia to meet with EKJP employees and engage with local stakeholders, including job seekers, and learn more about Indigenous people and their culture.

Building communities

Objective

To create economic opportunities in the regions in which Fortescue operates through engagement with local businesses, local employment and the residential workforce.

Target

- Annually, achieve at least five per cent of actual spend with local Pilbara suppliers
- By the end of FY18, update the approach to local employment and Fortescue's residential workforce.

In FY18, Fortescue spent over 98 per cent of its total contestable procurement spend within Australia – 67 per cent within Western Australia and six per cent directly in the Pilbara.

To ensure continued local expenditure, Fortescue's procurement teams will focus on a number of projects in FY19.

Fortescue recognises the need to build towns in the Pilbara into communities that will attract and retain a mining workforce and their families. The Company supports a regional fly-in fly-out workforce from Port Hedland, Broome, Fitzroy Crossing, Kununurra and Karratha, with 524 employees based in the Pilbara, 457 of which receive housing support.

During FY18, Fortescue conducted a residential workforce survey to better understand the challenges facing its Pilbara based workforce, and to ensure that the community investment strategy is aligned with community objectives and expectations. The trends emerging from the survey were shared and discussed with Local Government representatives, to provide further insight.

Community investment

Objective

Ensure Fortescue's community investment program is strategic and delivers value to communities.

Target

By the end of FY18, review and update the community investment strategy.

Fortescue seeks to empower its communities by developing partnerships to deliver strategic and meaningful outcomes that generate value for communities.

Fortescue's biannual Community Grant Program has been operating for ten years and during standard rounds, continues to provide eligible organisations with up to A\$5,000 in funding to support a variety of community initiatives that benefit the Pilbara.

During FY18, Fortescue provided community grants totalling over A\$150,000 to 75 community, sporting and non-profit organisations in the Pilbara, delivering a range of beneficial programs, activities and outcomes to the local community.

Fortescue focusses on community projects that embrace:

- Education and training
- Aboriginal engagement
- Health and wellness
- Community safety and involvement
- Economic development
- Arts and culture
- Environmental responsibility.

Case Study

Working with the Nyiyaparli Aboriginal Corporation



Fortescue actively creates sustainable opportunities for the Nyiyaparli people by supporting Karlka Developments (KD), the commercial arm of the Karlka Nyiyaparli Aboriginal Corporation.

Fortescue partners with KD on a number of joint ventures, including with Morris/Sodexo to run the Karntama Camp at Christmas Creek. KD has recently acquired the national industrial fencing company FenceWright, which was successful in winning contracts from Fortescue on a commercial and competitive basis.

KD Chair Natalie Parker, said Fortescue's support had been invaluable to the organisation and the Nyiyaparli People.

"Fortescue has helped us develop our business through providing opportunities, employment and training for the younger generation, mentoring and capacity building. Our relationship is based on mutual respect and is highly valued by the Nyiyaparli People. We view Fortescue as family and they reciprocate that relationship," she said.

Case Study

Fortescue celebrates 15 years with milestone grants



In 2018, Fortescue marks a range of milestones including the celebration of the Company's 15th anniversary. In recognition of 15 years of working with community groups, a special milestone grant of up to A\$10,000 was made available to eligible community projects within the council boundaries of the Town of Port Hedland, City of Karratha and Shires of Ashburton and East Pilbara.

CEO Elizabeth Gaines, said Fortescue's strong connection with local communities across the Pilbara reflected the strong sense of family which is at the core of the Company's Values and culture.

"From the outset, it was Fortescue's vision to ensure the communities in which we operate benefit from our growth and development," Ms Gaines said.

"We are proud of our contribution to the strength of the State and Australia's national economy and the role we are playing in driving real economic and generational change in rural and remote communities."

The five recipients of the grants were announced in July 2018 and will receive A\$10,000 each.

Case Study

Fortescue extends its support of rugby union in WA



Fortescue has a longstanding association with rugby union in Western Australia and in April 2018 became the Naming Rights Partner of the RugbyWA senior rugby competition for the next three seasons.

Fortescue Senior Rugby includes all senior men's grades including the Fortescue Premier Grade and the Alcohol Think Again Women's Premier Grade competition. The sponsorship provides a huge boost to rugby in WA and is a further example of the Company's commitment to ensure communities benefit from its growth and development.

With the Fortescue Premier Grade continuing to provide a pathway to the Western Force, Fortescue's sponsorship helps to build a talent pool of players and supports the efforts of community volunteers and sports people who contribute to their local communities through sport.

"From the outset, it was Fortescue's vision to ensure the communities in which we operate benefit from our growth and development."

Community partnerships

Port Hedland community

Fortescue has a longstanding partnership with the Town of Port Hedland. Since 2012, the Company has provided A\$2.65 million to support the Wanangkura Stadium and contributed A\$500,000 towards the Hedland Skate Park. Fortescue also continues to support community events including the North West Festival.

Mingle Mob Program

Fortescue is proud to continue its support of the Youth Involvement Council's (YIC) Mingle Mob Program in South Hedland. Aimed at reducing antisocial and criminal behaviour, Mingle Mob runs a bus that picks up at-risk youth off the streets and takes them to a safe shelter.

Hedland Women's Refuge

Fortescue believes it has a responsibility to demonstrate leadership on the important issue of domestic and family violence in its workplaces and in the wider community. In 2016, the Company entered into a five-year partnership with the Hedland Women's Refuge which includes direct operational funding and opportunities to assist through activities such as the upgrade of the refuge's outdoor recreation area.

The refuge provides crisis accommodation and holistic programs to women and children escaping family and domestic violence.

Fortescue stands together with the refuge and participates in annual White Ribbon Day events, including the Port Hedland White Ribbon march, in recognition of the need to eliminate family violence in communities.

COO Greg Lilleyman, is a White Ribbon Ambassador and is committed to building greater equality and respect between men and women, with Fortescue working towards achieving White Ribbon Australia Workplace Accreditation in 2019.

Roebourne District High School

In August 2017, Fortescue held the annual Working Bee at Roebourne District High School. Fortescue employees, friends and community members volunteered their time to revitalise the school grounds with painting, landscaping, repairs and maintenance, making the school a vibrant and welcoming environment. The seventh annual Working Bee will take place in September 2018.

Hedland Senior High School's Trade Training Centre

Fortescue continues to be an operational sponsor of the Hedland Senior High School's Trade Training Centre, which provides students with a pathway to employment in the mining industry and other industries requiring trade qualified students.

In FY18, Fortescue hosted the students at its Port Hedland port and rail operations during work placement week in May and June. Students also joined Founder and Chairman Andrew Forrest AO, for the maiden arrival of Fortescue's Ore Carrier, FMG Sydney, into Port Hedland.

Young Australian Art and Writer's Awards: Pilbara Region

In FY18, Fortescue continued its support of the Young Australian Art and Writers' Awards: Pilbara Region program which was delivered to eight Pilbara schools, several of which are remote community schools. The program aims to develop literacy, teach creativity and increase school attendance levels with a view to addressing the broader concern of child suicide rates in remote communities.

Ronald McDonald House

Fortescue continues to build its strong partnership with Ronald McDonald House (RMH), which provides emergency accommodation to regional families with children needing medical treatment in Perth. In FY18, Fortescue maintained its sponsorship of two rooms through the RMH Adopt-A-Room program, in addition to employees making significant contributions through a variety of fundraising activities including participation in the annual Central Park Plunge.

Case Study Community BBQ Trailer



In May 2018, Fortescue launched the new Fortescue Community BBQ Trailer. Constructed in partnership with its supplier Shermac, the Fortescue Community BBQ Trailer is a free service available to eligible Port Hedland-based community, non-profit and sporting organisations to assist with fundraising and community events.

The trailer is fully equipped with a slide-out BBQ, fold out fridges, TV screen, speaker system and storage space. Fortescue's commitment to community organisations includes providing all BBQ ingredients and materials along with volunteers to coordinate the use of the trailer.

Fortescue understands the importance of fundraising activities, particularly in regional towns, and is proud to support the communities in which it operates.

Case Study

Fortescue says no to domestic and family violence



Fortescue is proud to stand with women and men across Australia in speaking out and acting against domestic and family violence.

Since 2015, the Company has supported White Ribbon Day which challenges the community to have open and honest conversations about the effects of domestic and family violence and encourages everyone to stand up, speak out and act to prevent domestic violence against women.

Fortescue aspires to create a space where every member of the Fortescue family is safe.

The Company believes that by fostering a safe workplace, championing the values of family and treating everyone with respect, it can positively contribute to social change in our community.

In November 2017, the Fortescue family participated in events across its operations in the Pilbara and local communities in a strong demonstration of support for White Ribbon Day.

Led by Chief Operating Officer and White Ribbon Ambassador Greg Lilleyman, team members in Port Hedland joined the local community for the annual White Ribbon Day march, where a record number of participants united to end the silence around domestic and family violence.

"As a business, employer and community member in the Pilbara, we have a responsibility to be a leader on important issues such as domestic and family violence," Mr Lilleyman said.

"Safety and family are at the core of Fortescue's Values and we encourage everyone to stand up and speak out. Our commitment to zero harm extends beyond our operations to our local communities across the Pilbara."

In 2016, Fortescue entered a five-year partnership with the Hedland Women's Refuge which included A\$25,000 in funding and opportunities to assist the Refuge in a number of activities, including the upgrade of their outdoor facility.

Building on this important work, Fortescue is now striving to become a White Ribbon Australia Accredited Workplace. This is an important step in its commitment to ending domestic violence as the Company accepts its responsibility as an industry leader on important issues such as family violence.

