

Voluntary Principles on Security and Human Rights 2011 Report to the Plenary

**March 28-29, 2012
Ottawa, Canada**

Freeport-McMoRan Copper & Gold Inc. (Freeport-McMoRan) has been a member of the Voluntary Principles on Security and Human Rights (Voluntary Principles) since it was first established in 2000. Some of Freeport-McMoRan's mines are in challenging locations where development, education levels, poverty, in-migration, diversity of culture, rapid growth and lack of government capacity have combined to create a real need for improved security and human rights programs and efforts. We appreciate all of the member organizations and dedicated individuals who have worked together to promote the Voluntary Principles.

The Voluntary Principles have been an important cornerstone of Freeport-McMoRan's human rights and security program, providing guidance for our operations as well as a mechanism to promote engagement, awareness, and respect for human rights within our employee base and with our government and community partners. Freeport-McMoRan is the world's largest publicly traded copper company, the world's largest molybdenum producer and a significant gold producer. The Company has long-lived reserves in geographically diverse operations including Indonesia, Democratic Republic of Congo (DRC), Chile, Peru and the United States. Freeport-McMoRan is also a founding member of the International Council on Mining and Metals (ICMM) and implements the ICMM Sustainable Development Framework, which includes a commitment to uphold human rights.

This report includes an explanation of changes or new developments in our human rights program as well as implementation activities in 2011. While much of the background information does not differ from previous years' reports, it is provided here for new stakeholders and members of the Voluntary Principles. Country implementation details are provided for Indonesia and the DRC, as our operations in these locations represent our most material security and human rights challenges.

In 2011, the Voluntary Principles were absolutely critical to Freeport-McMoRan, as our Company encountered a number of human rights and security incidents near our mine site in Papua, Indonesia. A three-month labor union strike resulted in a number of security incidents, damage to company assets and a protest that turned confrontational between the strikers and host government police and regrettably resulted in several injuries and a fatality. Additionally, a number of shooting incidents by unknown assailants occurred on or near our company road within the project area resulting in nine fatalities during 2011, which sadly included employees, contractors, and community members. A review of risks, engagement strategies, security strategies and a call for full investigations and justice continue to be a high priority for our management and employees as well as the entire local community throughout this difficult period.

Freeport-McMoRan also continued to support further development of the human rights and Voluntary Principles program at our mine site in the DRC. With the support of an external expert consultant, Freeport-McMoRan conducted a robust human rights and security risk assessment, training and role-playing, and review of engagement strategies.

A. 1. Statement of Commitment

In 2000, Freeport-McMoRan joined other mining and oil and gas companies, governments and human rights organizations in endorsing the joint U.S. Department of State-British Foreign Office Voluntary Principles on Human Rights and Security. Since 2000, as the Company has grown in scope internationally, it has worked closely with its affiliate sites throughout the world to assist them in the implementation of the Voluntary Principles. The Company's endorsement of the Voluntary Principles is set forth on our website and can be found at the following link: http://www.Freeport-McMoRan.com/envir/soc_hr.htm as well as in our annual Working Toward Sustainable Development report which can be found at: http://www.Freeport-McMoRan.com/envir/sus_reports.htm

Freeport-McMoRan has also incorporated our commitment to the Voluntary Principles in the Freeport-McMoRan Principles of Business Conduct (http://www.fcx.com/envir/approach_policies.htm), which are communicated to all employees. We also expect our contractors and other partners with whom we conduct business to live by the same standards.

B. Policies, Procedures and Related Activities

2. Policies, Procedures and Guidelines

Freeport-McMoRan has made strong, unequivocal commitments to human rights. These commitments are expressed in our Human Rights Policy (http://www.fcx.com/envir/approach_policies.htm), which incorporates the Voluntary Principles. The Freeport-McMoRan Human Rights Policy requires the Company and all of our contractors to conduct operations in a manner consistent with the Universal Declaration of Human Rights, to educate employees about human rights and to protect any employee who reports suspected human rights violations. With regard to employees, the policy prohibits forced and child labor, and addresses health and safety, discrimination, wages and the right to freedom of association and collective bargaining. Moreover, in the area of security, the Voluntary Principles serve as the guidelines for the Company's security programs, interactions with host government police and military personnel, and private security contractors.

