



**Modern
Slavery
Statement**

ABN 57 002 594 872

FY20

Global force | Thriving communities

About this statement

This statement has been prepared by Fortescue Metals Group Ltd (Fortescue) to meet the requirements of the Australian *Modern Slavery Act 2018* (Cth) for the financial year ending 30 June 2020 (FY20). The statement forms part of our annual reporting suite which also includes our FY20 Annual Report, FY20 Climate Change Report, FY20 Sustainability Report and FY20 Corporate Governance Statement, all of which are available on our website at www.fmgl.com.au

The statement captures the activities of Fortescue, our subsidiaries and the entities owned and controlled by our Company. It has been prepared by our Sustainability team in collaboration with our Modern Slavery Working Group and has been externally reviewed.

All references to our, we, us, the Group and Fortescue refer to Fortescue Metals Group Ltd (ABN 57 002 594 872) and its subsidiaries. All references to a year are the financial year ended 30 June 2020 unless otherwise stated.

Feedback

We value all feedback. Please forward any comments on this statement or requests for additional information to sustainability@fmgl.com.au

This statement has been approved by Fortescue's Board of Directors on 24 August 2020.

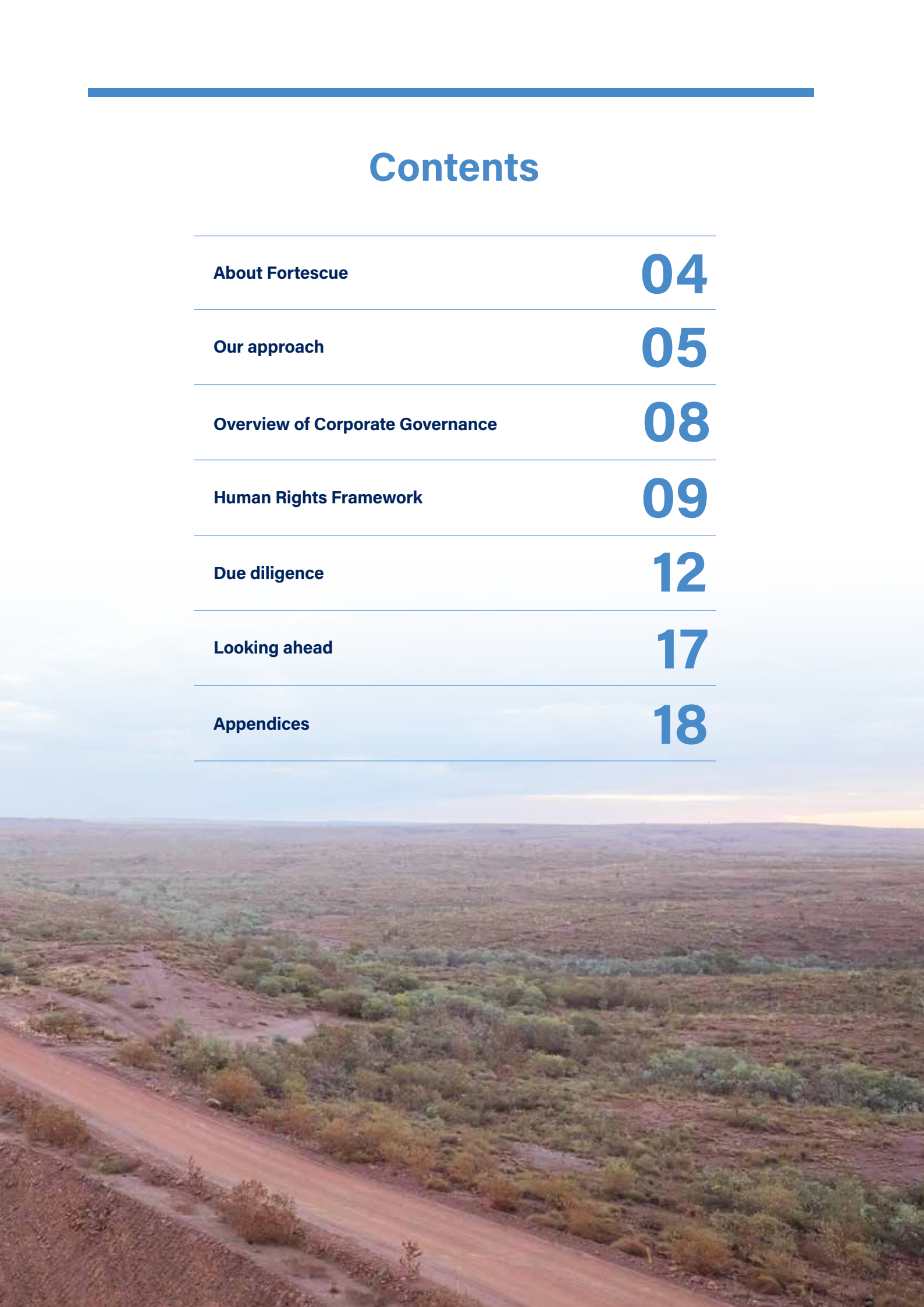


Elizabeth Gaines
Chief Executive Officer
24 August 2020



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Our Purpose

Global force | Thriving communities

Our Culture

We are a values-based business with a strong, differentiated culture. We believe that by leveraging the unique culture of our greatest asset, our people, we will achieve our stretch targets.

Our Values



FY20

highlights



**Self-Assessment
Questionnaire
launch**



**Revision of
Modern Slavery
Strategy**



**Risk analysis
of suppliers**



**Independent
audits**



**Ongoing
training of
employees**



**Creation of a
Sustainable
Procurement
Standard**

About Fortescue

A proud West Australian company, Fortescue Metals Group Ltd (Fortescue) is a global leader in the iron ore industry, recognised for its culture, innovation and industry-leading development of world class infrastructure and mining assets in the Pilbara, Western Australia.

Since Fortescue was established by our Founder and Chairman Dr Andrew Forrest AO in 2003, we have discovered and developed major iron ore deposits, constructed some of the most significant mines globally and have grown to be one of the world's largest producers of iron ore.

