Fortescue™

CLIMATE TRANSITION PLAN

THE ROAD TO REAL ZERO

September 2024

THE POWER OF NOW

FOREWORD

Transition plans are not a fad; they are here to stay.

Climate transition planning, along with the disclosure of climate transition plans, is increasingly integral to corporate strategy design and execution.

With clients, employees, and other stakeholders demanding robust climate action, such planning is vital for maintaining a social licence to operate, attracting and retaining talent, and thriving in a rapidly evolving landscape of regulatory requirements.

Financial institutions are beginning to price climate-related risks, with climate risk premia increasing, further emphasising the need for credible transition plans to ensure efficient access to capital markets and financial services.

The importance of transition plans cannot be overstated, as they address non-linear and increasingly material climate-related risks and opportunities that directly impact financial performance.

A company's transition plan serves multiple critical functions. Beyond informing investors and lenders, these plans support policymakers and regulators through a clearer picture of the decarbonisation trajectory, and the necessary steps to accelerate it. Transition plans allow supervisors and regulators to assess whether a company's strategy is adequate given its exposure to climate-related risks. Such plans also empower stakeholders to hold companies accountable for their public climate commitments and can serve as a foundational reference for new transition finance products and instruments, such as sustainability-linked loans and bonds.

Transition planning, when done effectively, creates value not only for investors but also for various stakeholders. It ensures that companies actively address the climate crisis while simultaneously becoming more resilient to the impacts of a changing climate. The transition will be fraught with challenges, requiring companies to carefully consider what is feasible today, what can be achieved in the future, and the key dependencies that will influence their success.

The emergence of best practice transition plan frameworks and guidance, such as the materials created by Transition Plan Taskforce (TPT) that are being integrated into the International Sustainability Standards Board (ISSB), offers companies a universal template and common language for strategising, planning, and iterating their transition efforts.

This framework enables internal and external stakeholders to monitor the delivery of transition plans, understand necessary adjustments, and identify opportunities to increase ambition levels.

Translating climate ambition into real, sustained action—day after day, quarter after quarter, year after year—will not follow a linear path. Transition plans must be designed to recognise gaps, dependencies, and failures while also learning from successes and capitalising on emerging opportunities. In essence, like any robust strategy, a transition plan must be adaptable and iterative, becoming an integral part of core business strategy.

A company's transition plan should begin with a company's own decarbonisation efforts. Equally important for companies is to consider how to contribute proactively to achieving net zero across society.

Focusing solely on internal operations and value chains risks leading to 'paper decarbonisation,' where the appearance of reduced emissions does not translate into actual environmental benefits. This is especially concerning in an interconnected global system, where actions taken in isolation can have unintended negative consequences.

For instance, transferring ownership of high-carbon assets to other entities, which may be less capable of managing the associated risks or phasing out their use, can be counterproductive. In the financial sector, an exclusive focus on reducing portfolio emissions can result in "false positives," such as divesting from companies with relatively high emissions that are nonetheless critical to the global shift to zero emissions solutions, or "false negatives," such as investing in companies with low reported emissions that may contribute to long-term carbon lock-in.

Credible transition plans ensure investments and actions support genuine progress.

There is significant international momentum for transition plan disclosures, mandatory in the UK and soon in the European Union, through the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS). Singapore intends to adopt similar measures, and the US Treasury Department recently outlined principles for net zero-aligned financing, referencing the TPT.

G7 and G20 leaders, and the UN Secretary-General, have publicly supported transition plans. Key regulators, such as the International Organization of Securities Commissions (IOSCO), the Bank for International Settlements (BIS), and the Central Banks' and Supervisors' Network for Greening the Financial System (NGFS), are integrating them into their supervisory frameworks.

Fortescue's climate transition plan embodies the spirit of openness and transparency that is essential for meaningful progress. The plan is marked by high ambition and well-defined actions, underpinned by accountability mechanisms to ensure systematic delivery across the organisation. Integrated into the core of the company's strategy, the plan acknowledges that this is an evolving journey. The transition plan demonstrates a strong commitment to iterating, improving, and adapting as necessary, while sharing insights to help the entire metals and mining sector accelerate its efforts and contribute to wider societal decarbonisation.

Dr Ben Caldecott, Co-Head, Secretariat, Transition Plan Taskforce; Director of the Oxford Sustainable Finance Group, University of Oxford; and Member, UK Climate Change Committee

Dr Caldecott also serves as the founding Director and Principal Investigator of the UK Centre for Greening Finance & Investment (CGFI), and on the Technical Council of the Science-Based Targets Initiative (SBTi).

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A snapshot of our progress

This is not just another Climate Transition Plan - the kind that may be high on ambition but low on delivery.

It is a detailed timeline and a clear action plan, already underway, for how Fortescue will stop burning fossil fuels across its Australian iron ore operations by 2030. It sets out in concrete terms how we will achieve this without voluntary carbon offsets and without carbon capture and storage. We call it Real Zero.

It is our belief that all businesses should follow us in committing to a date when they will no longer rely on fuels that cause catastrophic climate change.

This document is also an honest account of our work on the road to Real Zero. It details both where we have more work to do and where we have already achieved impact. By committing to transparency, we are holding ourselves to account and asking others to do so, too.

As this document shows, since announcing our commitment to Real Zero in 2022 at the United Nations (UN) General Assembly, Fortescue has made significant progress in developing and deploying the zero emissions heavy mining equipment it will need before 2030 to wean itself off fossil fuels.

Along with our other technology innovations, we believe we have firmly demonstrated that all of the solutions required to decarbonise even hard to abate industrial sectors exist today. The challenge now is to bring those solutions to commercial scale and to integrate them seamlessly.

Our focus is to go a step further by demonstrating the technologies and processes that will enable Fortescue's Australian ores to be converted into high purity green metal. The Christmas Creek Green Metal Project will use renewable energy and green hydrogen reduction technology, together with an electric smelting furnace, to convert our green iron ore into high purity green metal which will be suitable for use in almost any steel plant. Locating the project at Christmas Creek will allow Fortescue to demonstrate a 'green pit to product' supply chain, that incorporates our green metal processing, green rail and green mining fleet. We are also working with steelmaking customers to influence the pace of their decarbonisation efforts, as we work to develop a green metal value chain.

We hope to encourage and inspire those who think decarbonisation is impossible or too difficult – particularly in a hard to abate sector such as mining – that it is, indeed, possible. And not just possible but commercially the best option – and environmentally the only option.

Science-based targets are critical. Even more important is backing each target with a plan to deliver it.

Leading global action

Coupled with our core focus on transforming our business and operations, Fortescue has also increasingly been a vocal advocate for high-ambition, science-based climate policies that keep the goals of Paris in sight.

We see this public engagement as a key component of our work. Our fundamental belief is that governments and business need to step up their efforts significantly if we are to tackle the urgent challenge of climate change. We cannot transform and decarbonise the global energy system without private sector finance, innovation, technology and project delivery – not without enabling policies and regulations that allow for rapid renewable energy scale up.

We explain our engagement and advocacy efforts in this document, and how they relate to encouraging high ambition public-private partnership. We commit to investing amounts equivalent to what we receive through diesel fuel rebates, in addition to our own capital, to finance our decarbonisation program and our green energy transition. That's also emblematic of our overall approach – to call out the policy change we need to see to eliminate fossil fuels but not to stand by and wait for change to happen before we take action.

Adopting gold-standard reporting

Fortescue took the important step of joining the UN Race to Zero Coalition in October 2022. As part of our membership, we developed an inaugural Climate Transition Plan and lodged it with the Coalition in September 2023, consistent with our obligations.

Since then, Fortescue identified that we could go further and faster on our transparency reporting than was required by our membership of the UN Race to Zero Coalition. Accordingly, we have now aligned our reporting here with the framework laid down by the Transition Plan Taskforce. Through a process of internal and external review, we have also assessed our maturity against this framework in the context of its guidance for the metals and mining sector. We self-scored as:

- Satisfactory for 57 per cent of elements across objectives and targets for emissions reduction, changes to portfolio of products and services, technological developments, culture, and engagement with government and industry.
- Willing to improve across 43 per cent of elements across land use, deforestation, operational and financial metrics and targets, and quantitative assessment of climate-related risks.

More details of our assessment can be found on our website at fortescue.com.

We are committed to regularly updating and improving this Climate Transition Plan as we learn more and see new opportunities to go further and faster.

1. FOUNDATIONS

1.1 STRATEGIC AMBITION

In this first adoption of the Transition Plan Taskforce Disclosure Framework, Fortescue reaffirms our commitment to addressing the critical challenge of climate change and transition planning to help protect and enhance our long-term value.

1. **Decarbonising Fortescue:** Fortescue's ambitions and actions, in either our own operations or value chain, in the short-, medium- and long-term, to reduce our greenhouse gas emissions.

2. **Responding to Fortescue's climate-related risks and opportunities:** Fortescue's ambitions and actions to enhance our resilience to the changing climate and respond to the risks and opportunities that arise from the transition to a low-greenhouse gas emissions, climate-resilient economy.

3. **Contributing to an economy-wide transition:** Fortescue's ambitions and actions to use the levers and capabilities we have available to embed and accelerate a transition to a low-greenhouse gas emissions and climate-resilient economy.

OUR STRATEGIC AMBITION IS TO ACCELERATE COMMERCIAL DECARBONISATION THROUGH INDUSTRY, RAPIDLY, PROFITABLY AND GLOBALLY AND TO BECOME AN INTEGRATED GREEN TECHNOLOGY, ENERGY AND METALS COMPANY.

Objectives, priorities and targets

In the context of our decarbonisation priorities, we have set the following objectives:

1. Reduce emissions rapidly, without offsets.
2. Identify and respond to climate risk and opportunities.
3. Develop solutions to drive economy-wide decarbonisation.

Eliminating emissions

Fortescue is growing into a global business. At present, our emissions profile is dominated by iron ore operations in Australia. We take our obligation to eliminate emissions from these processes seriously.

When we refer to emissions, this includes all greenhouse gas emissions, reported in the unit of million tonnes of carbon dioxide equivalent ($mtCO_2$-e). This is defined as the amount of CO_2 that would cause the same temperature rise, over a given time period, as an emitted amount of greenhouse gas or mixture of greenhouse gases.

Our key emissions reductions objectives are:

- Real Zero Scope 1 and 2 emissions across our Australian terrestrial iron ore operations by 2030.
- By 2030, enable a reduction in emissions intensity from steelmaking by Fortescue's customers of 7.5 per cent from FY21 levels.
- By 2030, enable a reduction in emissions intensity levels from the shipping of our iron ore by 50 per cent, from FY21 levels.
- Net Zero Scope 3 emissions by 2040.
- By 2050, maintain a long-term goal of Real Zero operational greenhouse gas emissions.

We acknowledge the benefits Fortescue receives from diesel fuel rebates in Australia and commit to dedicate equivalent resources to financing our decarbonisation plan. We continue to advocate for fossil fuel subsidies to be re-purposed by governments to level the playing field for first movers in decarbonisation and to incentivise others in the industry to transition more rapidly.

This commitment builds on our enhanced ambition to rule out purchasing voluntary carbon offsets to meet our Scope 1 and Scope 2 targets for 2030.

OUR CURRENT EMISSIONS PROFILE

Our Scope 1 and 2 emissions currently reflect our established iron ore operations, primarily located within the Pilbara region of Western Australia and represent less than one per cent of our overall emissions (combined Scope 1, 2, and 3). As our business develops and our green technology, green energy and international metal assets become established, our Scope 1 and 2 emissions profile will also change.

In FY24, Fortescue's Scope 3 emissions accounted for 269.31$mtCO_2$-e, 100 times greater than our Scope 1 and 2 emissions at 2.72$mtCO_2$-e. By far the largest source of Fortescue's Scope 3 emissions was the steelmaking process, which accounted for 97 per cent of our Scope 3 emissions or 262.16$mtCO_2$-e.

Steelmaking generates significant emissions due to its current reliance on coking and thermal coal; however, new approaches that use renewable electricity and green hydrogen to produce green steel are under development by Fortescue and other businesses.

The next largest sources of Scope 3 emissions in FY24 were shipping (3.31$mtCO_2$-e) and purchased goods and services (2.82$mtCO_2$-e).

Our Scope 1 emissions stem mostly from diesel consumption on our operating Australian mines. Fortescue is prioritising the electrification of our heavy mining equipment (HME) to achieve significant early decarbonisation. This involves the replacement of our diesel-consuming mining fleet, including rail, with non-emitting alternatives. We are also building dedicated renewable energy capacity to power these solutions, including significant solar, wind and battery systems, as well as a 750km transmission network to connect all of our Pilbara sites. This will enable us to supply green power to a completely electrified mining fleet and infrastructure.

SCOPE 1 AND 2

SCOPE 3

2.72 mt CO_2-e

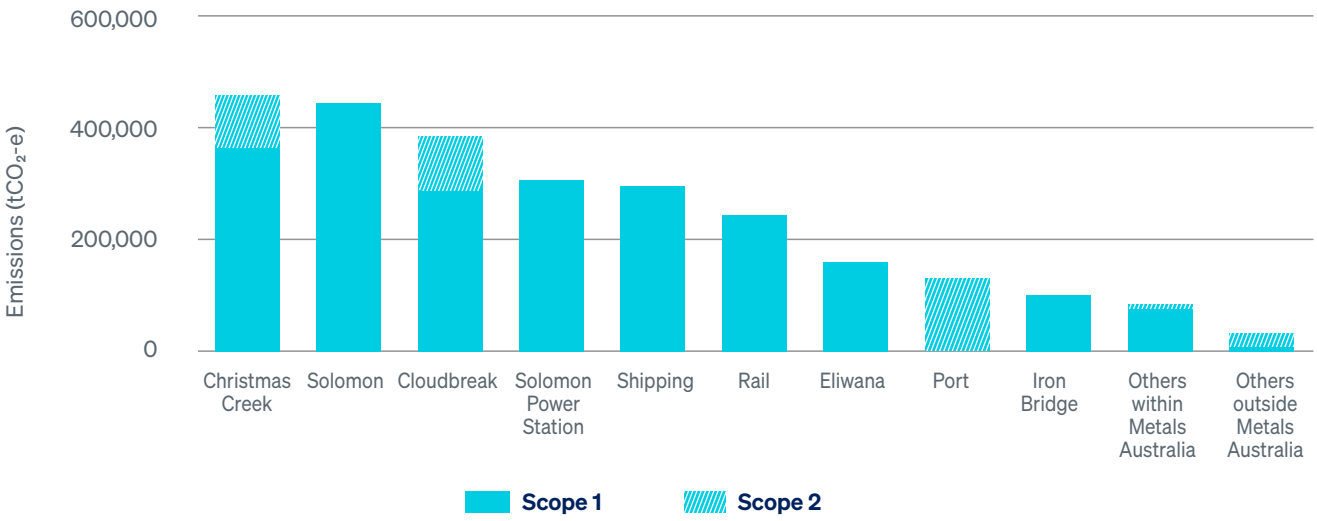
2.82 mt CO_2-e purchased goods and services

3.31 mt CO_2-e Scope 3 shipping

262.16 mt

CO2-e processing of our iron ore by our customers

FY24 Group Operational Emissions



Our objective and priorities for Scope 1 and 2 decarbonisation are outlined in the table below.

OBJECTIVE FOR SCOPE 1 AND 2 EMISSIONS

Eliminate the use of fossil fuels from our Australian terrestrial iron ore operations by 2030.

	BUSINESS ACTIVITY	LEVERS	PRIORITIES
Scope 1	**HME (including haul trucks)** **51%** *of our FY24 Scope 1 emissions*	Battery-electric trucks. Powering HME from renewable generation using trailing cables. Green hydrogen fuel cells. Electrify sites to eliminate diesel and gas.	Develop trials and integrate battery-electric haul trucks and other HME.
Scope 1	**Stationary power** **20%** *of our FY24 Scope 1 emissions*	Wind and solar energy generation or purchase. Grid-scale battery systems. Demand response and energy efficiency. Conversion of existing gas-fired power station to provide some base load or reserve energy.	Gain land access approvals to build out wind and solar power in an accelerated timeframe.
Scope 1	**Shipping** **13%** *of our FY24 Scope 1 emissions*	Ore carriers: green fuels. Tugs: battery-hybrid vessels charged by solar and wind power and generation onboard from a green fuel.	Continue retrofitting energy-saving devices to our fleet of very large ore carriers and investigate viability of converting them to run on green ammonia.
Scope 1	**Rail** **10%** *of our FY24 Scope 1 emissions*	Battery-electric locomotives.	Finalise proposed zero emissions rail solution and design. Trial battery-electric locomotive on mainline rail.
Scope 1	**Other** **6%** *of our FY24 Scope 1 emissions*	Decarbonisation operating model. Decarbonisation leads at our operational sites.	Prepare our workforce for decarbonised mining operations.
Scope 2	**Purchased energy** **100%** *of our Scope 2 emissions*	Renewable power purchase agreements.	Engage with power providers to progress renewable energy development.

Percentages above should be understood as the contribution of each business activity to our Group Scope 1 and 2 emissions.

Our objective and priorities for Scope 3 decarbonisation are outlined in the table below.

OBJECTIVES FOR SCOPE 3 EMISSIONS

By 2030, enable a reduction in emissions intensity:

- **from steelmaking by Fortescue's customers of 7.5 per cent, from FY21 levels**
- **from the shipping of our iron ore by 50 per cent, from FY21 levels.**

Net zero Scope 3 emissions by 2040.

	BUSINESS ACTIVITY	LEVERS	PRIORITIES
Scope 3	**Steel manufacturing** **97%** *of our Scope 3 emissions*	Develop green metal reduction and processing technologies, across hydrogen-reduction, electrochemical and electric smelting technology pathways. Explore options to improve Fortescue's iron ore product offering that considers additional high-grade products, to support lower emissions iron- and steel-making operations by our customers. Demonstrate that our low-grade iron ore is compatible with green (low-emissions) metal processes. Produce the inputs for green metal processes (green hydrogen, green iron ore, and renewable power). Construct and commission a green metal production pilot facility. Develop green metal technologies by partnering with steel mills.	Ramp up Iron Bridge production to full capacity. Exploring technologies to improve the emissions intensity of the downstream processing of our product offering. Demonstrate green metal feasibility through the Green Metal Project at Christmas Creek, in the Pilbara region of Australia. Partner with our Chinese customers to scale in China. Establish a green metal value chain.
Scope 3	**Shipping** **1%** *of our Scope 3 emissions*	Demonstrate the feasibility of using green fuels through the conversion of our own fleet. Engage with industry on use of green fuels. Selectively charter vessels with high efficiency and those using green fuels. Optimise vessel and fleet size.	Identify and charter low-emission vessels (greenhouse gas ratings of A-D). Use eco steam performing vessels, just in time arrivals (schedule optimisation) and charter vessels that consume alternative fuels.
Scope 3	**Purchased goods and services** **1%** *of our Scope 3 emissions*	Supply chain analysis. Supplier education. Strengthen tender criteria with climate-related key performance indicators.	Align suppliers' contractual obligations with site decarbonisation timelines. Get suppliers to report their emissions.

Totals add up to less than 100 percent due to remaining scope 3 categories not being listed in the table above. Refer to section 4 for detailed emissions data.

To address emissions for shipping, Fortescue has modified the power system of an existing vessel to demonstrate an operational, proof-of-concept, dual-fuel ship capable of being powered by green ammonia and biodiesel, the *Green Pioneer*. Fortescue is committed to enabling contracted and customer ships to go green, in line with the 2023 International Maritime Organisation Greenhouse Gas Strategy, which calls for a reduction in the average carbon intensity of international shipping of at least 40 per cent by 2030.

Decarbonising steel is a critical global challenge. Fortescue is collaborating with steel mills in Asia, and investing in our own research and development (R&D) and partnering internationally, to enable green metal – the precursor to green steel – to be made without reliance on fossil fuels.

Enhancing our resilience

We are enhancing Fortescue's resilience to the changing climate, positioning our company to respond to the risks and opportunities that arise from the transition to a zero emission, climate-resilient global economy.

ENHANCING OUR RESILIENCE TO PHYSICAL RISK

OBJECTIVE

Enhance our resilience to a changing climate and respond to physical climate risks and opportunities.

BUSINESS ACTIVITY	LEVERS	PRIORITIES
Assets and infrastructure	Climate risk exposure and vulnerabilities management. Design standards. Work, health, safety and emergency response.	Evaluate, regularly update and use climate change knowledge and integrate climate risk management throughout asset life cycles.
Land and resources	Land use and rehabilitation. Tailings and waste management. Water usage and water management.	Coordinate and develop standards and procedures. Incorporate climate considerations into our land use, waste management, and water management strategies.
Project planning	Design optimisation and site selection.	Conduct climate change assessments as a standard activity on all project studies.

Fortescue understands the importance of sustainably managing land and natural resources to reduce our vulnerability to climate-related disturbances and allow us to adapt to the impacts of climate change.

Climate change is a significant driver of physical risk, particularly flood and fire. Rising global temperatures are leading to more frequent and intense extreme weather events, potentially affecting key areas of our operations. Heavier and less predictable rainfall increases the severity and frequency of flooding, while higher temperatures and prolonged droughts create conditions conducive to wildfires. By building to appropriate design standards that account for these changing conditions, we seek to mitigate potential damage and operational disruptions.

Climate change also exacerbates the complexities of water management for mines as shifting precipitation patterns and extreme weather events increase the challenges of ensuring adequate water supply, managing excess water during floods, and maintaining the integrity of tailings and waste management systems. Effective land use management, robust tailings and waste management systems, and efficient water usage and management practices are essential. Further detail on Fortescue's actions in these areas is provided in section 2.3 and in our annual Sustainability Report.

TRANSITION RISKS AND OPPORTUNITIES

OBJECTIVE

Responding to the risks and opportunities that arise from the transition to a low-carbon, climate-resilient economy.

BUSINESS ACTIVITY	LEVERS	PRIORITIES
Profitable iron ore production suitable for a low-emissions economy	Increase production of high-grade iron ore products that align with an increasing preference by steel mills for higher-grade iron ore products.	Ramp up production of magnetite from our Iron Bridge mine, Pilbara. Progress the study of the Ivindo Project, Gabon.
Develop the technologies for decarbonisation of industry	Develop technologies in power generation, battery systems, green hydrogen systems, green metal processing.	Test and prove the commercial case of green technology applications in large-scale mining operations. Demonstrate ability to convert Pilbara iron ores to green metal.

Fortescue's innovation portfolio follows these strategic objectives:

ENERGY

POWER GENERATION
Improve efficiency and reduce capital intensity

H2 PRODUCTION
Improve electrolyser efficiency by increasing production rate, reducing electricity consumption, improving capital

STORAGE/CARRIER
Improve efficiency and reduce capital intensity

APPLICATIONS
Create additional value through disruptive innovations/technologies

METALS

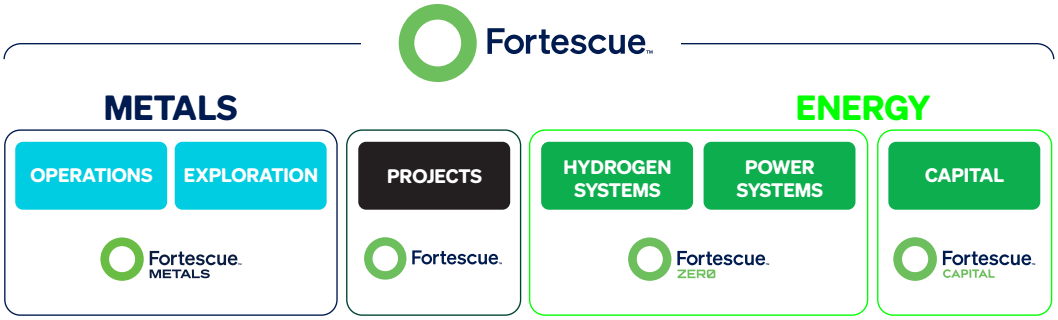
IRON
Ensure Fortescue iron ore products remain attractive and relevant within the market

GREEN METAL
Demonstrate ability to convert Pilbara ores to green metal
Drive demand for green hydrogen

CRITICAL MINERALS
Explore methods to capture value from resources with high deleterious elements by exploiting green energy and technology innovation

Accelerating a transition to a low-emissions climate-resilient economy

In addition to our work to decarbonise Fortescue, we are seeking to make a significant and strategic contribution to accelerating the global transition to a zero-emissions economy. By transforming our company into an integrated green technology, energy and metals business, we will offer a suite of zero-emissions products and technologies to support industrial decarbonisation.



OBJECTIVE

Accelerate commercial decarbonisation of industry, rapidly, profitably and globally as an integrated green technology, energy and metals company.