The Freeport-McMoRan Human Rights Policy also recognizes that our mine sites located in developing countries manage a higher level of risk than our domestic operations, so those sites must also comply with the following standards:

- The establishment of site-specific policies and procedures consistent with the Freeport-McMoRan Human Rights Policy, in-country laws and regulations, and the Voluntary Principles;
- The appointment of a Human Rights Compliance Officer for overseeing compliance, promotion, education, training, and reporting on human rights, as well as a grievance mechanism for reporting, documenting and investigating all human rights allegations that are reported in our areas of operation;

- Periodic certification of compliance with the Freeport-McMoRan Human Rights Policy for all relevant personnel; and
- The requirement that all contractor and supplier companies abide by the Freeport-McMoRan Human Rights Policy or adopt similar guidelines and procedures designed to ensure compliance.

Overseeing the development and implementation of our policy on human rights is an internationally recognized expert, Judge Gabrielle Kirk McDonald, Iran-United States Claims Tribunal, The Hague. Judge McDonald has been a distinguished civil rights attorney, United States federal judge and President of the International Criminal Tribunal for the former Yugoslavia. She serves as Special Counsel on Human Rights to Freeport-McMoRan. In this capacity, Judge McDonald reports regularly to the Company's Board of Directors on human rights issues and developments. Our corporate team meets with Judge McDonald on a periodic basis throughout the year to conduct country briefings.

In 2011, we introduced the Voluntary Principles Implementation Guidance Tool to our sites in Indonesia, DRC and Peru to provide additional guidance and resources for our in-country teams. We also developed a corporate procedures document providing additional detail and guidance in implementation of our corporate human rights policy and the Voluntary Principles. The corporate procedures will be finalized in 2012 and rolled out to our sites. The intent of the corporate procedures is to help ensure consistency in implementation of our human rights commitments across our operations, while allowing for flexibility at the site level to account for varying risk levels and country challenges. In 2011, we also developed a sustainable development assessment tool for new projects and mine expansions, and incorporated an assessment of human rights impacts as part of the tool. We will continue to pilot the tool in 2012.

Freeport-McMoRan also joined a volunteer group of companies to help develop and pilot a set of key performance indicators (KPIs) on Voluntary Principles implementation. We believe that this process will help us to better monitor performance at our sites and drive improvement. We will be piloting the KPIs as part of our 2012 ICMM Sustainable Development Framework assurance process.

3. Risk Assessments

In 2009, Freeport-McMoRan established a sustainable development risk register process, which was implemented at our operating sites globally. Human rights are included in this register as one area for sites to assess, and any risks ranked as actionable require development of an action plan.

In 2010, we continued to improve upon our risk assessment tools for security and human rights, by continuing to engage a third-party consultant to provide training to our sites on conducting human rights and security risk assessments. In 2011, training on the risk assessment process was conducted in the second half of the year at our Tenke Fungurume Mine site in the DRC using the Voluntary Principles Implementation Guidance Tool as a reference. Actionable risks were then prioritized in the site's sustainable development risk register mentioned above.

4. Mechanism for Reporting Security-Related Incidents with Human Rights Implications

To support implementation of the Freeport-McMoRan Human Rights Policy, the Company has established Human Rights Compliance Officers for each international operating mine site whose role is to receive, document and follow up on any human rights allegations reported at their respective sites.

