



# Modern Slavery Voluntary Statement FY19



# Global force Thriving communities

ABN 57 002 594 872



## About this statement

This statement is Fortescue's second Modern Slavery Statement. The statement is produced voluntarily as the Company is not formally required to report under Australian or international legislation until 2020.

The Australian Government's *Modern Slavery Act 2018* - Draft Guidance for Reporting Entities 2019, was referenced during the drafting of this document. This statement has been prepared by the Company's Modern Slavery Steering Committee and endorsed by Fortescue's Board.



## Inside

01 About Fortescue	3	04 Key FY19 actions	7
02 Governance	5	05 Looking forward	8
03 Modern Slavery Commitment	6		

# Fortescue opposes all forms of slavery in its operations and the operations of its suppliers

---

## Highlights

**Modern slavery clause  
included in standard terms and  
conditions revised**

**Training provided  
to all Fortescue procurement  
employees**

**Information sessions  
held for suppliers**

**Continued collaboration  
with stakeholders**



## About Fortescue

Fortescue Metals Group Ltd (Fortescue) is a global leader in the iron ore industry.

Fortescue owns and operates a fully integrated infrastructure and supply chain spanning two mine hubs, with a third under development, in the Pilbara, the five berth Herb Elliott Port in Port Hedland, the Judith Street Harbour towage infrastructure and the fastest, heavy haul railway in the world.

Fortescue's innovative tug fleet and the eight purpose built Fortescue Ore Carriers have been designed to complement the industry best practice efficiency of Fortescue's port and maximise the safety and productivity of its operation.

Founded in 2003, Fortescue is a publicly listed company on the Australia Securities Exchange with its head office in Perth. As at 30 June 2019, the Company has 6,750 direct employees including 1,244 people under labour hire contracts.

Fortescue shipped its first commercial shipment of iron ore to China in 2008 and is now a major supplier to Chinese steel mills. The Company also supplies iron ore to its customer base in Japan, South Korea and India.

Key business functions performed by Fortescue include mining related exploration, mining operations, rail transport of ore, product marketing and research and development.

The Company continues to assess exploration and development opportunities throughout South America including Ecuador, Colombia and Argentina.

This statement captures operations including those under exploration and development and those operated through subsidiaries and joint ventures where Fortescue has management control.

Situations of **exploitation** that a person **cannot refuse** or **leave** because of **threats, violence, coercion, abuse of power** or **deception**.



### CASE STUDY

## Welcoming the passing of the *Modern Slavery Act 2018*

Fortescue welcomed the passing of Australia's *Modern Slavery Act 2018* as an important step in harnessing the power of Australian business to eradicate modern slavery in global supply chains.