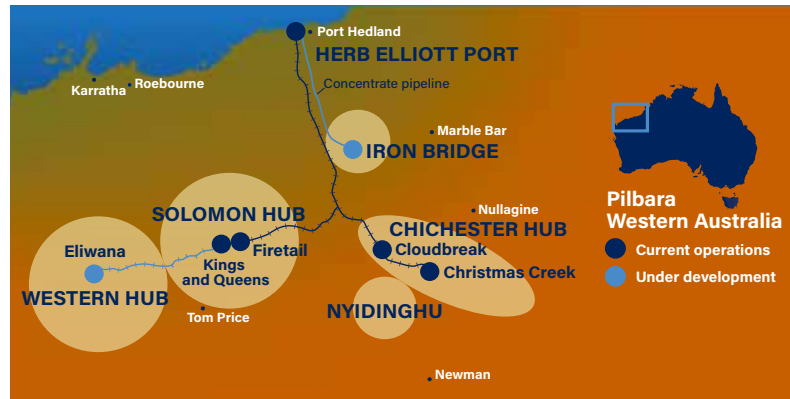
Delivering consistent operational excellence, our integrated mining, rail, shipping and marketing teams work together to export around 175 to 180 million tonnes of iron ore annually (mtpa) and our commitment to technology and innovation ensures we remain one of the world's lowest cost iron ore producers.

Fortescue's wholly owned and fully integrated operations in the Pilbara include the Chichester and Solomon mining hubs and we are developing the Western Hub, home to the new Eliwana mine. The Iron Bridge Magnetite Project, an industry-leader in cost and energy efficiency, will be one of the highest-grade magnetite projects in the world.

Our mining hubs are connected to the five berth Herb Elliott Port and the Judith Street Harbour towage infrastructure in Port Hedland via 620 kilometres (km) of the fastest, heavy haul railway in the world, with an additional 143km under development to support Eliwana.

Our supply chain extends to our innovative tug fleet and the eight purpose-built 260,000 tonne capacity Fortescue Ore Carriers, which have been designed to complement the efficiency of our port and maximise the safety and productivity of Fortescue's operations.

The Fortescue Hive, our expanded Integrated Operations Centre, brings together our entire supply



chain to deliver significant safety, productivity, efficiency and commercial benefits and will underpin our future use of technology, including artificial intelligence and robotics.

Through our world class exploration capability, together with our business development and projects focus, we are driving future growth, targeting the early stage exploration of commodities that support decarbonisation and the electrification of the transport sector.

We are undertaking exploration activities in New South Wales and South Australia, as well as in Ecuador and Argentina, and undertaking preliminary exploration activities on tenements that are in application in Colombia, Peru, Portugal and Kazakhstan, prospective for copper, gold and lithium.

Our longstanding relationships with customers in China have grown from our first commercial shipment of iron ore in 2008. Today, we are a core supplier of seaborne iron ore to China and have expanded into markets that include Japan, South Korea and India.

In 2019, we established FMG Trading Shanghai, a wholly owned Chinese

sales entity, to support our customers through the direct supply of iron ore from regional Chinese ports, providing them with an option to purchase smaller volumes in renminbi.

Fortescue was founded on the belief that our communities should benefit from our success. Today, we are a **global force**, committed to empowering **thriving communities**, as we deliver training, employment and business development opportunities for Aboriginal people.

As a large consumer of energy, we have committed to an industry-leading carbon emissions target of net zero operational emissions by 2040. To achieve this, we are investing in practical initiatives such as the development of wind and solar energy, as well as gas and battery storage hybrid projects to displace our current thermal generation. We are also investigating the next phase of hydrogen and battery electric vehicle mobility.

Fortescue is a values-based business, committed to our strategic goals of ensuring balance sheet strength and flexibility, investing in the long-term sustainability of our core business while pursuing growth and development options and delivering enhanced returns to our shareholders.

Activities undertaken in the Pilbara include mining related exploration, construction of mining infrastructure, extraction and processing of iron ore, rail transport and shipping of ore. We also undertake research and development and invest in our communities, including through the provision of scholarships and community event support, our Pilbara focused community grants program and the sponsoring of sporting teams and events.

We operate offices in Singapore, where the majority of our shipping services are based, and China, where the supply of our ore to customers is managed.

We are also undertaking exploration activities in New South Wales, South Australia, Ecuador and Argentina, as well as early stage exploration activities on tenements that are in application in Colombia and Kazakhstan.

Fortescue is a public company listed on the Australian Securities Exchange, with headquarters based in Perth, Western Australia.

We have a number of owned and controlled entities in jurisdictions both within and outside of Australia (Group Subsidiaries). A list of our active subsidiaries is included in Appendix 2. Fortescue's standards, policies and procedures relating to

human rights and modern slavery apply to all Group Subsidiaries.

As of 30 June 2020, we have 8,508 direct employees, including 1,553 people under labour hire contracts. Those working under labour hire contracts backfill permanent Fortescue roles and are not hired in a service contractor capacity. 414 of our employees are permanent part-time and 47 per cent are covered by Enterprise Agreements.

8,152 of our employees are based in Australia, with 5,149 of these in the Pilbara. We also have employees based internationally, including in Singapore, Ecuador, Colombia, China and Argentina.

Our approach

Fortescue is committed to identifying, assessing and mitigating human rights impacts, providing access to remedy through effective grievance mechanisms and ensuring continuous improvement to strengthen our actions.

Fortescue opposes all forms of slavery in our operations and the operations of our suppliers.

Our Human Rights Policy forms the foundation of our approach to managing human rights risks. It details our commitment to respect the internationally recognised human rights of all people, including our employees, the communities in which we operate, those who may be impacted by our activities and those within our supply chain. It sets out a clear statement of our prohibition of the use of all forms of slavery, child or forced labour within our operations and the operations of our suppliers. The policy also includes specific commitments to undertake ongoing due diligence to identify, prevent and mitigate any adverse impacts of our activities and provide access to remedy through effective grievance mechanisms.