A steering committee has been established to provide leadership throughout the certification process which involves engaging with Fortescue's people through surveys, policy reviews, training and implementing a range of support programs.

Case Study

National Indigenous Hockey Program



Fortescue is the Naming Rights Partner of the Kookaburras and a supporting partner of the Hockeyroos, Australia's national hockey teams.

In partnership with Hockey Australia, Fortescue delivers the Pilbara Community Hockey Program to schools and local hockey associations. In May 2018, members of the Kookaburras and Hockeyroos delivered hockey workshops to ten primary schools and one high school in the Pilbara.

The workshops develop hockey skills and demonstrate the importance of teamwork and a healthy lifestyle to school children.

Further to the school workshops, Fortescue and Hockey Australia support two Pilbara hockey associations, enabling children and adults to experience hockey for the first time or develop a pathway into professional hockey. The partnership also sees the Kookaburras and Hockeyroos participate in community outreach events such as the Welcome to Hedland Expo, Roebourne Working Bee and Pilbara Colour Dash.

Respecting human rights

Objective

Fortescue complies with global standards on business and human rights and takes a leading role in the Australian business community on human rights.

Target

- By mid FY19, complete a human rights assessment across the business
- Annual, active engagement on human rights issues in business.

Fortescue recognises the importance of protecting human rights and is committed to protecting the rights of all people including its employees, the communities in which the Company operates, those who may be impacted by its activities, its customers, and those within its supply chains.

The foundation documents for human rights protection are the Company's Code of Conduct and Integrity and Human Rights Policy. These documents outline Fortescue's approach to establishing the essential standards of personal and corporate conduct and the behaviour expected of everyone who works for or with Fortescue including directors, employees, contractors, suppliers and business partners.

Below these documents sit specific policies and guidelines that ensure the highest standards are achieved across the business.

Fortescue's activities are undertaken in a manner consistent with the international human rights principles encompassed in the:

- United Nations Universal Declaration of Human Rights
- International Labor Organisation's Declaration on the Fundamental Principles and Rights at Work
- United Nations Global Compact
- United Nations Guiding Principles on Business and Human Rights.

The Company also works to ensure it is not complicit in human rights abuses committed by others.

Fortescue recognises the significant role it has to ensure that the rights of Indigenous people are protected in the communities in which it operates. The Company acknowledges the UN Declaration on the Rights of Indigenous Peoples and the human rights principles it embodies including the principle of Free, Prior and Informed Consent (FPIC). Consistent with FPIC, Fortescue's engagement processes seek to secure the consent of traditional Indigenous land owners to conduct mineral exploration and development on their traditional lands.

Fortescue works with its stakeholders to identify and understand the impacts of its activities, so that benefits can be optimised and negative impacts limited. Due diligence is implemented to prevent and mitigate adverse impacts and the Company provides access to remedy this through effective grievance mechanisms.

Potential human rights risks are identified and assessed within Fortescue's corporate-wide risk management framework. This framework supports proper consideration of all potential human rights risks by senior management and the Board. Appropriate risk management strategies are implemented and monitored on a regular basis. The Audit & Risk Management Committee (ARMC) is specifically responsible for oversight of risk management (including human rights risk) on behalf of the Board.

During FY18, Fortescue undertook a Human Rights assessment to identify key human rights issues, risks and impacts of its activities across all operations. Key issues identified included protecting the health and safety of employees and contractors, addressing modern slavery in the supply chain and protecting the rights of Indigenous people and communities near its operations. The Company is working to implement the improvement opportunities identified during this assessment.



Fortescue has been an avid supporter of the introduction of an Australian Modern Slavery Act.

Eradicating modern slavery

Opportunity

Contribute to the end of modern slavery by identifying and addressing all forms of forced labour and human rights abuses in Fortescue's business and supply chain.

One of the potential major human rights risks facing Fortescue is the existence of modern slavery practices in its supply chain. This reflects the fact that Fortescue has a global supply chain that procures a range of goods and services from many countries around the world. Modern slavery has the potential to exist in Fortescue's supply chain through a variety of circumstances including forced labour, child labour, debt bondage, human trafficking, abuse of requirements for a minimum living wage and discriminatory employment practices.

Consistent with the Company's risk management approach to human rights more generally, the risk of modern slavery in Fortescue's supply chain is assessed within Fortescue's corporate-wide risk management framework and the ARMC is responsible for providing oversight on behalf of the Board. Given the nature of this risk, the key focus of senior management is working collaboratively with Fortescue's suppliers to ensure that Fortescue's expectations and standards are understood and the potential exposure to human rights risks is minimised.

Fortescue's suppliers

Fortescue is committed to working with its suppliers to eradicate modern slavery from the Company's supply chain. Fortescue procures products and services from a broad range of industries including energy, fixed plant and commodities, mobile fleet and information technology.

In FY18, 1,809 suppliers were engaged with a total contestable spend of A\$3,361 million (GST inclusive). Over 98 per cent of Fortescue's total contestable procurement spend was within Australia including a considerable proportion within Western Australia and the Pilbara region.

All suppliers are required to comply with the Code of Conduct and Integrity and Human Rights Policy. The Company's standard terms and conditions also impose minimum standards relating to ethical business practices, safety and environment. These documents outline clear requirements on forced labour and slavery within supply chains. Fortescue also asks that suppliers sign a statutory declaration (or equivalent), representing an additional commitment to work with Fortescue to eradicate slavery from their organisation and supply chain.

The statutory declaration has been an important tool in raising the profile of modern slavery in the Company's supply chain. As part of Fortescue's international expansion, Fortescue's Code of Conduct and Integrity, which incorporates Fortescue's commitment to eradicating modern slavery, is incorporated into the Company's South American supplier vendor packs.

Due diligence

Fortescue's supplier due diligence process requires supplier compliance with the Company's Code of Conduct and Integrity and Fortescue's policies and standards on human rights, ethical, environmental, health and safety matters. The process also aims to identify risks and ensure that adequate mechanisms are in place to mitigate and manage them.

The due diligence process is initiated by performing a risk assessment of suppliers prior to onboarding or contract award. The risk assessment is performed using specialist vendor risk software which undertakes a number of assessments including checking the supplier, its directors and related companies against a suite of international databases (including government databases) for human rights violations. Once the supplier has passed the initial risk assessment and is subsequently onboarded, this software continuously monitors the supplier over the term of their contract. Any potential issues are escalated for senior management consideration.

Fortescue has a number of mechanisms for employees and third parties to anonymously report suspected or actual illegal activity or breaches of Company Policy, including the Company's Code of Conduct and Integrity and Human Rights Policy. Employees and third parties are able to access an externally operated Whistleblower system through an online portal, phone or email. Each Whistleblower disclosure received is investigated and reported to the executive. The instances and outcomes of the Whistleblower investigations are reported to the Audit & Risk Committee.

FY18 performance

During FY18, potential suppliers were assessed using risk assessment software prior to contract award. Of those assessed, no new suppliers onboarded were identified as having a human rights violation.

During FY18, Fortescue established an in-house Anti-Slavery Working Group and developed a modern slavery training program for its procurement team.

Fortescue continued to collaborate with government, its peers and bodies including the Walk Free Foundation, and in May 2018, Fortescue convened an information session, attended by over 30 of its key suppliers and peers, on recruitment and the pending Modern Slavery Act with a guest speaker from the Institute of Human Rights and Business. Fortescue was also an active participant in the Global Compact Network Australia's Modern Slavery Community of Practice.

Andrew Forrest AO has been a long-time advocate for the eradication of modern slavery throughout the world.

Fortescue has been an avid supporter of the introduction of an Australian Modern Slavery Act and is committed to sharing its learnings and expertise with others. During the year, Fortescue participated in multiple discussions on the pending federal legislation including a roundtable consultation session between business and the Attorney-General's department on the proposed reporting requirements of the Act in October 2017.

Fortescue has expanded the application of the risk software beyond suppliers to business counterparties. This approach enables the Company to work with business counterparties to eradicate modern slavery. Fortescue also undertakes in-country risk assessments before investing in a particular country to ensure the level of human rights risk, including the risk of modern slavery is well understood.

Looking forward

The following priorities have been set for FY19:

Policy review

Review the current policy framework to ensure it meets best practice.

Training

Deliver modern slavery training to all procurement staff to increase capability and ensure they are able to assist suppliers in building their capabilities.

Engagement

Engage with suppliers to ensure they understand their requirements and assist them through the process to build capabilities.

Collaboration

Continue to work with the Walk Free Foundation and other organisations and businesses to share learnings and build capabilities.

Assurance

Review the current assurance process to ensure it meets best practice.

08

Fortescue's response to climate change





Since FY15, GHG emissions intensity across Fortescue's operations has reduced by 13.5 per cent.

Fortescue's commitment

Climate change is one of the most challenging and complex issues facing the planet. Developing solutions to the issues that arise will require a long-term, sustainable, collaborative approach where Governments, businesses and communities work together.

As a business which strives to create value for its shareholders and communities, Fortescue is committed to playing its part and contributing to global efforts to combat climate change.

Fortescue accepts the scientific consensus

as assessed by the Intergovernmental Panel on Climate Change (IPCC) and supports the Paris Agreement goal of limiting global temperature rise to less than 2°C above pre-industrial levels.

The Company's climate change strategy focusses on mitigating the risks and building the resilience of the business and, where possible, creating and leveraging opportunities. Fortescue will continue to work proactively with its peers and governments to ensure policy frameworks are suitably designed to deliver positive climate change outcomes while also supporting economic growth.

Fortescue acknowledges the growing stakeholder interest in business action on climate change and this year has commenced the process to expand disclosure in line with the recent recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the G20 Financial Stability Board. The TCFD recommendations focus on the four key elements depicted below.

