

Transcript

Address to Diggers & Dealers Mining Forum Fortescue Chief Executive Officer, Elizabeth Gaines Tuesday, 2 August 2022

E&OE Check against delivery

Good morning ladies and gentlemen.

I send my apologies for being unable to join you in person at Diggers this morning.

The weather in Perth is particularly bad and unfortunately, flights out of Perth have been cancelled.

I'd also like to pass on my thanks to the organisers who have worked quickly this morning to enable me to participate virtually.

I acknowledge the Traditional Custodians of the land of where I am at present, the Whadjuk people of the Noongar Nation, and pay my respects to their elders past, present and emerging. I also extend this respect to other Aboriginal and Torres Strait Islander people joining today.

As many of you here may be aware, at the end of this month I will be transitioning from my role as Chief Executive Officer to a Non-Executive Director and a newly created role as Fortescue Future Industries' Global Ambassador.

So, it's fitting that my last public speaking engagement as CEO is at Diggers, having participated in this event for four years.

It's also my last opportunity to provide my annual Diggers diversity index.

More on that a little later.

I joined Fortescue almost 10 years ago as Non-Executive Director before becoming Chief Financial Officer in 2017 and one year later I was privileged to be appointed the Company's third CEO.

Over the past decade, I have been part of Fortescue's incredible journey.

Watching the Company go from strength to strength, to now be one of the world's lowest cost iron ore producers.

And it has been a period of incredible transformation.

None more so than right now, as Fortescue transitions to an integrated, global green energy and resources company, together with Fortescue Future Industries.

Fortescue's remarkable growth over the past 19 years has been a result of our constant momentum, driving our costs down from almost US\$50/tonne to our current industry leading cost position.

Today, we are seeking to replicate this momentum as we look to a green energy future.

We're now shipping at an annual rate of over 180 million tonnes, and since 2008 Fortescue has delivered over 1.7 billion tonnes of iron ore to our customers.

We're not going to sit on our success.

We're going to capitalise on it for our next venture – green energy and decarbonisation technology for heavy emitters – like Fortescue.

Last week we released our June 2022 quarterly production report with the Fortescue team delivering outstanding operational performance for the June quarter, with record iron ore shipments of 49.5 million tonnes.

This contributed to record FY22 shipments of 189 million tonnes, exceeding the top end of guidance.

We maintained our industry leading cost position of US\$15.91/tonne in FY22, which was supported by an ongoing focus on productivity gains through innovation and technology.

These results were achieved in a challenging operating environment due to the impact of COVID-19, as well as severe inflationary pressures, including soaring diesel costs resulting from the conflict in Ukraine.

So let me introduce you to some members of our Fortescue Family who have delivered these outstanding results.

There's no secret that our success would not be possible without the hard work and dedication of our people, who show their commitment to our strong culture and Values every day.

It has been an immense privilege to have steered the Company over the past four-and-a-half years.

I've overseen the team's achievement of significant milestones including one of the largest fleet conversions to autonomous haulage in the industry, with more than 190 autonomous haulage trucks now operating across our Chichester and Solomon operations.

I've also seen the opening of Fortescue's Integrated Operations Centre in Perth, where I am very proud to say, 50 per cent of our employees are women.

And there has been the construction and commencement of operations at our Eliwana mine site – which includes a new 30 million tonne per annum dry ore processing facility and 143kms of additional rail.

The team achieved first ore through the OPF in December 2020 – which was no mean feat when you consider that earlier that year, construction was just ramping up as the COVID-19 pandemic was sweeping across the globe and restrictions in WA were coming into effect.

And we are incredibly proud to have Fortescue's first Aboriginal General Manager, Rosli Wheelock, at the helm at Eliwana today.

The ramp up and successful integration of Eliwana has contributed to Fortescue's record performance despite industry-wide and global headwinds.

To give that some context, in FY19 Fortescue shipped 168 million tonnes of iron ore which is around 20 million tonnes below shipments in FY22, clearly demonstrating the value that has been created year on year.

This is the result of the team's commitment to operational excellence and production efficiency, which together with the successful integration of Eliwana, has delivered strong growth in Fortescue's production and shipments.

This track record of operating excellence and disciplined capital allocation has generated considerable value for our shareholders.

Fortescue's total shareholder return – so that's the share price appreciation and the dividends paid – is approximately 600 per cent since the start of FY19, which represents an annual equivalent return of over 60 per cent.

Dividends paid to shareholders over this period total A\$7.46 per share, which is equivalent to 23 billion Australian dollars.

And that return of 600 per cent compares to a total return of 30 per cent for the ASX 200 Index, and 45 per cent for the ASX 100 Resources Index over the same four-year period.

Then, there is Iron Bridge – our major iron ore growth project with our joint venture partner Formosa – which is one of the few iron ore growth projects globally under development.