BUSINESS ACTIVITY	LEVERS	PRIORITIES
Produce green energy in various product forms: green electrons, green hydrogen and derivatives	Green Energy Projects.	Diversify our global projects portfolio in geography and product.
Commercialise the technologies to accelerate commercial decarbonisation rapidly, profitably and globally	Fortescue Zero, including Power Systems and Hydrogen Systems.	Demonstrate commercially viable technology in green metal, haul trucks, batteries, electrolysers, power conversion, intelligence software, trains, green shipping.
Accelerate delivery of greater returns for shareholders on green energy investments	Fortescue Green Capital, a green energy investment accelerator platform tasked with delivering greater returns for shareholders.	Raise third party capital for, and invest in, those projects and companies that were either originated by Fortescue Energy or in which it has already made an investment.

Impacts and dependencies

As part of Fortescue's transition planning processes, we recently undertook our first double materiality sustainability assessment.

We identified, assessed and accounted for the impacts and dependencies of the transition plan on our stakeholders (workforce, value chain counterparts, customers), society (local communities), the economy and the natural environment, throughout our value chain.

A summary of this assessment is provided within our 2024 Sustainability Materiality Report, which is available on our website at fortescue.com.

Alignment to external requirements

Adopted by 196 parties in 2015, the Paris Agreement was a landmark moment for the multilateral climate policy process. Maintaining a pathway to limiting temperature increases to 1.5°C above pre-industrial levels is critical if we are to avert the most devastating effects of climate change, and Fortescue is resolutely committed to supporting that high-ambition objective for global action. Our transition and decarbonisation planning is informed by the following external pathways and models:

- Australia's emission reduction targets
- International Energy Agency (IEA) Net Zero Roadmap
- Science Based Targets initiative (SBTi) and the SBTi steel pathway
- Glasgow Breakthrough Agenda (Hydrogen)
- Climate Leaders Coalition
- First Movers Coalition
- UN Race to Zero Coalition
- Green Hydrogen Catapult
- The Climate Pledge
- Energy Compact
- Investor Expectations for Diversified Mining.

Australia's Safeguard Mechanism

The Safeguard Mechanism requires Australia's highest greenhouse gas emitting facilities to reduce their emissions in line with Australia's emission reduction targets of 43 per cent below 2005 levels by 2030 and net zero by 2050. In FY24, seven of our facilities (Iron Bridge, Cloudbreak, Christmas Creek, Solomon, Eliwana, Solomon Power Station and Rail), were amongst the 219 facilities in Australia meeting the threshold of 100,000tCO_2-e emitted in Scope 1 per year.

In addition to our compliance obligations, in May 2024, we lodged economic modelling with the Australian Government Climate Change Authority which explored the benefits of adopting a nationwide science-based emissions reduction target for 2035 and provided policy recommendations to support achievement of the target.

IEA Net Zero Roadmap and Iron and Steel Technology Roadmap

The IEA's Net Zero Roadmap outlines a pathway to achieve deep emission reductions by 2030 to help reach a net zero target of 2050. The latest edition reflects the growth required in key clean energy technologies and global commitments to limit global warming to 1.5°C. We view the IEA technology roadmap, and the Iron and Steel Technology Roadmap, in particular, as an important set of climate change opportunities that provide guardrails for our 1.5°C aligned rapid decarbonisation journey, while also supporting decarbonisation for our heavy industry peers.

The IEA Net Zero roadmap also informs Fortescue Energy's focus on the production of commercial scales of technology, renewable electricity and green hydrogen, including derivatives such as green ammonia, to accelerate global decarbonisation of industry, aviation, shipping and fertilisers.

Science Based Targets

Fortescue is committed to setting science-based emissions reduction targets (SBT) and to validating them through rigorous assurance mechanisms. We continue to pursue validation of our emissions reduction targets and outcomes of this process will be publicly available.

Fortescue has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign. We participate in a wide range of associated international processes to support emissions elimination, including the Alliance for CEO Climate Leaders and the UN Race to Zero Coalition.

Iron and steel production contributes significantly to global emissions. The Pathways to Net-Zero: SBTi Technical Summary determines that the range of 1.5°C-aligned cumulative 2020-2050 direct emissions for steel is 20-40gtCO_2-e and has assessed a number of decarbonisation pathways for the iron and steel industry. These include a wide range of opportunities to transform processes towards near-net-zero steel production.

Fortescue's contribution to a global transition is anchored in our commitment to scaling green hydrogen production, which we view as central to decarbonising hard to abate sectors and a necessary complement to direct electrification. A key strategic focus is scaling the conversion of iron ore into green metal, using green hydrogen as a reductant. This will be critical to delivering a systematic and affordable solution to decarbonising the steel sector.

Glasgow Breakthrough Agenda for Hydrogen

Fortescue actively supports the Glasgow Breakthrough Agenda agreed at COP26 and participates in the implementation pathways agreed at COP27 and COP28. Through our membership of the Green Hydrogen Catapult and the First Movers Coalition, Fortescue helps to shape and advocate the global innovations required to commercialise green hydrogen and its derivatives.

Trade-offs, synergies or co-benefits between our objectives and priorities

Trade-offs

Trade-offs are an inherent challenge for Fortescue and reflect the broader dilemmas of the energy transition. They include issues such as:

- The potential impact of a massive scale-up in the deployment of solar photovoltaic (PV) systems on human rights issues in the silicon supply chain.
- Decisions on the optimal use of renewable resources to support decarbonisation such as the proportion of direct electrification versus production of green fuels.
- Managing the impacts of new large-scale renewable energy developments on the natural environment and local communities.
- Ensuring green projects deliver local value while also optimising the global energy system by bringing clean energy from locations of lowest cost production to centres of highest demand.

Fortescue's overarching approach is to be clear-sighted on the potential trade-offs, and to ensure that investment decisions are made on the basis of a full understanding of the specific benefits and risks – with clear mitigation strategies in place to address any potential adverse or unintended impacts.

Synergies and co-benefits

Fortescue is seeking to realise powerful synergies across our business objectives. Our goal to eliminate fossil fuels from our Australian terrestrial iron ore operations is driving innovation in, and creating demand for, a suite of new decarbonisation technologies that we are developing. In turn, we expect that we will be able to market these technologies, and our wider expertise in decarbonising industry, to support other industry players to implement and fast-track their climate transition strategies, thereby making a strategic and economy-wide contribution.

In addition, we see strong synergies between the work of our respective metals, technology and energy businesses. The prime example is green metal, which will require expertise and capability from all three of those business areas to deliver. An integrated approach will allow us to achieve scale, speed and low-cost production for a critical energy transition commodity.

MILESTONES

RECENT HIGHLIGHTS OF OUR DECARBONISATION JOURNEY TO DATE INCLUDE:

2017

Approaches scientific organisations to store and transport hydrogen

Exclusive negotiations with CSIRO

2018

A$20m collaboration with CSIRO

2020

Establishes Fortescue Future Industries

Global exploration of green energy project opportunities

Exclusive rights to explore and develop 300+GW of global renewable energy assets

Announces an industry leading emissions reduction goal to achieve net zero operational emissions by 2040. Including the reduction of Scope 1 and 2 emissions from existing operations by 26 per cent from 2020 levels, by 2030.

2021

Commits to investigating zero emissions technology

Builds hydrogen fuel cell truck prototype in 100 days

2022

Commits US$6.2bn to Real Zero by 2030

Acquires Williams Advanced Engineering

Announces infinity train project

Partners with Liebherr for green haul trucks

Announces Colorado Technology Hub project

2023

FMG and FFI become one ‘Fortescue’

Fortescue Capital established

Green Pioneer sails from Singapore to Dubai

Opens technical innovation centre in Kidlington

Final Investment Decision projects: Arizona Hydrogen Hub, Gladstone PEM50 and Green Metal Project

First electric excavators onsite

LOOKING AHEAD, OUR DECARBONISATION ROADMAP INCLUDES:

2024

- 100MW solar farm construction complete
- Further battery-electric light vehicle trials
- Mainline rail trials of ammonia fuelled locomotive
- Hydrogen fuel cell haul truck testing in Perth and onsite

2025

- Battery-electric locomotive trials
- Construction of first battery-electric storage system
- Prototype operational battery-electric haul trucks onsite

2026

- Heavy mobile fast charger onsite
- Electric drills
- First zero-emissions haul trucks onsite
- Mine sites interconnected

2027

- Decarbonised mainline rail rollout commences
- Zero emissions drills onsite

2028

- First wind farm construction complete
- Final solar farm complete
- All Battery Energy Storage System (BESS complete)
- Zero emissions water carts

2029 - 30

- Fully integrated, renewable energy grid
- Decarbonisation of Fortescue's Australian iron ore terrestrial operations

1.2 BUSINESS MODEL AND VALUE CHAIN

Strategic changes to our business model

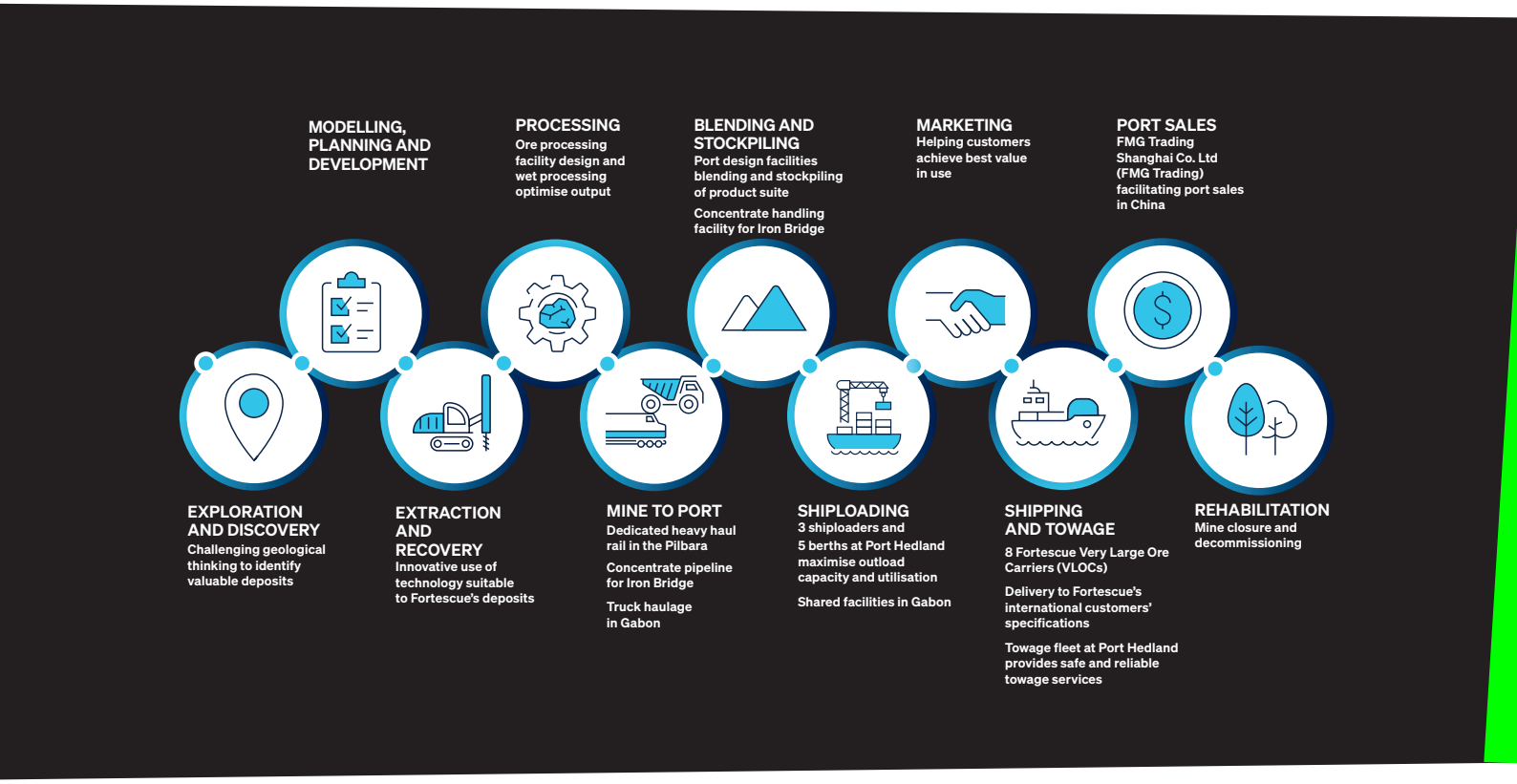
In 2016, Fortescue formed its first green hydrogen scoping team, leading to the establishment of Fortescue Future Industries in 2020. From 2020 onwards, we negotiated exclusive rights to explore and develop over 300GW of global renewable energy assets. In 2022, Fortescue announced its plan to achieve Real Zero by 2030 at the UN General Assembly, committing to eliminate fossil fuels from its terrestrial iron ore operations in Australia. In the same year, Fortescue acquired Williams Advanced Engineering to develop zero emission technologies, including battery-electric innovations. In 2023, Fortescue Metals Group and Fortescue Future Industries became one 'Fortescue' (Fortescue Ltd), and Fortescue Capital, a green global asset management business, was established to raise third party capital for green projects. In 2024, Fortescue launched Fortescue Zero to commercialise technologies that accelerate global decarbonisation.

Strategic changes to our value chain

Metals value chain

As one of the world's largest producers of iron ore, our operations in the Pilbara ship more than 190Mt of iron ore annually. Our three mining hubs in the Pilbara, Western Australia, are connected by 760km of rail to Herb Elliott Port and the Judith Street Harbour towage infrastructure in Port Hedland.

Fortescue's Metals value chain includes exploration to rehabilitation of mine sites.



Energy value chain

Fortescue is committed to developing renewable energy and green hydrogen projects, both to enable our own company and others to decarbonise. While renewable electricity is central to decarbonisation, green hydrogen will be critical to eliminating fossil fuels from the hardest-to-abate sectors, including shipping, fertilisers and steel. Fortescue has identified the cost of power as a significant barrier to the scalability of green hydrogen, and has committed to focusing on bringing this cost down in the near term. Amongst other developments, we have recently taken three final investment decisions to date on green hydrogen-based projects and set up a joint venture in 2024 with OCP Morocco to supply green hydrogen, ammonia and fertilisers to Morocco, Europe and international markets.

More detail on Fortescue's green energy projects can be found in our Annual Report, available at fortescue.com.

Strategic changes to our physical trading business

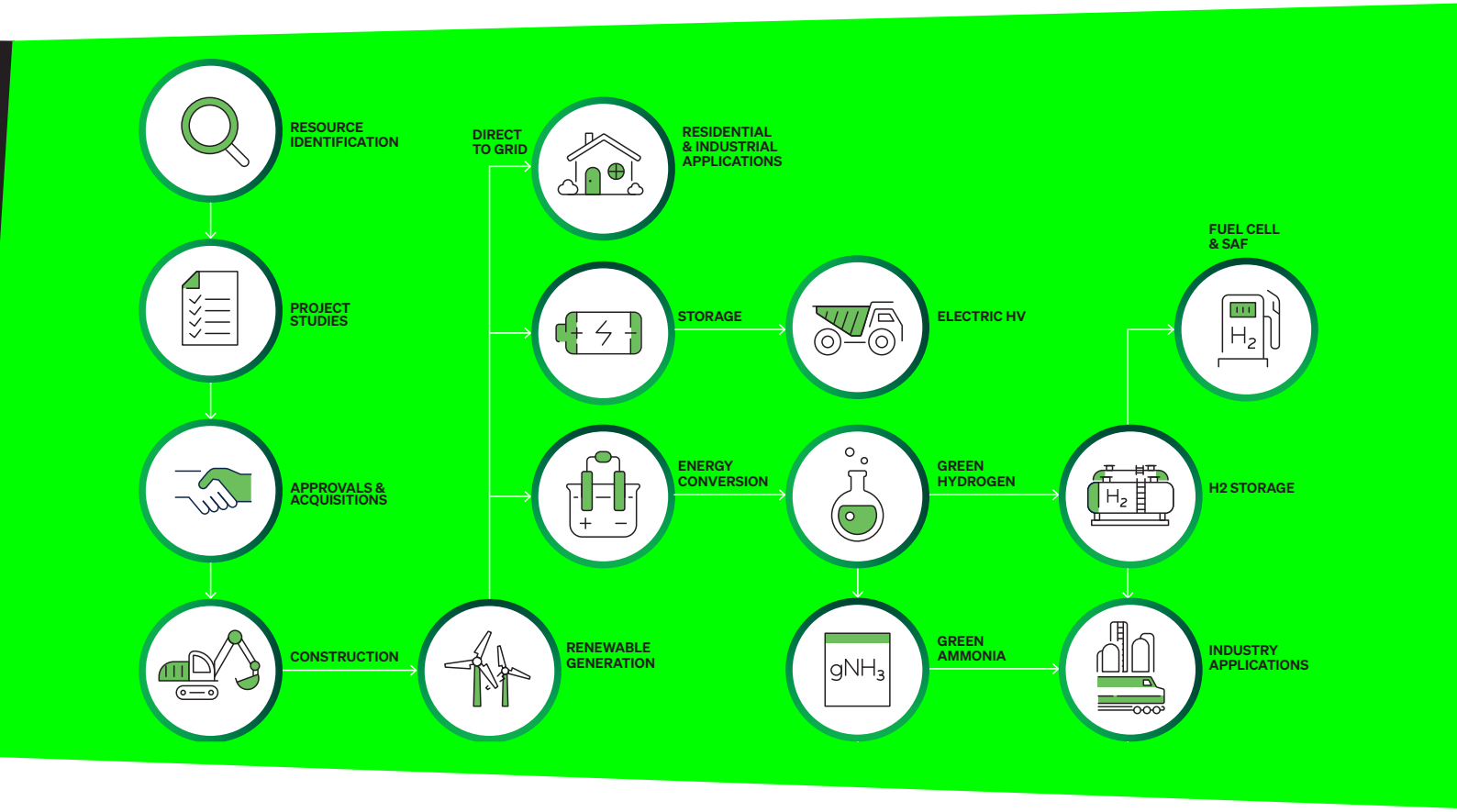
Fortescue does not currently buy and sell iron ore produced by others (third-party trading); changes to our product offering are referenced in section 2.2.

Non-operated assets, joint ventures and minority interests

Our non-operational assets, joint ventures and minority interests are aligned with our strategic ambition:

- investments in Gabon for high-grade iron ore to lower steelmaking emissions
- investments in Peru to build supply of critical minerals needed for the transition
- investments in Morocco, Oman, USA and Germany for green hydrogen.

As recommended by the Transition Plan Taskforce Metals & Mining Sector Guidance, more details about their alignment and the approach taken to include these within our emissions inventory is available in our FY24 Emissions Calculation Methodology document at fortescue.com.



1.3 KEY ASSUMPTIONS AND EXTERNAL FACTORS

An extensive set of external factors and key assumptions inform our decarbonisation plans and transition strategy. They are detailed at length in Appendix 1. In summary, the most material factors are:

Policy

Government policies are critical to creating the conditions for rapid decarbonisation. They are essential to ensure that the true costs of carbon are priced in, to foster the rapid build out of renewable generation, and to support the uptake of new green fuels and technologies. Without enabling policies and in the absence of science-aligned or target aligned pricing, green fuels, products and technologies may struggle to compete against fossil fuel incumbents. A key assumption is that governments are able to deliver ever increasing ambition in their climate policies and Nationally Determined Contributions in line with the Paris Agreement.

Regulation

Regulation can be an enabler (where it sets high environmental and sustainability standards) but also a potential blocker to our Climate Transition Plan. We are heavily dependent on navigating complex regulatory requirements at local, state and federal level to build the renewable generation we require to power our decarbonised mining operations in Australia. The same is true for our international projects. A key assumption is that we are able to work closely with regulators to avoid delays or cost increases due to regulatory and permitting factors.

Technological readiness

Fortescue and others have developed the technologies required to decarbonise fully. Some of this technology now requires scale up, commercialisation and further improvement. Long development lead times and risks inherent to rapid scale up could impact our ability to realise our strategic ambition.

Fortescue assumes, based on the prevailing scientific evidence, that unproven technologies such as carbon capture and storage cannot be relied upon and indeed risk sustaining fossil fuel usage. Similarly, we assess many carbon offset schemes to be of low integrity. Our Climate Transition Plan and decarbonisation strategy is underpinned by a core belief that we need to eliminate fossil fuels from our operations and supply chain rather than seeking to mitigate emissions impacts.

Macro-economic conditions (including geo-politics)

Macroeconomic factors such as labour availability and the cost of borrowing will have an impact on Fortescue's Climate Transition Plan. The availability of skilled labour in green technologies and the renewable energy sector may influence the pace at which we can deploy sustainable practices into our operations. Fluctuations in interest rates globally and the cost of borrowing can impact the economic viability of and funding strategy for green infrastructure projects efforts. Fortescue has funding activities in several jurisdictions, which are each subject to varying macroeconomic factors.

As a global business operating in multiple jurisdictions, we are exposed to macro geo-political trends. These can impact both individual projects but also the shape and pace of the energy transition overall. We are particularly impacted by issues such as supply chain restrictions, tariffs and other trade barriers, and industrial and local content policies that are shaped by geo-politics.

Market conditions

In our Metals business, China currently accounts for around 90 per cent of Fortescue's iron ore sales. The country's demand for steel and iron ore and its climate targets are therefore crucial to Fortescue's transition, yet remain uncertain and heavily dependent on emerging policy. Scope 3 decarbonisation relies on working with our customers to reduce the carbon intensity of the processing of our products. Central to success will be our ability to allocate to customers focused on emissions reduction, and successful testing and commercial scaling of a number of technologies currently in R&D. A key assumption for our Scope 3 target is our ability to demonstrate and then scale green metal as a core product for our customers, leveraging synergies in places such as Australia where we can bring together iron ore extraction and processing with low-cost green hydrogen production.

Our Energy business assumes significant growth in demand for green fuels and technologies as the world decarbonises and the energy transition progresses, reflecting external analyses such as the IEA World Energy Outlook. In many cases direct electrification will be the best and most efficient decarbonisation pathway. But we see significant demand for green molecules (specifically green hydrogen and derivatives) for sections of the energy system that cannot be readily electrified – especially but not solely in hard-to-abate industrial sectors. This will also drive significant demand for hydrogen production technologies such as electrolysers.

Climate impacts

Accelerating climate change will expose Fortescue's business to a range of physical and other risks. Our modelling of potential impacts – which drives our mitigation strategies – is heavily informed by the work of the Intergovernmental Panel on Climate Change (IPCC). A core assumption is that we need to prepare for a range of scenarios, especially given uncertainty about the extent to which current global climate action will be able to limit temperature rises in line with the goals of the Paris Agreement.

2. IMPLEMENTATION STRATEGY

2.1 BUSINESS OPERATIONS

Production processes, people and procurement

Fortescue is committed to developing zero emission solutions for its diesel-based mine, port and rail equipment.

Production processes or equipment

EXTRACTION ACTIVITIES

We have identified preferred solutions to eliminate approximately 90 per cent of our Scope 1 and 2 terrestrial emissions associated with our Australian iron operations by 2030. We are actively working to identify solutions for the final approximately 10 per cent.

We are also finalising our plan to eliminate Fortescue's remaining Scope 1 and 2 emissions from across our operations, including the iron ore emissions generated outside Australia and those emissions generated by Fortescue Energy.

Improving the efficiency of extraction methods and equipment

Fortescue has several ongoing projects designed to improve the efficiency of our mining operations.

1. Innovative Technologies: Low rolling resistance conveyor belts have been introduced. Trials conducted across our Pilbara operations have shown promising results in reducing energy demand, and future years will see integration throughout our operations.
2. Energy-Aware Operations: Trials conducted to evaluate energy-aware operations in fixed plant infrastructure have yielded positive results in energy conservation. We are now applying the successful trial methodologies in suitable locations across our Pilbara operations.
3. Rethinking Mining Practices: Mining teams, both on site and within our remote operations centre, the Hive, have successfully shown that traditional mining philosophies can be revised and improved. The teams have adopted new practices of preventing unnecessary fuel consumption and conserves productive equipment hours.

Developing low emission mobility solutions (vehicles and machinery)

Fortescue is committed to developing zero-emissions solutions to its diesel-based mine, port and rail equipment. To date, the Fortescue Board has approved significant investment in zero emissions HME along with associated charging facilities and site-based electrical infrastructure.