Fortescue has long been an advocate of the Walk Free Foundation, founded by the

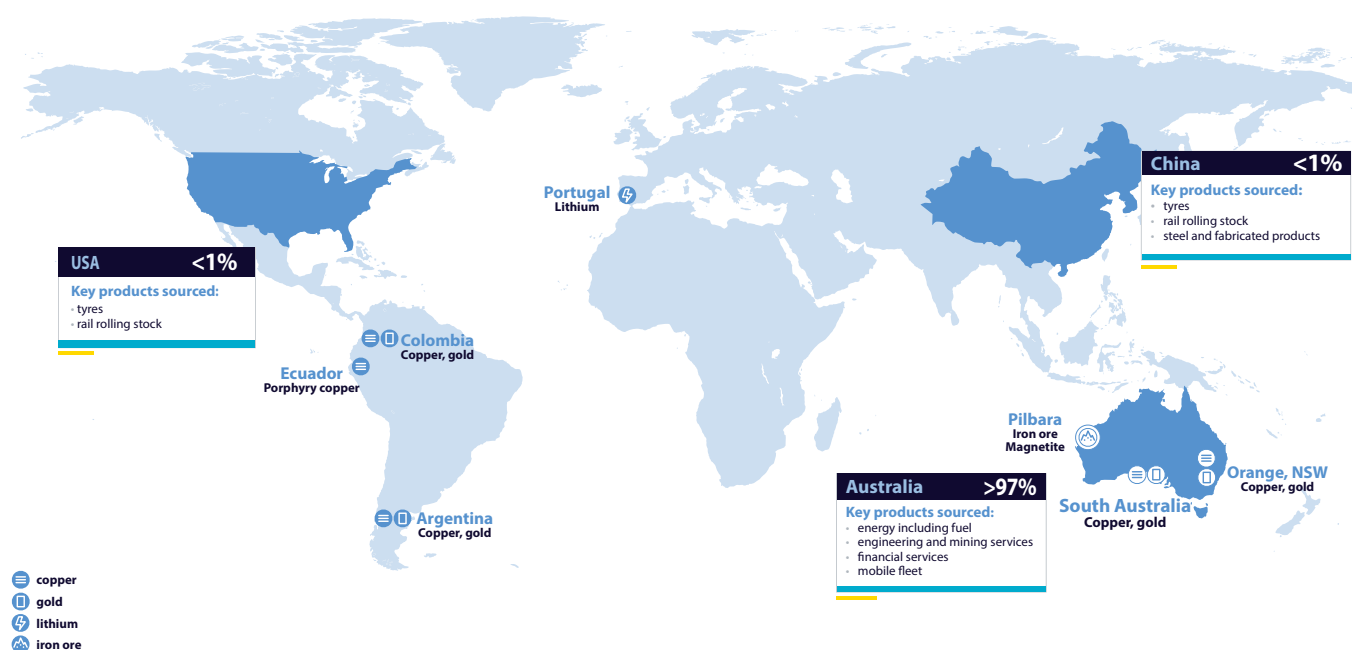
Company's Chairman and Founder, Andrew Forrest AO who has tirelessly campaigned for the introduction of legislation to address modern slavery risks.

CEO, Elizabeth Gaines said "Fortescue fully endorses the introduction of the Australian *Modern Slavery Act* and we commend the Liberal, National, Labor

and cross bench supporters for making this anti-slavery legislation a priority."

"We oppose all forms of slavery and forced labour across our operations and the operations of our suppliers and will continue to work closely with these businesses to eliminate slavery from supply chains."

## Products sourced by location (Tier 1 suppliers)



## Fortescue's suppliers

Fortescue is committed to working with its suppliers to eradicate modern slavery from its supply chain.

The Company procures products and services from a broad range of industries including energy, fixed plant and commodities, mobile fleet and information technology. Fortescue's largest spend falls within the categories of fuel, air and road transport and mining equipment and infrastructure.

The Company uses Australian employment agencies to source labour hire and short-term contract work for its operations in Western Australia and goods and services are procured throughout the Company's value chain.

Fortescue strives to create economic opportunities within the regions it operates by employing local people and purchasing local products and services.

In FY19, 2,408 suppliers were engaged with a total contestable<sup>1</sup> spend of A\$4,298 million (GST inclusive). Over 97 per cent of Fortescue's total procurement spend was with Australian entities, 58 per cent within Western Australia and five per cent directly in the Pilbara.

Fortescue's overseas procurement spend in FY19 includes A\$32.2 million with 29 entities based in the United States of America and A\$24.6 million with 26 Chinese suppliers.

In addition to this contestable spend, Fortescue spent A\$1.6 billion on costs associated with shipping its ore to customers.

**2,408**  
suppliers

**Total contestable spend of**  
**A\$4,298 million**

<sup>1</sup> Contestable spend is subject to Fortescue's procurement processes, in accordance with Fortescue's Procurement Policy. It excludes shipping, Government costs or charges including royalties, donations, subscriptions and memberships, Native Title group payments, property leasing, related Fortescue entities and legal fees.