TCFD recommendations

Governance	Strategy	Risk management	Metrics and targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages, climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Source: Recommendations of the Task Force on Climate-related Financial Disclosures 2017.

Fortescue will work to progressively improve the quality of climate change disclosure that aligns with the TCFD recommendations. This reflects the rapidly evolving nature of its business and the significant ongoing work to implement effective strategies to reduce emissions. Fortescue will continue to build on this approach over the next 12 months. Each year, the Company will report its performance and progress against the strategy in line with the structure recommended by the TCFD on page 76.

Governance

Good corporate governance is critical to the long-term, sustainable success of Fortescue. It contributes to value creation and positive outcomes for all stakeholders. Good governance is embedded throughout Fortescue and is the collective responsibility of the Board and all levels of management. Fortescue seeks to adopt leading practice, contemporary governance standards and apply these in a manner consistent with its culture and Values. Fortescue's approach to corporate governance is explained more fully in the FY18 Corporate Governance Statement, available at www.fmg1.com.au

Governance of climate change related matters, including risks and opportunities, operates within this overall governance framework. Fortescue's Board has ultimate responsibility for the oversight and approval of all risk management and financial investment decisions, including those relating to climate change. The Board and the Audit & Risk Management Committee (ARMC) specifically are responsible for the consideration of climate change related risks and Fortescue's related risk management strategies. The Board regularly consider how climate change may drive changes to Fortescue's physical, regulatory, commercial, and operating environments to inform the development of the Company's medium-to-longer-term goals and strategies.

Senior management structures have also been strengthened to support more effective governance on climate change. During FY18, a dedicated executive Climate Change Committee (CCC) was established. The CCC is chaired by Chief Operating Officer Greg Lilleyman, and includes a range of senior executives from across the Company. The role of the CCC is to monitor and coordinate Fortescue's overall response to climate change and to ensure risks and opportunities are considered from a whole of business perspective. Specifically, the

CCC has responsibility for coordinating the assessment of climate change and critically evaluating risk management strategies. The CCC reports to the CLT and to the ARMC and Board as appropriate on specific issues.

Strategy

Fortescue recognises its responsibility to support global efforts to reduce greenhouse gas (GHG) emissions and to manage the risks and impacts associated with climate change. Fortescue has developed a climate change strategy to ensure the Company manages its economic growth in an environmentally sustainable manner.

The Company's climate change strategy focusses on four key elements:

- Building resilience to protect assets and operations from the impacts of climate change
- Reducing emissions intensity of its operations
- Maximising opportunities from regulatory changes and market developments
- Continuing customer engagement to ensure its products meet customer requirements.

The implementation of this strategy is driven by the CCC with input from all levels of management. A climate change risk assessment has also been undertaken which highlights the risk and opportunities associated with the strategy. The Board and the ARMC provide oversight of the strategy and related risk management activities.

Building resilience

To protect assets and operations from the physical risks of climate change, including the predicted increasing intensity of extreme weather events in the Pilbara, the Company factors identified risks into project designs and annual business forecasts. Site specific designs are created for each project and are routinely reassessed to ensure continuous improvement in operational resilience in the short, medium and longer-term.

Fortescue will also work with the communities in which it operates, its peers and government to ensure that these communities understand and are prepared for the potential impacts of climate change.

There is a rapidly changing regulatory landscape within Australia and internationally and Fortescue will continue to work with its peers, industry groups, governments and the community to ensure the development of an effective policy and regulatory framework that enables the transition to lower emission

outcomes by incentivising innovation and supporting economic stability and growth.

The Company understands that a climate change policy presents both risks and opportunities to the business and will ensure the responsiveness of its business plans to these changes. This responsiveness was demonstrated by the redevelopment of Fortescue's GHG Emissions and Energy Strategy and a Carbon Acquittal Management Plan led by the Energy Group.

Over the next 12 months, Fortescue will review and further develop environmental metrics to assist in the evaluation of performance in managing relevant climate-related risk and opportunities.

Reducing emissions

To manage risks associated with emissions mitigation policy frameworks, Fortescue is committed to reducing the emissions intensity of its operations. To support and encourage this, Fortescue:

- Has developed an Energy Strategy to ensure that its operations are supplied with a cost effective, secure and constant power supply that is also able to reduce emissions intensity through investment in low emissions energy sources, including renewables
- Applies a price on carbon for new greenfields sites when assessing power supply options, and potential energy infrastructure projects which could enhance its business
- Set the following two short-term emission intensity targets in FY18:
 - o By FY20, achieve a 25 per cent decrease in emissions intensity in electricity generation from FY15 levels
 - o By FY20, achieve a five per cent decrease in emissions intensity in energy consumption in the production process from FY17 levels
- Continue to investigate opportunities to reduce emissions in every day operations.

During FY19, Fortescue will expand the application of internal carbon pricing and develop medium-term targets, and long-term emission goals.

Maximising opportunities

Fortescue will continue to actively assess opportunities to diversify and grow its portfolio as the world transitions to a net-zero emissions global economy. This includes increasing exposure to base metals where demand is expected to increase. The Company is currently undertaking low cost, early stage, exploration and evaluation work for a range of commodities including copper and lithium.

Customer engagement

Fortescue will continue to work with its customers to ensure its products meet their requirements and will continuously fine tune its product strategy to maximise value in use.

As emission reduction frameworks evolve, Fortescue will work to ensure the environmental performance of its products exceeds or equals that of other iron ore products and will look at opportunities to engage with new customers, as these frameworks drive market changes.

Fortescue's medium-term strategy of producing ore with an average iron content above 60 per cent Fe is aimed at creating a product range to enhance customer offering.

In FY18, climate change risks and opportunities were subject to executive-level review and validation. The most material risks and opportunities to the business identified by the executive-level review and validation process are presented in the table below.

Key climate related risks and opportunities

Fortescue has considered the actual and potential risks and opportunities to the business strategy.

Risk	Risk detail	Mitigation and opportunities
Regulatory developments impacting operating costs	Fortescue is subject to both Australian and overseas regulatory frameworks associated with GHG emissions. It is expected that these frameworks and associated market mechanisms will evolve in the coming years. This will place an increased compliance and reporting burden on Fortescue and could drive increased operational costs associated with: • Revision of current emissions regulations, apportioning the emissions reduction contribution between various sectors of the economy to meet Australia's 2030 national emissions reductions target (or 'nationally determined contribution') or • Potential revision of Australia's 2030 nationally determined contribution due to political developments	Fortescue will continue to work with industry bodies, its peers, the government and the community to ensure that an effective regulatory framework that enables the transition to lower emission outcomes by incentivising innovation and supporting economic stability and growth is implemented The Company is also focussed on continuing to reduce its CO₂ emissions and has set voluntary short term targets for its operations. During FY19, medium-term targets and long-term emission goals will be developed Fortescue's Energy Strategy ensures that the use of gas and renewable energy sources are considered during the development and replacement of power stations. The strategy specifically focusses on opportunities to gain commercial and emissions benefits from investment in renewable sources. Investment in renewables and alternative fuel technology may also improve energy security and reduce energy costs Fortescue applies a price on carbon for new greenfield sites when assessing power supply options to ensure future policy changes are accounted for and that a cost of carbon is appropriately integrated into business planning. During FY19, Fortescue will expand the application of internal carbon pricing
Emission reductions in the shipping industry	The International Maritime Organisation (IMO) has adopted regulations to reduce the total annual GHG emissions from international shipping by at least 50% by 2050 (compared to 2008), whilst also pursuing efforts towards phasing them out entirely. This poses a range of challenges for Fortescue in relation to the fleet of vessels employed to deliver products to customers Potential risks include: • Disruption to the capacity and availability of vessels • Increased shipping costs	Fortescue is working with The Australian Maritime Safety Authority (AMSA), the IMO, its peers and the ship owning community to develop initiatives to meet these targets

Risk	Risk detail	Mitigation and opportunities
Regulatory developments impacting customers and market demand	Reduced market demand for Fortescue's products if non-market based climate change regulations impact directly on the steel manufacturing sector and result in market changes. Notably, China launched a market-based emissions trading scheme in 2017, although initial coverage extends to power sector emissions only, it is expected to be expanded progressively over the next 5 years	Fortescue will continue to engage with customers As emission reduction frameworks evolve, Fortescue will ensure the environmental performance of its products exceeds or equals that of other iron ore products and will look at opportunities to engage with new customers, as these frameworks drive market changes Fortescue's medium-term strategy of producing ore with an average iron content above 60% Fe is aimed at creating a product range that continues to be valued by the market and supports customer needs The Company is also assessing diversification options to increase business exposure to base metals where demand is expected to increase in a global economy transitioning towards net-zero emissions and is undertaking low cost, early stage, exploration and evaluation work of commodities such as copper and lithium
Operational interruptions	Increased severity of extreme weather events causing material damage to assets and infrastructure through winds, flooding and tidal surge Changes in rainfall intensity and frequency have the potential to increase the duration and frequency of downtime at operating sites. Increased severity of cyclones may lead to increased closures at the Herb Elliott Port facility, impact on the volume of product shipped, and cause damage to assets and infrastructure These impacts may lead to increased cost and reduced revenue associated with: • Disruptions to operations impacting production rates • Increased operational costs as a result of: - o Damage to property and assets - o Increased maintenance - o Increased insurance premiums There is an increased likelihood of climate change-driven prolonged drought events in the Pilbara region which will place increasing stress on the availability of water resources, particularly the balance between environmental sustainability and business/public use. Fortescue's operations require process water and are currently dependent on groundwater sources. Water scarcity issues may lead to reduced revenue associated with: • Inadequate water supply impacting on operations • Longer environmental approvals processes and delays to mining schedules impacting on operations • Increased operational costs due to additional environmental studies Rising sea levels also have the potential to impact on the Herb Elliott Port facility. These impacts may lead to reduced revenue associated with: • Disruptions to operations impacting production rates • Increased operational costs as a result of: - o Damage to property and assets - o Increased maintenance - o Increased insurance premiums - o Installation of new, more resilient infrastructure	Fortescue's Climate Change Strategy focusses on building resilience into its operations to protect assets and minimise operational downtime The Company has constructed its port, rail and mine infrastructure to meet the highest specifications accounting for the risk of extreme weather events. All new projects assess and develop management and mitigation mechanisms to address the potential physical impacts of climate change Fortescue's water strategy is focussed on increasing the resilience of its operations by reducing water usage requirements of operations. This involves a focus on innovation and technological solutions, and the implementation of metrics and internal performance standards to proactively manage risks associated with water scarcity Fortescue will continue to work with government and the community to reduce the risk of longer approval times and unnecessary regulation that may not appropriately balance environmental, social and economic needs Fortescue will continue to work with the Port Hedland Port Authority and other operators to minimise impacts to ship movements during extreme weather events