Onsite trials of our first prototype battery-electric haul truck, Roadrunner, were completed at Christmas Creek mine site, exceeding the performance expectations of the battery power system while carrying 231 tonnes of iron ore. Roadrunner brings several surface mining firsts, including the ability to fast charge in 30 minutes and capacity to capture and store regenerated power as it drives downhill. A 3MW prototype fast charger, to charge Roadrunner, has undergone commissioning and site-based testing at Christmas Creek.

Three Liebherr R 9400 E electric excavators became operational at Fortescue's Cloudbreak and Solomon mine sites, with each having moved over 1Mt in their first four operational months. These are powered by the grid via 6.6kV substations, switchgear and more than 2km of high voltage trailing cable. A prototype Offboard Power Unit, which can power a Liebherr R 9400 electric excavator that Fortescue Zero retrofitted from a diesel unit, using onboard hydrogen and batteries as a zero-emission fuel source, is undergoing commissioning and site-based testing at Christmas Creek mine site.

A prototype hydrogen fuel cell electric truck, Europa, completed testing in Perth and is now undergoing site-based commissioning at Christmas Creek.

A suite of trials for validating battery-electric light vehicles, support mining equipment and electrical infrastructure are planned throughout 2024 and 2025.

HEAVY MOBILE EQUIPMENT

51% of our Scope 1 emissions in FY24

Solutions

Battery-electric trucks

Powering HME from renewable energy using trailing cables

Hydrogen fuel cells

Status

Site testing of prototype battery-electric haul truck Roadrunner and 3MW fast charger.

Trials to validate battery-electric light vehicles, support mining equipment and charging.

Approved purchase of battery-electric haul trucks, tracked dozers, graders, cable electric excavators, and a cable electric drill.

Approved purchase of 6MW fast chargers.

Three Liebherr electric excavators commissioned onsite.

2025

Additional investment in battery-electric water trucks, float prime movers, wheel dozers, front end loaders, graders and drills.

First platform drill at site.

Site testing prototype hydrogen fuel cell haul truck.

Site testing offboard power unit using hydrogen fuel cells.

Additional zero emission HME delivered to site.

Site trials of light mining equipment and support mining equipment.

2027

Liebherr battery-electric haul trucks onsite.

Site testing prototype battery-electric grader.

Phased delivery of additional cable electric excavators.

2030

Zero emissions HME fleet operational onsite.

Site infrastructure to support zero emissions HME rolled out across all Pilbara sites.

Rail

To decarbonise our rail operations, Fortescue is exploring both alternative fuel and battery-electric technologies. In FY24 a dual-fuelled prototype ammonia-powered locomotive completed rail trials at Solomon mine site, including eight banking trial runs with no incidents. Two battery-electric locomotives procured from Progress Rail are under construction and due onsite for rail testing in FY25. Fortescue Zero's battery-electric locomotive prototype is also under construction, with expected delivery in FY25.

RAIL

10% of our Scope 1 emissions in FY24

Solutions

Battery-electric locomotives

Alternative green fuels

Overhead catenary electric

Status

Prototype battery-electric locomotive being built

Dual fuel ammonia locomotive mainline trial complete

2025

Battery-electric locomotives trialled on mainline rail

2027

First series production of battery-electric locomotives

Electrical infrastructure in place

2030

Zero emissions rail solution in place

Shipping

Fortescue, with the support of the Maritime and Port Authority of Singapore, and DNV Classification, government agencies, research institutes and industry partners, has successfully conducted the world's first use of ammonia, in combination with diesel in the combustion process, as a marine fuel onboard the Singapore-flagged ammonia-powered vessel, the *Green Pioneer*, in the Port of Singapore. Fortescue's ambition is for our own very large ore carriers to be powered by green fuels by 2030.

SHIPPING

13% of our Scope 1 emissions in FY24

More than 1% of our Scope 3 emissions in FY24

Solutions

Green ammonia use in our own ore carriers.

Selectively chartering vessels with low emission fuels and high efficiency.

Battery-hybrid towage vessels charged by solar and wind power and generation onboard from a green fuel.

Status

Green Pioneer has been under conversion then used as a demonstrator vessel to validate the use of ammonia, and performed the return voyage from Singapore to Dubai (for COP28). We are working with the engine manufacturer for ammonia conversion of our ore carriers.

2025

Pathway for conversion of ore carriers progressed.

Power curves and future fleet demand for towage vessels finalised.

Commission study on towage design and complete shoreside charging infrastructure.

2027

Conversion of large ore carriers with propulsion system suited for green ammonia commences.

Delivery of first green towage vessel and understand asset capability.

Build slot placed for upcoming vessels.

2030

Zero and low emissions towage vessels in place.

Conversion of very large ore carriers underway.

Fuel use dependant on availability of green ammonia.

2040

Zero and low emissions shipping in place.

COMMINUTION AND PROCESSING ACTIVITIES

Improving the efficiency of comminution methods and equipment

Fortescue undertakes continuous improvement activities incorporating test work and process design review to optimise recovery of low grade ores that are currently considered waste. This process will maximise revenue while reducing capital requirements associated with incremental expansion activities including, for example, construction of new facilities, extension of haul distances and clearing of additional land in coming years.

Improving design or material science in downstream product manufacture

The aim of Fortescue's green metal test projects is to enhance downstream processing, or materials upgrading, using green technologies and green energies or reagents, including green hydrogen.

Delivering high purity green metal will reduce transportation and logistics requirements in both rail and shipping, as impurities will be removed early in the process.

Improving the efficiency of processing

Our activities focus on the most efficient use of renewable energy, which is driving a restructuring of energy-intensive industries to co-locate processing infrastructure with renewable energy production locations, avoiding unnecessary transport of both energy and materials. For example, Fortescue aims to process iron ore into green metal at the renewable energy source location where possible.

Increasing proportion of scrap used in processing and refining

The Green Metal Project will be capable of processing scrap steel. However, our focus is on demonstrating the technologies and processes which enable Fortescue's Australian ores to be converted into high purity green metal.

Supply chain and procurement

Procurement of essential products with lower emissions

We require suppliers to submit emissions reports in order to understand the emissions profile of the products we buy. We work with suppliers on decarbonisation roadmaps. For example, we are working with our explosives suppliers to identify alternative materials to replace diesel in ammonium nitrate products.

Procuring low-emission and electric vehicles and machinery

Our priority is to fully electrify all onsite equipment including cranes, supporting mining equipment and light mobile equipment. We continue to establish agreements to incorporate battery technology into HME.

Carbon removal activities

We prioritise absolute emissions reductions and do not plan for carbon removal activities in our business operations. We are also investigating the positive impact we can make through land we own, as suggested by the Transition Plan Taskforce Metals & Mining Sector Guidance on use of non-operational land holdings for ecosystem restoration and nature-based solutions.

Changes to facilities and other physical assets

In line with our commitment to developing zero-emission solutions for our diesel-based mine, port and rail equipment, we are working to power electrified mining equipment with renewable electricity.

Responsible phase-out of emissions-intensive assets

ENERGY CONSUMPTION AND PRODUCTION ACTIVITIES

In the next two to three years, Fortescue aims to develop several renewable energy projects to power its Pilbara mining operations to reduce reliance on electricity generated from fossil fuels. In addition to wind, solar and battery projects, Fortescue has started constructing the onsite electrical reticulation infrastructure that will take the energy from the Pilbara Energy Connect (PEC) transmission infrastructure to where it is needed on site. The PEC project aims to integrate our Pilbara mining and port operations into one common 220kV network. This program of works will continue through FY24 to FY28 to enable our sites to have the electrical infrastructure ready to power the electrical equipment, as it becomes operational.

DEVELOPING ONSITE GENERATION OF ZERO-CARBON ELECTRICITY

Given the remote location of Fortescue's Pilbara iron ore operations, there is limited power grid and power producers to source renewable electricity from, we are looking to develop our own renewable power generation.

In FY24, Fortescue completed the construction of a 100MW solar farm at North Star Junction, located near Iron Bridge on our mainline railway. North Star Junction Solar Farm is expected to produce more than 250GWh per year, which represents more than 30 per cent of our forecast FY25 energy demand for Iron Bridge. North Star Junction Solar complements the 60MW solar farm commissioned in 2021 as part of the Chichester Solar Gas Hybrid Facility.

Fortescue continues to develop and refine energy modelling software to understand how to optimise our Pilbara iron ore operations when powered by renewable energy, rather than fossil fuels. This model will continue to inform our understanding of Fortescue's needs for renewable energy infrastructure and battery storage. We investigate various technology options to provide optimal long-duration renewable energy storage solutions. As a result of our modelling work, Fortescue anticipates we will need an additional 2-3GW of renewable energy and battery storage to decarbonise. Feasibility studies continue for proposed wind and solar generation sites.

To date, the Board has approved significant capital investment to fund multiple green power projects, including utility-scale solar at Cloudbreak, utility-scale batteries at North Star Junction and Eliwana, and high voltage electrical transmission infrastructure to connect our mine sites to form an interconnected energy system across our operational sites.

We continue to work with community stakeholders for approval pathways for these and future projects. We anticipate additional wind and solar projects will be ready for FID within the next two to three years.

Working to build and/or secure future digital control systems that are ready for decarbonisation is an ongoing priority. For example, the ability to use forecast variability in upcoming weather data to optimise both short- and long-term planning across our iron ore operations. We have recently seen some designs finalised and the commencement of system upgrades across the whole iron ore value chain.

STATIONARY POWER & SITE ELECTRIFICATION

20% of our Scope 1 emissions in FY24

Potential Solutions

Wind and Solar

Grid-scale battery energy storage systems

Demand response and energy efficiency

Conversion of existing gas-fired power stations to run on zero emissions fuel

Electrify sites to eliminate diesel, gas and other fossil fuels

Status

North Star Junction Solar Farm (100MW) built in June 2024.

Approved investment for Cloudbreak solar farm (130MW).

Wind project engineering and design studies.

Pilbara Energy Connect transmission line commenced construction to connect Eliwana and Solomon mine sites to enable the rollout of zero emissions HME at Eliwana.

Approved investment for large-scale battery energy storage systems at North Star Junction and Eliwana.

Demand response studies underway.

Building electrical site infrastructure to power electrical mobile assets.

2025

North Star Junction Solar fully commissioned.

Commence construction for Solar and BESS projects

Complete wind studies

Build site infrastructure (e.g. fast chargers, electrical reticulation) to support zero emissions haul trucks and other HME.

Construct more workforce accommodation to develop renewable energy projects.

2027

First fully electrified site.

Additional solar and BESS operational.

Infrastructure for other sites under development.

Demand response and energy efficiency solutions integrated as business as usual.

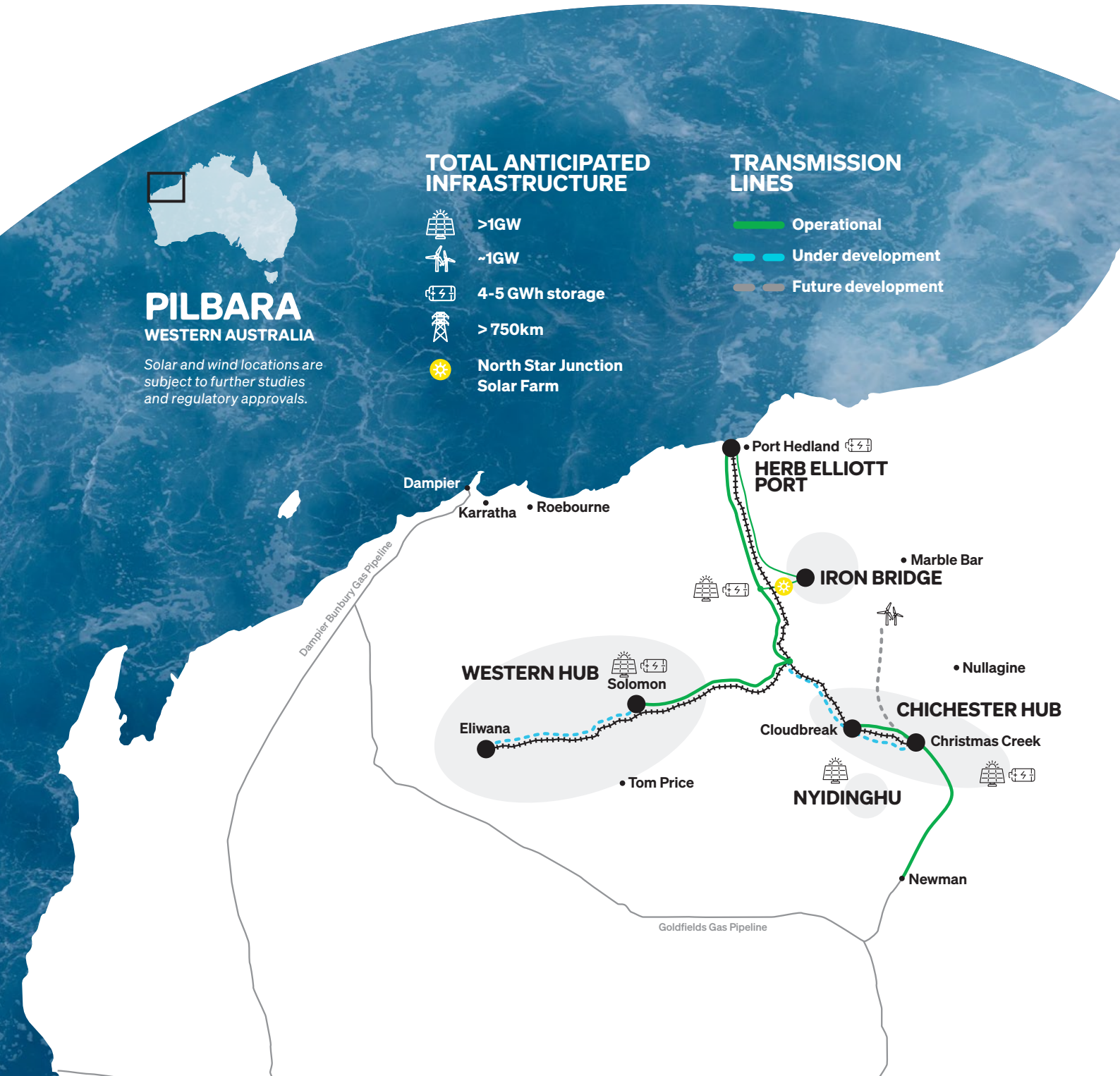
2030

Wind and Solar, supported by BESS powering all of Fortescue's Australian mining operations.

All sites fully electrified, eliminating diesel and other fossil fuels.

Implementing progressive rehabilitation to realise operational synergies and related optimised closure outcomes

Fortescue is a relatively young mining company, and we anticipate we will commence closure post 2034. Financial provisions for closure are made as part of business planning processes. In FY25, we intend to commence planning for progressive closure and rehabilitation. We are actively seeking opportunities to utilise land impacted by past mining activities as locations for renewable energy development as part of our decarbonisation plan, which minimises additional ground disturbance. For example, the Cloudbreak solar farm, approved by the Board in FY24, will partly be built on land impacted by previous mining activities.



DEVELOPING LOW-CARBON FUEL PRODUCTION: FORTESCUE ENERGY

Fortescue Energy is actively pursuing projects and opportunities to provide green feedstocks such as green hydrogen, ammonia, e-methanol and sustainable aviation fuel (SAF) that will enable reductions in emissions globally. We have already announced FID on a number of new green energy projects in the USA and Australia. More detail about our portfolio of energy projects can be found online at fortescue.com.

FORTESCUE ENERGY

Solutions

Green hydrogen

Green ammonia

Renewable energy

Status

Energy strategy led to optimisation of our global projects portfolio, with priorities established.

North America: Partnership with the US Department of Energy's National Renewable Energy Laboratory to advance green hydrogen production and technologies. FID taken on Arizona Hydrogen Project.

Latin America: Progression of the Pecém Project into early feasibility phase.

Europe: Board approval to progress early feasibility work on the Holmaneset project, Norway, post European funding support for the project. A second Norway project progressed into early feasibility stage.

Middle East: Progressing pre-feasibility studies in Oman (Joint Venture (JV) Actis), Jordan and Egypt.

Morocco: Signed a JV agreement with OCP with initial focus on Tarfaya Project, though JV will consider manufacturing, R&D and other potential projects.

Asia & Pacific: Progressed Marsden sustainable aviation fuel project into pre-feasibility study.

Africa: Completed multiple conceptual reviews, to date Kenya, Namibia and

Ethiopia greatest potential.

Completed preliminary cradle-to-gate life cycle assessments for key Fortescue Energy commodities.

2025

Progress priority projects through gates, nine Board decisions during FY25.

North America: Execution progress on Arizona Hydrogen Project.

Latin America: Board FID approval for Pecém Project.

Europe: Progress feasibility phase on Holmaneset and potentially gate Hemnes into feasibility.

Morocco: Progression of the JV and fully operational.

Progress the Marsden SAF Project into feasibility stages.

Africa: Progress the most economically viable opportunity into pre-feasibility phase.

2027

Diversified global projects portfolio in geography and product streams with focus on early ammonia projects.

North America: Commission Arizona Hydrogen Project.

Latin America: Early production from Pecém Project.

Europe: Two projects progressed well into execution.

Morocco: JV executing Tarfaya Project.

APAC: Study Port Bonython and Oakajee Projects into scoping stage and feasibility for Marsden Project.

Africa: Presence secured through progression of one country project to establish regional credibility.

2030

Several ammonia-producing projects on line, Arizona Hydrogen Project supported by domestic electricity supply, production of SAF in New Zealand.

DEVELOPING LOW-EMISSIONS TECHNOLOGIES: FORTESCUE ZERO

Fortescue continues to design solutions consisting of both 'off-the-shelf' products and new technologies via collaborations and partnerships with original equipment manufacturers (OEMs) such as Liebherr.

Fortescue Zero recently opened a new state-of-the-art technical innovation centre in Kidlington, UK, to focus on the technical development, testing and prototype production of batteries and zero emission powertrains for a wide range of applications, including motorsports, mining haul trucks, and other off-road and automotive applications. A US$35 million investment was committed to start building a US Advanced Manufacturing Centre in Michigan. This Centre is expected to become a major hub for Fortescue's production of automotive and heavy industry batteries, hydrogen generators, fast chargers and electrolysers.

FORTESCUE ZERO

Solutions

High-performance batteries

Zero-emissions power systems

Electrolyser technologies

Electrolyser manufacturing

Status

Banbury and Kidlington facilities opened, manufacturing heavy industry battery modules and fully assembled power systems.

Life cycle assessment completed for Infinity Train and underway for the battery system in our haulage truck prototype, Roadrunner.

Prototype battery-electric haul truck delivered to Christmas Creek.

Opening of the Gladstone Electrolyser Facility, with automated assembly line fully commissioned.

First commercial product 1MW PEM Electrolyser and Hydrogen Generation Unit released and open to external sales.

Life cycle assessments in progress for key Hydrogen Production Systems products.

Automated electrolyser production line in optimisation program to improve total stack build time.

2025

Continued delivery of programs focused on high-performance battery and zero-emissions power systems.

Installation of multiple Fortescue hydrogen generation units in the field at external customer locations. PEM50 operational.

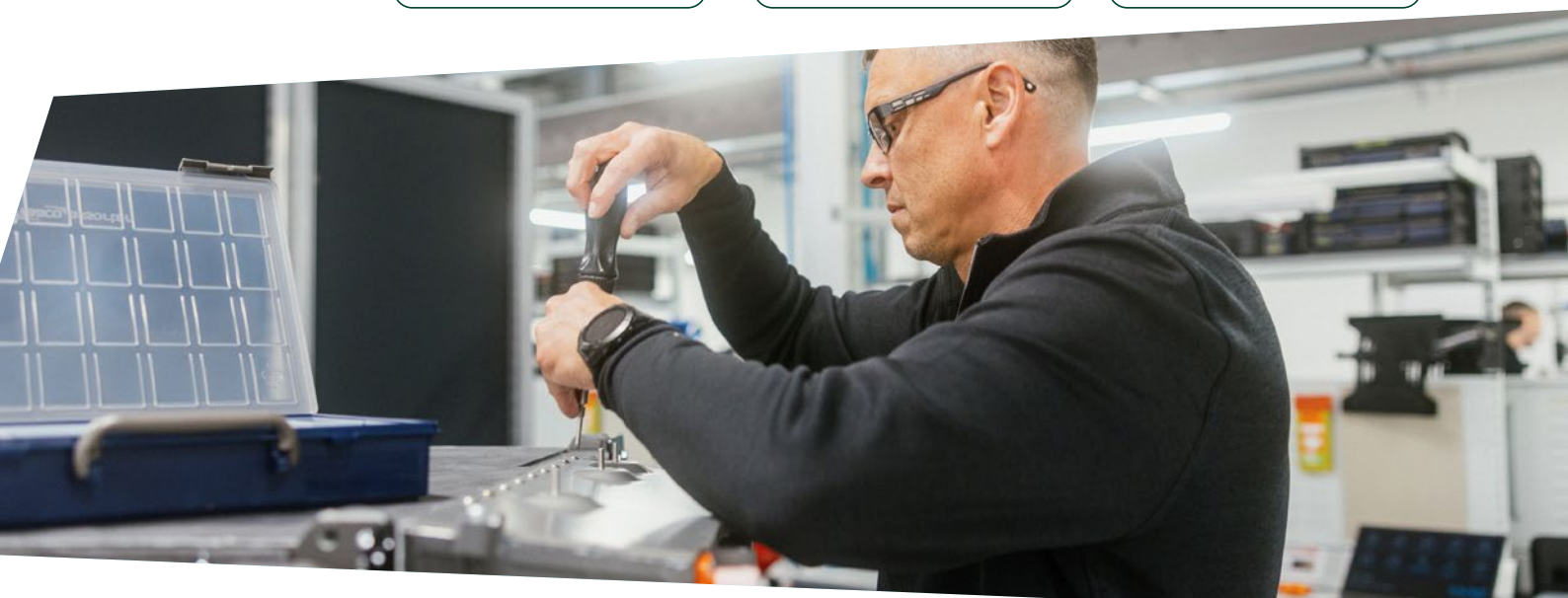
Automated functional and pre-functional test stations operational onsite at Gladstone test facility.

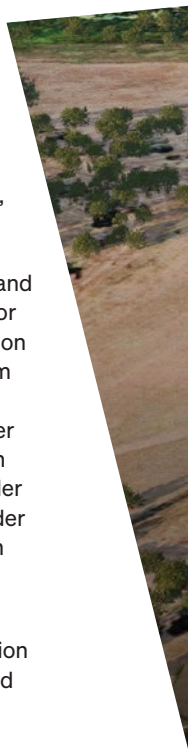
2027

Delivery of first fleet of Liebherr green mining haul trucks with Fortescue Zero zero-emissions power systems.

2030

Development of the Infinity Train (gravitational energy recharging battery-electric systems without any additional charging requirements).





Stage one development of the Gladstone Green Energy Manufacturing (Gladstone GEM) Centre in Queensland includes the Gladstone Electrolyser Facility (GEF), Australia's first fully automated electrolyser manufacturing facility, which provides an initial capacity of over 2GW of electrolysers per annum, significantly increasing current global production.

Stage two will see development of a 50MW hydrogen production facility, known as the Gladstone Proton Exchange Membrane 50MW (PEM50) Project. PEM50 will be a commercial-scale green hydrogen facility, with the potential to produce up to 8,000 tonnes of green hydrogen per annum from 2025. PEM50 will deploy the electrolysers manufactured by the GEF, as well as using renewable energy sources such as wind and solar with water to generate green hydrogen through electrolysis. Construction of the PEM50 Project will commence in 2024 with the installation of an initial 30MW production capacity, and first production of green hydrogen is expected in 2025. The installation of an additional 20MW as part of the plant's second stage is expected to be commissioned in 2028.

Management of assets that are exposed to risks arising from the changing climate

EXPLORATION AND DEVELOPMENT ACTIVITIES

For Fortescue's Energy project development, Fortescue has adopted a Project Investment Framework (PIF) which enables our projects to be screened, prioritised and accelerated in line with business needs. Any project that requires Board approval is subject to prior review and recommendation by a Project Investment Committee (PIC) at several strategic decision points as the project matures.

Projects move through 'gates' as increasing scrutiny is applied, which includes consideration and assessment of a wide range of criteria including commercial viability and emission reduction potential, as well as sustainability and human rights issues. The risk assessment process inherent in this procedure ensures that all potential implications are evaluated and considered, including risks arising through climate change.

To ensure the resilience of our future operations, we conduct climate change assessments on hydrology (rainfall and flood risk) as a standard activity on all Fortescue Energy project studies and undertake sensitivity assessments of facility floor levels, drainage infrastructure and flood mitigation measures against climate change affected storm events. Our newly developed Climate Change Assessment Engineering Requirements for water resources ensures a risk management approach to the consideration of project performance under different possible future climate scenarios in order to support decision-making on resilience design and operation.