The role of the Human Rights Compliance Officer is communicated to community groups as well as all employees and contractors. Some sites have drop boxes available for anonymous reporting and, as part of the Freeport-McMoRan Principles of Business Conduct, anonymous compliance hotlines, managed by third parties, have been established. Human rights have also been incorporated into our corporate community grievance mechanism procedure, to ensure that there is a mechanism for reporting grievances from the community as well as our workforce. It is the role of the mine site Human Rights Compliance Officers to report any incidents, grievances, or allegations of human rights to the Freeport-McMoRan Corporate Human Rights Compliance Officer and Corporate Human Rights Legal Counsel. Security-related human rights allegations are also reported to the appropriate government institution for investigation.

5. Contracts with Private Security Providers

At our mine sites in Indonesia and the DRC, contracts with private security providers include specific language related to the Voluntary Principles. The contracts state that all security contractors are required to comply with the operation's human rights policy and the Voluntary Principles, including human rights training and the need to immediately notify the Company in the event of any human rights allegations. In 2012, contracts with our private security providers in Peru are being upgraded to incorporate specific language related to the Voluntary Principles.

6. Mechanism to Address Security-Related Incidents with Human Rights Implications

Regardless of which reporting channel is used for human rights incidents, all human rights allegations are referred to the site Human Rights Compliance Officer, who oversees the process of documenting all allegations and assigning an internal team to conduct an assessment of the allegation. The process includes an impartial and comprehensive review of all relevant facts, as well as witness interviews. The outcome of the assessment process is reported to the Corporate Human Rights Legal Counsel, Corporate Human Rights Compliance Officer, site management, the complainant, and the individual respondent. If any cases involve security-related incidents by either public or private security personnel, the Human Rights Compliance Officer and site management ensure that these incidents are reported to the appropriate government institution for investigation and disciplinary action.

7. Promoting Awareness of the Voluntary Principles Throughout Our Company

We promote awareness of the Freeport-McMoRan Human Rights Policy and the Voluntary Principles through a variety of mechanisms including training programs that reach all managers and employees on a periodic basis. In 2011 alone, for example, 98 percent of global managers certified their compliance with the Principles of Business Conduct and received refresher training, and approximately one-third of all non-management employees completed specific training on the Principles of Business Conduct. The Principles of Business Conduct Certification is required by management each year and managers and supervisors are responsible for ensuring that employees who report to them understand these Principles. In Indonesia, human rights are also promoted via various forms of media, including Company news media, posters, newsletters and other electronic and print materials. In the DRC, training on human rights has been incorporated into the new employee induction materials and refresher training modules. Human rights are also included as part of our implementation of the ICMM Sustainable

Development Framework and human rights and security risks and management plans are identified and reviewed annually by our site Sustainable Development Leadership Teams.

8. Promoting Implementation of the Voluntary Principles Internationally

Freeport-McMoRan promoted Voluntary Principles implementation internationally by actively participating in the country-level Voluntary Principles activities in Indonesia and the DRC, which are both Voluntary Principles priority countries (See Part C. Country Implementation below for more details). We also participated in a panel at a conference sponsored by American University on “Business and Human Rights in Conflict Zones,” where we discussed how Freeport-McMoRan is implementing the Voluntary Principles and human rights program in the DRC. We also participated in a human rights program benchmarking exercise being conducted by another member of the Voluntary Principles.

C. Country Implementation

Indonesia

Overview of Country Operations

Freeport-McMoRan’s foreign affiliate, PT Freeport Indonesia (PTFI), operates the Grasberg mining complex, which is one of the world’s largest single producers of both copper and gold, and contains the largest recoverable reserves of copper and the largest single gold reserve in the world. Security risks in the area stem from the presence of poverty, in-migration, limited education, separatist activists and advocates in the region, presence of illegal gold panners in the project area, and social, political and ethnic tensions within the local community and in other areas of the province. Via a presidential decree, the Government of Indonesia has identified the Grasberg mine as a “vital national asset” and has assigned host country security (police and military) to the site. In 2009, a series of shooting incidents targeting company personnel, contractors and host government security personnel occurred within the PTFI project area primarily along our remote access road and east levee; these shooting incidents have continued on a sporadic basis with the last shooting incident occurring on February 9, 2012. From the beginning of 2009 through mid-February 2012, there have been a disturbing 15 fatalities and 56 injuries from shooting incidents within our project area.