Fortescue's medium and long-term financial planning is based on the overall business strategy and an understanding of the risks and opportunities associated with that strategy. Financial planning also considers a range of market, operational and regulatory scenarios and models these to evaluate potential financial outcomes. Fortescue's Board and management is focussed on improving this modelling capability to ensure that the organisation is resilient to changes in the external business environment. Modelling of climate change scenarios and the impact on business strategy is an area that is still in the early stages of maturity. This will evolve over the coming years and see greater application of internal carbon pricing within financial scenario modelling.

Risk management

The evaluation of climate change risks and opportunities is integrated into Fortescue's Company-wide risk management process. Fortescue's Risk Management Framework (FRMF) ensures a consistent approach to the recognition, measurement, and evaluation of all risks and opportunities, including climate change.

Fortescue has a well-developed process for the identification, assessment, and management of risk. Primary responsibility for this process lies with management, with oversight provided by the ARMC and the Board. Regular reporting is provided to the ARMC on management's assessment of climate change-related risks and opportunities. The CCC also plays an important role in coordinating and collating risk information across the business and for oversight of specific risk management actions. The key climate change risks and opportunities have been described on previous pages including related risk management strategies.

FY18 performance

In FY17, Fortescue set itself two short term targets to reduce its GHG emissions intensity.

Objective

- Reduce carbon emissions across the business.

Target

- By FY20, achieve a 25 per cent decrease in emissions intensity in electricity generation from FY15 levels
- By FY20, achieve a five per cent decrease in emissions intensity in energy consumption in the production process from FY17 levels.

Fortescue's operations and approach to GHG emissions is compliant with:

- Australian Federal Government *National Greenhouse and Energy Reporting Act 2007*, and associated guidelines
- Carbon Disclosure Project.

While production has remained steady, Fortescue has continued to reduce the total scope one and scope two GHG emissions. In FY18, the Company emitted 1.68 million tonnes of CO₂e*, a reduction of 2.3 per cent compared to the previous 12 months, and a reduction of 12.8 per cent since FY15.

Since FY15, GHG emissions intensity across operations has reduced by 13.5 per cent and since FY15, the emissions intensity in electricity generation has reduced by 13 per cent.

Emissions intensity in energy consumption during FY18 was 348.9 t CO₂e/mt.km, a reduction of 3.7 per cent since FY17.

The increase in FY18 emissions intensity in electricity generation compared to FY17, is thought to be a result of inefficiencies of the OPFs at Cloudbreak and Christmas Creek which have since been addressed.

Key initiatives that drove GHG and energy intensity reductions during FY18 include:

- Improved strip ratios across all mine sites
- Improved ore recovery from wet plant operations
- Reduction in Pilbara powerplant natural gas usage by Fortescue's Port operations
- Roll out of the Autonomous Haulage System (AHS) at the Christmas Creek minesite. The remaining truck fleet will be progressively converted
- Installation of Variable Speed Drives (VSDs) to control bores, to decrease electricity requirements
- Completion of stage 1 commissioning of the relocatable conveyor at Cloudbreak mine.

Key initiatives being progressed or investigated to further reduce emissions include:

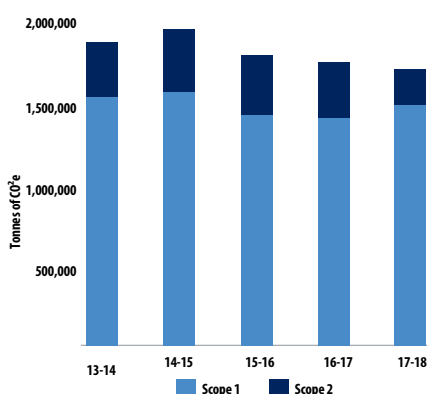
- Replacement of Cloudbreak and Christmas Creek minesite power
- Expanded use of relocatable conveyor systems to reduce fleet emissions
- Gas substitution technology for large diesel engines.

Summary

Fortescue has aligned its FY18 climate change reporting to the TCFD recommendations and is committed to maintaining open and transparent dialogue with stakeholders. Fortescue will implement the following key actions:

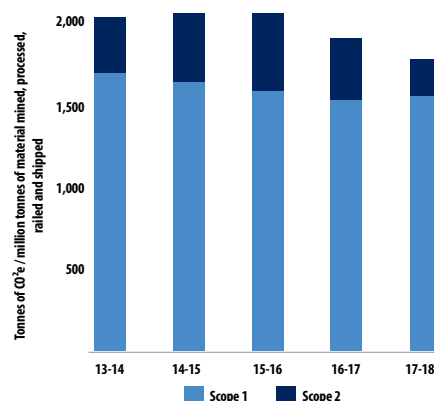
- Expand the application of internal carbon pricing in FY19
- Undertake structured scenario planning in FY19
- Develop medium-term targets, and long-term emission goals in FY19
- Review and further develop environmental metrics.

Total GHG emissions

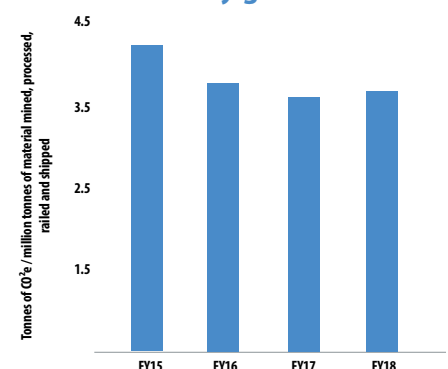


*For the purpose of this report, emissions from the Solomon power station are captured as Scope 1 only. This facility is now owned and operated by a subsidiary of Fortescue.

GHG emissions intensity



Emissions intensity in electricity generation



09

Safeguarding the environment

Protection for
future generations



Fortescue is committed to safeguarding the environment by protecting biodiversity, managing water resources responsibly, reducing greenhouse gas emissions and managing waste.

Protecting biodiversity

Objective

To take responsibility for Fortescue's disturbance by protecting biodiversity in the regions where the Company operates.

Target

- Achieve a net positive impact on biodiversity.

Fortescue is committed to safeguarding the environment for future generations through responsible environmental management. The Company takes a precautionary approach to environmental matters and continues to invest in initiatives and technologies to minimise environmental impacts.

Fortescue is committed to preserving the biodiversity of the areas where it operates, understanding the potential impacts of its operations and working closely with

stakeholders including government agencies, Traditional Custodians and the general community to ensure appropriate management practices are in place to minimise and mitigate these impacts.

Fortescue's Environmental Policy and Environmental Management System (EMS) reflect the Company's commitment to continually improve environmental performance and provides a robust framework for the identification and management of environmental impacts. The EMS aligns with ICMM, UNGC principles and the requirements of ISO14001:2016 International Standard for Environmental Management Systems.

Fortescue invests in initiatives and technologies to contribute to the body of environmental knowledge of the Pilbara and continues to support ongoing relationships with government, universities

and other researchers. During FY18, the Company contributed funds to a number of research, study and monitoring programs to improve the knowledge and management of rare and threatened fauna species including the Pilbara Leaf-nosed Bat, the Pilbara Olive Python, the Night Parrot and the Northern Quoll.

Over the past five years, Fortescue has provided over A\$4 million to conservation funds or on-ground research, land management and offset programs.

Fortescue employs internal and external biodiversity experts to survey, monitor and provide advice on biodiversity protection. Outcomes of this work are integrated into business planning processes, management plans and procedures.

Monitoring methods adopted are in accordance with Fortescue's Conservation Significant Fauna Management Plan (FMP)



and are aligned with the Department of Biodiversity Conservation and Attractions methods.

The primary objectives of the FMP are to identify impacts, conserve significant fauna species and develop management and monitoring measures that maximise the ongoing protection, and long-term conservation, of these species within, and adjacent to Fortescue controlled sites. A similar focus is applied to understanding inland aquatic features adjacent to its operations.

Conservation significant fauna monitored in accordance with the FMP include Pilbara Olive Python, Northern Quoll, Bilby, Ghost Bat, Pilbara Leaf-nosed Bat and various Migratory Birds. Monitoring to date has determined that conservation significant fauna continue to reside in habitats surrounding Fortescue's operations, and have not been significantly impacted by

Fortescue's mining or rail operations. For example, in August 2017, female Northern Quolls, with signs of reproduction were recorded within the Solomon Hub.

All of Fortescue's mine sites and associated rail and port operations must adhere to the FMP.