There is an existing development framework for Metals projects, and with the recent amalgamation of our Projects teams we will be looking to amend the PIF process to include all Major Projects.

EXISTING ASSETS

Fortescue takes a risk-based approach to understand its exposure and vulnerability to climate change. Our risk culture emanates from our Values, builds on our Code of Conduct and Integrity and is operationalised through Fortescue's Risk Management Framework. The Framework consists of a Risk Management Policy, Risk Management Standard and a Risk Management Procedure, and is further supported by standards on planning for business continuity and disaster response.

Fortescue's Risk Management Standard sets out the processes to identify, assess, treat and monitor all risks regardless of impact type, including those potentially arising from extreme temperatures and severe weather events. The Standard sets a materiality threshold for the risks of greatest significance to Fortescue and outlines our expectations with respect to understanding and managing those risks. Material operational risks, such as those related to assets and operational infrastructure, are identified and articulated in our risk management system – CGR Foundation.

We have constructed our Australian port, rail and mine infrastructure to meet engineering specifications, accounting for the future risk of extreme weather events by considering current industry standards, including the Australian Rainfall and Runoff Guidelines and the Standard Engineering Specification for Drainage and Flood Protection. We continue to work closely with Pilbara Ports and other operators to minimise impacts to ship movements during extreme weather events in Port Hedland.

As part of our commitment to enhance the resilience of our assets and to mitigate climate-related risks, we have partnered with our insurance provider to better understand our climate-related hazard exposure of our critical assets in Australia. Asset vulnerability to extreme climate events such as flood, wind and fire is considered combined with site-specific factors such as construction design, location of the asset and risk mitigation actions. By leveraging our provider's expertise in risk management and insurance, we develop targeted strategies to protect our infrastructure and ensure operational continuity. .

Management of long-lived assets that may be impacted as a result of the transition to a low-emissions, climate-resilient economy

Fortescue's decarbonisation plan aims to synchronise the introduction of new green assets with the retirement of fossil fuel assets to achieve our 2030 Real Zero target. For example, most of our HME used in mining activities is scheduled to be replaced prior to 2030, and in this case we are choosing to replace those end-of-life assets with green assets. Similarly, we have over 800 small diesel gen-set units in our business. Our intention is to replace these with green solutions by 2030, including by connecting the asset they are powering, such as dewatering pumps, into our electrical infrastructure.

Alternatively, for some assets where the asset life is expected to extend beyond 2030, we are evaluating opportunities to retrofit these assets with green powertrains. For example, for our mainline rail locomotives, we are looking to retrofit the diesel engine with a battery-electric solution.

Some of our existing assets that support our existing fossil fuel electricity network can be reused in our future renewable energy system, such as our high voltage transmission lines connecting the Solomon gas-fired power station to Iron Bridge. Similarly, we are assessing options to convert this power station to run on green fuel, such as green ammonia, to support our decarbonised power system.

There will, however, be a small number of assets that are not at end of life prior to 2030 and cannot be reused as part of our decarbonised operations, such as diesel storage facilities. We will develop strategies to retire these assets incorporating economic, environmental and social considerations. We see this is a useful area for collaboration among high-ambition industrial actors as transition planning unfolds over the coming years.

2.2 JUST TRANSITION APPROACH

Our just transition approach is informed by our materiality assessment[1] and the *Making transition plans just* report (Grantham Research Institute, 2022). This report seeks to ensure that no one is left behind by advocating for the interests of those that are most affected by the low-carbon transition, including workers, vulnerable communities, suppliers of goods and services, and consumers.

The Grantham Research Institute recommends to:

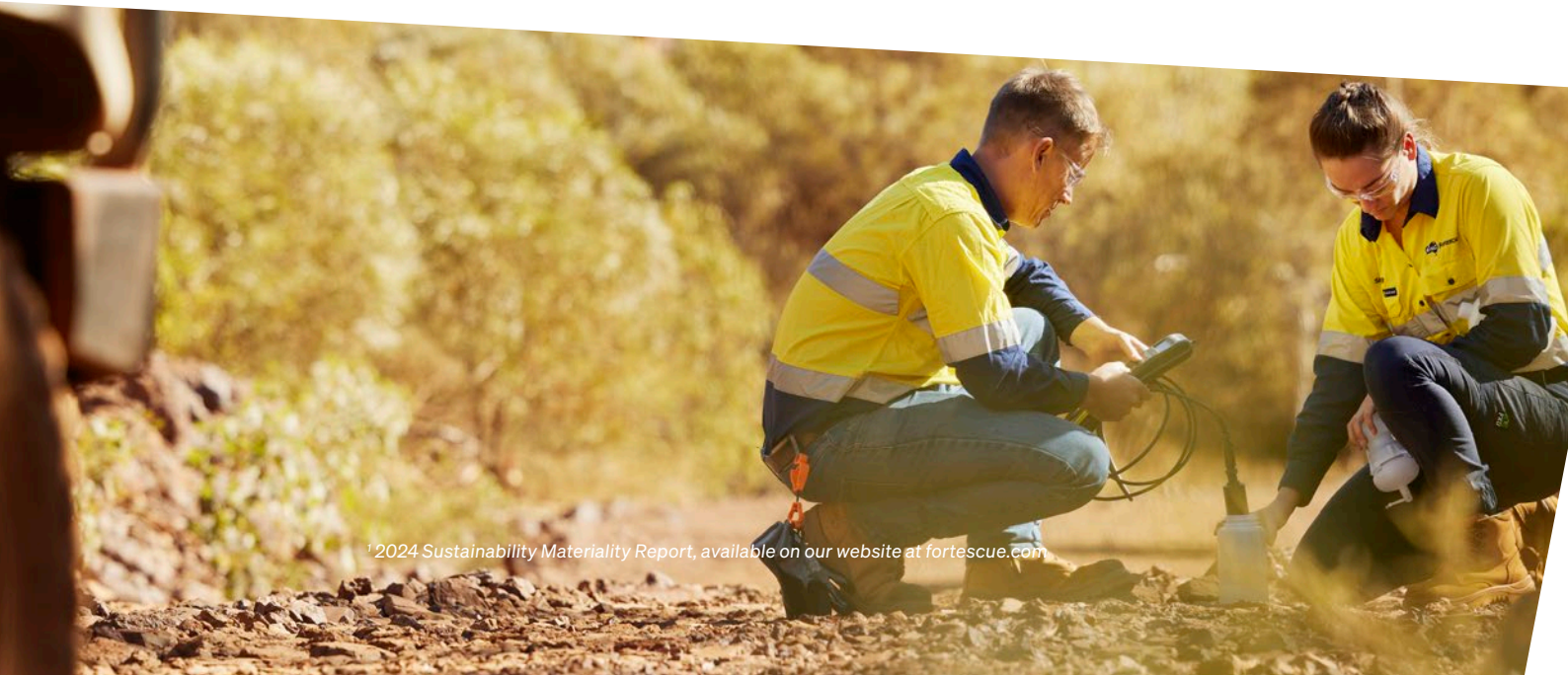
1. Anticipate, assess and address the social risks of the transition.
2. Identify and enable the social opportunities of the transition.
3. Ensure meaningful dialogue and participation in transition planning.

WORKERS	SUPPLIERS	COMMUNITIES	CONSUMERS
Involving workers by anticipating employment shifts, respecting rights at work, ensuring dialogue, developing skills, protecting health and safety and providing social protection, including pensions and benefits.	Supporting suppliers in taking account of social impact on the path to net zero, strengthening local supply chains, applying labour, human rights and environmental due diligence along the supply chain.	Understanding the spillover effects for communities, respecting rights around impacts and involvement, focusing on vulnerability, enabling innovations such as community energy.	Focusing on the needs of consumers who lack adequate access to sustainable goods and services, including energy, by eliminating cost barriers and offering clear sustainability certifications for them to support the transition.

Workers

Fortescue is in a unique position as a vertically integrated green metals, technology and energy business. Our people operate across the full value chain and are excited to be developing new technologies, testing new systems, and rethinking the way traditional mining operations are powered and run. They are motivated to be part of a company that is serious about addressing climate change and will also demonstrate a pathway to rapid decarbonisation for other industrial companies.

Fortescue believes that the proportion of highly skilled jobs (such as engineering) relative to manual jobs will remain relatively unchanged through the transition. However, there will be some increased requirements for niche skills in newly developing fields, such as battery and power systems technology. Some manual jobs, such as trades-based roles like electricians and mechanical technicians, will have the opportunity to obtain additional competencies in order to operate and maintain the electrical infrastructure and fleet that will be within our mining operations.



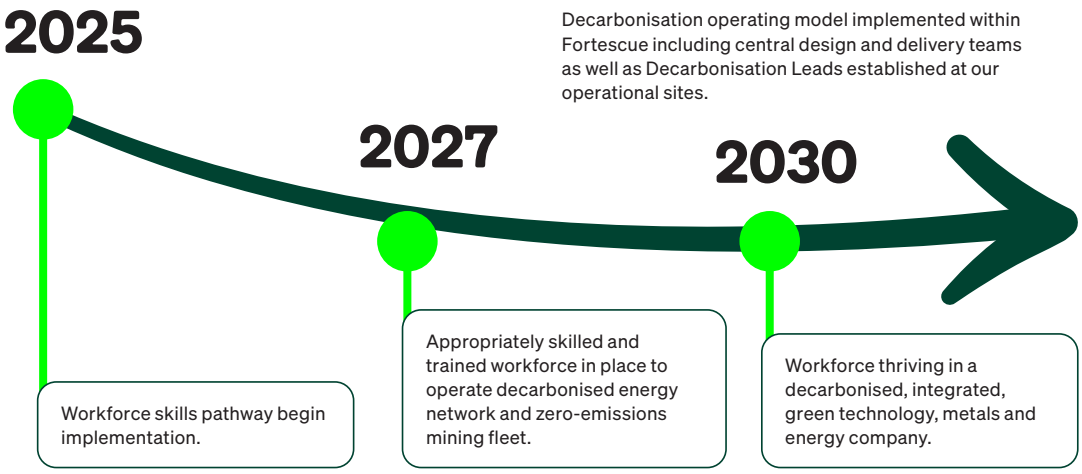
[1] *2024 Sustainability Materiality Report, available on our website at fortescue.com*

WORKFORCE

Solutions
Resourcing and strategic direction supporting decarbonisation activities.

Status
Director Decarbonisation role established, along with more than 50 supporting positions throughout Fortescue focused on decarbonisation. Operational readiness and workforce transition plans developed.

Decarbonisation operating model implemented within Fortescue including central design and delivery teams as well as Decarbonisation Leads established at our operational sites.



Investment in employee retraining and reassignment

In 2022, Fortescue established a team to develop, coordinate and monitor the decarbonisation workforce transition, identifying the people and skills pathways needed to set us up for success on the journey to 2030.

We forecast a limited number of employees whose roles may be adversely affected by our strategic ambition. These employees are predominantly involved in the distribution of diesel around the mine sites and in maintaining our diesel-fired power stations, equipment and vehicles. These employees have relevant transferable skills that will be applicable in the future, such as operating mobile equipment and servicing battery-electric mobile fleet. The workforce transition plan includes qualification and skills transition pathways for the affected roles, which will be enacted in a gradual progression between 2027 and 2030 as each of the operational sites stops using fossil fuel assets.

Fortescue is already managing the required training and upskilling for people required to operate and maintain battery electric and cable electric fleet that continues to be deployed into operations through our upskilled training team, with support from registered training organisations and other training providers where required.

More broadly, Fortescue is investing in early careers programs such as apprenticeships and traineeships, vacation and graduate programs to ensure there is an ongoing pipeline of talented people into the organisation. In FY25, this will continue to grow as a key enabler of our skills pathway transition.

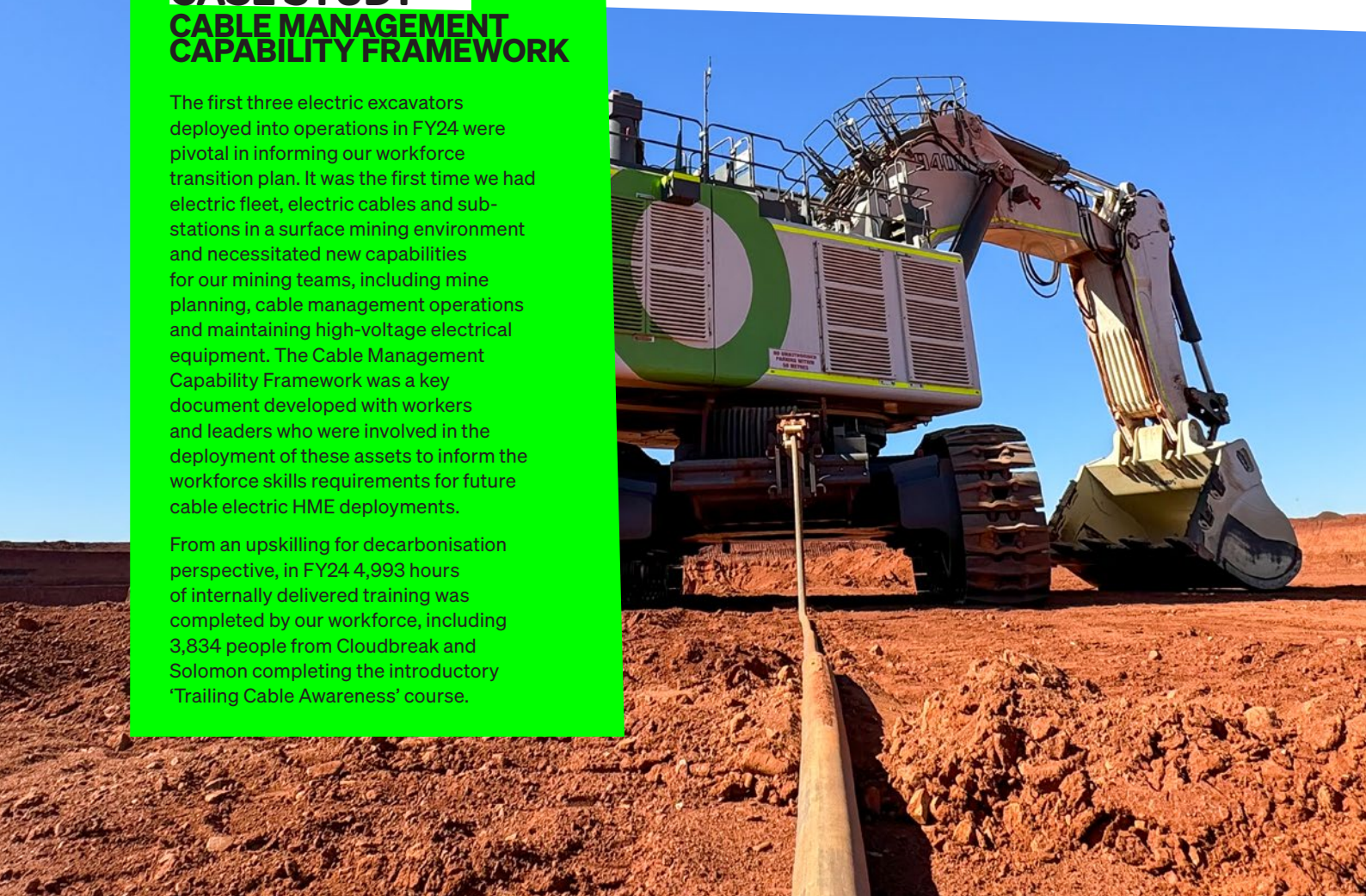
CASE STUDY
WORKFORCE UPSKILLING IN ACTION

We are currently training our mobile mechanical technicians to work with electric machines as part of a broader Workforce Transition Strategy launched internally earlier this year. In FY24 we provided 17 per cent of our site-based mobile mechanical workforce training on new battery electric and cable-electric equipment to prepare them for the electrified fleet that was deployed throughout the year and the fleet that is to come in the future. This was a combination of training from OEMs, nationally recognised qualifications and internally developed training material.

CASE STUDY
CABLE MANAGEMENT CAPABILITY FRAMEWORK

The first three electric excavators deployed into operations in FY24 were pivotal in informing our workforce transition plan. It was the first time we had electric fleet, electric cables and sub-stations in a surface mining environment and necessitated new capabilities for our mining teams, including mine planning, cable management operations and maintaining high-voltage electrical equipment. The Cable Management Capability Framework was a key document developed with workers and leaders who were involved in the deployment of these assets to inform the workforce skills requirements for future cable electric HME deployments.

From an upskilling for decarbonisation perspective, in FY24 4,993 hours of internally delivered training was completed by our workforce, including 3,834 people from Cloudbreak and Solomon completing the introductory ‘Trailing Cable Awareness’ course.



Suppliers

Our onsite contractors and shipping suppliers will be the first impacted by our transition as we progress towards our 2030 Scope 1 and 2 Real Zero target and 2030 interim target for Scope 3 shipping, followed by our suppliers of goods and services covered by our 2040 Scope 3 target.

Suppliers impacting our Scope 1 and 2 emissions

We focus on education and capability building with our onsite contractors to deliver our transition targets at our Pilbara operations.

Our Contracts and Procurement Decarbonisation Project Management Office supports our current suppliers to decarbonise and ensures decarbonisation objectives are incorporated into supplier development and engagement processes.

This team is introducing a coordinated approach to decarbonise our supply chain, with specific initiatives to:

- develop tender schedules explaining Fortescue's emissions strategy, targets and expectations of our supply chain partners and to strengthen tender criteria and contract clauses to align with decarbonisation timelines
- introduce the requirement for onsite contractors to provide information on equipment usage and emission profiles, including education on basic emissions accounting
- engage with onsite contractors to raise awareness and discuss decarbonisation opportunities
- identify high-emitting equipment to build roadmaps for decarbonisation of priority categories.

In FY24, we engaged directly with 77 strategic suppliers (contractors) to share more detail on our decarbonisation journey and commence engagement with suppliers on their own roadmap to Real Zero. We also established a decarbonisation portal to share information and updates with our onsite contractors. We invited our active suppliers to a decarbonisation information session hosted by the World Economic Forum in May 2024.

Tender documents explain our decarbonisation plan and expectations from our suppliers to set targets and design their own plans to reduce emissions in their own operations. We monitor implementation through contract management routines, and suppliers are expected to provide regular progress updates.

Suppliers impacting our Scope 3 emissions

Our emissions from Scope 3 category 1 purchased goods and services represent one per cent of our Scope 3 emissions.

This year, we completed our first LCA in collaboration with a conveyor belt supplier, Continental Industry.

Transportation equipment providers and contracted transport providers

Our engagement with shipping suppliers includes identifying and chartering low-emission vessels (greenhouse gas ratings of A-D), targeting vessels which are equipped with energy-saving devices, optimising vessel and fleet size, using eco steam performing vessels, and optimising schedules for just-in-time arrivals.

Fortescue and COSCO SHIPPING have signed a non-binding MOU to work together on decarbonising shipping. Both companies will collaborate on developing technologies to lower emissions and build a green fuel supply chain. This includes exploring the construction and deployment of COSCO SHIPPING vessels, or co-owned vessels, powered by green ammonia, to ship iron ore and other mineral products with the aim of reducing Australia-China Iron Ore Green Shipping Corridor's carbon emissions.

In FY24, we began trialling electric vehicles for collection and deliveries in the Perth Metropolitan area. There are limitations with current electric solutions due to long distance haulage requirements to transport goods to the Pilbara. We will continue to work in partnership with our suppliers and freight providers next year to develop a shared roadmap to 2040.

CASE STUDY
CONTINENTAL INDUSTRY

Fortescue collaborated with conveyor belt supplier, Continental Industry, to complete an emission mapping study, comparing two types of conveyor belts. Multiple stakeholders supported the emission mapping study, both internal Fortescue teams and external Continental Industry teams.

Fortescue recognises that reducing Scope 3 emissions is a challenge that cannot be tackled in isolation. Proactively engaging with our supply chain to reduce and remove upstream emissions is essential. As part of this journey, we educated our suppliers, conducted internal evaluations, and employed LCA methodologies and tools to assess the environmental impact of products and processes.

The LCA-based assessment compared the decarbonisation potential of Continental's conveyor belts with low rolling resistance covers (CV917) ('Low Rolling Resistance Conveyor') vs. standard conveyor (CV913) ('Standard Conveyor'). Evaluations considered raw material input (kg) and operational energy efficiency (kWh). Overall, the Low Rolling Resistance Conveyor demonstrated greater decarbonisation potential than the Standard Conveyor. Additionally, during the trial Fortescue observed lower wear rates with the Low Rolling Resistance Conveyor, which indicate reduction in change-outs and extended product life span. Fortescue is strategically reducing emissions by developing strong relationships with supply chain partners and integrating life cycle thinking into decision-making processes.

SUPPLIERS

1% of our Scope 3 emissions in FY24

Solutions

Introduce mandatory climate-related contract clauses and performance criteria for emission reductions on site (impacting Fortescue Scope 1 and 2) and in the value chain (impacting Fortescue Scope 3 emissions).

Status

Current standard tender documents detail Fortescue's decarbonisation journey and expectations of supply chain partners to eliminate diesel from our operations by 2030, and reduce emissions in their own operations. Tenders for site-based services request product carbon footprint data and emission profiles for equipment supplied. We have undertaken an engagement program with onsite contractors to raise awareness of emissions and discuss decarbonisation opportunities.

We completed our first LCA in collaboration with a supplier.

2025

Continued supplier education on emission reporting and introduction of technology platform to submit emissions data.

Strengthening tender criteria and contract obligations to include mandatory requirements for onsite emission reductions.

Integration of climate-related risk and emissions intensity into commercial strategies and risk assessments prior to sourcing activities to support informed decision-making.

Introducing tender criteria and contract obligations that consider lower carbon alternatives, sustainable materials and circularity initiatives to reduce emissions of goods and offsite services.

2027

All operational contracts to align with site decarbonisation timelines. Supplier emission reporting for all onsite suppliers. Investigate application of carbon pricing or penalties to tender bids to enable prioritisation of suppliers aligned with Fortescue's decarbonisation strategy and timelines.

Analysis of supply chain to determine strategies for priority emission reduction activities.

Introduction of exclusion criteria for contractors that cannot provide non-diesel alternatives on site.

Internal targets for Scope 3 emission reductions in key categories of spend.

2030

Exclusion criteria apply for contractors that cannot provide non-diesel alternatives on site.

Electricity providers and grid operators

PILBARA REGION, WESTERN AUSTRALIA, WHERE OUR MINING OPERATIONS ARE LOCATED

Fortescue has several contracts with electricity providers including TransAlta, APA and the state government-owned regional electricity provider and grid operator, Horizon Power, for grid access for our mining operations and electricity supply for non-mining operations in the Pilbara region.

Fortescue will continue to engage our electricity providers to progress high-level discussions on long-term renewable power supply options in the Pilbara. Given that the Western Australian government's net-zero aspirations lag behind those of Fortescue, we may need to generate and transport electricity independently of the Horizon Power grid.

We purchase a mix of solar and gas-generated electricity from APA in the Pilbara. Fortescue and APA will continue to have high-level discussions around long-term renewable power supply in the Pilbara.

PERTH, WESTERN AUSTRALIA, WHERE OUR HEAD OFFICE IS LOCATED

There will be continuing engagements with Western Power and renewable power providers for any energy projects Fortescue enters into that are located in the South-West Integrated System.

ARIZONA, US, NORWAY, GABON AND OTHER GLOBAL LOCATIONS OF PROJECTS

Fortescue engages with local power providers to secure sourcing of renewable energy to support our green metals and energy projects.

PURCHASED ELECTRICITY

100% of our Scope 2 emissions in FY24

Solutions

Procuring zero emission electricity through renewable power purchase agreements.

Status

Renewable energy comprises more than 18% of the electricity we purchase in Australia.

Participation in the Pilbara Roundtable (led by the Western Australian government) for development of shared electrical infrastructure enabling regional decarbonisation.

2025

Engaging with power providers on a path for 100% renewable power purchase agreements to meet our 2030 Real Zero target.

2027

Progress renewable energy developments in relevant region to reduce carbon intensity of the energy we purchase.

2030

Any purchased energy is 100% renewable.

COMMUNITIES

CASE STUDY
SKILLS FORECASTING AND DATABASE

In 2022, Fortescue developed the Green Energy Workforce Demand Forecasting Model, to:

- understand labour demand for green energy assets during the Operations Phase
- plan for future workforce
- identify and plan for the future skills and training needs of the existing workforce to transition to working with hydrogen
- underpin forecasting by a series of business rules to generate number and type of roles required.