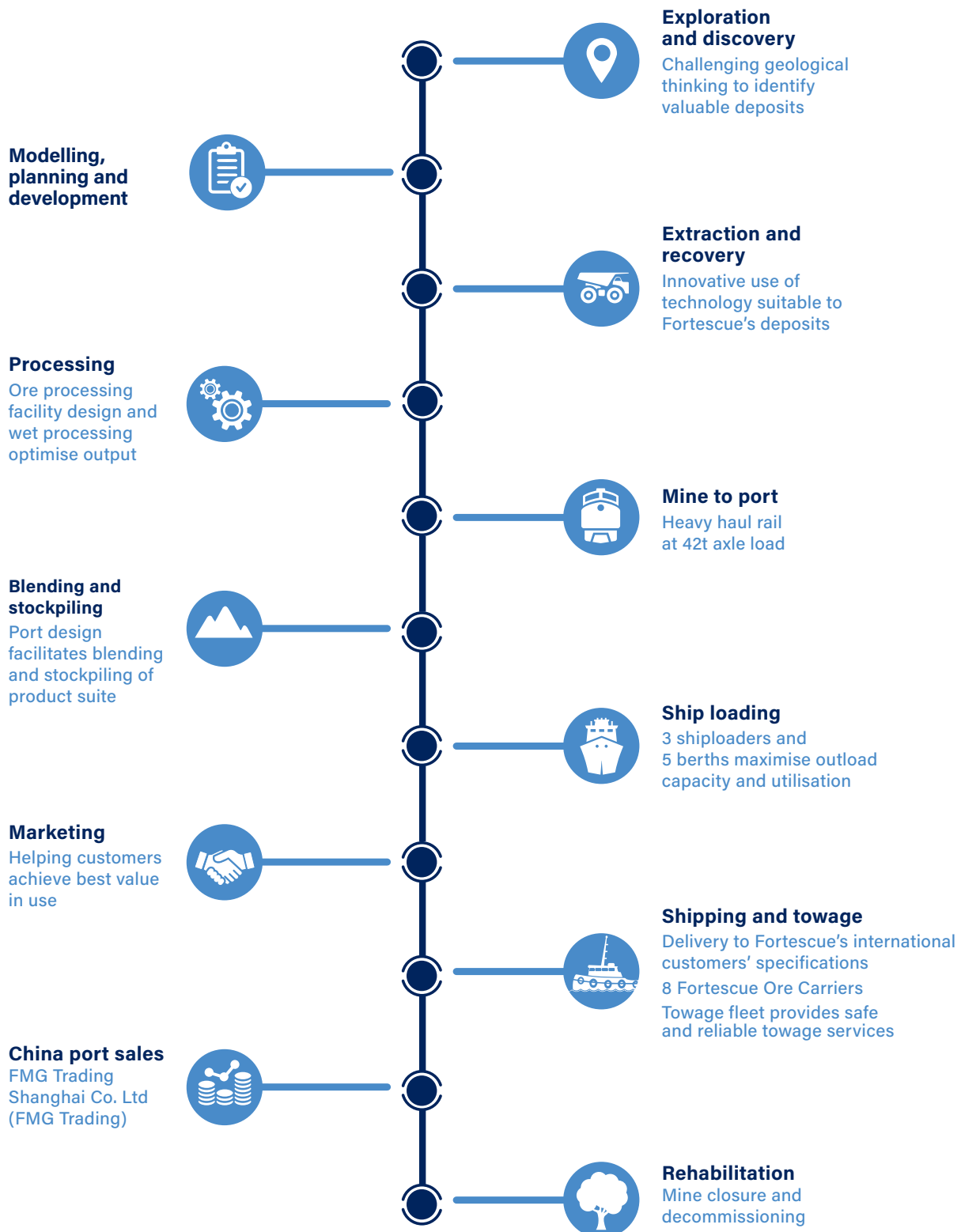
This is our third Modern Slavery Statement, the first required under the Australian *Modern Slavery Act 2018* (Cth). Previous statements were prepared voluntarily to demonstrate our commitment to eradicating modern slavery. We are not required to report under modern slavery legislation in any other international jurisdictions.

Key actions undertaken in FY20 include:

- Revision of our Modern Slavery Strategy, an internal guidance document that outlines the processes and procedures to identify and address the impacts of modern slavery within our company (see Human Rights Framework on page 9)
- Development and implementation of a supplier risk assessment matrix. The matrix rates suppliers against four criteria to identify those at a higher risk of contributing to, or being directly linked to, modern slavery practices (see Risk matrix on page 12)
- Completion of Self-Assessment Questionnaires (SAQ) by all higher risk suppliers
- Undertaking independent audits of two key international suppliers
- Provision of ongoing modern slavery training for relevant employees.

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.



Supply chain

In FY20, 2,173 suppliers were directly engaged (Tier 1) with a total contestable spend of over A\$6.1 billion.

A\$6.1bn
total contestable
spend

2,173
suppliers
engaged

1,894
Australian based
suppliers engaged

279
internationally
based suppliers
engaged

We aim to create economic opportunities in the regions in which we operate through local employment, the procurement of local products and services and by building the capacity of local communities to provide the products and services we require as a business. Over 95 per cent of our total procurement spend was paid to entities located in Australia, 63 per cent with West Australian entities and 6 per cent directly in the Pilbara region.

Our overseas procurement spend in FY20 includes A\$57 million paid to 16 Chinese based entities, A\$76 million with 21 entities based in the United States of America and A\$92 million paid to four Netherlands based entities. A further A\$1.8 billion was spent on costs associated with shipping ore to our customers.

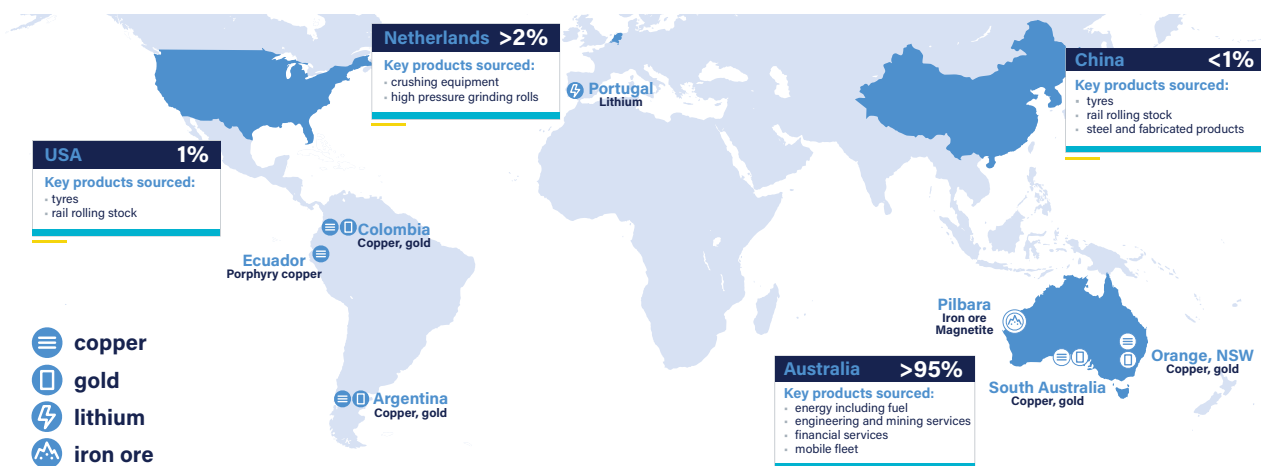
All procurement figures represent the spend with our Tier 1 suppliers and may not represent the source country of these goods. We remain focused on addressing the risks of modern slavery within our Tier 1 suppliers and improving our understanding of all suppliers.