The Company investigates all incidents and implements improvement controls to limit similar incidents occurring in the future. During FY18, there were no significant environmental incidents or significant fines/sanctions against Fortescue and no environmental impact grievances filed.

Compliance with all relevant environmental laws and obligations is the absolute minimum standard to which Fortescue operates. Internal compliance auditing against environmental obligations occurs at all sites on a continuous basis. These internal audits are supplemented with independent external audits.

During FY18, numerous field and desktop audits were undertaken by the Western Australian Department of Water and Environmental Regulation, Department of Mines, Industry Regulation and Safety and the Commonwealth Department of the Environment and Energy. The audits assessed compliance against Ministerial Statements issued under the *Environmental Protection Act 1986 (WA)*, Mining Proposals under the *Mining Act 1986 (WA)* and Controlled Action approvals under the *Environment Protection and Biodiversity Conservation Act 1999 (Commonwealth)*. All audits determined Fortescue has demonstrated a high level of compliance and that its operations are aligned with the expectations of government stakeholders.

Case Study Partnership with WA Parks Foundation



In March 2018, the WA Parks Foundation and Fortescue announced a new partnership to inspire and help people from all backgrounds to connect back with nature.

Former Governor of Western Australia and Chair of the WA Parks Foundation, Her Excellency the Honourable Kerry Sanderson AC said just being in nature has many benefits and we can all gain both physically and mentally from connecting with our natural environment.

“In partnering with Fortescue, we are able to increase awareness about our unique natural environment and provide information to help people enjoy and appreciate parks, now and into the future,” Her Excellency said.

COO Greg Lilleyman, said that encouraging participation and creating a sense of involvement are fundamental to building strong and vibrant communities.

“Fortescue is committed to safeguarding the environment and protecting biodiversity for future generations to ensure that all of the communities we work with benefit from our growth and development. Initiatives such as this long-term investment in the WA Parks Foundation will help better connect the community to the 31 million hectares of conservation estate here in WA,” he said.

Her Excellency added, “Uniting the community through a shared love for our WA parks helps to protect and conserve them for our physical and mental health.”

Case Study Feral Cat control trial



A northern quoll is identified as a non-target animal by the Felixer.

Fortescue has teamed up with the Department of Biodiversity, Conservation and Attractions and Roy Hill Holdings Pty Ltd to trial the Felixer, a device developed by Ecological Horizons, which offers a potential solution to the nation’s feral cat problem.

Devices are placed in locations where feral cats pose a threat to native animals. The Felixer identifies feral cats and foxes by their unique shape and instantaneously administers a target-specific poison onto their fur. This approach takes advantage of the fact that feral cats are compulsive groomers and will ingest the toxin when grooming.

Three devices have been deployed for a two-year research period. Initially, each Felixer will be used in photo-only mode to study its efficacy at identifying cats and foxes. If proven successful, the active mode will be employed, and a measured dose of ‘1080 poison’ will be sprayed onto target species.

Fortescue currently invests in other feral animal control programs in the Pilbara, including trapping and baiting programs.

Case Study Subterranean fauna



The Pilbara region is recognised as one of the richest regions in the world for subterranean fauna where approximately 3,000 species are believed to exist.* Subterranean fauna are fauna which live their entire lives below the surface.

Fortescue is committed to protecting the biodiversity and ecological integrity of these species and since 2009 has undertaken 17 surveys. Survey methods involve net hauling, trap setting and opportunistic sampling through leaf litter and soil. Once samples are collected, extensive laboratory-based taxonomy occurs to identify species. DNA analysis is also often undertaken to confirm species' identification.

Results of these surveys provide valuable regional data on at least 150 stygofauna and 127 troglofauna species.

**(Halse 2018. Subterranean fauna of the arid zone. In Lambers, H (ed) On the Ecology of Australia's Arid Zone. Springer Nature)*

During FY18, Fortescue commissioned a subterranean fauna survey of the Eliwana mine development area to supplement significant historical survey effort in the region. This regional understanding of subterranean fauna biodiversity is a critical component of Fortescue's project assessment and management processes.



Photo supplied by Bennelongia Environmental Consultants

Case Study Fortescue Marsh



The Cloudbreak and Christmas Creek mine sites lie north of the Fortescue Marsh, a wetland of national significance listed on the Directory of Important Wetlands of Australia.

Fortescue implements a number of mitigation and management measures to protect the marsh including:

- Minimising clearing and access to the Marsh
- Strict adherence to surface and groundwater management programs
- The innovative Papa Waringka Managed Aquifer Recharge (MAR) Program.

As part of a long-term strategic collaboration with the Department of Biodiversity, Conservation and Attractions, Fortescue has provided over A\$2.5 million to fund biodiversity protection programs at the Marsh. This includes the implementation of feral cat baiting and feral herbivore control programs and the funding of a dedicated Fortescue Marsh Conservation Officer, employed through the Department.



Managing water responsibly

Objective

Use water responsibly by improving water use efficiency and maximising the value of existing water sources.

Target

- Annual improvement in water use efficiency
- By the end of FY18, complete investigations into alternative water disposal options.

The effective management of water resources is fundamental to the sustainability of Fortescue's operations, the environment and the communities in which the business operates. Fortescue takes a proactive approach to responsible water management and as a minimum complies with water

licensing requirements set by industry regulators.

Dewatering and other mining related water uses accounts for the majority of water abstracted and Fortescue uses lower quality water and recycled waste water wherever possible to limit abstraction. The Company continually assesses and manages water resources by applying adaptive responses to water excess, water scarcity, water quality and waste water treatment.

Fortescue requires good quality, fresh water as a potable supply at its facilities. The supply of potable water is vital to Fortescue's mine sites as they are located in remote regions with no municipal supply.

Each operation is guided by site-specific Groundwater Management Plans, informed by the Department of Water 2013 Strategic Policy 2.09, which recommends a hierarchical approach for the use of mine dewatering surplus.

Fortescue monitors groundwater and surface water conditions, local ecosystem and habitat health to ensure that its operations do not significantly impact on the quantity or quality of natural water systems and natural environments. Monitoring has consistently shown that Fortescue's abstraction activities have not had a significant impact on Pilbara natural water sources or water dependant ecosystems.

Fortescue's evaluation of water related risks and opportunities, including those related to climate change, are integrated into multi-disciplinary Company-wide risk management processes and are considered as part of the Company's overall business strategy. Facility level risk assessments are undertaken regularly as part of mine planning processes which consider operational and environmental risks, constraints and challenges.



The effective management of water resources is fundamental to the sustainability of Fortescue's operations, the environment and the communities within which the business operates.

Some of Fortescue's mining operations are located near sensitive and 'water-related' receptors including permanent, groundwater fed pools at the Solomon Hub and the Fortescue Marsh, a wetland of national significance adjacent to the Chichester Hub. Fortescue is subject to a number of environmental protection obligations, as well as voluntary monitoring programs to minimise impacts to these ecosystems.

The Papa Waringka Managed Aquifer Recharge Program

Fortescue implements the Papa Waringka Managed Aquifer Recharge (MAR) Program at the Chichester Hub to ensure operations have access to an efficient and resilient groundwater supply, without damaging or depleting the natural aquifers and ecosystems that rely upon them. During FY18, 127 million kL of groundwater was abstracted to allow mining below the water table, for a potable water supply and non-dewatering abstraction for mine use.

Under the MAR, 91.7 million kL of water was directly reinjected into aquifers to minimise environmental impacts and maintain water balance.

Fortescue investigates alternative water management options to mitigate its impact on the environment on an ongoing basis. At the Chichester Hub, options are being assessed to reinject surplus brackish water into unused infrastructure, such as abstraction bores and inactive mining pits, to enable future reuse.

Regional hydrogeology

Objective

Lead a better understanding of regional hydrogeological systems where the Company operates.

Target

By FY21, complete and publish findings of a Pilbara wide hydrogeological systems study.

Fortescue has gained considerable expertise in monitoring groundwater systems and is committed to working with government, industry and the community to share its learnings and work with others to gain a better understanding of the Pilbara hydrogeological systems.

During FY18, the hydrogeological model for the Chichester operations was updated and presented to regulators. The model was also expanded to include the Eliwana project and extensive hydrogeological studies were conducted in the area between the Solomon Hub and the proposed Eliwana project.

Over the next 12 months, the Company will continue developing a conceptual understanding of the Pilbara hydrogeology which will assist in developing the scope of the project with the report being published prior to 30 June 2021.

Mine closure

Objective

Ensure mine closure is considered in all aspects of planning and operations.

Target

- By mid FY18, develop and communicate a whole of business closure standard
- By mid FY18, establish a closure steering committee to oversee closure planning and implementation.

Objective

Increase community participation in mine closure and post-mining industries.

Target

By the end of FY18, develop a stakeholder engagement strategy on mine closure.

Fortescue's mine closure planning is focussed on returning the land to a state that will provide future use and value when mining is complete. Fortescue will continue to work with its stakeholders including local communities, Traditional Custodians and government agencies when considering post-closure land uses and developing achievable objectives.

Mine closure is initially considered during the feasibility phase of project development, when objectives are discussed and agreed with stakeholders and site strategies to minimise environmental impacts are developed.

To minimise the potential financial, social and environmental risks of mine closure, these strategies are refined over the life of each operation. This also ensures maximum effectiveness in rehabilitation activities. Closure plans and financial provisions to execute these plans are developed and maintained for 100 per cent of Fortescue's operational sites. Financial provisions for closure are included in Fortescue's FY18 Annual Report.