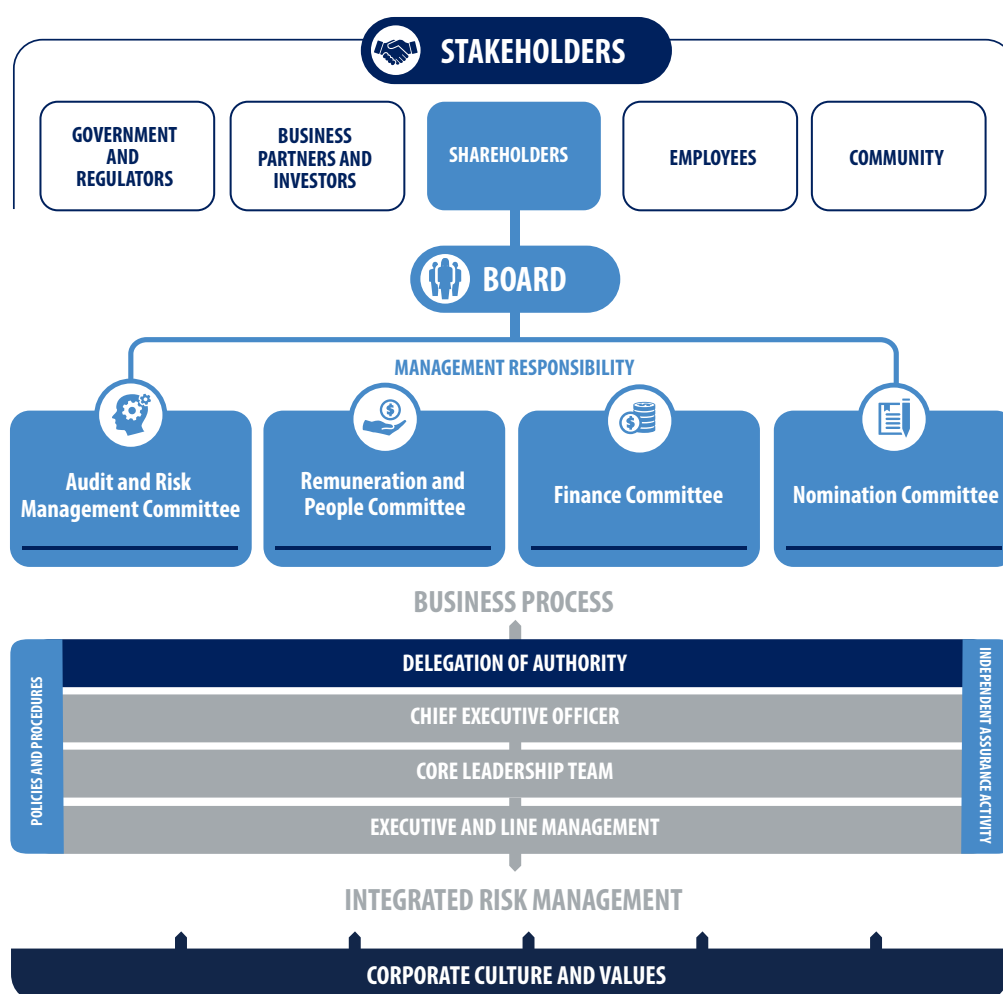
## Governance

Good corporate governance is critical to the long term, sustainable success of Fortescue. It contributes to value creation and positive outcomes for all stakeholders. Fortescue's approach to corporate governance is explained in the Corporate Governance Statement FY19, available from the Company's website at [www.fmgl.com.au](http://www.fmgl.com.au)

Fortescue's Board has ultimate responsibility for the oversight and approval of all risk management and the Audit and Risk Management Committee (ARMC) has specific responsibility to consider human rights related risks including modern slavery.

The governance of human rights matters, including modern slavery, operates within the Company's overall governance framework, where Fortescue's Values form the foundation.

Fortescue has a dedicated Modern Slavery Steering Committee (the Committee) chaired by the Group Manager Procurement. The Committee also has senior representation from across the Company including from the Corporate Social Responsibility, Legal and Risk Management teams. The role of the Committee is to monitor and coordinate Fortescue's overall response to modern slavery including compliance with Australia's *Modern Slavery Act 2018 (Cth)* (the Act).



## Updated standard terms and conditions

Fortescue's standard terms and conditions impose minimum standards relating to ethical business practices, safety and environment. In FY19, the clause related to modern slavery was updated to align with the requirements of the *Modern Slavery Act 2018* (Cth).