Iron Bridge will lead the way for magnetite operations in Western Australia and will ensure magnetite is a significant contributor to the State's economy for decades to come.

Our guidance for Iron Bridge is for capital expenditure of US\$3.6 - US\$3.8 billion with first production scheduled for the March 2023 quarter.

Importantly, since the Company's establishment in 2003, we have seen the enormous benefits that Fortescue's success has provided to our communities.

This is evident through initiatives such as our Billion Opportunities program, which has resulted in more than A\$4 billion in contracts and sub-contracts awarded to Aboriginal businesses since the initiative was launched in 2011.

And there's our Vocational Training and Employment Centre program, also known as VTEC, which continues to provide significant employment opportunities for Aboriginal people.

More than 1,000 Aboriginal people have graduated from Fortescue's VTEC program and have gone on to commence full time employment with Fortescue.

VTEC graduate and Bunjima woman, Kirrilee Lockyer, completed the program in June and has recently commenced her first full time job with Fortescue as a Mining Operator Trainee.

Kirrilee was inspired to apply for VTEC after seeing her brother's success from completing the program.

I firmly believe it's training and education that drives sustainable change in people's lives, careers and communities, and it's stories like Kirrilee's that demonstrate how this pioneering program continues to empower generational change for Aboriginal people.

And finally, one of the achievements I am most proud of is our boldest and most important target yet – to achieve carbon neutrality by 2030 – two decades earlier than commitments made by most of the mining industry globally.

For our size and scale, there is no other mining company in the world that is taking the action we are to eliminate emissions.

We know it is when heavy emitters like us take action that it makes the biggest difference.

We plan to have Fortescue's operations running on green energy within the next eight years.

This includes our haul trucks, our iron ore trains and our power stations.

Last year, Fortescue's Scope 1 and 2 emissions were 2.2 million tonnes of carbon dioxide equivalent – with around 70 per cent of emissions generated from our haul trucks, other heavy mobile equipment and rail operations; and about one quarter of emissions from stationary power used to run our OPF's and camps.

In addition to our industry leading target for Scope 1 and 2 emissions, we have also set a target to achieve net zero Scope 3 emissions by 2040 – addressing emissions across our entire value chain.

To put that into context, in FY21, our Scope 3 emissions were 252 million tonnes of carbon dioxide equivalent – which highlights the significant task ahead.

There is no doubt that climate change is our collective greatest challenge.

And we must not make the climate crisis worse, by making the wrong decisions now.

In 1950, the world emitted six billion tonnes of carbon dioxide.

By 1990, this had almost quadrupled, reaching more than 22 billion tonnes.

And more than three decades on, the world now emits over 34 billion tonnes of carbon dioxide every year.

The solution? It's all of us in attendance today.

The solution is Industry.

Industry must change its business model from producing emissions – to reducing and eliminating emissions.

And that is what Fortescue is doing. We will share what we learn with industry across the world so they can follow our lead.

Together with Fortescue Future Industries, we are investing significantly in renewable energy and new technologies, not only to remove our reliance on fossil fuels, but because it makes long-term business sense.

We've established a research and development facility at Hazelmere in Perth, where our Green Team are putting in place the building blocks to turn Fortescue green.

This includes the development of a world-first Infinity Train which will use gravitational energy to recharge its battery electric systems without any additional charging requirements.

This will accelerate Fortescue's race to reach net zero emissions by 2030, while lowering our operating costs, creating maintenance efficiencies, and generating productivity improvements.

Global heavy equipment manufacturer, Liebherr, are also partnering with Fortescue to develop and supply green mining haul trucks for integration with our zero-emission power system technologies.

In fact, the first of the green haul trucks will be operational at our sites by 2025.

This builds on our acquisition earlier this year of UK-based Williams Advanced Engineering, which will supply the technology and power systems to decarbonise our green fleet in collaboration with FFI and Liebherr.

There's no doubt that the energy landscape has changed dramatically since the Russian war in the Ukraine began in February.

Energy security is now the world's greatest concern. However, we cannot allow the energy crisis to exacerbate the climate crisis.

12 months ago, the cost of crude oil was around US\$70/barrel. This is in comparison to recent levels of over US\$100/barrel.

I don't have to tell anyone in this room the impact this is having on both the direct and indirect cost of production.

We're all facing significant inflationary pressures which impacts our margins. And in fact, this could get worse given the current geopolitical environment.

It's imperative for all of us to accelerate our transition to green energy and reduce our reliance on fossil fuels, so we can protect and maintain our cost base and our margins.

We're seeing increasing demand for the supply of green energy, particularly to Europe, as demonstrated by our recent MoU with E.ON, one of Europe's largest operators of energy networks and energy infrastructure, to deliver up to five million tonnes per annum of green hydrogen to Europe by 2030.