Due to the heightened security situation at PTFI, during 2011 around 1,200 host country security personnel (police and military) were assigned to the PTFI project. In addition to the public security presence, PTFI employs around 760 unarmed security personnel and 220 unarmed private security contractors and transportation/logistics consultants. This increased security presence has been necessary to enhance protection of company employees, contractors and assets, especially considering the remote and challenging terrain found in the PTFI project area.

In 2011, PTFI also experienced its first significant labor dispute, which resulted in an employee strike spanning about three months. The strike was resolved on December 14 with an agreement to increase base wages by 40 percent over two years on a compounded basis. However, during the strike there was increased tension and aggression in the community and area of operations, which included intimidation and assault of employees who attempted to report to work and other criminal acts resulting in significant damage to personal and company property. Certain striking employees and others also illegally used company machinery to destroy pipelines used for the flow of concentrate and diesel fuel.

Unrelated to the shooting incidents mentioned above, during the strike a fatality occurred as a result of a confrontation between police and strikers on October 10 and subsequently another employee injured in the confrontation died from unknown causes. These deaths are currently under investigation by the Indonesian government.

In 2011, twelve human rights allegations were reported to the PTFI Human Rights Compliance Officer. These cases did not include any allegations of human rights transgressions committed by PTFI personnel against the community, but there were a number of incidents against or among our employees. Many of these allegations (five cases) were criminal cases, four were industrial relations cases, and three were harassment cases. All cases were documented and investigated or are in the process of being investigated by the PTFI Human Rights Compliance Officer or the government authorities. Out of the five criminal cases, two cases involved allegations that public security forces physically intimidated and assaulted company or contractor personnel (both cases being PTFI guard force employees). PTFI's procedure is to notify the direct commanders of the perpetrators (at least two levels up the chain of command), who then investigate the case and determine disciplinary action (as of January 2012, disciplinary action was taken in one case and the other case is still pending). One case was also reported by a community member that related to allegation of an incident that occurred in 1977 and is currently under review.

Engagement with Stakeholders

Due to the heightened security situation at PTFI in 2011, we engaged with a number of critical stakeholders. Formal reports regarding the deaths from shooting incidents in our project area were reported to the Indonesian Human Rights Commission (Komnas HAM). A delegation from Komnas HAM also visited Timika as part of their on-going investigation into the shootings in our project area. In addition to Komnas HAM, Company representatives and about 45 concerned employees and many of their spouses met with the highest level of government authorities, including the President and relevant central government Cabinet Ministers in Jakarta. A number of meetings and visits to the PTFI operation area were provided to national, provincial and local government representatives for the purpose of raising their awareness of the significant security issues. PTFI also held a number of town hall meetings with our employees and their families to talk about the security situation, and human rights concerns were raised by our workforce community to the government in those forums.

During the strike, we also held regular meetings with community members, including tribal leaders and partnering community organizations. Our community partners were an important proponent in discouraging acts of aggression and unrest in the area. PTFI also continued to be an active participant in the Indonesia country-level Voluntary Principles roundtable dialogues. Following the confrontation between strikers and police in Timika on October 10, 2011, a meeting was held between PTFI and a number of NGO and government representatives.

The lack of progress in bringing the perpetrators to justice in all of these investigations for the past several years is frustrating to our management, our workforce and community stakeholders. We encourage support from government and NGO partners to help call for transparent investigations and an end to this hostility.

Voluntary Principles Considerations Regarding Arrangements with Private Security Providers and Public Security Forces

In 2011, we employed two private security contractors and one transportation/logistics consultant, all of whom are unarmed, to assist with protection of company assets, airport security screening and passenger/supply convoy logistics. Two of the contractors are international companies and signatories to the International Code of Conduct for Private Security Providers. Contracts with private security providers also include specific language related to the Voluntary Principles, and state that contractors are required to comply with the Company's human rights policy and the Voluntary Principles.