During FY20, we procured goods and services across a wide range of categories, including:

- Chartered vessels
- Cleaning, security and catering services
- Commodities including tools, stationery and medical supplies
- Electronics and minor electrical equipment
- Energy and utilities
- Engineering and construction services
- Fixed plant
- Fuel and explosives
- Information technology services
- Logistics and transport
- Mining equipment and infrastructure
- Mobile fleet, including parts
- Personal protective equipment (PPE) and clothing.

We enter into contractual arrangements with suppliers ranging from one off transactional purchase orders governed by standard terms and conditions, through to multi-year, large value fixed term contracts.

We operate a centralised procurement function which is based in Perth, Western Australia. The Procurement and Logistics team reports to the Chief Financial Officer and supports our international procurement teams.



Overview of Corporate Governance

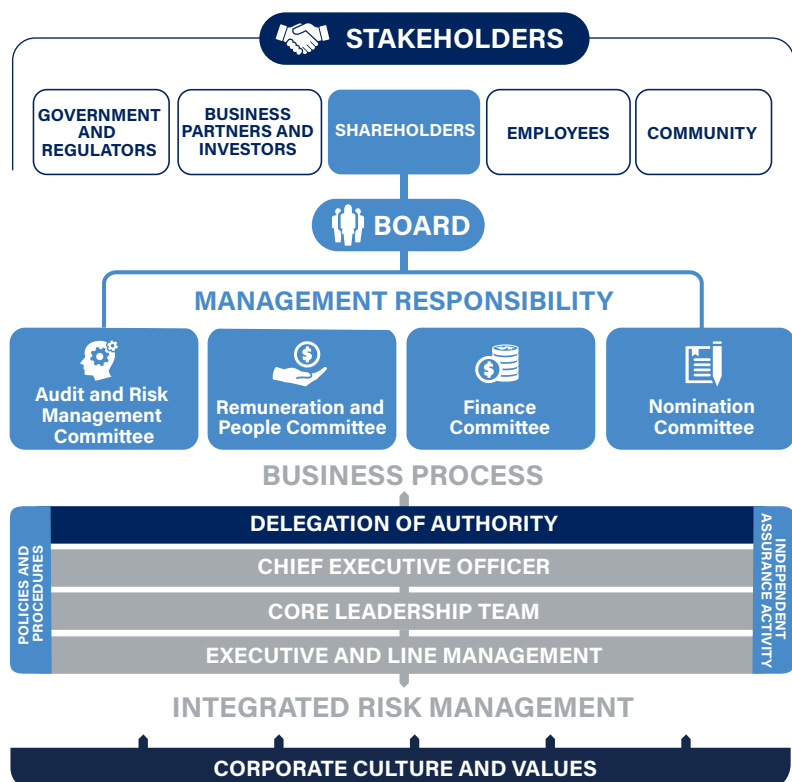
Strong governance is embedded within our business and is the collective responsibility of the Board and all levels of management.

Governance is essential to our sustainable, long-term success, driving value creation and positive outcomes for our stakeholders. Our approach to corporate governance is explained in our FY20 Corporate Governance Statement, available on our website at www.fmgil.com.au

Our Board is responsible for the oversight of all sustainability issues with the Board's Audit and Risk Management Committee (ARMC) responsible for ensuring the effective management of human rights-related risks, including modern slavery. Our Chief Executive Officer is accountable for the implementation of our human rights approach, supported by our Chief Financial Officer, Chief Operating Officer, Director Sustainability and Corporate Affairs, General Counsel, Company Secretary, Group Manager Procurement and Logistics and other members of the Executive team.

The day to day implementation and coordination of human rights activities is undertaken by our Sustainability team in close collaboration with other areas of the business, including our Legal team who manage third party due diligence, the Procurement and Logistics team who manage all procurement processes including supplier due diligence, contracts and engagement and our Shipping team who manage all shipping activities and contracts.

Our Modern Slavery Working Group includes representatives from the Sustainability, Procurement, and Projects teams and is responsible for implementing our Modern Slavery Strategy. The Working Group reports to the Core Leadership Team (CLT) who provide regular updates to the ARMC.



Human Rights Framework

Our approach to managing modern slavery risks in our operations and supply chain is guided by our Human Rights Framework.

The Framework incorporates the following policies and procedures:

- **Code of Conduct and Integrity** establishes the essential standards of personal and corporate conduct we expect of our employees, suppliers, contractors and all those with whom we do business, including in relation to human rights and modern slavery. This strong base supports our commitments and principles underpinning the development and implementation of policies and objectives.
- **Human Rights Policy** sets out our commitment to respect the internationally recognised human rights of all people, including our employees, the communities in which we operate, those who may be impacted by our activities and those within our supply chains. It also sets out a clear statement of our prohibition of the use of all forms of slavery, child or forced labour within our operations and the operations of our suppliers. The Policy includes specific commitments to undertake ongoing due diligence to identify, prevent and mitigate any adverse impacts of our activities and provide access to remedy through effective grievance mechanisms.
- **Modern Slavery Strategy** provides internal guidance on identifying and addressing the risks of modern slavery within our supply chain. The strategy has been designed to align with the requirements of the *Modern Slavery Act 2018* (Cth).
- **Procurement Policy** sets out our approach to procurement which includes zero tolerance for modern slavery in our supply chain.

- **Sustainable Procurement Standard** provides an overview of our expectations regarding sustainable sourcing. The Standard details the policies and procedures that suppliers are required to comply with in relation to environmental, social, governance, labour and human rights. It includes an expectation that suppliers conduct business in a manner consistent with internationally recognised human rights and the United Nations Guiding Principles on Business and Human Rights and that they comply with the requirements of the *Modern Slavery Act 2018* (Cth). Acknowledgement of and agreement to comply with the Standard is required as part of the contract award process and reviewed through performance assessments during the term of contract.
- All contracts, as well as our supplier purchase order standard **terms and conditions**, require that minimum standards in environmental, ethical, human rights and health and safety are met. Our standard purchase order includes a specific modern slavery clause.

All of these documents are publicly available with the exception of the Modern Slavery Strategy which has been developed as an internal guidance document. The Code of Conduct and Integrity, Human Rights Policy, Procurement Policy and purchase order standard terms and conditions are available in multiple languages, including Chinese and Spanish. They can be viewed on our website at www.fmgil.com.au

To ensure continual improvement and compliance with the *Modern Slavery Act 2018* (Cth), we reviewed and updated the

following policies and standards during FY20:

- Human Rights Policy
- Modern Slavery Strategy
- Sustainable Procurement Standard.