In Australian Contracts the clause reads:

*The Principal works to comply with the requirements of the Modern Slavery Act 2018 (Cth) and expects the same of its contractors.*

*The Contractor warrants that:*

- (a) it investigates the risk of modern slavery within its operations, and those of its supply chain.*
- (b) it assesses and addresses risks regarding modern slavery, including implementing appropriate due diligence and remediation programs.*
- (c) it will notify the Principal as soon as possible of any confirmed instances of modern slavery and the actions undertaken by the Contractor to remedy the issue.*
- (d) it has all the necessary processes, procedures, investigations and compliance systems in place to undertake the actions in (a) – (c).*
- (e) upon request, the Contractor will provide evidence to the satisfaction of the Principal which validates the Contractor's compliance with this clause.*
- (f) upon request, the Contractor will permit the Principal's Personnel or its nominated representative/s to undertake verification activities to validate the Contractor's compliance with this clause, including access to the Contractor's premises and records as required.*
- (g) it will include a clause similar to this clause in all contracts it enters into with its suppliers.*

*In the event that the Contractor does not remedy, or provide an acceptable plan to remedy, any identified instances of Modern Slavery within the timeframe specified by the Principal, the Principal reserves the right to terminate this Agreement.*

## Modern Slavery Commitment

### Risks

Fortescue procures a range of goods and services from different countries around the world and acknowledges that modern slavery is likely to exist in its global supply chain. Instances of slavery may present in a variety of forms including forced labour, child labour, debt bondage, servitude and human trafficking.

Fortescue uses a variety of tools to assess the risk of modern slavery and broader human rights issues in its supply chain including the Global Slavery Index and specialist vendor risk software supplied by Bureau van Dijk. The Company also considers the Modern Slavery Statements of suppliers where available.

Fortescue has determined that the following goods and services within its supply chain represent a higher risk of modern slavery:

- Goods produced in higher risk countries
- Cleaning and catering
- Construction
- Shipping
- Electronics
- Garments, in particular branded clothing
- Labour hire and contract workers.

### Our approach

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

Fortescue's management of Modern Slavery falls within its overall approach to protecting human rights. The foundation documents for human rights protection are the Company's Code of Conduct and Integrity and Human Rights Policy.

These documents outline the Company's approach to establishing the essential standards of personal and corporate conduct and the behaviour expected of everyone who works for or with Fortescue including directors,

employees, contractors, suppliers and business partners. These documents outline requirements on forced labour and slavery within supply chains.

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

Through contractual arrangements and procurement standards, consultants, agents, contractors and suppliers are required to comply with the Code of Conduct and Integrity and Human Rights Policy in all their dealings with Fortescue. The Company's standard terms and conditions also require that minimum standards in environmental, ethical, health and safety measures are met.

These standard terms and conditions include a specific clause on modern slavery, which was updated in FY19. Further details are provided in the case study on this page.

Fortescue's supplier due diligence process is initiated by performing a risk assessment of suppliers prior to onboarding or contract award. The risk assessment is performed by Bureau van Dijk's specialist vendor risk software which undertakes a number of assessments including checking the supplier, its directors and related companies against a suite of international and government databases for human rights and other ethical supplier related violations including bribery and corruption. Once the supplier has passed the initial risk assessment and has been onboarded, this software continuously monitors the supplier over the term of their contract for any new risks or issues that may arise. Fortescue is automatically alerted of any new risks or issues associated with these parties.

In 2018, Fortescue expanded the application of the risk software to business counterparties. This approach enables the Company to also work with business counterparties to eradicate modern slavery.

In FY19, no suppliers deemed as 'high' risk via the specialist vendor risk software were onboarded as suppliers.

## Key FY19 actions

### In FY19, Fortescue developed a strategy to strengthen the Company's approach to modern slavery.

The strategy is aligned with the Act and focuses on working collaboratively with suppliers. Key components of the strategy implemented in FY19 include amendments to the Company's standard terms and conditions and replacing the previous requirement for suppliers to sign a statutory declaration regarding their commitment. In addition, the Company communicated with all current suppliers to advise of the Company's requirement that suppliers implement processes that align with the Act.

Fortescue also revised its approach to identify and manage higher risk suppliers and implemented a training program for all Australian based procurement staff and specialists working in this area.

#### Training

Fortescue's modern slavery training program includes a description of the forms of modern slavery, describes the obligations of companies under the Act and a section on the 'red flags' that may indicate modern slavery and actions to take in these circumstances. The training of overseas based employees will be undertaken in early FY20 and will also be offered to suppliers. The training program includes test questions to measure the effectiveness of the training program.