During FY18, work included:

- The establishment of a Closure Steering Committee to oversee the planning and implementation of closure programs and activities
- Development of a new stepped landform waste dump design, based on the physical properties of waste rock, which computer models suggest will generate lower total volumes of eroded sediment over the long-term than the industry's standard design.

The new stepped landform design is also expected to be cheaper and easier to implement and maintain than the industry's standard closure design

- Development and approval of the Solomon Hub Frederick deposit mine closure plan by the Department of Mines, Industry Regulation and Safety. Development and submission of the Nullagine mine, Eliwana mine and Eliwana rail closure plans to various regulators for approval
- Independent assessments of Fortescue's closure cost methodology and of Christmas Creek's infrastructure demolition and disposal costs were completed as part of ongoing cost validation and improvement cycle.

Sustainable rehabilitation

Progressive rehabilitation activities have been integrated into Fortescue's standard operating procedures to ensure the required environmental performance objectives will be met on closure.

In FY18, these activities included:

- Direct disposal (backfill) of more than 100,000,000 tonnes of the waste rock into exhausted mine pits
- Ongoing geochemical and physical characterisation of the mineral waste rock
- Regular review, including computer modelling, of proposed post-mining landforms and water systems
- Monitoring of local water quality and vegetation health indicators.

To ensure responsible rehabilitation practices are implemented throughout each stage of the mining life cycle, Fortescue applies an integrated approach where rehabilitation monitoring procedures are tailored to local environmental issues, using indices such as plant species diversity and composition, nutrient cycling, infiltration and erosion.

Monitoring activities completed during FY18 included over 100 rehabilitation and associated control transects and over 50 photo monitoring points, as well as weed mapping and monitoring programs, and management, where required, across Fortescue's operations.

Reducing waste

Objective

To reduce waste generation through prevention, reduction, recycling and reuse.

Target

- By mid FY18, develop a product lifecycle and waste disposal procurement policy, excluding off-the-road tyres (OTRs)
- By the end of FY18, achieve >90 per cent recycling rate for total waste volumes
- By the end of FY20, identify a sustainable disposal method for OTRs and conveyor belt.

Reducing waste generation through the prevention, reduction, recycling and reuse of waste produced during operations is a priority for Fortescue. The Company continues to investigate options to minimise the volumes of general waste being sent to landfill.

All waste generated across Fortescue's operations is managed in accordance with the Waste Management Plan and Hazardous Materials Management Procedure. No hazardous waste as classified under the Basel Convention, was generated or disposed of by Fortescue during FY18.

During FY18, Fortescue developed a product lifecycle and waste disposal procurement policy, excluding OTRs. The Company was close to its recycling target of 90 per cent, achieving a recycling rate of 86 per cent for total waste volumes across all sites.

Most mine processing waste rock and overburden is disposed of in mined out pits.

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Corporate Directory



Navigational index

Fortescue's CSR report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines and the associated Mining and Metals Sector Supplement.

Fortescue's CSR report also serves as its Active Level Communication on Progress for the United Nations Global Compact. The Navigation Index indicates the sections of Fortescue's FY18 Corporate Social Responsibility Annual Report and FY18 Corporate Governance Statement that align with the GRI Standards, the principles of the United Nations Global Compact, the 10 principles of the International Council on Mining and Metals and the UN Sustainable Development Goals.

General Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
102-1	Name of the organisation	About this Report: page 2		
102-2	Activities, brands, products and services	About Fortescue: page 6 Operating and Financial Review: pages 18-21		
102-3	Location of headquarters	About Fortescue: page 6 Full address: page 104		
102-4	Location of operations	About Fortescue: page 6		
102-5	Ownership and legal form	About Fortescue: page 6 Annual Report – Shareholder information: page 138		
102-6	Markets served	About Fortescue: page 6		
102-7	Scale of the organisation	About Fortescue: page 6 FY18 Annual Report - Operating and Financial Review – Overview of Operations, Financial Results and Position: pages 20-34, pages 55-105		
102-8	Information on employees and other workers	Fortescue Family: pages 40-49 Data tables: pages 98-100		6
102-9	Supply chain	Fortescue's Supply Chain: page 74 Engaging with Stakeholders: pages 31-35		
102-10	Significant changes to the organisation and supply chain	FY18 Annual Report - Financial Report – Director's Report: pages 55-58		

General Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
102-11	Precautionary Principle or approach	FY18 Corporate Governance Statement Risk Management: pages 12-13 Protecting biodiversity: pages 80-83	1,2,4	7
102-12	External initiatives	Message from CEO: pages 4-6 Fortescue's approach to CSR: page 53 Memberships and Commitments to external initiatives relevant to CSR: page 96	2	
102-13	Memberships	Message from CEO: pages 4-6 Fortescue's approach to CSR: pages 22-23	2	
102-14	Statement from senior decision-maker	Message from CEO: pages 4-6	2	1,4,5
102-15	Key impacts, risks and opportunities	Material issues: page 25 Throughout report		
102-16	Values, principles, standards and norms of behaviours	Vision and Values: page 16 Throughout report	1,2	10
102-18	Governance structure	Corporate Governance: page 30	1	
102-32	Highest governance body's role in sustainability reporting	Corporate Governance: page 30 Respecting human rights: page 73 Fortescue's response to climate change: page 77	1	
102-40	List of stakeholder groups	Engaging with stakeholders: pages 31-35	4,10	
102-41	Collective bargaining agreements	Fortescue Family: page 40	3	3
102-42	Identifying and selecting stakeholders	Engaging with stakeholders: pages 31-35	4,10	
102-43	Approach to stakeholder engagement	Engaging with stakeholders: pages 31-35	4,10	
102-44	Key topics and concerns raised	Engaging with stakeholders: pages 31-35	4,10	
102-45	Entities included in the consolidated financial statements	About Fortescue: page 6 FY18 Annual Report – Notes to the Consolidated Financial Statements: pages 101-103		
102-46	Defining report content and its Boundary	Fortescue's approach to CSR: pages 22-23	2	
102-47	List of material topics	Material Issues: page 25 United Nations Sustainable development Goals: pages 26-28	2	
102-48	Restatements of information	Restatements of information are noted in the text		
102-49	Changes in reporting	Fortescue's approach to CSR: pages 22-23		

General Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
102-50	Reporting period	About this Report: page 2	10	
102-51	Date of most recent report	2018		
102-52	Reporting cycle	About this Report: page 2		
102-53	Contact point for questions regarding the report	About this Report: page 2		
102-54	Claims reporting in accordance with the GRI standards	About this Report: page 2		
102-55	GRI Content index	Corporate Directory: pages 90-96		
102-56	External Assurance	About this Report: page 2	10	

Management Approach

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
103-1	Explanation of the material topic and its Boundary	Covered for each material issue throughout the report. Material Issues: page 25	4,10	
103-2	The management approach and its components	Covered for each material issue throughout the report. Material Issues: page 25		
103-3	Evaluation of the management approach	Covered for each material issue throughout the report. Material Issues: page 25		

Economic performance

201-1	Direct economic value generated and distributed	Fortescue's approach to Tax: pages 54-56 FY18 Annual report – Financial Results and Position: pages 55-105	9	
201-2	Financial implications and other risks and opportunities due to climate change	Fortescue's response to climate change: pages 75-79	6	7

Specific Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
Material Topic: Employee health, safety and wellbeing				
Occupational Health and safety				
DMA	Disclosure on Management Approach	Employee health, safety and wellbeing: pages 36-37		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Employee health, safety and wellbeing: pages 36-37 Data tables: page 98	5	1

Specific Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
Material Topic: Diversity				
Diversity and equal opportunity				
DMA	Disclosure on Management Approach	Workplace diversity: pages 43-49		
405-1	Diversity of governance bodies and employees	Workplace diversity: pages 43-49	3	6
Employee training and education				
404-1	Average hours of training per year per employee	Data tables: page 100	5	6
404-2	Programs for upgrading employee skills and transition assistance programs	Fortescue Family: page 41	3	6
404-3	Percentage of employees receiving regular performance and career development reviews	Data tables: page 100	3	6
Employment				
401-1	Total number and rates of new employee hires and employee turnover	Data tables: pages 99-100	3	6
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Fortescue Family: page 40 Data tables: page 100		6
413-2	Operations with significant actual and potential negative impacts on local communities	Engaging with our stakeholders: pages 31-34 Building communities: pages 69-72	3,9	1,2
Material Topic: Ethical conduct, anti-bribery and corruption				
Anti-corruption				
DMA	Disclosure on Management Approach	Ethical conduct, anti-bribery and corruption: pages 52-53		
205-3	Confirmed incidents of corruption and actions taken	Ethical conduct, anti-bribery and corruption: page 53	1	10
Material Topic: Protecting Aboriginal heritage				
Rights of Indigenous peoples				
DMA	Disclosure on Management Approach	Protecting Aboriginal heritage: page 50		
G4-MM5	Total number of operations taking place in or adjacent to Indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities	Protecting Aboriginal heritage: page 50	3,9	1,2

Specific Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
Material Topic: Building Local Communities				
Indirect Economic Impacts				
DMA	Disclosure on management approach	Building communities: pages 69-72		
203-2	Significant indirect economic impacts	Building communities: pages 69-72		
Procurement practices				
204-1	Proportion of spending on local suppliers	Building communities – page 69	2,9	6
Material Topic: Respecting human rights				
Human Rights assessment				
DMA	Disclosure on Management Approach	Respecting human rights: page 73		
412-1	Operations that have been subject to human rights reviews or impact assessments	Respecting human rights: page 73	3	1,2
412-2	Employee training on human rights policies or procedures	Respecting human rights: pages 73-74	3	1,2,3,4,5,6
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Respecting human rights: pages 73-74	2	1,2,3,4,5,6
Supplier environmental assessment				
Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	Respecting human rights: pages 73-74	6	7,8,9
Child labour				
408-1	Operations and suppliers at significant risk for incidents of child labour	Respecting human rights: pages 73-74	3	1,2,5
Forced or compulsory labour				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Respecting human rights: pages 73-74	3	1,2,4,5