This model is a critical basis for Fortescue's local content planning for all energy projects and was updated in May 2024 to incorporate the roles required for ammonia trucking. We use the model outputs to engage with university partners to inform curriculum development for future skills.

Fortescue's Green Skills Database sits behind the Green Energy Workforce Demand Forecasting Model to identify and plan for future skills and training needs for existing workforces to transition to green energy work.

It also enables the identification of specialised and core skills to inform development of vocational micro-credentials and postgraduate skills.

Decarbonisation of our Pilbara mining operations

To support the delivery of the Decarbonisation Program, Fortescue commissioned an independent Social Impact Assessment (SIA) and associated Social Impact Management Plan in 2024. The SIA was prepared in accordance with best practice guidelines and aligns with Fortescue's policy and strategy framework relating to community engagement and social performance.

Applying an evidence-based social science approach, the SIA provides an understanding of how the Decarbonisation Program will impact and benefit people and communities. It further seeks to identify how negative impacts can be avoided or mitigated and how benefits can be enhanced.

SIA-specific engagement allowed for in-depth discussion with key stakeholders and community representatives in Perth, Karratha, Port Hedland and Newman to:

- understand who is likely to be impacted by the Decarbonisation Program
- understand the values, characteristics and needs of impacted communities
- assess the extent and nature of social impacts and benefits, including cumulative impacts
- develop management measures to mitigate adverse impacts and enhance benefits
- support monitoring and reporting (including outcomes and performance indicators).

Assessment of external stakeholder interviews has found that, overall, Fortescue's decarbonisation efforts (and associated project delivery) are viewed positively. There is a strong appetite among stakeholders for the renewables transition to create enduring benefits for the Pilbara region.

Fortescue green energy education program

In 2023, Fortescue designed, developed and launched our flagship Green Energy Education Program. The program is being implemented globally and is designed to take students from ages 12-16 on a green energy learning journey, and ignite curiosity about the career pathways in the green industry.

The program is intended to build awareness about climate change and green energy, stimulate interest in STEM education and careers, enhance teaching outcomes, and mobilise students as community-based champions for sustainable energy solutions. It will also further support Fortescue's reputation as a company that delivers on its commitments regardless of our project stage.

The videos and educational kits were used in September 2023 at the Africa Youth Climate Assembly, where Fortescue Energy Kenya sponsored 15 school children from Naivasha to participate.

CASE STUDY

Strathmore University, Kenya: Local content baseline study, including gathering data on the availability of labour, training, goods and services relevant to the estimated Project demand. In return, Strathmore retained the right to use the information on skills, qualifications and supply chain requirements to inform future training interventions. The study was completed over a 12-week period, with findings presented to key stakeholders (regulator, development agencies and government ministries). Since delivering the workshop, Fortescue has facilitated discussions between Strathmore and Curtin universities for the development of a Postgraduate Diploma in Green Energy Operations.

CASE STUDY

Jimma University, Ethiopia: Fortescue, under the Framework Agreement signed with the Government of the Federal Democratic Republic of Ethiopia in October 2020, is assessing options to develop upstream and downstream green industry offerings in Ethiopia. Fortescue collaborated with Jimma University to undertake a local content baseline study. This study was unique as it provided detailed information on future skills and supply chain opportunities for the green industry as a whole in Ethiopia. It identified gaps in future skills and supply chain which are key to informing future interventions for building capacity. This information places Ethiopia in the enviable position of holding significant amounts of knowledge on green hydrogen skills.

Fortescue also partnered with Gladstone State High School to pilot the program. The pilot cohort of 24 students were selected as STEM 'excellence' students in grades 7-12. The pilot had a 49 per cent female participation rate, and 5 per cent Indigenous participation rate, with 100 per cent of students evaluating the program as helping them gain awareness about the careers available in the renewable and green energy industry. The program is being continued in 2024 as part of the school's science program.

University partnerships – local content baseline research

As the countries in which Fortescue intends to operate transition to a green economy, there is a need for both the private and public sector to develop an understanding of the current state of workforce and supply chain capability in the country. In 2023 and 2024, Fortescue partnered with a number of universities globally to undertake this research, which is informing industry, government and academic planning for future skills in the green industry, as well as our own targeted industry and workforce development, capacity and competency building.

Just Transition Working Group in Brazil

Fortescue is partnering with Federação das Indústrias do Estado de Ceará (FIEC), Serviço Nacional de Aprendizagem Industrial (SENAI) and Social Service of Industry (SESI) in Brazil to establish a Just Transition Working Group. The primary objective of the Working Group is to develop initiatives to support sustainable jobs, sectors and the economy of the State of Ceará, by addressing and enhancing the training and competency outcomes for current and future employees and businesses seeking to engage in the green hydrogen value chain.

Fortescue and Sistema FIEC signed a partnership agreement in May 2024. This partnership takes action on our commitment to local communities and is fundamental to seeking a more sustainable and inclusive future for the green hydrogen value chain.

This agreement is part of the progress of the Fortescue green hydrogen plant project in Pecém.

The signing was attended by the President of FIEC, Ricardo Cavalcante; the regional manager of SENAI Ceará, Paulo André Holanda; the vice-president of FIEC, Carlos Prado; and FIEC's chief financial officer, Edgar Gadelha.

Consumers

Fortescue is one of the world's lowest cost iron ore producers and we strive to make our green technologies and products affordable to ensure consumers support the low-carbon transition.

2.3 PRODUCTS AND SERVICES

Changes to portfolio of products and services

ACTIONS TO CHANGE PORTFOLIO OF MATERIALS, INCLUDING TIMELINES, TO ALIGN WITH A LOW-EMISSION, CLIMATE-RESILIENT FUTURE

Iron ore

The evaluation of downstream processing of lower grade iron ore into green metal, which has now begun, is an important initiative with the potential to reduce Scope 3 emissions.

In addition, the introduction of Iron Bridge is the largest contributor to our overall emissions reduction in the near term, with this ramp-up contributing up to two to three per cent reduction in our Scope 3 emissions intensity by FY30.

Potential for higher grade iron ore products from the Belinga Project in Gabon could support an improved Fortescue product portfolio offering that enables reduced Scope 3 emissions intensity. This outcome is conditional on the development of the project.

Critical minerals

Fortescue's critical minerals strategy prioritises copper, lithium and rare earths, which are essential to the world's decarbonisation efforts. Fortescue's exploration projects have a broad geographical spread across multiple countries, which helps spread project risk including both physical and transitional climate risk. Further, Fortescue factors in location for all new exploration projects, including proximity to existing infrastructure in areas that may have potential to access renewable energy supply.

Other activities are progressing across the broader portfolio, including copper exploration in Argentina, Peru, Chile and Australia; lithium exploration in Canada, Australia and Portugal; and rare earth exploration in Brazil. Fortescue has a 30.96 per cent stake in TSX listed Alta Copper Corp., and we support the advancement of the Cañariaco project in Peru.

Zero emission technologies

At Fortescue Zero, the New Product Creation System provides high-level guidance on the process to facilitate delivery through a structured set of milestones. This ensures that a wide range of sustainability considerations are incorporated throughout the development of new products. All projects are subject to prior review and recommendation by the Gateway Review Group. Membership of this group consists of lead representatives from each part of the business involved in the opportunity being discussed.

PRODUCTS AND SERVICES THAT SUPPORT THE CIRCULAR USE OF MATERIALS

We consider circular economy opportunities with a focus on initiatives aimed at designing out waste and keeping products in use. Primary waste streams from our operating mine sites include metal, general waste, wood, rubber, wastewater treatment plant sludge and hydrocarbons. Circularity options have been progressed through various initiatives including sustainable procurement and sourcing due diligence processes, avoiding single use packaging by working directly with high volume suppliers, synchronise the introduction of new green assets with the retirement of fossil fuel stationary and mobile assets, upcycling of used uniforms, establishing containers for change recycling processes, continuing established recycling processes for metals and hydrocarbons, along with some rubber and wood waste products.

A key challenge we face for implementing circularity initiatives is the remote location of our mining operations. We consider trade-offs associated with transport energy and emissions where local recycling opportunities cannot be identified.

Life cycle assessments (LCAs) provide a basis for developing the circular use of materials within our mining, energy and technology operations. By evaluating the environmental impacts of products and processes from raw material extraction through production, use and end of life, LCAs can provide comprehensive insights that drive sustainable practices.

By leveraging LCAs, we can make informed decisions that enhance the circular use of materials, reduce environmental impacts, and support our commitment to a sustainable future. This comprehensive approach supports our Climate Transition Plan, and is one tool that enables Fortescue's mining and technology operations to be efficient, cost-effective and environmentally responsible.

PROVIDING CUSTOMERS WITH INFORMATION ON THE EMISSIONS ASSOCIATED WITH THE COMMODITIES WE SUPPLY

Fortescue is committed to increasing emissions transparency, particularly as the world adjusts to regulated carbon assessment schemes at the border.

We will closely track voluntary industry initiatives in this space while continuing to make strong representations to governments on the need to implement green metal certification schemes.

Fortescue is actively enhancing our systems and processes to offer customers detailed information regarding the emissions associated with the

products we supply. This initiative reflects our commitment to transparency and sustainability. We aim to provide comprehensive emissions data that empowers customers to make informed decisions about their environmental impact.

Furthermore, Fortescue's current understanding of emissions significantly influences its allocation decisions between customers and markets. By aligning these decisions with our ambitious targets to reduce Scope 3 emissions, we strive to foster a more sustainable supply chain. This approach ensures that we not only meet our environmental goals, but also support our customers in achieving their sustainability objectives.

ALIGNMENT OF MATERIALS WE EXPLORE, EXTRACT AND PROCESS WITH A LOW-EMISSION, CLIMATE-RESILIENT FUTURE

Fortescue currently undertakes periodic reviews of the Scope 3 emissions associated with our iron ore products and those we expect to produce in the near future. These assessments impact product selection, market allocation and customer selection decisions, with the aim of reducing Scope 3 emissions in line with our current targets.

This review is undertaken in partnership with a third party (CRU) to build our understanding of the carbon intensity of our ores through different production processes as well as into different markets.

This process allows us to explore the potential Scope 3 carbon impacts of different iron ore products available to Fortescue as well as changes to our customer segmentation, by region, technology route and energy source.

Underlying taxonomy, tools, methodologies or definitions used to classify products and services

Methodologies for estimating iron ore processing emissions

For calculating downstream Scope 3 emissions from the processing of iron ore sold products, current and potential customers are aggregated into groups: Japan Korea and Taiwan, Coastal China, Inland China, South-East Asia, Europe, the Middle East and Australia.

For each group, a steel intensity assumption is developed for each Fortescue product based on steel production route, technology and underlying energy assumptions.

To determine the emission intensity for each product, physical allocations are calculated using the underlying relationships between Fortescue's iron ore product quality as a component of ore blends used in processing units at the steelworks and the emissions released from these process units.

The system boundary is limited to the steel mill gate to casting of crude steel (slab, billet, bloom).

2.4 POLICIES AND CONDITIONS

Energy usage

Our Real Zero target, our decarbonisation plan and our internal emissions reduction key performance indicators (KPIs) create a strong policy-based platform upon which Fortescue teams are empowered to both develop renewable energy alternatives and implement energy efficiency measures at the operational level - from fleet to fixed plan infrastructure.

Managed phase-out or adaptation of emission-intensive facilities, products, processes or activities

Operational readiness for low-emission mining

Fortescue has introduced Decarbonisation Leads on site to support our operational readiness for real zero mining. The role of the Decarbonisation Leads is to represent the operational interests of our business to ensure compatibility between the decarbonisation strategy and our established Mining Strategy and to facilitate and coordinate the organisational readiness activities for the transition to Real Zero.

Steelmaking

Fortescue's investment in green metal technologies represents the central pillar of our commitment to Scope 3 emissions reductions. Once green metal has been produced, the iron metal can be converted into green steel with no or minimal further emissions, if the steel plant is powered with renewable electricity. We are also working with steelmaking customers to influence the pace of their decarbonisation efforts, as set out in section 3.1 Engagement with value chain.

Climate-related considerations in procurement and/or suppliers

Fortescue has stringent policies that require our suppliers to evaluate their own emissions profile and work towards reducing their impact to support Fortescue's targets. This is outlined in Fortescue's Sustainable Procurement Standard and our standard contract terms, available on our website at fortescue.com.

Climate-related considerations in investment activities

Alignment to our strategic ambition is a critical factor in assessing investment opportunities. Any investment opportunities are considered with respect to their broader alignment to the Group's vision and strategy.

Fortescue Capital was established in 2023 as a fiduciary for third party capital, and intends to raise third party capital to invest in green energy projects and decarbonisation.

Fortescue Capital will only be considering investments aligned with the energy transition, and by definition such opportunities will have an inherent component of greenhouse gas reduction embedded within them.

Adapting and building resilience to the changing climate

Fortescue's Climate Policy outlines our commitments to:

- stress-testing the resilience of our business against distinct future scenarios that cover a range of transitional and physical impacts
- assessing and addressing the physical and transitional risks and opportunities on our staff, operations, assets, value chain and communities, and working to minimise negative impacts and maximise opportunities.

We acknowledge the challenges posed by a changing climate and address and manage these risks through our engineering design standards, our health and hazard control standards and procedures, and relevant hazard-specific emergency management and response plans. These protocols are designed to ensure the safety of our workforce, protect our infrastructure, and maintain the continuity of our operations. Hazard preparedness predominantly focuses on prescribed burns, cyclone management and flooding management.

To manage severe weather events, our leadership team is trained in incident management based on the Australasian Interservice Incident Management System Emergency Management Model. The training gives our leaders the skills to enable seamless integration of activities and resources for the effective and safe resolution of any incident and allows them to adopt a pragmatic and flexible approach to control effectively and efficiently a medium- to large-scale incident, including severe weather.

Supplier engagement

We are updating our standard contract templates to clearly communicate our minimum expectations and reporting requirements with our suppliers. In 2025, we intend to launch new contract clauses relating to emissions and introduce performance metrics into strategic categories. From 2030, we will only work with suppliers that provide decarbonised delivery models for our decarbonised sites.

Details about our engagement with suppliers are covered in section 2.2.

Land management

Our Global Environment Model outlines the minimum acceptable requirements for environmental management at Fortescue, and consists of our Environment Policy, Environment Standards and Audit Criteria.

The Environment Policy outlines our commitment to safeguarding the environment and is available on our website at fortescue.com. Our Environment Standards outline the specific requirements to demonstrate implementation of the Policy commitments relevant to the project life cycle. The Audit Criteria are used in support of the Standards and outline the required evidence that can be shown as compliance with the Standards. Environmental management systems and documentation are guided by the requirements of the Policy and the Standards.

We plan our mining operations to minimise the amount of land disturbed and use selective clearing techniques to reduce the impact on surrounding vegetation.

Tailings and waste management

Fortescue adopts a risk-based approach to manage climate change-related risk for each of its tailings storage facilities (TSFs). This includes allowance of water management on our facilities up to the probable maximum flood event with tolerances for increasing storm intensities due to climate change. Sensitivity analyses are performed for each TSF with a range of considerations for wet and dry seasons and various storm events, as required by regulations and international best practice. This is applied throughout the design, operation and closure phases of our TSFs. Our tailings management strategy also adopts a sustainability focus, ensuring that TSF design minimises environmental impact in terms of footprint, emissions and energy usage.

Hazardous wastes, including oily waste, sludge and mixed chemicals, are disposed offsite by specialist vendors. Volumes are reported in the annual Sustainability Report and ESG Databook.

Water usage and water management

Fortescue takes a risk-based approach towards ensuring secure, sustainable and climate resilient water supply. Water sources that may be impacted by changing climate are assessed by modelling both wet and dry climate scenarios. Dewatering of mine pits is assessed in the same way to determine surplus water discharge strategies (such as borefield design for the re-injection of surplus water to actively manage aquifer recharge). Fortescue's award-winning managed aquifer recharge process has been operating at our Chichester operations since 2009, maintaining a hydraulic barrier between mine dewatering operations and the groundwater systems which support the internationally significant Fortescue Marsh.

Drainage and flood protection designed to protect people, infrastructure, supply chain and the environment are based on a series of criteria including type of impact, risk associated with the impact, criticality and asset life.

Biodiversity and safeguards to address potential adverse impacts on the natural environment

The recently published Metals Biodiversity Strategy, available on our website at fortescue.com, outlines our pathway to supporting biodiversity for our Metals business. We conduct studies and impact assessments to identify and protect areas of high biodiversity value. We are also assessing how our Energy projects can support biodiversity objectives which are aligned with both the Metals strategy and International Finance Corporation requirements.

Human rights

Fortescue understands that climate change threatens the enjoyment of a range of human rights globally, including our right to a clean, healthy and sustainable environment. Our respect for human rights underpins our work to achieve Real Zero and to develop green energy opportunities.

Fortescue's Human Rights Policy, available on our website at fortescue.com, sets out our commitment to respecting the human rights of all people including our employees, workers in our supply chain, the communities in which we operate, and those impacted by our activities. We respect and work to align to the International Bill of Human Rights United Nations Guiding Principles on Business and Human Rights International Labour Organization's Declaration on the Fundamental Principles and Rights at Work. This Policy applies to all our activities and, together with our Code of Conduct of Integrity, forms the foundation for respecting human rights at Fortescue.

Fortescue's directors have received face-to-face training on the intersection of human rights, climate change and the energy transition.

First Nations peoples

Fortescue supports the United Nations Declaration on the Rights of Indigenous Peoples and the human rights it embodies including the principles of free, prior and informed consent (FPIC). Our FPIC Position Statement is available on our website at fortescue.com.

We respect local and Indigenous communities, their values, heritage and connections to land, waters and the environment.

For more information about Fortescue's Human Rights approach and engagement with First Nations peoples, please refer to our annual Sustainability Report, available on our website at fortescue.com.

Labour standards

Fortescue's Human Rights Policy sets out our commitment to respecting the human rights of our employees, contractors and workers in our supply chain. We comply with local labour laws in the countries in which we operate. We offer remuneration packages that are competitive, above minimum wage, and reviewed annually to help ensure our personnel are paid appropriately for their work.

See Section 2.2 Just transition strategy for more information on Fortescue's Workforce Transition Strategy.

Modern slavery

Fortescue rejects the use of all forms of slavery, child or forced labour within our operations and the operations of our suppliers. This is reflected in our Human Rights Policy, Code of Conduct and Integrity and Sustainable Procurement Standard.

Fortescue recognises the forced labour and child labour risks in the supply chain of renewable energy industries critical for our transition. These risks emerge not from the production of renewable energy itself, but deep in the supply chain. Child labour and forced labour have been evidenced in the extraction of critical minerals and resources required for renewable technologies. Workers in these industries are vulnerable to forced labour, wage theft, hazardous conditions, illegal overtime and other forms of exploitation. These challenges are documented in Walk Free's Global Slavery Index and the Beyond Compliance in the Renewable Energy Sector report.[2]

Fortescue is taking action to identify and address modern slavery risks in our operations and supply chains, including our renewable technology supply chains. We undertake an enhanced due diligence approach for renewable technologies, including supply chain mapping and traceability audits, and complete worker welfare assessments with key suppliers.

Fortescue actively participates and contributes to external collaborative initiatives, including recent collaboration with the Human Rights Resources and Energy Collaborative on modern slavery challenges in renewable technology supply chains.

For more information see Fortescue's annual Sustainability Report and Modern Slavery Statement, available on our website at fortescue.com.

Advancing social equity or addressing potential adverse social impacts

We work to ensure our projects are designed and located to minimise adverse impacts on host communities and environments. We work with host governments and stakeholders to identify ways to maximise local benefits, as illustrated in the workforce modelling case study in section 2.2.

We work to create sustainable and thriving communities and deliver positive social and economic benefits.

Fortescue's internal Communities and Social Performance (CSP) Standard sets out our global approach to managing social performance throughout the life cycle of our projects, through building and maintaining stakeholder acceptance, managing social risks and impacts, supporting thriving communities, addressing community complaints and ensuring our commitments are effective.

We ensure access to appropriate local level grievance mechanisms and will provide for, or cooperate in, appropriate remediation for any identified adverse impacts that we may cause or contribute to, consistent with the United Nations Guiding Principles on Business and Human Rights. This commitment is in alignment with our Human Rights Policy and the International Finance Corporation Performance Standard 7. For more information about our community grievance processes, refer to our annual Sustainability Report, available on our website at fortescue.com.

[2]*Walk Free, Global Slavery Index 2023 and Walk Free, Beyond Compliance in the Renewable Energy Sector. Both available on Walk Free's website www.walkfree.org*

2.5 FINANCIAL PLANNING

Resourcing the transition plan

In accordance with the Transition Plan Taskforce Mining & Metals Sector guidance, this section provides information on how climate-related transition and physical risks inform the way in which Fortescue resources exploration or development stage projects; any support provided to employees needing retraining or reassignment to align with our climate commitments; and how transition planning and plan implementation has been accounted for in capital and operating budgets.

Risks informing resourcing for exploration & development, pre-feasibility and feasibility studies

Iron ore

Fortescue iron ore studies evaluate different design scenarios through impact assessments and sensitivity analysis under climate change conditions to consider physical risk. Estimates on flood behaviour due to climate change informs surface water management design criteria.

Fortescue iron ore studies align with our decarbonisation targets and incorporate decarbonisation requirements into designs and approval submissions for future projects to reduce transition risks. Examples are the inclusion of renewable energy supply, factoring in connection to the integrated PEC network, site 33kV distribution networks, charging and storage infrastructure, equipment selection and design optimisation.

Critical minerals

Critical minerals exploration considers environmental and socio-economic impacts very early in the exploration cycle. Recently, baseline environmental and socio-economic studies were conducted for new lithium and copper exploration projects in several territories in Canada. These baseline works informed decisions on permissibility of exploration and potential development projects and possible impacts to the environment, communities and First Nations peoples. Risks arising from the changing climate are determined at the time of pre-feasibility studies and feasibility studies.

Energy

For Fortescue's Energy project development, Fortescue has adopted a PIF which enables our projects to be screened, prioritised and accelerated in line with business needs using a risk-based approach. Refer to section 2.1 and 2.3 for more details on the PIF.

Transition planning and plan implementation accounted for in capital and operating budgets

Decarbonisation program activities are accounted for as part of Fortescue's normal capital budget cycle. Each year, we provide guidance to the market on our forecast decarbonisation capital expenditure for the following financial year.

Financial provisions for closure are made as part of business planning processes. We have a closure team and a closure plan for every facility. Since Fortescue is a relatively young mining company, we anticipate the commencement of closure post 2034.

Effect on financial position

Financial provisions for closure are developed for all sites and revised every six months to capture mine and rehabilitation progress. These provisions are outlined in our Annual Reports, which are available on our website at fortescue.com.

Effect on financial performance and cash flows

We incorporate the cost of carbon into our corporate assumptions and evaluate it when we make investment decisions that involve greenhouse gas emissions. We run various carbon cost scenarios to understand the trade-offs of investment opportunities. Our Group Corporate Model reflects the future benefits of carbon reductions via our decarbonisation strategy. This model informs our long-term mine planning strategies (10-year and life of mine), and our future investments.

3. ENGAGEMENT STRATEGY

3.1 ENGAGEMENT WITH VALUE CHAIN

Prioritisation of engagement activities

Among our value chain Scope 3 emissions, upstream emissions represent less than three per cent (including one per cent from purchased goods and services and one per cent from shipping), while downstream processing of sold product (Category 10) represented more than 97 per cent of our Scope 3 emissions in FY24. Hence, we place particular focus on our downstream supply chain, engaging with customers and investments in technology improvement to develop a green metal value chain and achieve green metal processing and steelmaking processes. Engagement with suppliers is covered in section 2.2.

Current and planned engagement activities

Markets, materials demand, and the decarbonisation trajectory of the global economy, relevant geographies, and sectors

From a sales and marketing perspective, Fortescue identifies China, South-East Asia, the Middle East, Europe and Australia as five geographies that are crucial to Fortescue's Climate Transition Plan.

China currently accounts for around 90 per cent of Fortescue's iron ore sales. The country's demand for steel and iron ore and its climate targets are crucial to Fortescue's transition. It is expected that China's total demand for both steel and iron ore will moderate over the coming decade as we see growth emerge in other regions. From a carbon emissions perspective, China aims to only reach emissions peak at 2030 and to achieve carbon neutrality before 2060. In line with these national targets, the steel industry has set corresponding targets. Steel mills in China continue to review a number of options to reduce their carbon emissions. In the near terms these are predominantly focused on reducing steel production from its peak and optimising their blast furnace operations. In the medium and longer term new technology routes for making steel and carbon capture, utilisation and storage are critical levers to achieving broad based reduction and neutrality.