#### Collaboration

A coordinated approach between government, businesses, civil society and the general community is needed if modern slavery is to be eradicated from global supply chains. During FY19, Fortescue continued to provide opportunities for suppliers to attend information sessions on modern slavery. This included a session presented jointly with the Walk Free Foundation and a presentation by the Global Compact Network Australia (GCNA).

In FY18, Fortescue and peer organisations met numerous times on an informal basis to share information

on modern slavery initiatives. From these initial interactions, the WA Modern Slavery Collaborative Group was formed to provide a forum for Western Australian based companies to share knowledge and learnings on modern slavery. The group's membership is centred around the resources, energy and extractives sectors, with Fortescue taking a lead role in the group.

In FY19, the group developed a standard Self-Assessment Questionnaire (SAQ). The questions will provide a mechanism for companies to assess their suppliers and has been drafted in a manner that will assist suppliers in meeting their requirements.

Fortescue had developed its own SAQ but has postponed the release until the standardised SAQ was approved by the group. Part of the reason behind this was to lessen the burden of completing these types of questionnaires for suppliers.

In addition to being a lead participant in the WA Modern Slavery Collaborative Group, Fortescue continued to collaborate with the following key groups:

- Global Compact Network Australia (GCNA)
- Corporate Business Integrity Council
- Bali Process Government and Business Forum
- Department of Home Affairs
- Walk Free Foundation.

#### Global Compact Network Australia

Fortescue is a signatory to the United Nations Global Compact (UNGC), the world largest corporate sustainability initiative, and reports annually on the Company's progress towards the implementation of the UNGC principles.

Fortescue is an active participant in the Australian Chapter of the UN Global Compact for Business Network, Global Compact Network Australia

(GCNA) and is a member of the GCNA's Modern Slavery Community of Practice (COP). The COP's goal is to work together to solve problems, share knowledge, cultivate best practice and foster innovation.

#### Corporate Business Integrity Council

Fortescue is an active participant in the Corporate Business Integrity Council. The group meets quarterly to share information and discuss issues including 'international best practice' on human rights and anti-bribery and corruption matters.

#### Bali Process Government and Business Forum

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

Fortescue acknowledges the key role that civil society plays in modern slavery in particular through the expertise they can offer in the identification, remediation and support for survivors. In FY20, Fortescue will work to increase engagement in this area.

#### Risk assessments

During FY19, Fortescue's risk assessments focused on those suppliers that the Company has a direct contract with (Tier 1 suppliers). While this will continue to be the focus in FY20, Fortescue will commence work with these suppliers to investigate beyond Tier 1, particularly in the areas identified as higher risk.

Fortescue also undertakes in-country risk assessments before investing in a particular country to ensure the level of human rights risk, including the risk of modern slavery is well understood.



## Grievances and remedy

Fortescue has a number of mechanisms for employees and third parties to make complaints or to report suspected or actual illegal activity or breaches of Company Policy, including the Company's Code of Conduct and Integrity and Human Rights Policy. Employees and third parties are able to report anonymously via an externally operated Whistleblower system through an online portal, phone or email.

Each Whistleblower disclosure received is investigated and reported to the Core Leadership Team.

The instances and outcomes of the Whistleblower investigations are reported to ARMC, on behalf of the Board. No modern slavery related complaints were received via the Whistleblower hotline in FY19.

Fortescue's external grievance procedure ensures all grievances are managed in a systematic, fair, timely and transparent manner.

Fortescue recognises that it has a role to play in remediation where it is identified that the Company's actions may have caused or contributed to an instance of modern slavery.

## Looking forward

### Fortescue's Modern Slavery Steering Committee has set the following priorities for FY20:

#### Training

Ongoing training of employees and suppliers to assist building capability.

#### Collaboration with industry

Continue to engage with government, suppliers and industry peers including through key groups such as the WA Modern Slavery Collaborative Group and the GCNA COP.

#### Collaboration with civil society

Work to establish relationships with civil society including non-government agencies and community groups.

#### Supplier assessments

Introduce the use of the SAQ and consider site visits and independent audits of higher risk suppliers.

#### Effectiveness

Further develop mechanisms to assess the effectiveness of actions undertaken.

**Global force**  
**Thriving communities**

---



**Fortescue**  
The New Force In Iron Ore