The revision process involved consultation with our Procurement, Sustainability, Government and Community, and Legal teams and formed part of our ongoing review process to ensure alignment with the most up to date internal and external standards.

Risks

Identifying risks

Modern slavery has the potential to exist in our operations and supply chain through a variety of circumstances, including forced labour, child labour, debt bondage and human trafficking.

The extractives industry is considered high risk for instances of modern slavery. All of our mining operations are currently based in Australia, which has a low prevalence of modern slavery (Global Slavery Index 2018) and a strong regulatory environment. Together with our strong Human Rights Framework, we believe there is minimal risk of causing, contributing or being directly linked to instances of modern slavery within our operations. As our business operations continue to expand, we will re-evaluate human rights risks as needed.

To date, we have conducted analysis of our value and supply chain and identified a number of categories where there is the potential for us to cause, contribute or be directly linked to modern slavery.

Garments

Garments, in particular branded clothing and Protective Personal Equipment (PPE), are often produced in countries with higher risks of modern slavery where government oversight and due diligence processes are less stringent than those in Australia. Without adequate contractual arrangements and due diligence there is a risk that we could contribute to, or be directly linked to, modern slavery practices through our arrangements with third party suppliers of PPE and uniforms for our employees. These supply chains are often complex and visibility beyond Tier 1 is difficult. There is also a risk that products are manufactured from raw materials such as cotton, where workers have been subjected to modern slavery.

Electronics

The electronics industry is recognised globally as a high-risk industry. Manufacturing often occurs in locations with minimal regulation and oversight, where workers have limited resources and methods for resolving grievances. There is also a risk that products are manufactured from raw materials where workers have been subjected to modern slavery and that accordingly we could contribute or be directly linked to modern slavery practices through the purchase of electronic devices, including computers and mobile phones.

Rubber products

Rubber is farmed and produced in countries where there is a higher risk of modern slavery practices, including child or forced labour.

Without adequate contractual arrangements and due diligence there is a risk that we could contribute or be directly linked to modern slavery practices through the procurement of rubber products such as tyres, conveyor belts and rubber gloves, which source rubber through third party suppliers where there is limited visibility of their processes.



Cleaning and catering

Cleaning and catering carry a higher risk of modern slavery, including in Australia, due to low-skilled, low-paid, manual work and the high prevalence of short-term, seasonal and migrant workers and subcontractors. Without adequate contractual arrangements and due diligence there is a risk that we could contribute or be directly linked to modern slavery practices through our arrangements with suppliers in the cleaning and catering sectors. This includes the provision of cleaning and catering services at our mine sites and cleaning services provided in the office spaces we lease.

Shipping

The nature of the international shipping industry creates challenges for regulators to provide complete oversight of a shipping company's practices. A number of modern slavery risks have been identified in the international shipping industry, including those associated with limited due diligence, the withholding of crew wages, remuneration below the minimum living wage, poor living and working conditions and the lack of access to appropriate grievance processes. Without adequate contractual arrangements and due diligence there is a risk that we could contribute to or be directly linked to modern slavery through arrangements with charter vessels who may use exploited labour practices and who may also have modern slavery risks in their own supply chains.

Construction

The construction industry commonly involves long supply chains and low-skilled, low-paid, manual work which can create risks of modern slavery. Raw materials used for construction can also be sourced from suppliers beyond Tier 1 in higher risk countries. The on-ground construction of our mining-related infrastructure occurs in Australia where the modern slavery risks are lower than in other countries. As business operations expand into new jurisdictions we will reassess human rights risks. There is also a risk of being directly linked to modern slavery through the sourcing of raw materials and large equipment manufactured outside of Australia.

Labour hire and short-term contract workers

Temporary work tends to carry a higher risk of modern slavery due to its transitory nature, a higher rate of migrant workers and strong competition causing pressure to minimise costs. These factors can incentivise the use of modern slavery practices. Without adequate contractual arrangements and due diligence there is a risk that we could contribute or be directly linked to modern slavery practices through the hiring of short-term contract workers via recruitment agencies.

CASE STUDY

Mitigating risks during a pandemic

In FY20, the COVID-19 pandemic caused unprecedented disruption in many areas of our Company, including our supply chain. During this time, our Modern Slavery Working Group met regularly to ensure the identification and management of specific COVID-19 related risks. Actions to address these risks required a coordinated approach between our Health and Safety, Procurement and Logistics and Projects teams.

Modern slavery risks within our supply chain

Due to the increased challenges of obtaining goods and services during the COVID-19 pandemic, a number of potential risks were identified in our supply chain, including:

- Increased demand for PPE which required us to use new suppliers to fulfil orders
- Increased financial pressure on small businesses, in some cases leading to closure and the unemployment of workers
- Limited due diligence for new suppliers as a result of having to source items, in particular PPE, in short timeframes
- Scarcity of items potentially leading to increased pressures on suppliers and hazardous working conditions for workers
- Health and financial stress for workers who were unable to work for health reasons or because of supplier shutdowns
- Inability to physically distance increasing the risk of contracting the virus
- Inability to access healthcare and resources in isolation.
- Preferential use of existing suppliers and vendors who had already undergone due diligence processes and are aware of our requirements
- Supporting our suppliers with 14-day payment terms to all small businesses and working collaboratively with our suppliers to address any cashflow challenges
- Analytics software which screens one-time vendor requests and new suppliers
- Development of a risk model which includes COVID-19 specific risks in new contract awards
- Using Chinese PPE suppliers approved by the Ministry of Commerce, China
- Continued due diligence of our higher risk suppliers
- Continued delivery of Modern Slavery training, including face to face and online options.

Addressing these risks

We worked closely with our suppliers to ensure modern slavery risks were understood and mitigated in the procurement of key medical supplies and services. In particular, we undertook the following:

Our approach has also been guided by the material available from the Australian Border Force and United Nations Development Programme's Human Rights Due Diligence and COVID-19: A Rapid Self-Assessment for Business Tool.



Due diligence

Due diligence underpins our management of modern slavery risks and assists us in ensuring the alignment of our processes with the United Nations Guiding Principles on Business and Human Rights.

Our due diligence is an ongoing and iterative process of identification, prevention and mitigation that considers involvement in both actual and potential adverse human rights impacts through our activities and our business relationships.