This is a significant opportunity not only for Fortescue, but for Australia.

Green energy will ensure energy independence.

When I was appointed CEO of Fortescue, media coverage often highlighted my gender – that I was the first female CEO of the Company.

In fact, at the time, there were more male CEO's of ASX listed companies named 'John' or 'David' than there were female CEO's of ASX listed companies.

And unfortunately, little has changed since then.

Looking at the speakers list for this three-day event – five out of the 71 speakers are women.

In other words – that equates to just seven per cent, and clearly this is not representative of our society or even our industry.

In fact, today, I am the only female speaker out of 26.

And over this three-day event, you will hear from more speakers who have the name Mark and Peter than you will from women.

I've made these observations before however, noting this is my last year at Diggers, I trust that Kristie Batten will carry on the legacy of the Diggers diversity index.

If you had asked me at the start of my professional career whether I thought I would still be talking about gender diversity in 2022, I would have thought that we would be living it by now.

Unfortunately, the reality is that we are still having the same conversations about equality that we had 30, 20 and 10 years ago.

Change has been hard fought and slow, and the equal representation that we all hoped we would have achieved by now has not eventuated.

We cannot be complacent and assume that diversity is going to happen by accident.

I'm proud that Fortescue is one of few large ASX listed companies with women comprising half of our Board.

We know that diversity delivers the best results. It's not just the right thing to do, it's the smart thing to do.

And as companies, we all have a responsibility to ensure as many women as possible have the opportunity to participate in, and make a strong contribution, to the resources sector.

Just last week Fortescue was recognised for the third consecutive year as among the best companies globally for women to advance, with our inclusion in the 2022 Best Companies for Women to Advance list.

And in 2019, we were also one of the first companies in Australia to sign the Parity Pledge which brings gender equality to the highest levels of business by committing to interview at least one qualified woman for every executive position.

Like many of you, I was deeply concerned by the findings from the Parliamentary Inquiry into sexual harassment at mining operations in Western Australia.

And it is no accident that the title of the report is 'Enough is Enough'.

Fortescue has a strong culture that is built on integrity and respect, and we are committed to ensuring we are providing a safe and inclusive work environment.

We acknowledge that we, as an organisation contributing to the wider community, can always do more.

As an industry, we must ensure we have a workforce that is reflective of our community, which fosters a workplace culture that truly embraces diversity and inclusiveness.

And it is critical that we use forums such as Diggers to set the standard.

The industry still has some work to do if we are to achieve generational change when it comes to diversity in the resources sector.

I know as an industry we can, and we must, do better.

If we can be among the best in the world at innovation and integrating artificial intelligence into mining, then we should also be the best at capitalising on human intelligence.

Research has shown that more women in key decision-making positions delivers better company performance, greater productivity, and greater profitability.

And while women are progressing into management roles at a faster rate than men, we are still some 80 years away from seeing an equal share of women in the position of CEO.

I don't know about you, but for me, that's simply too long.

And I would like to see change far sooner than that.

The mining sector is no longer just high vis and big trucks – it's high tech.

The introduction of innovation and technology has changed the mining sector significantly – it's now a high-technology industry, requiring skills that are in high demand.

There's intense demand for people with skills in statistics, analytics, robotics, and artificial intelligence.

Which is why it's more important than ever that we equip the workforce of the future for these types of jobs and attract the best and the brightest minds from across the diversity of our population.

So in closing...

When the mining industry is strong, all Australians benefit.

In FY21, the mining industry contributed a record A\$43 billion in company taxes and royalties – this was up 16 per cent from the previous year.

Fortescue alone contributed A\$8 billion.

The sector also provides significant employment opportunities, pays the highest average wages, delivers the most export revenue and is critical to supporting regions and communities.

It's an industry that I'm very proud to be a part of.

As an industry we have coped with significant challenges – with the tragic collapse of the Brumadinho dam in Brazil in 2019, which saw the mining and resources sector globally unite to set a new industry standard of tailings management.

And the tragedy of the destruction of Juukan Gorge in 2020, which accelerated the modernisation of Western Australia's 50-year-old Aboriginal heritage legislation that will, among other things, result in an increased emphasis on agreement-making between proponents of land developments and Traditional Custodians.

We've also seen the impacts of climate change close to home, as floods, fires and heatwaves impact our country.

And of course, we've navigated through a global pandemic.

We must remain focused and maintain momentum.

We have to continue to innovate and be at the forefront of cutting-edge technology.

We have to reduce emissions and decarbonise.

We have to build greater diversity across the mining sector.

You have heard from a number of speakers already who have highlighted the opportunities for the mining industry as demand accelerates for key commodities that support global decarbonisation and the energy transition.

Now, is the time to get on with it.

END