Initial steps to measure carbon emissions from steelmaking are being undertaken, with plans to include the steel industry in the country's emission trading scheme. Preparation works like compulsory monthly reporting of carbon emission data by steel mills are now being prioritised. Beyond 2030, major breakthroughs and innovation in decarbonisation technologies will enable further reduction through to 2040.

Many South-East Asian governments have set targets for reducing carbon emissions, with eight out of ten setting carbon neutrality targets and a number considering or implementing carbon pricing mechanisms. In terms of steel demand, economic development, along with offshoring manufacturing capacity will drive strong growth. Steel production from both blast furnace-basic oxygen furnace (BF-BOF) and electric arc furnace (EAF) technologies will grow in the coming decades with regional demand set to triple between 2024 and 2050. This trajectory presents Fortescue with an opportunity to continue to grow its business with steel makers in these regions, and to work with new customers to drive uptake in green steel technologies.

The Middle East is relevant to Fortescue's business strategy because it is well positioned to become a green metal and steel hub in the medium term. The region can produce low-cost green hydrogen due to its extensive solar resources, and its steel industry has already established the use of direct reduced iron (DRI) technology. The Middle East is expected to build DRI/HBI (hot briquetted iron) projects and export at scale between 2030 and 2040, given the expected rise in global demand.

Fortescue's Scope 3 emissions reduction plan relies on key assumptions around the carbon intensity of the processing of our products, changes in our product suite and the success of technology investments current being made. Our ability to allocate existing products to customers focused on emissions reduction is an important lever to minimising our Scope 3 emissions in the short term. However, longer term reductions will require successful testing and commercial scaling of a number of technologies currently in R&D. Australia is being reviewed as a potential jurisdiction for large-scale deployment of green metal production, which will be critical for our Scope 3 targets.

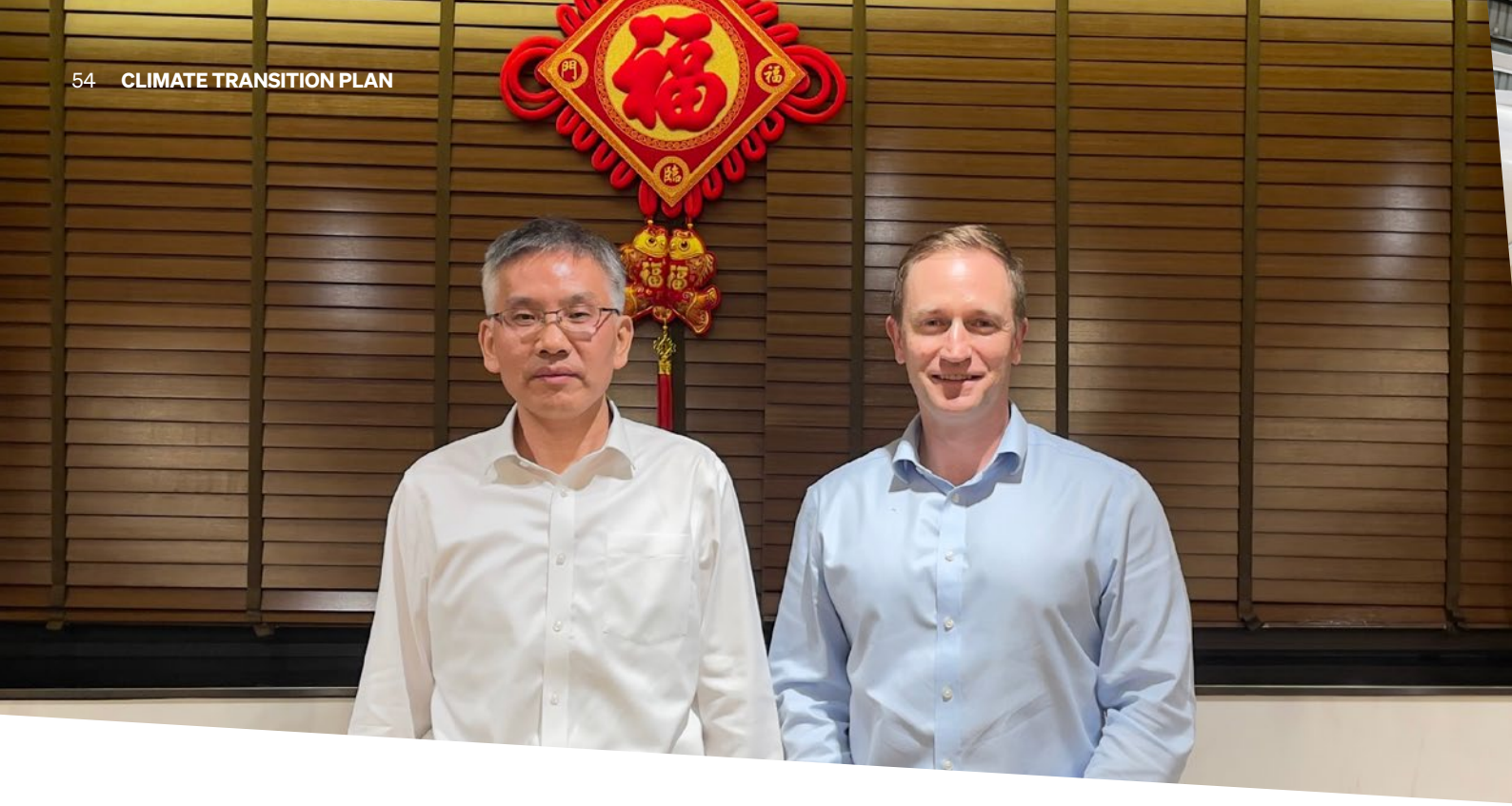
While demand for iron ore sinter fines is expected to be impacted by the transition to decarbonised steelmaking, we also expect to see a shift in customer preferences toward high grade ore, agglomerated products and green metallics, such as HBI and scrap. Fortescue looks to increase its proportion of these products as part of our product suite, acknowledging that premiums for these products are expected to increase over time.

Customer engagement – downstream processing

Our customer engagement strategy ensures that we routinely engage with all of our customers about their carbon emission reduction plans. We supplement that with specific engagement with those customers with whom more meaningful discussion can be had.

We regularly review our customer base to shape our understanding of expected emissions footprints, with this being a key input to our overall marketing strategy. Where possible, we give preference those steel mills with lower emissions.

In the next two decades, China is expected to remain our largest market as our current product offering and scale were designed to meet this specific demand.



Our stakeholder engagement in China is extensive and broader than just our direct customers, as we aim to develop a green metal value chain. Below are a few examples of our recent stakeholder engagements in the China market:

- hosted several senior delegations at our Iron Bridge operations, including Baowu, CISA and Hunan Steel
- held workshops and meetings with Baowu on decarbonisation and clean energy cooperation opportunities
- senior leaders visited and met with the senior leaders of largest steel mills and various steel industry bodies in China
- hosted the Fortescue Technical Forum in China in November 2023 with more than 160 customers
- coordinated the visit of Chinese Premier Li and Baowu Chairman to Fortescue's Hazelmere R&D facility.

Fortescue has identified key customer partnerships with Baowu and others aimed at new technology development in areas including supporting renewable energy demand, green energy generation, green metal and iron ore beneficiation aimed at reducing carbon emissions of steel production.

Development of the green metal value chain

Our vision is to take a more active and direct path to reducing emissions by transforming all of our iron ore into green metal, specifically in partnerships with the Chinese steel industry and banking sector. We are actively exploring the opportunity to produce green metal in Australia and elsewhere in conjunction with strategic partners, with the benefits of making significant reductions in Scope 3 emissions.

Fortescue is working to develop the technologies and processes to produce green metal: producing the green inputs for the process (decarbonised iron ore, green hydrogen and renewable energy) and building a plant to demonstrate that green metal is a reality. The Green Metal Project will use renewable energy and green hydrogen reduction technology together with an electric smelting furnace to produce high purity green metal which will be suitable for use in almost any steel plant globally. Locating the project at Christmas Creek allows Fortescue to demonstrate a 'green pit to product' supply chain, with our green mining fleet able to be paired with green metal processing. The ironmaking technology for the project will support Fortescue's magnetite and haematite ores. Works on the project have commenced, with the first green metal targeted to be delivered before the end of 2025. The Fortescue Board has endorsed an investment of up to US$50 million.

PROCESSING OF SOLD PRODUCT

More than 97% of our Scope 3 emissions in FY24

Solutions

Develop green metal reduction and processing technologies, across hydrogen-reduction, electrochemical and electric-smelting technology pathways.

Explore options to improve Fortescue's iron ore product offering that considers additional high-grade products, to support lower emissions iron- and steel-making operations by our customers.

Produce the inputs for green metal processes (green hydrogen, green iron ore, renewable power).

Construct and commission a green metal production pilot facility.

Status

Emission-reduction Memorandum of Understanding (MOU) with China Baowu (our largest customer).

Developing Fortescue's proprietary low energy direct electrochemical reduction technology (patents pending).

Green metal process MOU with Primetals Technologies and voestalpine, on hydrogen-reduction and electric-smelting technologies.

Portfolio review of mining resources to understand flexibility in producing different ore products, and resulting implications.

Extensive activities on developing a green energy business (renewable power, green hydrogen and green ammonia).

Pilot scale iron ore reduction installation developed using direct electrochemical reduction technology, and the Green Metal Project with hydrogen-based reduction technology and electric smelting was endorse

2025

Ramp up Iron Bridge high grade magnetite production to nameplate capacity.

Complete construction and commence commissioning of Green Metal Project at Christmas Creek.

Commence study phase on an Australia–China green metal supply chain which aims to ultimately reduce CO_2 emissions by about 200mtpa.

2027

Commission the Green Metal Project at Christmas Creek and produce meaningful quantities of green pig iron for placement with steel plants around the world.

Progress commercial-scale green metal studies, including the Australia–China green metal supply chain.

2030

Achieve 7.5% reduction in Scope 3 steelmaking emissions intensity from FY21 baseline.

Escalation processes or criteria to manage ineffectiveness

Customers

We recognise that there are competing short-term priorities for steel mills, with near-term economics often being a primary constraint. We adopt a pragmatic approach to customer engagement that reflects the realities experienced by these customers.

However, there are opportunities to make large reductions in emissions which align with the ambitions of our largest customers. The Green Metal Project will serve to increase effectiveness of our customer engagement by demonstrating that green metal is reality. This project will use renewable energy and green hydrogen reduction technology together with an electric smelting furnace to produce high purity green metal.

Suppliers

We have evaluation criteria and minimum sustainability requirements for our suppliers. We do not have certification or exclusion criteria for emissions or decarbonisation. In preparation of our 2030 target, we expect that exclusion criteria will apply from 2027 for contractors that cannot provide non-diesel alternatives on site. At award, we have a contract award recommendation document completed by the procurement representative that outlines key risks and mitigation actions, and this should include any decarbonisation initiatives/concerns.

CASE STUDY
ROADRUNNER AND EUROPA

Suppliers are not currently offering low-emission options for mining vehicles. After years of attempting to influence suppliers to add low-emission vehicles to their offerings, Fortescue has developed a prototype battery-electric haul truck, dubbed Roadrunner. Roadrunner is integrated with a Fortescue Zero battery and was deployed to the Pilbara in December 2023.

In partnership with Liebherr, Fortescue has also developed a prototype hydrogen fuel cell electric truck, Europa, which is undergoing site-based commissioning and testing at Christmas Creek.

Through these examples, Fortescue is influencing our supply chain by demonstrating low-emission mining equipment and vehicles are possible and are our preferred option.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3.2 ENGAGEMENT WITH INDUSTRY

Memberships of trade organisations or industry bodies

Information about memberships with trade organisations or industry bodies is disclosed in our annual Industry Associations Report available on our website at fortescue.com.

Prioritisation of engagement and collaborative activities towards achieving the strategic ambition of our transition plan

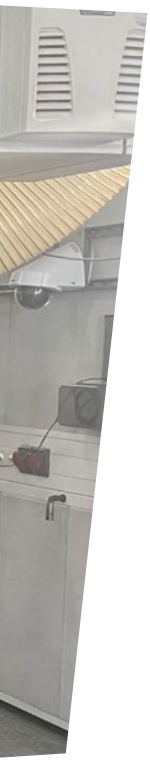
Industry engagement is focused on developing a green metal value chain and scaling solutions to mitigate hard-to-decarbonise ironmaking and steelmaking processes.

Engagement and collaborative activities with membership bodies, industry associations, industry counterparts

Fortescue has joined the Alliance of CEO Climate Leaders, a CEO-led community committed to raising bold climate ambition and accelerating the net zero transition by setting science-based targets, disclosing emissions and catalysing decarbonisation and partnerships across global value chains. The Alliance represents 120+ companies in 26 countries across 12 industries and 9 million employees.

Scaling solutions to mitigate hard-to-decarbonise processes

Fortescue is conducting research and development both in house and in collaboration with steel mill businesses, global engineering companies and research institutions. We are a founding member of the Heavy Industry Low-carbon Transition Cooperative Research Centre (HILT CRC). This venture brings together industries, researchers and government organisations in an effort to de-risk the technology pathways to decarbonise heavy industry. In addition to our yearly partnership contributions, Fortescue also engages further via in-kind contributions to the partnership's various projects.



A summary of our industry collaboration is provided in table below.

ENTITIES	TOPIC OF COLLABORATION	NOTES
Heavy Industry Low-carbon Transition Cooperative Research Centre	Decarbonising ironmaking and steelmaking.	Refer to this section.
Commonwealth Scientific and Industrial Research Organisation	R&D for green energy and enabling technologies.	Refer to Innovation section of the FY24 Sustainability Report.
Australian National University		
Curtin University		
University of Adelaide		
National Renewable Energy Laboratory (NREL), USA		
Colorado School of Mines		
University of Michigan		
Northwestern University		
Liebherr	Zero emission HME.	Refer to Roadrunner case study in section 3.1.
Human Rights Resources and Energy Collaborative	Modern slavery challenges in renewable technology supply chains.	Refer to Section 2.3, Modern Slavery.
Continental Industry	LCA on conveyor belt.	Refer to Continental Industry case study in section 3.1.
Alliance of CEO Climate Leaders	Value chain decarbonisation.	Refer to this section.

Monitoring the activities of membership bodies or industry bodies in which we participate

The steps we take to monitor the activities of membership bodies or industry bodies in which we participate and minimise any actions that may conflict with our own strategic ambition are documented in the process described in the annual Industry Associations Report report available on our website at fortescue.com.

3.3 ENGAGEMENT WITH GOVERNMENT, PUBLIC SECTOR, COMMUNITIES AND CIVIL SOCIETY

The role of transition planning in our engagement, advocacy and global policy processes

Fortescue joined the UN Race to Zero Coalition in October 2022. As part of our membership, we developed an inaugural Climate Transition Plan which was lodged with the Coalition in September 2023, consistent with our obligations.

The process of reviewing and refining our decarbonisation plan alongside our external policy strategies was instructive for Fortescue. We have committed to a regular process of iteration for our Climate Transition Plan, reflecting our broader view that business should embrace similar principles of review and reinforcement to which the parties to the Paris Agreement have committed.

We view participation in, and influencing outcomes for, transition planning processes as a key strategic priority.

Looking ahead

In the next two years, Fortescue will have a strong focus on enhancing voluntary climate ambition among industry, consistent with our own plans to achieve Real Zero by 2030.

Fortescue values the UNFCCC's leadership in driving greater accountability for voluntary climate ambition commitments. We will continue to advocate for practical actions such as defining best practice principles, providing coordinated accountability processes that reduce duplication, and ultimately incentivising consistent disclosures that enable investors, rating agencies, governments and other stakeholders to make informed decisions with respect to corporate climate action progress.

Priority policy actions

Across all streams of our engagement activities, our goal has been to lead industry-wide action by informing and advocating key policy measures that enable industrial decarbonisation. We achieve this by regularly engaging financiers and policymakers to take urgent action within their respective remits to reduce barriers to the uptake of green technologies, fuels and commodities. Our advocacy is given credibility because of the action that we are taking to eliminate fossil fuels from our own operations and to develop new technological solutions for industrial decarbonisation - which shows that we put actions before words, and that our calls for policy change are informed by real world experience.

Fortescue principally advances these aims by leveraging the unique leadership position of our Executive Chairman, Dr Andrew Forrest AO.

Current and planned engagement activities

Snapshot of recent engagement activities

Since Fortescue communicated our first Climate Transition Plan in October 2023, we have undertaken priority public policy actions in alignment with the above objectives. Key examples include:

- Participation in the modelling and target-setting process for Australia's next Nationally Determined Contribution and Long-Term Emissions Reduction strategy.
- Support for enhanced climate collaboration between Australia and the People's Republic of China, leading to the conclusion of an enhanced bilateral agreement to support research and investment collaboration in green technologies, fuels and commodities.
- Shaping and influencing the global discussion on finance for climate-responsive projects in emerging markets, with an early focus on setting standards through the IEA and the 'troika' presidencies of the UNFCCC COP process.

Our fiscal, carbon and trade policy asks are presented in the table below.

FISCAL	CARBON	TRADE
• Phase-down to fossil fuel subsidies to remove market distortions • Phase-in of jurisdiction-appropriate incentive schemes that address green energy costs and reduce barriers to cost competitiveness • Collaboration between multilateral and bilateral funding sources to de-risk demonstration projects • Sensible and consistent rulemaking for green energy incentive schemes that recognise first mover challenges	• Alignment of headline emissions reduction targets with legally-binding carbon budgets that deliver emissions impact assessments on individual projects • Introduction of carbon pricing mechanisms that appropriately price emissions from fossil fuel facilities • Enhanced transparency and reporting for high ambition businesses, including banning offsets from counting toward voluntary targets • Setting of fuel specific targets in nationally determined contributions that outline the end date for fossil fuel projects in a jurisdiction	• Removal of tariff and non-tariff barriers to trade and flows that support the green energy transition • Increased use of green fuel and technology standards certification schemes, with an early focus on green metal and green hydrogen, to kickstart cross-border trade • Increase bilateral agreements between producer and consumer markets to mainstream climate collaboration at both business-to-business and government-to-government levels

Fortescue sees our approach – which is to demonstrate action at the group level, hold ourselves to high and transparent reporting standards and then seek to shape the market in which we operate – as bringing benefits across three principal areas:

- **support for the economy-wide transition**
- **enhancement of entity-level decarbonisation planning**
- **overall responsiveness to climate risk management and opportunity maximisation.**

CASE STUDY
RESPONSIVENESS TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

Australia has earned an enviable reputation as a trusted and reliable energy-intensive exporter to its region. For Australia to maintain this role in the next energy economy, it must work to drive down embedded emissions in its export mix.

To that end, Fortescue provided submissions to the Australian Government consultative process on both its 2035 emission-reduction target and revised long-term emission-reduction strategy.

Our submission included calls for:

- a science-based target for Australia of at least 75 per cent emissions-reduction below 2005 levels by 2035
- a legislated carbon budget against which projects could be assessed, declining permission to those which would be inconsistent with the trajectory and accelerating those which would have a positive dividend
- instituting explicit phase-out dates for fossil fuels and instituting a national economic goal of halving the costs of renewable energy by 2035 to incentivise green energy solutions.

CASE STUDY
SUPPORT FOR ACADEMIC RESEARCH AND CIVIL SOCIETY ENGAGEMENT

Fortescue takes a science-first approach to planning for our transition to a zero-emissions future.

To achieve that, we engage substantively and regularly with climate scientists, engineers and economists through two principal vehicles:

- informal engagements, led by our dedicated Chief Climate Scientist, a senior position within the Sustainability function of Fortescue
- structured and deliberate support for the Lethal Humidity and Heat Global Council, led by the Minderoo Foundation.

Together, our support for these two processes has seen Fortescue participate in gatherings of scientists around key international events, including COP28, Harvard Climate Week and the Munich Security Conference.

Principally, Fortescue has given a platform to those closest to the impacts of rapidly accelerating climactic impacts, ensuring that the global response remains focused on action and not simply accounting.

Electricity grid mix and/or carbon intensity

Fortescue will continue to engage our state-owned electricity providers to progress high-level discussions on long-term renewable power supply options. Given the Western Australian government net zero aspirations lag behind those of Fortescue, we may need to generate and transport electricity independently of the state government-owned regional electricity provider and grid operator, Horizon Power, in the Pilbara.

Planning and permitting processes

Fortescue's PIF is a simplified approach to enable our projects to be screened, prioritised and accelerated in line with business needs. The PIF outlines minimum expected deliverables for permitting and approvals at each project stage, ensuring the appropriate level of detail and activity is in place to allow projects to be screened, developed, designed and delivered to a consistent standard.

When considering priority activities, the identification of the planning and regulatory frameworks of the region/country is front and centre for us. It helps the project to schedule key milestones appropriately, both permitting and more broadly. It also informs all relevant project functions of their legal obligations, trigger points and interdependencies - allowing for swifter project execution.

Circular economy

CASE STUDY
PROJECT CIRCUS – NORWAY

During the Feasibility Study of Fortescue's Holmaneset Project in Norway, the Fortescue in-country Project Team developed Project CircuS, a working group to understand circular economy opportunities. The circular economy encompasses the entire green hydrogen value chain, from raw materials to recycling and every aspect in between.

The concept is to investigate ways in which the by-products or end products from the hydrogen production process can be reused to stimulate local economic development. The first phase of the project received public funding from Vestland county to map potential local offtakers of ammonia, oxygen and heat. As of May 2024, the in-country team are working together with Hub for Ocean to explore opportunities to collaborate on the next phase of the project, aimed at progressing with business opportunities for the potential offtakers.

Adaptation and climate resilience

We continue to work closely with Pilbara Ports and other operators to minimise impacts to ship movements during extreme weather events in Port Hedland in line with emergency management procedures. Recognising the critical nature of the port operations and risks arising from a changing climate, we endeavour to strengthen this relationship to further enhance our understanding of possible future scenarios to develop robust adaptation strategies.

Fortescue is a member of the Emergency Management Community of Practice (EMCoP) Incorporated, consisting of members from the Department of Energy, Mines, Industry Regulation and Safety (DEMIRS) and major mining companies such as Rio Tinto, South32, BHP and MinRes. This working group meets bi-monthly and focuses on critical emergency management issues, aiming to enhance preparedness and response strategies to improve the resilience of assets and operations in the Pilbara. By sharing insights and best practices, the group fosters a collaborative environment where industry and government can jointly develop effective solutions and strengthen resilience.

We also work closely with First Nations communities to integrate traditional knowledge into our adaptation efforts, especially for land management and prescribed burns to decrease the fuel loading which in turn decreases the risk to our personnel and other assets.

Artisanal and small-scale mining communities and cooperatives

Artisanal and small-scale close or the vicinity of our operations is a not material issue for Fortescue.

Indigenous peoples and local communities, considering FPIC

Fortescue has a strong commitment with respect to considering FPIC across our global project portfolio (metals and energy). This is reflected in our Human Rights Policy, our Communities and Social Performance Standard and our FPIC Position Statement. Our intention is to authentically build relationships with First Nations peoples through effective engagement and transparent information sharing. We aim to manage our impacts effectively and work with First Nations peoples to identify and leverage opportunities to support thriving communities where we operate.

As we develop our energy projects globally, we prioritise the management of our relationships and impacts via transparent dialogue with our First Nations groups. During our concept and scoping phases, we identify First Nations peoples in areas being evaluated for project development and work with them towards establishing FPIC. As our project progresses, we intend to implement these plans in collaboration with the impacted groups – reporting on our activities internally and externally.

4. METRICS & TARGETS

4.1 GREENHOUSE GAS METRICS AND TARGETS

Scope 1 and 2 absolute gross target

Fortescue has set an absolute gross target of zero Scope 1 and 2 emissions by 2030 for our Australian terrestrial iron ore operations (the Real Zero target). This target covers the following value chain stages of our Australian iron operations: extraction and recovery, processing, transport from mine to port, blending and stockpiling, ship loading.

Scope 3 physical intensity targets

Fortescue has set two Scope 3 physical intensity emission targets.

- By 2030, enable a reduction in emissions intensity from steelmaking by Fortescue's customers of 7.5 per cent, from FY21 levels (the Steelmaking target).
- By 2030, enable a reduction in emissions intensity levels from the shipping of our iron ore by 50 per cent, from FY21 levels (the Shipping target).

Scope 3 net target

Fortescue has set a target of Net Zero Scope 3 by 2040.

Our targets' alignment with our strategic ambition, implementation strategy and engagement strategy

Our targets reflect our strategic ambition to decarbonise our operations by 2030 and leverage this first mover advantage to accelerate commercial decarbonisation through industry rapidly, profitably and globally.