The four core elements of our human rights due diligence are:

- **Identification and assessment**
- **Prevention and mitigation**
- **Tracking responses**
- **Communicating how impacts are addressed.**

Identification and assessment of risks

We use a number of mechanisms to identify and assess the actual and potential human rights impacts that may be caused by our actions, to which we may contribute or be directly linked. Risks are classified according to those that may be caused by Fortescue, contributed to by Fortescue or directly linked to Fortescue.

The risk response will depend on our internal risk rating and may include:

- Preventing the impact
- Ceasing the action
- Providing appropriate remedy
- Using leverage to mitigate the risk
- Collaborating with a supplier to rectify the issue.

Risk software

All suppliers and partners are screened through analytics software prior to onboarding and continuously during the term of any contract. The software assesses the risk of the named supplier, its directors, and affiliated companies against specific criteria and international

and government databases for environment, social and governance related violations, including human rights issues. The software assessment includes an evaluation of the entity's risk profile based on the country in which they are located, as well as consideration of the Global Slavery Index 2018 data published by Walk Free.

If a new risk or issue is identified during this continuous monitoring process, we are alerted and additional investigations are undertaken. This may result in requests for additional information from suppliers, calls for corrective actions and in cases where actions to address issues are inadequate, termination of contractual arrangements.

Risk matrix

We have implemented an internal risk assessment process to identify higher risk suppliers. The assessment process considers four factors:

- **Geographic risk according to the Global Slavery Index 2018**
Some countries have a higher prevalence of modern slavery. This is often associated with poor governance, weak rule of law, conflict, migration flows and socioeconomic factors such as poverty
- **Sector and industry risk**
Particular sectors may have higher modern slavery risks because of their characteristics, products and processes. They may be informal, unregulated or with poor supply chain visibility and may also use low-skilled, seasonal or low-paid workers

- **Product and services risk**

Certain products and services may have high modern slavery risks because of the way they are produced, provided or used. This may include low margin products and those with hazardous manufacturing processes

- **Entity risks**

Some entities may have a history of human rights violations and/or poor governance structures.

Self-Assessment Questionnaire

Our Self-Assessment Questionnaire (SAQ) was launched in FY20 and forms an important component of our process to identify and assess risks within our higher risk suppliers. This year, a portion of our Tier 1 higher risk suppliers were asked to complete the SAQ, representing 18 per cent of contestable spend.

The SAQ asks suppliers to provide information on how they identify and address the risks of modern slavery in their own operations and the operations of their suppliers. Importantly, face to face discussions were held with each supplier as part of the launch, and engagement included a modern slavery awareness presentation which enabled us to reinforce our supplier expectations.

The SAQ is an important tool to identify those suppliers where additional assistance or monitoring is required. While no instances of modern slavery were detected through completed SAQs, four suppliers were identified as requiring additional support and two others were asked to undertake corrective actions to improve their performance. We will continue to monitor and assist these suppliers.



In September 2019, two members of our Modern Slavery Working Group joined Engineering and Procurement representatives to visit 13 Tier 1 and two Tier 2 suppliers in China to discuss modern slavery risks. Each of these suppliers were also asked to complete the SAQ.

To maximise the benefits of this engagement, businesses were encouraged to have all relevant personnel present and tours of factories and workplaces were undertaken. No instances of modern slavery were identified during these audits; however, some issues associated with workplace health and safety were detected and corrective action plans put in place.

Risk workshops

Risk workshops are undertaken to determine specific human risks, such as modern slavery, and to assess our mitigation and management practices. The workshops are held internally by our Risk and Assurance team and are tailored to the risks of a specific team or project.

We also undertake in-country risk assessments as part of the process to determine whether we will commence activities, including exploration and mining within a particular country. The assessments consider sovereign risk in addition to managing the overall risk profile associated with developing operations in new regions and jurisdictions. This ensures the level of human rights risk, including the risk of modern slavery, is well understood before we start working in any new jurisdiction.

Raising grievances

We provide a number of mechanisms for employees, contractors and third parties to raise grievances, including potential instances of modern slavery and human rights abuses, suspected or actual illegal activity and breaches of Company policy, including our Code of Conduct and Integrity. All grievances reported via the Whistleblower Hotline are reviewed by our Corporate Governance and Compliance Manager who either conducts or commissions an investigation to ensure appropriate action is taken. All findings are reported to the Board via the ARMC.

Partnerships

Our partnerships with suppliers and peers, including our participation in the Global Compact Network Australia's (GCNA) Modern Slavery Community of Practice, help us to identify risks by sharing information and learnings.

Deeper supply chain risks

Due to the complexity of sourcing the wide range of goods and services required for our operations, there are a large number of businesses beyond Tier 1 of our supply chain where limited visibility of processes is available. This poses a significant modern slavery risk and requires us to establish specific processes to maximise our understanding of these risks and to ensure all Tier 1 suppliers comply with our standards.

To better understand and address these risks, we have established a number of processes:

Requesting information

We use SAQs with higher risk suppliers to support the identification of modern slavery risks, including requesting information on how a supplier is assessing and addressing modern slavery risks in its own supply chain. We collaborate with suppliers to address these risks and to improve transparency, and commission third party audits on certain higher risk suppliers to identify non-compliances and work with them to address these issues.

Engaging with key suppliers

We engage with key suppliers through the provision of training, standards and SAQs. This provides them with an understanding of our expectations and the modern slavery risks within their supply chain.

Working with other entities

We collaborate with a number of organisations, including through industry associations and via the Western Australia (WA) Modern Slavery Collaborative Group, to share knowledge on modern slavery risks and refine best practices. We are a founding member of this group.

CASE STUDY

Launching our Self-Assessment Questionnaire for Tier 1 suppliers

In FY20, we commenced the use of the Self-Assessment Questionnaire (SAQ). The SAQ is intended to assist companies in assessing their suppliers in relation to human rights risks and allows us to determine where additional monitoring, support and investigation is required.

The SAQ was developed by the WA Modern Slavery Collaborative Group through extensive consultation between resource, mining and energy organisations. The SAQ enables us to:

- Identify modern slavery risks in our supply chain
- Foster collaboration with suppliers to address these risks
- Improve transparency
- Identify areas for further due diligence.

The SAQ has been in place since October 2019 and has been effective in helping our suppliers understand what is required to identify and address modern slavery risks in their

supply chain. Importantly, it has enabled suppliers to:

- Better understand our expectations
- Address gaps in their policies and procedures
- Train their employees and suppliers on this issue.