Specific Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
Material Issue: Protecting the environment				
Biodiversity				
DMA	Disclosure on management approach	Protecting biodiversity: pages 82-83		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Protecting biodiversity: pages 82-83	7	8
G4-MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	Data tables: page 101	6	8
G4-MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	Protecting biodiversity: pages 82-83	7	8
304-2	Significant impacts of activities, products, and services on biodiversity	Protecting biodiversity: pages 82-83	7	8
304-3	Habitats protected or restored	Protecting biodiversity: pages 82-83	7	8
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Protecting biodiversity: pages 82-83	7	8
Closure planning				
G4-MM10	Number and percentage of operations with closure plans	Mine closure: page 88	6,9	7
Water				
303-1	Water withdrawal by source	Data tables: page 101	6	7,8
303-3	Water recycled and reused	Data tables: page 101		8

Specific Standard Disclosures

GRI Standard	Disclosure	Location	ICMM Principles	UNGC Principles
Material Issue: Safeguarding the environment				
Effluents and waste				
306-2	Waste by type and disposal method	Data tables: page 101	6	8
306-4	Transport of hazardous waste	Reducing waste: page 88		8
Material Topic: Climate change				
Emissions				
DMA	Disclosure on management approach	Fortescue's response to climate change: pages 75-80		
305-1	Direct (Scope 1) GHG emissions	Fortescue's response to climate change: page 80	6	8
305-2	Energy indirect (Scope 2) GHG emissions	Fortescue's response to climate change: page 80	6	8
305-4	GHG emissions intensity	Fortescue's response to climate change: page 80	6	8
305-5	Reduction of GHG emissions	Fortescue's response to climate change: page 80	6	8

Memberships and Commitments to external initiatives relevant to CSR

Australian Memberships

- United Nations Global Compact Network Australia
- Business Council of Australia
- Australia-China Business Council
- Association of Mining and Exploration Companies (AMEC)
- Australian Mines and Metals Association.
- Corporate Tax Association
- Chamber of Commerce and Industry of Western Australia
- DomGas Alliance.

International Memberships

- United Nations Global Compact

Commitments to External Initiatives/Standards

- Tax Transparency Code of Australia 2016
- International Council on Mining and Metals (ICMM) Sustainable Development Principles
- Recommendations of the Task Force on Climate-related Financial Disclosures Transparency (TCFD)
- Dow Jones Sustainability Index
- UN Guiding Principles on Business and Human Rights
- ISO Standards
 - o 14001 – Environmental Management
 - o 3100 – Risk Management.

In FY18, Fortescue celebrated a number of milestones, none of which could have been achieved without the support of its employees, contractors, suppliers, community members, government, shareholders, Native Title Partners, and pastoralists.

Fortescue thanks everyone who has been part of its 15 year journey.

15
Year

ANNIVERSARY

10
Years

**SINCE FIRST ORE
PRODUCED**

1
Billion

**TONNES IRON
ORE SHIPPED**

Health and safety data

Fatalities		
Region	FY18	FY17
Australia	0	0
China	0	0
Singapore	0	0
Ecuador	0	NA
Total	0	0
Safety Excellence and Culture Survey participation (%)	94	92
Positive drugs test results (%)	0.55	0.32

TRIFR

Region	FY18	FY17
Australia	3.7	2.9
China	0	0
Singapore	0	0
Ecuador	0	0
Total	3.7	2.9

Injury Severity Rate FY18

Region	Employees	Contractors
Australia	74	176
China	0	0
Singapore	0	0
Ecuador	0	0
Total	74	176

Recordable occupational illness rate FY18

Region	Employees	Contractors
Australia	0.2	0.1
China	0	0
Singapore	0	0
Ecuador	0	0
Total	0.2	0.1

Regional safety fines FY18

Region	No.	Value (\$)
Australia	0	0
International	0	0
Total	0	0

Employment data FY18

Number of staff by gender (employees and labour hire)

Male	4,749
Female	1,002
Total	5,751

Number of staff by employment type (employees and labour hire)

Full-time	3,953
Part-time	347
Fixed term Full-time	174
Fixed term Part-time	5
Casual	46
Labour Hire	1,226
Total	5,751

Flexible working arrangements

No. of staff that utilised flexible working arrangements	360
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Number of staff by employment category (employees only)

Machinery operators and drivers	1,630
Technicians and trade	1,353
Professional	820
Clerical and administrative	168

Employment data

Number of staff by employment category (employees only) continued

Other managers	156
Labourers	124
Senior managers	119
Technicians and trade (Apprentice)	76
Community and personal service	39
Other executives/general managers	33
Professional (Graduate)	3
Key Management Personnel (KMP)	3
CEO	1
Total	4,525

Number of staff by region (employees and labour hire)

Australia	5,672
China	13
Singapore	12
Ecuador	54
Total	5,751

Females working in Perth office	325
Aboriginal people working on Pilbara sites	774

Age distribution (employees and labour hire)

< 30 Male	883
< 30 Female	273
31-50 Male	2,865
31-50 Female	587
51+ Male	1,001
51+ Female	142
Total	5,751

Females in management positions (%)

Females in senior leadership	24
Females in management positions	22

Board membership

Male	4
Female	5

Aboriginal employment data (employees and labour hire)

Employees – Male	607
Employees – Female	203
Total	810

Aboriginal people working across all sites

No. of Aboriginal people working across all sites	1,161
% of employees that are Aboriginal	14.1

Employee turnover

Voluntary turnover (%)	10.5
Involuntary turnover (%)	2
Total	12.5

Voluntary turnover by gender (direct employees only)

Male (%)	10.2
Female (%)	11.7

Voluntary turnover by region – (direct employees only)

Australia	474
China	0
Singapore	0
Ecuador	0
Total	474

Employment data

Voluntary turnover by age group (direct employees only)

< 30 Male	76
< 30 Female	29
31-50 Male	242
31-50 Female	53
51+ Male	64
51+ Female	10
Total	474

Parental leave

Employees who took primary carers parental leave	95
Parental leave retention rate (%)	96
Employees eligible for parental leave (%)	88
Female employees who took primary carers parental leave	82

Percentage of employees receiving regular performance and career development reviews

Male	100
Female	100

Total hours of training by gender

Male	146,222
Female	23,881

Average hours of training by gender

Male	41
Female	27

Total hours of training by employee type

Permanent Full-time	154,437
Fixed term	4,222
Part-time	11,415

Health and safety training in hours by gender

Male employees	19,303
Female employees	2,426
Male contractors	51,156
Female contractors	4,780

New employee hires by gender (Direct)

Male	603
Female	155
Total	758

New employee hires by region (Direct)

Australia	701
China	2
Singapore	0
Ecuador	55
Total	758

New employee hires by age (Direct)

< 30 Male	183
< 30 Female	55
31-50 Male	346
31-50 Female	87
51+ Male	74
51+ Female	13
Total	758

Native title and heritage FY18

No. of reportable heritage incidents	0
No. of achieved heritage places managed	5,597
Land ethnographically surveyed (ha)	202,575
Land ethnographical surveyed (ha)	2,095,346
No. of Land Access Agreements in place	7

Environment and water FY18

Land

Total land disturbed (ha)	27,304
Total land rehabilitated (ha)	4,008
No. of Land Access Agreements in place	7

Greenhouse gas emissions

Total Scope 1 and Scope 2 emissions (million tonnes CO ₂ e)	1.68
Total Scope 1 and Scope 2 reduction since FY15 (%)	12.8
Reduction in GHG emissions intensity since FY15 (%)	13.5
Emissions intensity in electricity generation (t CO ₂ e/wmt ('000))	3.78
Reduction in emissions intensity in energy consumption from FY17 levels (%)	13
Emissions intensity in energy consumption	348.9

Water withdrawn by source (kL)

Surface water withdrawal	0
Groundwater withdrawal	142,292,710
Sea water withdrawal	530,992
Rainwater collected/stored	0
Municipal water supplies, other public or private water utilities	17,658
Water sources significantly affected by withdrawal of water	0

Returns to the environment (kL)

Managed aquifer recharge	91,679,678
Surface water discharge	0
Supplementation	2,907,454
Evaporation and seepage	988,258
No. of reportable environmental incidents	7

Water use (kL)

Ore processing facilities	31,820,491
Potable camp supply	1,124,400
Dust suppression	7,036,979

Waste FY18

Total waste (t)	13,513
Material recycled (%)	86
Material landfilled (%)	14

Waste rock (wmt)

Total overburden	267,444,672
Total ore mined	184,501,578
Total tailings	21,375,094

Taxes paid FY18

Company taxes (A\$ million)	381
Royalties (A\$ million)	529
Foreign (A\$ million)	12
Employment (A\$ million)	260
Total (A\$ million)	1,182

Salaries and benefits (A\$million) FY18

Total salaries (A\$ million)	693.7
Total superannuation (A\$ million)	71.4
Amount of housing support (A\$ million)	11

Glossary

Aboriginal

Describes both Aboriginal and Torres Strait Islander people.

Aboriginal owned businesses

Contractors, joint ventures, subcontractors or other legal entities owned by Aboriginal people.

Australian Accounting Standards

Australian Accounting Standards are developed, issued and maintained by the Australian Accounting Standards Board, an Australian Government agency under the *Australian Securities and Investments Commission Act 2001*.