Other targets

Fortescue has not set any methane reduction target, Scope 1 and 2 physical nor economic intensity emissions targets, nor any greenhouse gas removal targets.

Categories of Scope 3 emissions included in the targets

Our Scope 3 net zero target applies to GHG Protocol categories 1 to 10.

Target details

Target	Real Zero by 2030	Steelmaking target	Shipping target	Net Zero Scope 3 by 2040
The metric used to set the target	Scope 1 and 2 emissions in tCO_2-e	Emissions, in tCO_2-e, from the processing of our iron ore by our customers (classified under Scope 3 category 10 – Processing of sold products)	Emissions, in tCO_2-e, from shipping of our iron ore	Scope 3 emissions in tCO_2-e
The objective of the target	Mitigation			
The part of Fortescue to which the target applies	Australian iron ore operations	Scope 3 emissions from processing of Fortescue's iron ore sold product	Scope 1 emissions from shipping and Scope 3 emissions from shipping reported in GHG Protocol categories 4 and 9	GHG Protocol categories 1 to 10
The period over which the target applies	2030	2030	2030	2040
The base period from which progress is measured	FY22	FY21	FY21	FY21
Whether the target is an absolute or intensity target	Absolute	Physical intensity	Physical intensity	Absolute
The international agreement informing the target	Paris Agreement to limit global warming to 1.5°C			
Greenhouse gases covered by the target	CO_2, CH_4, N_2O, SF_6, HFC and PFC			
Net or gross emissions target	Gross	Gross	Gross	Net

Setting, reviewing and monitoring progress against targets

Target validation by third party

Fortescue continues to pursue validation and verification of our emission-reduction targets and will publicly report on the status of these measures.

Fortescue has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign.

Processes for reviewing the targets

Setting and reviewing targets is undertaken through the Safety and Sustainability Committee. Fortescue's management can propose new or revised targets in response to changes in business strategy, societal or investor expectations at any time, subject to Board approval via the Safety and Sustainability Committee.

Metrics used to monitor progress towards meeting our targets

Our company-wide emission-reduction KPI is a metric used to drive and monitor progress towards meeting the 2030 Real Zero target for Scope 1 and 2.

Annual progress against targets

Our performance and trends against our Scope 1 and 2 absolute gross target

GROUP SCOPE 1 EMISSIONS

	FY24 Emissions ($mtCO_2$-e)	FY23 Emissions ($mtCO_2$-e)	Year on year variance
Total Group Scope 1	2.36	2.20	+7.4%

Our most significant Scope 1 emissions include those from our Australian iron ore operations and Fortescue marine vessels, which consist of eight very large ore carriers and nine tugboats that operate under Fortescue's operational control in Port Hedland.

The increase in emissions from FY23 to FY24 is driven by increased consumption of gas to meet the power demand of our Iron Bridge facility. Emissions from Iron Bridge will reduce in future as per our decarbonisation roadmap. As mentioned in section 2.3, the introduction of Iron Bridge ores in our product offering will enable approximately two to three per cent reduction in our Scope 3 emissions intensity by FY30.

GROUP SCOPE 2 EMISSIONS

Fortescue adopts dual reporting for our Scope 2 emissions: location-based method and market-based method.

	FY24 Emissions ($mtCO_2$-e)	FY23 Emissions ($mtCO_2$-e)	Year on year variance
Total Group Scope 2 - location based	0.37	0.35	+3.7%
Total Group Scope 2 - market based (reported for whole Group in FY24, and for Australia only in FY23)	0.50	0.54	(6.4)%

Increase in Scope 2 location-based emissions in FY24 is largely attributed to the increased electricity consumption of the Iron Bridge concentrate handling facility resulting from production ramp up.

Decrease of our Scope 2 market-based emissions in FY24 is driven by the decrease in the Australian national residual mix factor.

PROGRESS AGAINST OUR SCOPE 1 AND 2 ABSOLUTE TARGET

Emissions covered by our Real Zero target represent 87 per cent of our FY22 Group Scope 1 and 2 emissions (our base year). Annual progress against this target is presented in the table below.

Metals Australian Terrestrial Scope 1 and 2 emissions (location-based) ($mtCO_2$-e)	FY24	FY23	FY22	Base year emissions (%) covered by the target
Metals Australian Terrestrial Scope 1 emissions	2.02	1.91	1.88	target covers 85% of FY22 Scope 1
Metals Australian Terrestrial Scope 2 emissions (location-based)	0.36	0.35	0.33	target covers >99% of FY22 Scope 2
Metals Australian Terrestrial Scope 1 and 2 emissions (location-based) ($mtCO_2$-e)	**2.38**	**2.26**	**2.21**	**target covers 87% of FY22 Scope 1 and 2**

Metals Australian Terrestrial Scope 1 and 2 emissions increased by 5.4 per cent in FY24 from FY23. Energy efficiency initiatives helped limit this increase, translating to approximately 10 per cent reduction against Fortescue's budgeted emissions for FY24.

SCOPE 1 AND 2 PHYSICAL INTENSITY

Emissions intensity refers to the amount of greenhouse gases emitted per unit of output. This provides insight into the efficiencies of each ton of iron ore produced – reconciling the relationship of our energy inputs and carbon emissions.

The increase in emissions is driven by increased consumption from facilities that are still powered by fossil fuels. These emissions will reduce as per our decarbonisation roadmap.

	unit	FY24	FY23	Variance
Iron ore shipped	Mt	191.6	192.0	(0.2)%
Group Scope 1 + 2 location-based emissions	$mtCO_2$-e	2.72	2.55	+6.9%
Group Scope 1+2 location-based emissions intensity	(Scope 1+2) tCO_2e/t of ore shipped	0.0142	0.0133	+7.2%

Our performance and trends against our Scope 3 intensity targets

GROUP SCOPE 3 EMISSIONS

Scope 3 emissions are those that fall within our value chain but are outside our operational control, including those generated during the shipping of our products in non-Fortescue vessels and iron and steel production.

Group Scope 3 emissions ($mtCO_2$-e)	FY24 Emissions	FY23 Emissions	Year on year variance
Category 1: Purchased goods and services	2.82	2.50	+12.6%
Category 2: Capital goods	0.13	0.12	+5.1%
Category 3: Fuel- and energy-related	0.61	0.50	+22.7%
Category 4: Upstream transport	2.99	2.49	+20.1%
Category 5: Waste	0.01		
Category 6: Business travel	0.03	0.03	+1.7%
Category 7: Employee commuting	0.03	0.03	(10.9)%
Category 8: Upstream leased assets	0.13	0.11	+17.4%
Category 9: Downstream transport	0.40	0.37	+9.2%
Category 10: Processing of sold products	262.16	261.46	+0.3%
Category 11: Use of sold products			
Category 12: End of life treatment of sold products			
Category 13: Downstream leased assets	0.002		
Category 14: Franchises	0	0	0%
Category 15: Investments			
Total Group Scope 3 emissions	**269.31**	**267.61**	**+0.6%**

A dash (-) indicates where data is not reported, details are available in the FY24 Emissions Calculation Methodology document at fortescue.com.

Our Scope 3 emissions in FY24 were 0.6 per cent higher than in FY23, primarily driven by increases in steelmaking and shipping emissions.

Steelmaking accounted for 97 per cent of our Scope 3 emissions in FY24. Our overall volume of iron ore shipped remained stable at 191.6Mt. Changes to product mix and customer base led to a 0.3 per cent increase in processing of sold products (Scope 3 category 10).

The 18.7 per cent increase in combined Scope 3 categories 4 and 9 emissions was driven by the update of emissions factors in the Global Logistics Emissions Council Framework v3.0 and reflects an accounting-driven variance. Emissions for FY23 and earlier have not been re-assessed or restated this year, although this is planned to ensure that we are accurately monitoring progress against a like-for-like baseline.

PROGRESS AGAINST OUR SHIPPING AND STEELMAKING INTENSITY TARGETS

Fortescue has set shipping and steelmaking physical intensity emission targets. Annual progress against these targets is presented in the table below:

	Unit	FY24	FY21 baseline	Base year emissions (%) covered by the target
Iron ore shipped	Mt	191.6	185.9	
Total Shipping emissions (Combined Scope 1 and 3 emissions related to shipping)	$mtCO_2$-e	3.62	3.28	
Shipping emissions intensity	tCO_2-e/t of ore shipped	0.019	0.018	target covers 13% of FY21 Scope 1 and 1% of FY21 Scope 3
Scope 3 Steelmaking emissions	$mtCO_2$-e	262.16	242.83	
Scope 3 Steelmaking emissions intensity	tCO_2-e/t of ore shipped	1.37	1.31	target covers 98% of FY21 Scope 3

Note that FY24 shipping emissions are not directly comparable to those of previous years due to the change in emissions factors as mentioned previously.

Emissions intensity metrics are reported annually in our Climate Change Reports available on our website.

Measurement approach

Fortescue uses the operational control boundary approach under the GHG Protocol. Detailed information on the basis of preparation of FY24 emissions data can be found on the Fortescue website at fortescue.com.

We continuously improve monitoring and reporting systems to enable disclosures. Notable improvements in FY24 included:

- extensive legal review on corporate structure and investments to ensure completeness
- high engagement with vessel owners for Scope 3 shipping – actual fuel consumption data was provided for 91 per cent of voyages in our Scope 3 shipping
- estimating emissions from waste using average-data method
- estimating emissions from refrigerants, previously not disclosed because under the National Greenhouse and Energy Reporting (NGER) scheme thresholds.

4.2 CARBON CREDITS

Since 2023, Fortescue no longer purchases voluntary carbon offsets for Scope 1 and 2 emissions, instead focusing our efforts on the elimination of real world emissions. Carbon offsets against Scope 1 and 2 emissions are purchased and relinquished only to the extent required by legislation.

Our participation in compliance markets is therefore limited to purchases required only to the extent of law, tapering in line with facility-level decarbonisation plans.

Accordingly, we note that:

1. Australian Carbon Credit Units (ACCUs) are used to meet regulatory requirements under the NGER (Safeguard Mechanism) Rule 2015 (SGM) requirement.
2. In FY24, Fortescue is expected to be in excess of SGM baselines by approximately 120,000t CO_2-e, requiring an equivalent number of ACCUs to be acquired and surrendered to the Australian Governments.
3. Fortescue is investigating using methods available under the SGM, including multi-year monitoring periods, to reduce the number of ACCUs required at facilities with advanced decarbonisation plans.
4. The ACCUs that Fortescue is required to acquit for FY24 SGM exceedances are produced by third parties under the Australian Government's approved methodologies, and acquired through a third party broker. The underlying carbon credits are from nature-based carbon removal projects.

4.3 FINANCIAL METRICS AND TARGETS

Our metrics

In September 2022, Fortescue announced a US$6.2 billion capital investment to decarbonise our Pilbara operations. Fortescue's FY25 forecast capital guidance for decarbonisation is US$700 - US$900 million.

As per the Climate Action 100+ Diversified Mining Investor Expectations guidance, the below capital allocation is a forward-looking indicator that clearly highlights our priorities and long-term planning assumptions.

Capital allocation (as per Climate Action 100+ Investor Expectations for Diversified Mining, Disclosure metric 6)	FY24	Forward-looking budget	Notes
Total Group capital expenditure	US$2.9 billion	FY25: US$3.7 - 4.3 billion	FY24 Group capital expenditure includes PEC expenditure. The Group provides capital expenditure guidance at the commencement of each financial year. FY25 guidance includes capital expenditure for both the Metals and Energy segment with Fortescue Energy comprising US$500 million of the guided range.
Emission-reduction capital expenditure committed decarbonisation investment	US$224 million	FY25: US$700 - 900 million	Capital expenditure related to the decarbonisation of Pilbara operations, covering terrestrial emissions, as announced in September 2022 as US$6.2 billion.
Exploration and studies	US$266 million	FY25:US$300 - 400 million	The Group's exploration and studies forecast largely relates to activities within the Pilbara. However, it also includes capital expenditure associated with transition materials both in Australia and globally.

When combining our decarbonisation expenditure with our broader ambition towards a greener energy future, we have invested more than 11 per cent of our total FY24 spend (including capital and operating expenditure on our Decarbonisation, Energy and Green Metal projects).

Internal carbon price

We use internal carbon price for the purpose of provisioning our liability for emission reduction obligations mandated by the Australian Government.

The carbon price outlook is sourced from RepuTex and uses the Nature Based assumption. The price used for decisions ranges year on year, A$41/t in FY25 to $97.1/t by FY33.

4.4 GOVERNANCE, BUSINESS AND OPERATIONAL METRICS AND TARGETS

Fortescue is introducing metrics recommended by the Transition Plan Taskforce Mining & Metals Sector Guidance.

Metric description	FY24 Value	Notes
Percentage of our value chain covered by engagement activities (by Scope 3 emissions or cost/revenue), and/or percentage of the value chain which has been engaged in relation to transition planning	78%	Upstream emissions: Engagement was focused on onsite contractors impacting our Scope 1 emissions. Engagement with suppliers of goods and services impacting our Scope 3 emissions was limited to the LCA with Continental Industry described in section 3.1. Downstream emissions: We engage with 100% of end-use customers that purchase through longer term contracts about their emissions plans. Overall engagement with customers is estimated to cover 80% of our revenue.
Proportion of materials with downstream processing emissions (e.g. iron ore, bauxite), sold to customers with externally verified greenhouse gas emissions targets (by volume or revenue)	Data not collected to date.	Fortescue does not rely on the external verification of greenhouse gas emission targets for our customers and so does not track this. We estimate performance against any announced or implied target based on our understanding of customer's production routes, energy sources and announced technology investments. Our understanding is based on deep engagement with steel mills on a technical basis and direct mill feedback.
Reserves, production and revenue for each of our materials for the reporting year	Transition Plan has no negative impact on reserves, production and revenue for FY25.	Fortescue's strategic ambition to decarbonise its operations by 2030 (Scope 1 and 2) has had no material impact on its reserves, production and revenue for the reporting year. Reserves, production and revenue are reported in the Annual Report.
Proportion of products (by volume or revenue) considered to contribute to a low-emissions, climate-resilient economy	0.5% related to Fortescue Zero revenue	Iron ore is considered a neutral product in the transition to a low-carbon economy. All products from our Energy business – zero-emission power systems, green hydrogen and green ammonia – are considered to contribute to a low greenhouse gas emission, climate-resilient economy, and revenue from these products is expected to grow in future years.
Percentage of energy used that is zero-carbon	1.48%	Percentage is derived from electricity supplied from renewable energy sources (location-based approach) as a percentage of total energy used (which include total fossil fuel consumption). FY24 contribution of renewable sources came from the APA Chichester solar-gas hybrid facility.
Amount of self-generation of renewables and the proportion used for own energy use, shared with communities, or exported	0%	In FY24 there was no self-generation of renewables. North Star Junction Solar Farm is at commissioning stage, is ready to generate and will start feeding our network in FY25. North Star Junction Solar farm is expected to produce more than 250GWh per year, which represents more than 30% of our forecast FY25 energy demand for Iron Bridge facility.
Percentage of vehicles and machinery that are low emissions and/or electric	Data not available.	Currently, three of our Fortescue-owned fleet of 54 excavators are electric, and we have a plan in place to transition the remainder as part of their asset replacement cycle by 2030. We have and will continue to undertake Electric Support Mining Equipment (SME) tests and validations. Once testing and validation is completed, successful SME will be transitioned into operations with learnings from these products supporting Fortescue's transition strategy for the remainder of our SME fleet.
Water use intensity and/or efficiency		Site-specific water targets are presented within the annual Sustainability Report.

Metric description	FY24 Value	Notes
Area of managed land assessed for exposure to physical climate risk	38,920ha	As part of our commitment to enhance the resilience of our assets and to mitigate climate-related risks, we have partnered with our insurance provider to better understand our climate-related hazard exposure of our critical assets in Australia. Asset vulnerability to extreme climate events such as flood, wind and fire was considered combined with site-specific factors such as construction design, location of the asset and risk mitigation actions. At the time of this report, 11 designated sites have been assessed, including Perth Head Office, Gladstone GEM Centre, Herb Elliott Port and associated Port Hedland facilities, Iron Bridge, and the Western Hub (Eliwana and Solomon) and Chichester Hub (Cloudbreak and Christmas Creek), including camps and villages. Combined, this represents a total area of 38,920 ha, of which 71% (or 27,514ha) was assessed as being exposed to one or more of the climate perils considered. Note the combined total area of land exposed by peril exceeds the total area exposed to physical risk because some sites are exposed to multiple perils.
Area of managed land that is exposed to physical climate risks	27,514	
Area of managed land that is exposed to physical climate risks, as a proportion of all land assessed	71%	
Area of land exposed to physical climate risk, by peril Flood Wind Wildfire	 24,911ha 3,253ha 13,541ha	
Number of operational sites (owned, leased and managed) in, or adjacent to, protected areas and areas of high biodiversity value, including as a proportion of all operational sites	All operational sites	All our six Pilbara operational sites are in, or adjacent to, protected areas and areas of high biodiversity value: Hedland Operations, Cloudbreak, Christmas Creek, Eliwana, Solomon, Iron Bridge. Other sites, including Belinga Project in Gabon, are not currently operational.
Area of land managed for carbon and biodiversity co-benefits including as a proportion of all managed land, and the associated impact of these activities	0	Fortescue operates within the legislative framework for all operating sites, including but not limited to flora, fauna and water monitoring programs. To date we have focused on decarbonising our operations, rather than investing in land management projects for carbon benefits.
Area of habitat protected or restored as a proportion of the total amount of land (owned, leased, and managed) used for production activities or extractive use.	0	As a young mining company, we will be closing sites post 2034 with an aim to restore to an acceptable level.

4.5 EXPECTED CONTRIBUTIONS TOWARDS ACHIEVING OUR STRATEGIC AMBITION

As per the Transition Plan Taskforce Disclosure Framework guidance, this table provides information on the expected principal contributions of our actions towards achieving our strategic ambition.

Section	Expected principal contributions
2.1 Business operations	Major
2.2 Just transition strategy	Moderate
2.3 Products and services	Moderate
2.4 Policies and conditions	Minor
3.1 Engagement with value chain	Minor
3.2 Engagement with industry	Major
3.3 Engagement with government, public sector, communities and civil society	Moderate

5. GOVERNANCE

Information on Fortescue's governance bodies is located in our annual Corporate Governance Statement and includes a description of:

1. our governance framework
2. the role and responsibilities of our Board, committees and directors
3. our approach to delegations of authority
4. meeting attendance for our Board and committees.

The annual Corporate Governance Statement, Statement of Matters Reserved for the Board and Charters for each committee are available on our website: fortescue.com

5.1 BOARD OVERSIGHT AND REPORTING

At the executive level, the Sustainability Committee (SC) is responsible for supporting and advising the Board-level Safety and Sustainability Committee (SSC) on sustainability matters including those that relate to environmental policy and management, human rights, climate change strategy, procurement and social investment and ensuring effective policies, processes and standards are being implemented for the effective management of sustainability matters. The SC is chaired by the Director of Sustainability and External Affairs or a C-suite Executive and comprises executives and technical experts from across the business, including the areas of Finance, Environment, Investor Relations, Sustainability, Risk Management, Energy, and Contracts and Procurement.

The Board drives Fortescue's strategic ambition to become an integrated green technology, energy and metals company in their oversight of strategy, decisions on major transactions, risk management processes and related policies, and potential trade-offs associated with the Climate Transition Plan.

Company-wide targets are confirmed at the Board level. Progress against these targets and the wider strategic ambition of the transition plan are monitored through the SSC.

The Decarbonisation Steering Committee is responsible for progress against our Scope 1 and 2 Real Zero targets. The Decarbonisation Steering Committee comprises the Fortescue Metals and Fortescue Energy CEOs and CFO, and additional executives as required depending on the topics for discussion. The Decarbonisation Steering Committee endorses capital investment decisions in advance of these progressing to the Board; makes decisions on solution selection; reviews program progress, including updated capital estimates; and provides guidance and direction to the Decarbonisation Program leadership.

The Decarbonisation Steering Committee provides updates and advice to the Audit, Finance and Risk Management Committee (AFRMC) at its quarterly meetings, including implementation of our decarbonisation strategy and allocation of capital for decarbonisation projects.

SSC
Oversees sustainability framework

BOARD OF DIRECTORS
Strong governance over all sustainability matters

LEADERSHIP TEAM
Directs operational sustainability matters

Executive Sustainability Committee
Defines sustainability framework

DIRECTOR OF SUSTAINABILITY AND EXTERNAL AFFAIRS
Management of sustainability matters

SUSTAINABILITY TEAM
Implementation of sustainability framework, related policies and targets

KEY CORPORATE FUNCTIONS

- Company Secretary
- Legal
- Government and Communities
- Decarbonisation
- Environment
- Risk and Assurance
- Strategic Planning
- Investor Relations
- Health and Safety
- Marketing

5.2 ROLE, RESPONSIBILITY AND ACCOUNTABILITY

Our CEOs are accountable for executive oversight and delivery of the transition plan.

Our dedicated Sustainability team, managed by our Director of Sustainability and External Affairs, coordinates review and approval of the transition plan including oversight of any changes, updates and reporting.

The Sustainability team has appropriate skills and competencies to oversee the transition plan. A continuous improvement process is underway to build internal capacity and capability throughout Fortescue to enable successful implementation of the transition plan. Responsibilities for implementation of transition plan commitments and their reflection in terms of reference, mandates, role descriptions and other related policies are emerging and will be clarified through the transformation of Fortescue into One Fortescue, a truly integrated, green technology, green energy and green metals company.

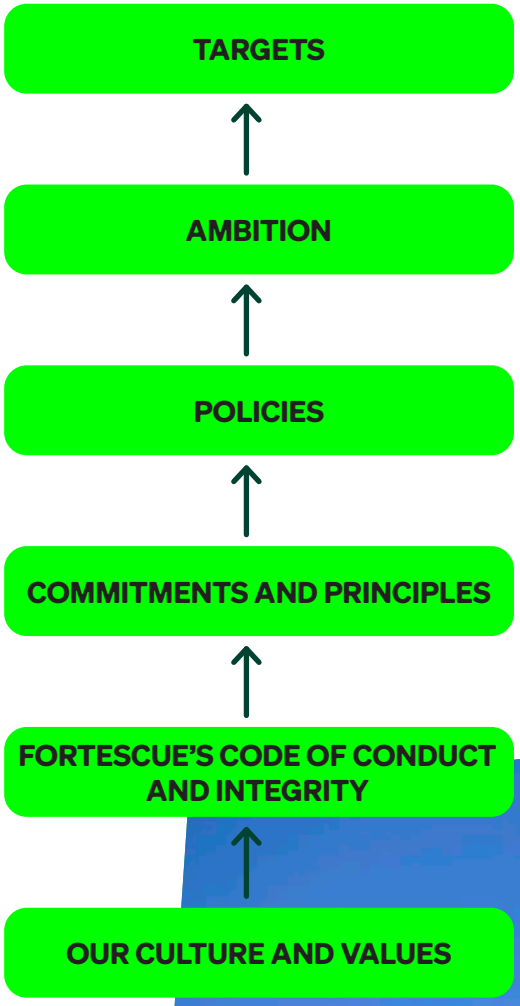
Executive oversight is exercised through the SC and Board oversight through the SSC.

Controls and procedures to support the oversight of the Climate Transition Plan and ensure the reliability of information disclosed include:

- clear identification of responsibilities for supplying information to the Sustainability team from various internal functions, including Environment, Investor Relations, Decarbonisation, Finance, Sales and Marketing, Shipping and Risk Management
- climate change specialist capability within the Sustainability team to guide and advise the business on relevant matters
- internal reviews by relevant accountable group managers and directors
- integrity of information supported by systems enabling traceability
- internal verification undertaken by Legal team.

Emissions data are subject to external assurance by a suitably qualified and experienced independent auditor. Audit opinions are published annually on Fortescue's website. FY24 greenhouse gas emissions data were subject to external assurance by KPMG: reasonable assurance for Group Scope 1, Scope 2 location-based and Scope 2 market-based, and limited assurance for Scope 3.

This Climate Transition Plan was approved for public release by Fortescue's Board and is not subject to shareholders approval.



5.3 CULTURE

Company values and purpose statements

OUR VALUES

- FAMILY
- EMPOWERMENT
- FRUGALITY
- STRETCH TARGETS
- INTEGRITY
- ENTHUSIASM
- SAFETY
- COURAGE AND DETERMINATION
- GENERATING IDEAS
- HUMILITY

Communications, systems, processes

Fortescue has implemented a bespoke Decarbonisation People Framework to ensure a holistic approach to empowering Fortescue's strong culture as we transform the organisation. This Framework ensures all aspects of the employee life cycle journey are considered and updated to remain relevant for the decarbonisation transition. Examples of success to date include the introduction of a decarbonisation pillar in the employee reward and recognition program, 'True Colours', which encourages team-level engagement with our strategic ambition.

