

15 March 2021

The Companies Officer
Australian Securities Exchange Ltd
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Madam or Sir,

FORTESCUE STRENGTHENS ITS TARGET FOR CARBON NEUTRALITY BY 2030

For and on behalf of the Board, Dr Andrew Forrest, Chairman of Fortescue Metals Group Ltd (Fortescue, ASX: FMG) has today announced Fortescue's target to achieve carbon neutrality by 2030, ten years earlier than the previous target.

Fortescue Future Industries (FFI), a wholly owned subsidiary of Fortescue, will be a key enabler of this target through the development of green electricity, green hydrogen and green ammonia projects in Australia.

Dr Forrest said, "We have joined the global battle to defeat climate change. We are trialling and demonstrating green hydrogen technologies in global-scale commercial environments, while also rapidly evolving into a green hydrogen and electricity producer of similar scale."

"Our commitment to demonstrate green hydrogen's economic value in world-scale operations, and become a major energy exporter, while implementing the considerable facilities to support both, means that Fortescue has emerged not simply as a thought-leader and investor, but uniquely as an executor of major green hydrogen projects."

"Our aim is to provide the two "missing links" in the climate change battle, to create both the demand and the supply of green hydrogen. Due to its high energy performance and environmental neutrality, green hydrogen and direct green electricity has the potential to eliminate fossil fuels from supply chains. Once established, these advances will also substantially reduce Fortescue's operating costs."

"Fortescue's strong focus on green energy and our carbon neutrality targets will sit alongside our continuing excellence in, and commitment to, our iron ore business. While our green energy and industry initiatives may one day significantly outscale our iron ore business due to the global demand for renewable energy, our commitment to iron ore and resources globally remains infeasible," said Dr Forrest.

Fortescue Chief Executive Officer, Elizabeth Gaines, said, “Fortescue has a proud history of setting ambitious stretch targets and we are pleased to announce this new industry-leading target, with detailed planning underway and projects identified to support our operational emissions reduction goals, building on the industry leading initiatives that have previously been announced. We are working towards decarbonising our entire mobile fleet and fixed plant through the next phase of hydrogen and battery electric energy solutions.”

Fortescue is seeking to move from being a major consumer of fossil fuel with a current trajectory of more than 1 billion litres a year of diesel being used across the operations if no remedial action is taken – to a major clean and renewable energy exporter.

FFI is advancing projects across Australia including Tasmania, to build large-scale renewable energy and green hydrogen production capacity. This will expedite the substitution of green hydrogen and green ammonia for carbon-based fuels. These projects will, with the support of Australia’s governments, contribute to a significant reduction in national carbon emissions.

Through FFI and its highly committed Operations team, Fortescue is undertaking to deliver several key projects by the stretch target of 30 June 2021. This will underpin its pathway to decarbonisation. These projects include:

- Developing a ship design powered by green ammonia and trialling that design in new ammonia engine technology, at scale
- Testing large battery technology in our haul trucks
- Trialling hydrogen fuel cell power for our drill rigs
- Trialling technology on our locomotives to run on green ammonia
- Conducting trials to use renewable energy in the Pilbara to convert iron ore to green iron at low temperatures, without coal.

Ms Gaines “Each of these projects will contribute to the world’s inexorable march to carbon neutrality. Fortescue will establish that the major steel, truck, train, ship and mobile plant industries can be operated with renewable, environmentally friendly energy. This will be possible as a result of these ground-breaking Fortescue trials. Each will be tested by Fortescue using commercial-scale equipment to prove that the demand for direct green electricity, green hydrogen and green ammonia could one day be as large as the fossil fuel industry.”

“These projects are in addition to Fortescue’s significant investment with our partners into energy infrastructure, including the Chichester Solar Gas Hybrid Project and Pilbara Energy Connect program,” Ms Gaines said.

Independent verification will be employed to monitor the Company’s march to carbon neutrality. Fortescue will also incorporate these carbon emissions targets into its formal remuneration structure, including short and long-term incentives across the Company.

Background

In June 2020, Fortescue announced an industry-leading target to achieve net zero operational emissions by 2040. This included a 26 percent reduction in Scope 1 and 2 emissions from existing operations by 2030 relative to 2020 levels.

Fortescue has now set a new target to achieve carbon neutrality by 2030, ten years earlier than its previous aim.

Emissions data and performance against targets will be reported annually as part of Fortescue's annual reporting suite. Baseline and annual emissions data will be calculated on a financial year basis.

Fortescue supports the United Nations Framework Convention on Climate Change, which mandates that individual nations take responsibility for emissions within their own borders. The Company will continue to actively engage with its customers and suppliers to encourage and facilitate the reduction of emissions in its value chain.

FFI is a wholly owned subsidiary of Fortescue that is harnessing the world's undeveloped renewable energy resources to develop green hydrogen and other green industrial products.

Yours sincerely

Fortescue Metals Group Ltd

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