AMMA

Australian Mines and Metals Association.

ASX

Australian Securities Exchange.

ASX 100 Resource Index

A capitalisation-weighted index which measures the performance of the resources sector of the ASX 100. The index is calculated on an end of day basis.

ASX Corporate Governance Principles and Recommendations (Third Edition)

Principles and recommendations developed and released by the ASX Corporate Governance Council on the corporate governance practices to be adopted by ASX listed entities and which are designed to promote investor confidence and to assist listed entities to meet shareholder expectations.

Beneficiation

Beneficiation is a process whereby ore is pulverised into fine particles and the higher grade material is separated, often magnetically, from the gangue (waste).

BID

Bedded Iron Deposit.

bt

Billion tonnes.

C1 Cost

Operating costs of mining, processing, rail and port on a per tonne basis, including allocation of direct administration charges and production overheads.

CFR

A delivery term that indicates that the shipment price includes the cost of goods, freight costs and marine costs associated with a particular delivery.

Chichester Hub

Fortescue's mining hub with two operating iron ore mines, Cloudbreak and Christmas Creek, located in the Pilbara, approximately

250 kilometres south east of Fortescue's Herb Elliott Port in Port Hedland.

CID

Channel Iron Deposit.

CLT

Abbreviation for Fortescue's Core Leadership team.

CO₂e

Carbon dioxide equivalent which is the internationally recognised measure of greenhouse gas emissions.

Contestable spend

Spend that is subject to Fortescue's procurement process, in accordance with Fortescue's Procurement Policy. It excludes shipping, Government costs or charges, including royalties, donations, subscriptions and memberships, Native Title group payments (other than payments as consideration for the provision of direct goods or services), property leasing, related Fortescue entities and legal fees.

Contractors

Non-Fortescue employees, working with the Company to support specific business activities.

Corporations Act

Corporations Act 2001 of the Commonwealth of Australia.

DID

Detrital Iron Deposit.

Direct employees

Total number of employees including permanent, fixed term and part-time. Does not include contractors.

dmt

Dry metric tonne.

dmtu

Dry metric tonne unit.

EPA

Environmental Protection Authority.

Fe

The chemical symbol for iron.

FIFO

Fly-in Fly-out is defined as circumstances of work where the place of work is sufficiently isolated from the worker's place of residence to make daily commute impractical.

Fortescue

Fortescue Metals Group Limited (ACN 002 594 872) and its subsidiaries.

Fortescue River Gas Pipeline

A 270 kilometre gas pipeline which delivers natural gas from the Dampier to Bunbury

Pipeline to the main power station in the Solomon Hub.

FY

Refers to a Financial Year.

Gearing

Debt/(debt + equity).

GJ

Gigajoules.

GRI

The Global Reporting Initiative (GRI) is an international independent organisation which has developed a standard for sustainability reporting and disclosure.

Ha

Hectares.

Hematite

An iron ore compound with an average iron ore content of between 57 per cent and 63 per cent Fe. Hematite deposits are typically large, close to the surface and mined via open pits.

HSES

Health, safety, environment and security.

ICMM

The International Council on Mining and Metals, established in 2001 to act as a catalyst for performance improvement in the mining and metals industry.

Indigenous Land Use Agreements (ILUA)

Statutory agreement between a native title group and others about the use of land and waters.

IUCN

International Union for Conservation of Nature.

Kings CID Fines

Fortescue's stand-alone product produced from Channel Iron Deposit Ore from its Kings mine in the Solomon Hub, with an iron grade of 57.3 per cent Fe.

Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Kings CID Fines

Fortescue's stand-alone product produced from Channel Iron Deposit Ore from its Kings mine in the Solomon Hub, with an iron grade of 57.3 per cent Fe.

kL

Kilolitre.

Labour Hire

Contractors backfilling permanent Fortescue roles and not hired in a service contractor capacity.

Local supplier

Suppliers based in the Pilbara region.

LOM

Life of Mine, being the number of years over which available reserves will be extracted.

m³

Cubic metres.

Magnetite

An iron ore compound that is typically a lower iron content than Hematite iron ore. Magnetite ore requires significant beneficiation to form a saleable concentrate. After beneficiation, Magnetite ore can be palletised for direct use as a high-grade raw material for steel production.

mt

Million tonnes.

mtpa

Million tonnes per annum.

Net gearing

$(\text{Debt} - \text{cash}) / (\text{debt} - \text{cash} + \text{equity})$.

NGER

The National Greenhouse and Energy Reporting (NGER) Scheme was introduced in 2007 to provide data and accounting in relation to Greenhouse Gas emissions and energy consumption and production. The NGER Scheme operates under the *National*

Greenhouse and Energy Reporting Act 2007 (NGER Act).

NPAT

Net profit after tax.

OPF

Ore Processing Facility.

Pilbara

The Pilbara region in the north west of Western Australia.

Probable Ore Reserve

As defined in the JORC Code, the economically mineable part of an indicated mineral resource, and in some circumstances, a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Senior Executive

Leadership position title of Director or Group Manager.

Solomon Hub

A mining hub with two operating iron ore mines, Firetail and Kings. The Hub is located approximately 60 kilometres north of the township of Tom Price and 120 kilometres west of the railway that links the Chichester Hub to Port Hedland.

Super Special Fines

Fortescue's iron ore product from the Chichester Hub, with an iron content of 56.4 per cent Fe.

TRIFR

Total Recordable Injury Frequency Rate per million man hours worked, comprising lost time injuries, restricted work and medical treatments.

Underlying EBITDA

Underlying EBITDA is defined as earnings before interest, tax, depreciation and amortisation, exploration, development and other expenses.

Underlying EBITDA margin

Underlying EBITDA / Operating sales revenue.

UNGC

United Nations Global Compact provides a leadership platform for business that are committed to aligning their strategies and operations with ten universally accepted principles in human rights, labour, environment and anti-corruption.

Voluntary employee turnover

Permanent and fixed term employees who left Fortescue voluntarily for reasons not initiated by the Company.

VTEC

Vocational Training and Employment Centre.

wmt

Wet metric tonne.

WMYAC

Wiru-murra Yindjibarndi Aboriginal Corporation.

WTI

West Texas Intermediate.

Corporate information

Contact Information

Fortescue registered office Australia

Level 2, 87 Adelaide Terrace
East Perth, WA 6004
T: +61 8 6218 8888
F: +61 8 6218 8880
E: fmgl@fmgl.com.au
www.fmgl.com.au

Fortescue Shipping office Shanghai, China

33/F East Building, Eton International
Business Plaza
555 Pudong Ave, Pudong, PC200120
Shanghai, P.R China

Singapore

FMG International, The Central
8 Eu Tong Sen St, 24-91 Singapore 059818

Fortescue VTEC and Community office

1B/2 Byass St
South Hedland, WA 6722
T: +61 8 9158 5800
F: +61 8 6218 8880
E: hedlandcommunity@fmgl.com.au
E: vtec@fmgl.com.au

Orange, NSW

5 Corporation Place
Orange, NSW 2800

Stock Exchange listings

Australian Business Number

ABN 57 002 594 872

Auditor

PwC
Level 15, 125 St Georges Terrace
Perth, WA 6000
www.pwc.com.au

Securities Exchange listings

Fortescue Metals Group Limited shares are
listed on the Australian Securities
Exchange (ASX)
ASX Code: FMG

Fortescue Share Registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth, WA 6000
Locked Bag A14
Sydney South, NSW 1235
T: 1300 733 136 (within Australia)
T: +61 2 8280 7603 (International)
F: +61 2 9287 0309
www.linkmarketservices.com.au

Stay in touch

Latest news, reports and presentations via email

If you would prefer to receive information
such as Annual Reports, notices of meetings
and announcements via email,
you can change your communication
preferences on the Registry website:
www.linkmarketservices.com.au

Twitter

[@FortescueNews](https://twitter.com/FortescueNews)

LinkedIn

[au.linkedin.com/company/fortescue-
metals-group](https://au.linkedin.com/company/fortescue-metals-group)

YouTube

[www.youtube.com/user/
FortescueMetalsGroup](https://www.youtube.com/user/FortescueMetalsGroup)

Event calendar 2018

Key dates for Fortescue shareholders in
2018. Please note dates are subject to
review.

Full year results announcement

20 August 2018

September Quarterly Production Report

25 October 2018

Annual General Meeting

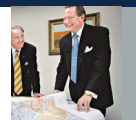
15 November 2018

THE DREAM BEGINS

2003

04

04 Cloudbreak identified



S&P/ASX 200 index

05

06

06 Port Hedland groundbreaking



07

08 FIRST ORE ON SHIP



08

09

27mtpa shipped

10

10 Christmas Creek expanded



11

11 Solomon construction begins



12

57.5mtpa shipped

13

13 Firetail opened at Solomon
80.9mtpa shipped



14

14 155MTPA SUSTAINABLE PRODUCTION
Kings Valley project opened at Solomon



15

15 • Anderson Point Berth 5 completion
• Fortescue River Gas Pipeline completion
• 500 millionth tonne of ore shipped
• 165mtpa shipped sustainable production



16

- US\$2.9 billion debt repaid in FY16
- 169.4mt shipped in FY16
- Fortescue celebrates arrival of first ore carrier, FMG Nicola into Port Hedland
- Fortescue recognised as lowest cost iron ore supplier into China

17

- Achieved lowest ever TRIFR of 2.9
- 170.4mt shipped in FY17

18

18 FORTESCUE CELEBRATES:
• 1 billion tonnes of iron ore
• 10 years since first ore shipped to China
• 15 years since the Company's inception



THE JOURNEY CONTINUES