Our SAQ was completed by 32 of our higher risk suppliers during FY20, representing over A\$1.14 billion of our total contestable spend. In FY21, we will continue to administer the SAQ to higher risk suppliers and will work with them to address any issues identified.

Our SAQ was completed by 32 of our higher risk suppliers during FY20



Prevention and mitigation

Supplier engagement

Building and maintaining strong relationships with our suppliers is essential to preventing and mitigating the risks of modern slavery in our supply chain. Engagement focuses on collaboration and is undertaken according to three governing principles:

- Building collaborative partnerships
- Risk-based engagement
- Recognising the power to influence.

Our Procurement and Logistics team engages regularly with our suppliers through the vendor onboarding process, negotiations and contractual agreements, as well as discussions relating to the SAQ process. Each category manager is responsible for maintaining regular contact with their suppliers.

Supplier onboarding

Our supplier onboarding process is managed by our Procurement and Logistics team. Provision of vendor packs and associated engagement ensures our expectations are well understood. The packs require vendors to commit to complying with the following Fortescue policies prior to onboarding:

- Code of Conduct and Integrity
- Health and Safety Policy
- Human Rights Policy
- Environment Policy
- Procurement Policy
- Sustainable Procurement Standard.

Feedback on these policies is encouraged through ongoing engagement with suppliers.

Our Purchase Order Standard Terms and Conditions include a specific modern slavery clause under which suppliers have agreed to investigate their modern slavery risks and implement appropriate due diligence and remediation programs. It also requires that suppliers have an equivalent version of the modern slavery clause in their terms and conditions with their suppliers. This clause is also included in all contracts related to the procurement

of goods and services and allows us to terminate a supplier contract if a supplier does not remedy or provide an acceptable plan to remedy any identified instances of modern slavery.

Independent audits

When due diligence processes and/or the monitoring of our suppliers indicates a high risk of modern slavery and/or the inability of the supplier to implement adequate processes to identify and address the risks of modern slavery, independent audits may be undertaken. During FY20, we commissioned independent audits of two international Tier 1 suppliers. One supplier produced protective wear garments and the other manufactured cast steel products.

No instances of modern slavery were identified during the audits; however, corrective actions were requested in the areas of health and safety and labour management. We will continue to engage with both suppliers to ensure ongoing compliance.

In FY21, we will carry out further audits and assist key suppliers with managing risks beyond Tier 1. We had planned to undertake additional audits in FY20 but these were delayed until FY21 due to the COVID-19 pandemic.

Training

Our employees are key to identifying and addressing the risks of modern slavery and our training programs equip our teams with the knowledge, tools and skills to:

- Understand and describe what modern slavery is
- Detail how to identify modern slavery
- Outline Fortescue's modern slavery risk areas
- Understand the obligations of companies under Australia's *Modern Slavery Act 2018* (Cth)
- Describe the actions being undertaken by Fortescue including the application of key policies
- Provide guidance on what individuals can do, including how to report suspected incidents of modern slavery.

The training program was developed by the Modern Slavery Working Group and is mandatory for

employees who may become aware of instances of modern slavery or are responsible for procuring products and services on behalf of Fortescue.

We measure the success and outcomes of our training program through feedback surveys following the delivery of training and through annual reviews of best practice. The results of these assessments are used to improve and redesign the training program where required.

During FY20, 180 members of our Procurement and Logistics, Projects and Shipping teams, including those based internationally, completed this training. This equates to 100 per cent of all Procurement and Logistics team members, 100 per cent of Shipping team members and over 95 per cent of Project employees and contractors identified as having roles of particular relevance in relation to managing modern slavery risks.

A training gap analysis was undertaken in FY20 to determine opportunities to improve our training. This resulted in the inclusion of further content in our induction training and the provision of online refresher training for all employees. The revised training package includes additional case studies of modern slavery and human rights risks.

We will continue this training in FY21 and evaluate its content and effectiveness.

Evaluating effectiveness

We recognise the value of continual improvement and the importance of assessing the effectiveness of the actions taken to address modern slavery risks.

Our Modern Slavery Working Group leads our evaluation process, which includes:

- Annual modern slavery risk assessments covering our operations and supply chain
- Internal and external review of processes and procedures
- Benchmarking our performance against investor Environment, Social and Governance (ESG) expectations
- Measuring performance through the establishment of key performance indicators (KPIs) with a focus on the delivery of training and compliance

- Seeking feedback from employees on training and grievance processes
- Collaborating with other organisations to share knowledge and identify gaps.

Communication

Engagement with stakeholders, including suppliers, investors, regulators, customers and industry peers, is a critical component of our Modern Slavery Strategy. This statement, together with other means of formal and informal communication, including investor roadshows, conferences and the Annual General Meeting, provide a key mechanism for disclosing Fortescue's actions in this area. Throughout the year we also communicate through media statements, company publications and our website. Our website, www.fmgil.com.au, includes a dedicated human rights page outlining our commitment to upholding and respecting human rights as well as specific information on modern slavery.

Remediation

We are committed to providing access to remedy through effective grievance mechanisms and will provide for, or cooperate in, remediation where we identify that we have caused or contributed to modern slavery.

We provide a number of mechanisms for employees, contractors and third parties to raise grievances, including potential instances of modern slavery or other human rights abuses, instances of suspected or actual illegal activity and breaches of Company policy such as our Code of Conduct and Integrity.

Our Speak Up program encourages employees to talk with their leaders or human resources representatives to share concerns about inappropriate behaviour. The program also allows concerns to

be raised in a confidential manner. Our Fair Treatment Procedure ensures grievances are managed fairly. Community members are encouraged to report concerns via our community or site offices.

Our External Grievance Procedure ensures grievances are managed in a systematic, fair, timely and transparent manner.

We also operate a Whistleblower Hotline which provides an independent, anonymous and confidential mechanism for anyone to raise grievances, including employees, suppliers and workers in our supply chain. Our Whistleblower Hotline Policy is aligned with the *Treasury Laws Amendment (Enhancing Whistleblower Protection) Act 2019* and is publicly available on our website at www.fmgil.com.au. The Hotline can be accessed via an online portal, phone, email or post and has multilingual capabilities.

No modern slavery related complaints were received via the Whistleblower Hotline in FY20.