HR policies and procedures

Key benefits include 26 weeks paid parental leave for primary carers, 13 weeks long service leave after 10 years' service, and 24/7 support via professional counselling services. More details available on our website fortescue.com/careers.

Leadership and manager training programs

Enabling and empowering frontline leaders, and leaders of leaders, is essential to the success of achieving Fortescue's strategic ambition. Fortescue has begun to realign its approach to leadership training and will deploy this new approach from FY25.

The employee value proposition

An employee pulse survey held in December 2023 was a key data point for us to validate our culture and employee support for our strategic ambition. The survey revealed strong support across the business, with a significant number of respondents commenting on their excitement around decarbonisation.

Workforce engagement strategies

Our Decarbonisation team has engaged in several site roadshows where leaders and work groups were provided with interactive updates to the program and technical solutions we will be implementing. Engagement will continue to be a core pillar of the plan to achieve our strategic ambition.

5.4 INCENTIVES AND REMUNERATION

Climate-related metrics and targets are formally incorporated into incentive plans operating across all levels of Fortescue. This includes the Executive and Senior Staff Incentive Plan (ESSIP) and Long-Term Incentive Plan (LTIP) which are the short and long term incentive plans that our CEOs, Executives and other senior leaders participate in, and the Staff Incentive Plan (SIP), which is the short-term incentive plan for all other eligible employees.

For FY24, the Remuneration and People Committee approved targets intended to drive the delivery of our energy strategy and emissions reduction programs.

Decarbonisation related KPIs sit in both the Metals and Energy scorecards and make up 10 to 20 per cent of the overall short-term incentive opportunity. Targets include the delivery of FY24 milestones against the integrated decarbonisation schedule and budget, and a reduction in emissions. The scorecard for the Energy business also has an additional thirty per cent related to the development and commercialisation of projects and products that support decarbonisation more broadly.

Fortescue's on-foot long-term incentive plans include a number of strategic measures that support climate related action, including the development of Fortescue's green fleet and stationary power infrastructure, green metal, and growth of the Energy business. These targets typically account for approximately one-third of the total strategic measures component of the LTIP.

To ensure the KPIs and targets relating to decarbonisation drive the right behaviours and outcomes across the business, the use, weighting and design of KPIs in both the short and long term incentives is reviewed annually by the People, Remuneration and Nomination Committee.

5.5 SKILLS, COMPETENCIES AND TRAINING

We have assessed the impact to Fortescue's operational workforce in the Pilbara of achieving our strategic ambition. This was completed through iterative updates to a decarbonisation workforce planning tool and through extensive stakeholder engagement to build a picture of the impact across the iron ore product supply chain.

The workforce plan includes skills transition pathways for the most affected roles. We have developed strategies to grow and protect our electrical workforce, as we recognise this is the critical growth area for our workforce towards 2030. We are investing in electrical apprenticeships today, and working with registered training organisations to determine the feasibility of offering dual trade opportunities for existing tradespeople within our business.

We have a strong focus on growing diversity outcomes through our approach to filling the forecast skills gap and are working with our First Nations and operational teams to implement innovative programs and opportunities.

We are working closely with OEMs such as Liebherr to ensure the bridging training for our operational and maintenance teams will be fit for purpose and value adding.

Ensuring we maintain a workforce with the appropriate skills and capabilities to operate as we decarbonise is one of our identified program-level risks. These risk and mitigation strategies are communicated to the Board through the AFRMC as a part of the decarbonisation risk management activities.

APPENDIX 1 KEY ASSUMPTIONS, EXTERNAL FACTORS AND DEFINITIONS

Fortescue's key assumptions in relation to each component of our strategic ambition are listed below.

Decarbonising Fortescue

Fortescue has identified technical solutions to eliminating 90 per cent of Scope 1 and 2 emissions from our Australian iron ore operations and is working to develop solutions for the final 10 per cent of emissions.

POLICY AND REGULATORY CHANGES

A key assumption for our Scope 1 and 2 emission reduction targets is the availability of renewable energy. By 2030, Fortescue must develop sufficient renewable energy generation capacity (two to three GW of renewable capacity) to power our operating mine sites, with limited reliance on local grids. Securing access to land to build our renewable energy infrastructure involves navigating the complex and changing regulatory requirements of local, state and federal government. We proactively engage with government bodies, First Nations peoples, regulators and industry associations to achieve favourable policy and regulatory outcomes but this is a critical dependency.

TECHNOLOGICAL DEVELOPMENTS AND INFRASTRUCTURE READINESS

Fortescue and others have developed the technologies required to decarbonise. Some of these technologies now require scale up and further improvement. Long development lead times and risks inherent to rapid scale up could impact our ability to realise our strategic ambition.

CARBON INTENSITY OF ELECTRICITY AND OTHER ENERGY INPUTS

Low emissions intensity energy inputs, including electricity, are limited in the Pilbara region of Western Australia, which is why Fortescue is developing its own renewable energy generation assets.

CHANGES TO OPERATIONS, AND FUTURE OPERATIONS

Fortescue's target is for our existing Australian terrestrial mining operations to be decarbonised by 2030. Future mining operations will be designed with green energy systems as a necessary criterion for development.

All mining operations and green hydrogen projects that commence before or after 2030 (including new mines or brownfield expansions) must also be powered by green energy, either directly or through power purchase agreements.

ACCESS TO COUNTERPARTY DATA AND RELIABILITY OF DATA

At Fortescue, we place high importance on data quality for all sustainability issues and continuously improve our systems and processes to increase quality, integrity, relevance and completeness of data.

Access to counterparty data and reliability of emissions data varies by Scope 3 category. Fortescue maintains an emissions calculation methodology document, which is available on our website at fortescue.com. We continuously seek to improve our data sourcing, focusing on the most material emissions categories.

To estimate Scope 3 Category 10 processing of sold product, Fortescue commissioned independent mining, metals and fertilisers consultancy CRU to develop a steel intensity assumption per Fortescue product, based on location of processing, steel production route, technology and underlying energy assumptions.

Our Scope 3 emissions from upstream transportation and distribution are largely calculated using actual shipping fuel consumption data sourced directly from ship owners. This is made possible by the integration of emissions data collection in our shipping contract management and the dedication of our shipping team.

Responding to Fortescue's climate-related risks and opportunities

Fortescue's business assumptions and external factors

CLIMATE SCENARIOS, INCLUDING LEVELS OF WARMING OVER THE SHORT, MEDIUM AND LONG TERM

In early 2023, Fortescue updated its approach to scenario analysis, building on the narratives proposed in the IPCC Sixth Assessment Report.

For physical climate risk, we have used three scenarios, SSP1-1.9 (a low emission scenario), SSP2-4.5 (moderate emission scenario), and SSP5-8.5 (high emission scenario), to assess operational and infrastructural exposure to climate-related hazards (i.e. acute and chronic) across the Pilbara region, also considering regions along the value chain.

To assess climate-related transition risk, we used three low-emission scenarios:

- SSP1/RCP*1.9: A very low emission scenario, assuming rapid decarbonisation and strong mitigation efforts with strong global cooperation.
- SSP2/RCP*2.6: A relatively low emission scenario, assuming moderate population growth, a mix of environmental policies and medium levels of economic development with levels proceeding unevenly across countries.
- SSP5/RCP*2.6: A relatively low emission scenario, associated with continued demand growth for metals, high energy demand and high economic growth. It assumes fragmented governance structures and limited environmental regulations.

The three low-emission scenarios selected represent divergent economic possibilities to achieve a common global decarbonisation path, one of which is consistent with the most ambitious global temperature goal set out in Australia's *Climate Change Act 2022*.

We continue to build our knowledge on climate change scenarios and future global outlooks by engaging with multiple external information providers to consider the financial resilience of our portfolio and evaluate options for future growth. These viewpoints help us understand of the pace of the global transition towards renewable energy use and potential emission reduction trajectories over time. Both fast and slow energy transitions contemplate technology development, market demands, and cost factors for products and energy.

The impacts of these scenarios will be incorporated into the strategic planning and decision-making processes across all of Fortescue's growth options in technology, energy and metals. Initial analyses will be conducted in FY25, with plans for broader integration as appropriate throughout the organisation.

PHYSICAL IMPACTS

We assess future projects based on the assumption that climate-related risks will continue to evolve and escalate, with the aim of ensuring that our strategies are robust and adaptive to new and emerging threats. Extensive corporate knowledge of managing climate-related hazards in the harsh environment of the Pilbara equips us with the expertise to develop and implement suitable management procedures as we establish new green metals and energy projects in other geographic locations.

THE EFFECTIVENESS OF ADAPTATION EFFORTS AND POSSIBLE LIMITS TO ADAPTATION

We recognise the importance of managing physical climate-related risks such as damage to assets, operational disruptions resulting from increasingly frequent or intense climate-related hazard events, and increased risk to worker health and safety. For further information on our climate-related risks and management strategies, please refer to our Annual Report, available on our website at fortescue.com.

Climate change presents unprecedented challenges as the world enters 'uncharted territory'. It is crucial for businesses to understand critical thresholds, where the effectiveness of adaptation efforts could be challenged or even surpassed.

While well-planned adaptation strategies such as infrastructure reinforcement, advanced water management systems and improved emergency preparedness can mitigate some risks, there are limits to their effectiveness as the impacts of climate change – drought, heatwaves, extreme rainfall, sea level rise, increasingly powerful cyclones, rising humidity in some locations – continue to play out.

Climate change already poses a risk to Fortescue's operations and that threat is forecast to rise in the near and medium term with the following potential limits to adaptation:

- Infrastructure vulnerability and operational downtime: Our operations rely on infrastructure such as roads, railways and ports, which are susceptible to damage from extreme weather events like cyclones, floods and wildfires. In addition, extreme heat, heavy rainfall and storms can halt mining operations, impacting productivity and safety. These events will continue to become more frequent and severe, and operational downtime might exceed manageable levels; the resilience capacity of infrastructure may also be exceeded, making repairs and upgrades impractical or too costly.
- Tailings and waste management: Effective management of tailings and waste is critical to prevent environmental contamination. Increased rainfall and extreme weather can cause tailings dam failures or overflows. Adaptation measures may become insufficient to cope with increased climate variability.
- Water management: We rely on the availability of water resources for ore processing and dust suppression, as well as for hydrogen production as a direct feedstock in electrolysis. Climate change can lead to water scarcity through prolonged droughts. Conversely, rising temperatures are driving increased evaporation over the ocean and excessive rainfall, leading to floods. Water availability might become too unpredictable or scarce to support operations, even with advanced water recycling and conservation measures.
- Workforce safety and productivity: High temperatures, especially when combined with humidity, and extreme weather can affect the health and productivity of the workforce. Climate conditions may become too harsh to maintain a safe and effective work environment for our people, despite measures like improved shelter, cooling systems and shift adjustments.

GREENHOUSE GAS EMISSIONS PRICING

We consider the cost of carbon in our corporate assumptions and evaluate it when we make investment decisions that involve emissions. Fortescue runs carbon cost scenarios to understand the trade-offs of investment opportunities. Our Group Corporate Model reflects the future benefits of carbon reductions from our decarbonisation strategy. This model informs our long-term mine planning strategies (10-year and life of mine planning), and our future investments.

In compliance markets, Fortescue continues to meet its obligations under law. For Australia, Fortescue meets its obligations through the SGM. We continue to forecast compliance requirements in two-yearly budget estimates, inclusive of third-party assurances required by the NGER Scheme.

Pricing of ACCUs in relation to compliance is sourced from third-party subscription services. Coupled with Fortescue's understanding of production at our Safeguard facilities, along with our understanding of forecast annual emissions for each facility, we are able to forecast a cost of compliance, which is included in our two-yearly budget estimates. Also included in budget estimates is the cost of undertaking third-party reasonable assurance audits on facilities subject to the NGER Scheme.

TAX, ALLOWANCES AND RELIEFS

The economic viability of green energy projects is strongly linked with policy action by governments to reduce barriers to growth and even the playing field with fossil fuels.

Scale and ambition of government fiscal policies to support the uptake of green energy and technologies can have a major bearing on project viability and is a critical dependency for Fortescue.

Until such time as global carbon pricing is sufficient to reflect the external impacts of fossil fuels, clean energy alternatives will be operating at a competitive disadvantage. Various governments around the world provide forms of tax allowance and relief to incentivise the acceleration of renewable energy and other green technologies. When Fortescue considers the feasibility of new green metals and green energy projects, the availability of favourable policies, tax incentives, allowances and other tax relief that may support the economic viability of the relevant projects is considered. For example, the introduction of the I*nflation Reduction Act* in the United States led Fortescue to establish the Arizona Hydrogen Project. Examples of different climate-related tax incentives, reliefs and allowances that are relevant to our projects and operations are listed below.

Country	Tax incentives, relief or allowance	Description
Australia	R&D tax incentive	This is a federal scheme providing Fortescue with a 38.5% tax offset on up to A$150 million (annual threshold) of expenditure incurred on eligible R&D activities.
	Australian Renewable Energy Agency grants	This government funding supports early-stage development of renewable hydrogen, green metals, solar and battery manufacturing projects.
	Hydrogen production tax credit	This tax credit (announced in the 2024 Australian Federal Budget but not yet legislated) is expected to provide an uncapped refundable tax offset of A$2 per kilogram of renewable hydrogen produced for up to 10 years per project, between 2027-28 and 2039-40, for projects that reach final investment decisions by 2030.
Brazil	Export processing zone	Operations in the Export Processing Zone in the North-east Region of Brazil are expected to be provided access to tax incentives for certain capital and operating expenditure.
Canada	Clean hydrogen investment tax credit	This is a refundable tax credit of up to 40% of the value of eligible expenditure incurred in relation to eligible property purchased for the production of hydrogen. The credit is determined based on the carbon intensity of the hydrogen produced.
Egypt	Green hydrogen incentives law	This incentive is for the building of green hydrogen projects in Egypt, where at least 95% of the output is to service the production of green hydrogen and its derivatives. Tax incentives provided include a tax credit between 33% and 55% of the income tax paid, a VAT exemption in relation to equipment, machinery and supplies purchased, as well as other exemptions.
Norway	Innovation fund	An EUR 200 million grant has been approved by the Climate, Infrastructure and Environment Executive Agency to partially defray the cost of hydrogen electrolyser equipment for Fortescue's Holmaneset project. The Innovation Fund is one of the world's largest funding programs for the demonstration and commercialisation of innovative low-carbon technologies, financed by revenues from the auctioning of allowances from the European Union's Emissions Trading System.
United Kingdom	R&D Expenditure Credit	This regime is to encourage scientific and technological innovation in the UK, and offers a 20% taxable credit based on qualifying R&D expenditure (15% after-tax).
United States	Advanced manufacturing production credit (section 45X)	This is a production tax credit for eligible components produced in the US and sold to an unrelated party, directed towards promoting wind and solar energy production and battery technology. A relevant example is the US$10/kWh tax credit for eligible battery modules.
	Clean hydrogen production tax credit (section 45V)	A proposed US$3 per kilogram tax credit for clean hydrogen production, or 30% of eligible costs. To be eligible for this credit, there are certain criteria to be met for hydrogen over a 10-year period, commencing the date the production facility is placed into service.
	Arizona tax exemption	Exemption from state, county and local tax relating to natural gas and electricity, as well as machinery and equipment directly related to manufacturing for the Arizona Hydrogen Project.

MACROECONOMIC, MICROECONOMIC AND FINANCIAL FACTORS

Macroeconomic factors such as labour availability and the cost of borrowing will have an impact on Fortescue's Climate Transition Plan. The availability of skilled labour in green technologies and the renewable energy sector may influence the pace at which we can deploy and integrate sustainable practices into our operations. Additionally, fluctuations in interest rates globally and the cost of borrowing can impact the overall investment required and the funding strategy for sustainable infrastructure projects and decarbonisation efforts. The Group has funding activities in several jurisdictions which are each subject to varying macroeconomic factors.

Fortescue has a strong balance sheet and access to debt and equity capital markets. Additionally, Fortescue's decarbonisation strategy and establishment of Fortescue Capital is intended to better position the company to attract access to preferential funding necessary to deliver the Company's transition.

In addition, the relative prices of renewable energy compared to traditional fossil fuels may influence the pace of Fortescue's investment in decarbonisation and green energy projects. Competitive pricing of green technologies can drive market penetration, while financial incentives and subsidies can lower the entry barriers for our decarbonisation initiatives and the broader energy transition.

AVAILABILITY AND PRICING OF NATURAL RESOURCES (EXCLUDING MINERALS) UPON WHICH PRODUCTION IS RELIANT

Fortescue monitors both short-term and long-term movements in key commodities and macro factors on a quarterly basis. This is undertaken using a combination of consultants' forecasts and analysis, publicly available information and internal analysis, and the information is included in corporate modelling. Key assumptions are published internally for strategy setting and business cases and include: foreign exchange, mining commodities (iron ore, copper, lithium), energy commodities (gas, diesel, carbon) and green commodities (green ammonia, green hydrogen, green metal).

THE EXPECTED ROLE OF GREENHOUSE GAS NEUTRALISING MEASURES, INCLUDING ASSUMPTIONS RELATING TO PERMANENCE/ LEAKAGE

Fortescue is committed to genuine decarbonisation and elimination of fossil fuels, without offsets. Our assumptions are that the majority of offsets are low integrity and act as a distraction from real climate action. Regarding carbon capture and storage, there is limited evidence for permanence of CO_2 storage underground and high risk of leakage back into the atmosphere, both gradual and catastrophic. As a result, Fortescue's assumes that effort should be focused on elimination of fossil fuels.

Fortescue Metals business key assumptions and external factors

Key assumptions and external factors related to markets, shifts in demand, and the decarbonisation trajectory of the global economy, relevant geographies and sectors are covered in section 3.1 Engagement with value chain.

Fortescue Energy business key assumptions and external factors

Fortescue Energy is a key part of the Fortescue response to climate-related opportunities: it works to develop green hydrogen and green ammonia projects, and a range of green technology products.

MARKETS, SHIFTS IN DEMAND, AND THE DECARBONISATION TRAJECTORY OF THE GLOBAL ECONOMY, RELEVANT GEOGRAPHIES AND SECTORS

Fortescue forecasts suggest that green ammonia demand is set to increase to between 115 and 338Mt annually by 2050. This growth highlights a strategic shift to renewable energy sources globally, with Europe positioned initially as a key driver of demand. The continent's progress is bolstered by policies such as the European Renewable Energy Directive (RED III), which are crucial for mandating demand for green hydrogen and derivative products.

The US *Inflation Reduction Act* has similarly set the stage in North America, offering significant incentives for clean hydrogen technologies, thereby reducing economic hurdles and propelling the US into a position to advance its green hydrogen and ammonia capabilities. Much though rests on the implementation of the underpinning regulations which are yet to be finalised and will have a significant bearing on investments.

In the Asia-Pacific, policies are being tailored to support both green and blue ammonia production. Japan and South Korea, facing the challenges of scaling renewable hydrogen, are considering revisions to their policy frameworks to incentivise green ammonia, pivoting towards stricter emissions thresholds. Australia has recently introduced a $2/kg tax incentive for new green hydrogen projects.

The IEA World Energy Outlook informs many of our global assumptions.

CARBON INTENSITY OF ELECTRICITY AND OTHER ENERGY INPUTS

In global locations where Fortescue explores and develops a portfolio of opportunities and projects, some are grid-connected and rely on the carbon intensity of the grid. Self-generation or active sourcing of renewable energy through power grids are considered during opportunity and project development to ensure projects will have the low carbon intensity required to meet our targets and the product certification we seek.

Fortescue Zero business key assumptions and external factors

Assumptions made by Fortescue Hydrogen Systems include a growing market for electrolysers and for green hydrogen. Fortescue operates under the assumption that raw material requirements for electrolysers will not be a constraint, that Fortescue will be able to obtain the required precious metals to develop catalysts, and that public infrastructure requirements for large-scale hydrogen will not be a constraint.

DEFINITIONS

REAL ZERO

Real Zero refers to no fossil fuels and no offsets.

Fortescue has a plan to decarbonise our Australian terrestrial iron ore operations (Scope 1 and 2) in the Pilbara by 2030. We have identified the solutions needed to eliminate approximately 90 per cent of terrestrial Scope 1 and 2 emissions from our Australian iron ore operations and are actively working to identify solutions for the final approximately 10 per cent.

We are also finalising our plan for how to eliminate Fortescue's remaining Scope 1 and 2 emissions from across our operations, including Fortescue Energy. Fortescue will no longer buy voluntary carbon offsets unless required by law, as offsets have been shown to be troubled by extensive concerns about quality, lack of additionality and an inability to deliver real reductions in emissions. Through Fortescue Energy, we are also to give the world an alternative to fossil fuels.

THE POWER OF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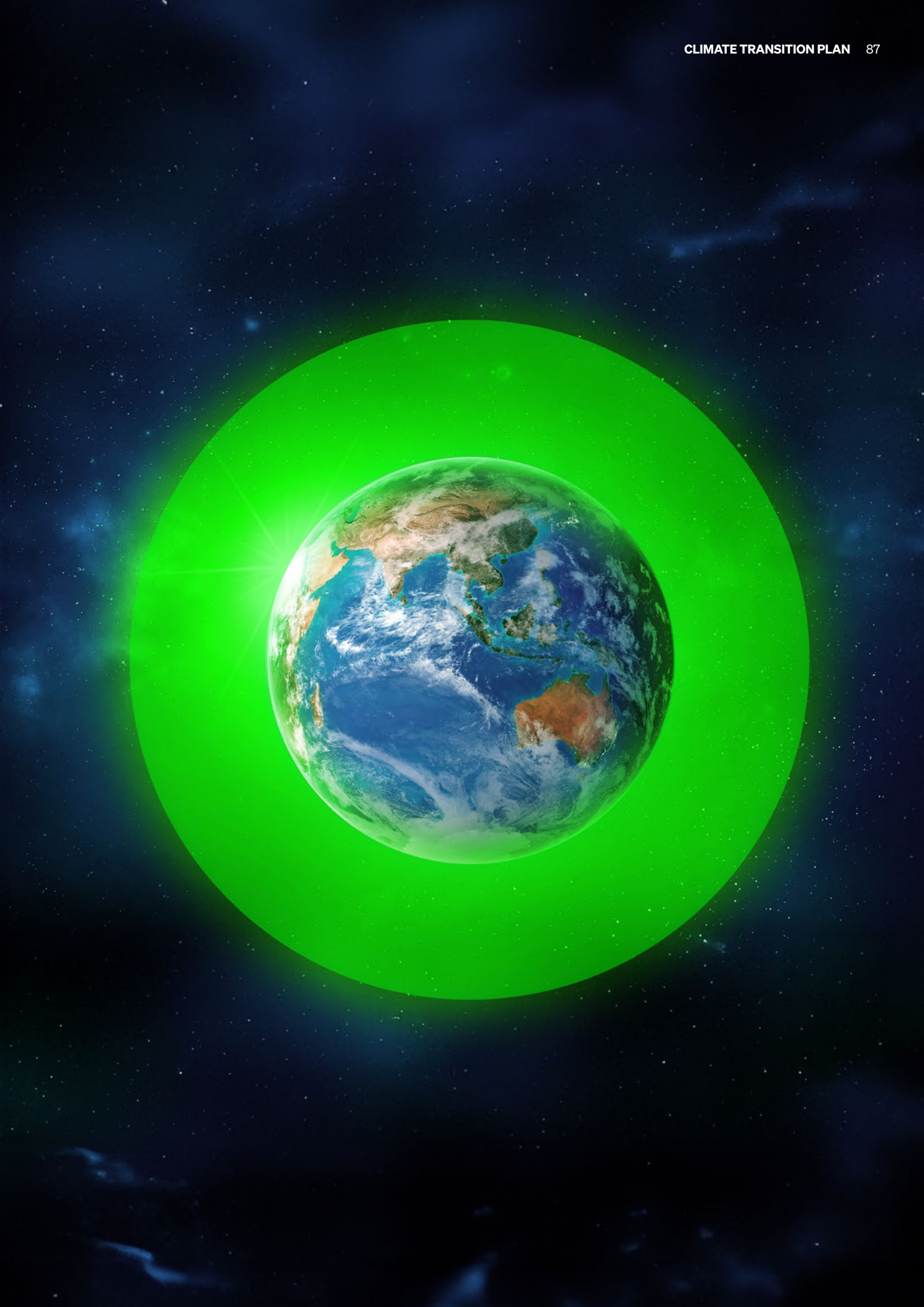


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