Collaboration and engagement

We engage with a number of organisations, including peers, suppliers, industry organisations, partners and civil society, on human rights matters such as modern slavery. One of the key aims of this engagement is to share and improve our knowledge on this issue. Key initiatives include the following:

- Being a founding member of the WA Modern Slavery Collaborative Group which provides a mechanism for mining, energy and resource organisations to share learnings and define best practice
- Maintaining our participation in the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative. We report annually on our progress towards the implementation of the UNGC principles, including in relation to human rights. We are also an

active participant in the Global Compact Network Australia (GCNA) and a member of GCNA's Modern Slavery Community of Practice (COP). The COP aims to support companies to work together to solve problems, share knowledge, cultivate best practice and foster innovation

- Being an active participant in the Corporate Business Integrity Council. The group meets quarterly to share information and discuss issues including international best practice on human rights and business integrity matters
- Working closely with Walk Free to share knowledge and learnings.

In addition to this, our Chairman and Founder Dr Andrew Forrest AO has been a long-time advocate for the eradication of modern slavery throughout the world. Dr Forrest established Walk Free and co-chairs the Bali Process Government and Business Forum, which provides a unique opportunity for influential business leaders to meet with government leaders from across 45 countries in the Indo-Pacific region to combat the challenges of modern slavery.

We acknowledge the key role that civil society (including community groups and non-governmental organisations) plays in modern slavery, in particular through the expertise available in the identification, remediation and support for survivors.

As a result of the COVID-19 pandemic, proposed engagement with civil society has been deferred until FY21.

Looking ahead

FY21 actions

Our Modern Slavery Working Group has set the following priorities for FY21:

Risk analysis

Continue to assess the risks and performance of Tier 1 suppliers identified as higher risk and develop a plan to investigate beyond Tier 1. Extend the application of the SAQ.

Training

Continue to conduct training for those identified as having roles relevant to the identification and management of modern slavery risks.

Supplier engagement

Continue engagement with suppliers to raise awareness and improve performance.

Collaboration with civil society

Form relationships with civil society and together determine ways to address the risks of modern slavery.

Effectiveness

Use KPIs to monitor the effectiveness of implemented strategies, with a focus on levels of training and compliance.

Human Rights Framework

Review our Human Rights Framework to ensure the processes and procedures that underpin it are adequate to identify and address all relevant risks, including those relating to modern slavery.



Appendix 1

Navigational index

Legislation	Reporting criteria	Summary and location
Australian Modern Slavery Act 2018 (Cth)	Section 16 (a) Identify the reporting entity.	Our approach: page 5 About Fortescue: pages 4-6
	Section 16 (b) Describe the reporting entities structure, operations and supply chains.	About Fortescue: pages 4-6 About Fortescue: Supply chain: page 7
	Section 16 (c) Describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities the reporting entity owns or controls.	Governance: page 8 Human Rights Framework: pages 9-10
	Section 16 (d) Describe the actions taken by the reporting entity and any entities that the reporting entity owns or controls to assess and address the risks, including due diligence and remediation processes.	Due diligence: pages 12-16
	Section 16 (e) Describe how the reporting entity assesses the effectiveness of actions being taken to assess and address modern slavery risks.	Evaluating effectiveness: pages 15-16
	Section 16 (f) Describe the process of consultation with: (i) any entities that the reporting entity owns or controls	About Fortescue: pages 4-6
	(ii) in the case of a reporting entity covered by a statement under section 14—the entity giving the statement.	About this statement Governance: page 8
	Section 16 (g) Include any other information that the reporting entity, or the entity giving the statement, considers relevant.	Collaboration and engagement: page 16 Looking ahead: page 17

Appendix 2

Active subsidiary companies

Jurisdiction	Nature of activities
Singapore	Shipping services - FMG International Pty Ltd (FMGI) is a Singaporean resident entity which is 100 per cent directly owned by Fortescue. Since 2012, FMGI manages the majority of our shipping services including chartering activities, voyage operations, technical and crew management, as well as the commercial management of the Fortescue ore carriers. All vessels carrying Fortescue product are chartered. Other services - Fortescue Insurance Singapore Pte Ltd (Fortescue Insurance) provides insurance services to Fortescue and its subsidiaries. - Fortescue has a number of holding companies incorporated and domiciled in Singapore. The primary purpose of these entities is to act as a holding company for Fortescue's investments.
China	- FMG Trading Shanghai Co. Ltd (FMG Trading) is a wholly owned subsidiary of Fortescue, domiciled in China. - The key purpose of the entity is to supply iron ore products directly to Chinese customers in smaller volumes, in renminbi from regional ports.
Hong Kong	Magnetite investment - In 2013, Fortescue and Formosa Plastics Group (Formosa) announced a joint venture to develop and operate the Iron Bridge project. FMG Iron Bridge Ltd (FMG IB) is a Hong Kong resident company which is jointly owned by Fortescue (88 per cent) and Baosteel Resources International Co. Ltd., a subsidiary of China's Baowu Group (12 per cent). Shipping services - Fortescue's wholly owned subsidiary, FMG Hong Kong Shipping Ltd (FMGHKS), provides iron ore transportation services to wholly owned subsidiary FMG Pilbara Pty Ltd under a Transportation Services Agreement utilising Fortescue ore carriers. All vessels carrying Fortescue product are chartered. Approximately 14 per cent of total shipments are chartered under a long term bareboat charter agreement and are wholly owned by the China Development Bank.
United States of America	FMG America Finance Inc. is the registered issuer of certain US dollar debt facilities.

Jurisdiction	Nature of activities
South America	▪ We operate offices and have employed team members to support exploration activities and future company operations in Ecuador, Colombia and Argentina. ▪ We engage a number of local vendors and employees, consistent with our commitment to contribute to the local economy. Argentina ▪ We have two wholly owned subsidiaries in Argentina, being Argentina Fortescue S.A.U. and Argentina Minera SA. ▪ The entity's corporate purpose is to assess, acquire and develop mining tenements in Argentina. Colombia ▪ Colombia Fortescue S.A.S. is Fortescue's wholly owned subsidiary in Colombia. ▪ The entity's corporate purpose is to assess, acquire and develop mining tenements in Colombia. Ecuador ▪ Ecuador Fortescue S.A. is Fortescue's wholly owned subsidiary in Ecuador. ▪ We maintain possession of 32 mining concessions, all of which are in exploration phase.
Portugal	▪ Portugal Fortescue Unipessoal Lda, is a wholly owned subsidiary of Fortescue, domiciled in Portugal. ▪ The entity's corporate purpose is to assess, acquire and develop mining tenements in Portugal.
Kazakhstan	▪ Kazakhstan Fortescue LLP is Fortescue's wholly owned subsidiary in Kazakhstan. ▪ The entity's corporate purpose is to assess, acquire and develop mining tenements in Kazakhstan.

Note: This list includes only those subsidiaries that have employees or purchase goods and services.