PTFI has also established a Memorandum of Understanding (MoU) with the police who are charged with protecting our project area. The MoU details the working relationship between the Company and the public security personnel, including areas of support, coordination and commitment to PTFI policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MoU.

From the outset of PTFI's operations, the Indonesian government has looked to PTFI to provide logistical and infrastructure support and assistance for these necessary services because of the limited resources of the Indonesian government and the remote location of and lack of development in Papua. PTFI's financial support for the Indonesian government security institutions assigned to the operations area represents a prudent response to its requirements to protect its workforce and property, better ensuring that personnel are properly fed and lodged, and have the logistical resources to patrol our roads and secure our operating area. In addition, the provision of such support is consistent with PTFI's obligations under our Contract of Work, reflects our philosophy of responsible corporate citizenship, and is in keeping with our commitment to pursue practices that will promote human rights.

PTFI's share of support costs for the government-provided security was \$14 million for 2011 and 2010, and \$10 million for 2009. This supplemental support consists of various infrastructure and other costs, such as food, housing, fuel, travel, vehicle repairs, allowances to cover incidental and administrative costs, and community assistance programs conducted by the military and police.

Outreach, Education & Training

In 2011, training on the PTFI human rights program and the Voluntary Principles was provided to over 1,500 police and military personnel. When feasible, military and police contingents receive a presentation on human rights at least two times before beginning their rotation with PTFI; once at their home base and again within two days upon arrival in Papua. Around 800 Indonesian translations of the Voluntary Principles in the form of a pocket book were also distributed to host government security personnel.

PTFI conducted over 28,500 hours of specific training on the Company's Human Rights Policy in 2011 (steady performance compared to training hours provided in 2010). Nearly 5,000 PTFI employees and nearly 7,000 contractor employees received training, as well as another 1,700 individuals representing community leaders and partner organizations, students, local contractors and police and armed forces personnel. Human Rights training is prioritized for security personnel and employees working in the areas of community, government and employee relations; however, training is not limited to those groups and is available to all departments, contractors and community partners. In 2011, PTFI incorporated human rights awareness training into the induction materials for all new employees. In addition, all PTFI security personnel and third-party security contractors have received human rights

training either by PTFI or their direct employer. Approximately 92 percent of PTFI security personnel also received refresher training in 2011.

Company Procedure to Review Progress in Voluntary Principles Implementation

Freeport-McMoRan corporate management and directors regularly review implementation of the Voluntary Principles at PTFI, which includes visits to the site and meetings with the site Human Rights Compliance Officer and site Security Managers. PTFI also continued to use an external consultant in 2011 to help review and improve training effectiveness and assess multi-media capabilities to enhance training. The consultant also helped PTFI to improve and recognize that more focus on community human rights management and training would be a benefit to the overall program.

Democratic Republic of Congo (DRC)

Overview of Country Operations

Freeport-McMoRan serves as the operator of the Tenke Fungurume Mine (TFM), whose ownership structure is comprised of Freeport-McMoRan (56%), Lundin Mining Corp (24%), and Gécamines (20%)¹. TFM's copper and cobalt mining operations, located in Katanga Province approximately 110 miles northwest of Lubumbashi, began commercial production in 2009. TFM is far removed from the conflict areas in the eastern and northeastern parts of the country, but still faces security risks, primarily posed by illegal artisanal miners present on the TFM concession.

TFM employs approximately 375 unarmed security employees and around 250 unarmed private security contractors. In addition to these security personnel, the national government has assigned approximately 100 Mines Police to the TFM concession area. The Mines Police are a division of the Congolese National Police (PNC) and are responsible for maintaining security in mining concessions throughout the DRC.

In 2011, TFM reported one human rights incident in which a member of the PNC stationed in Fungurume was seen assaulting a Zimbabwean truck driver for failing to stop at the raising of the Congolese flag. The incident was witnessed by a number of Company personnel and reported to the Human Rights Compliance Officer. TFM engaged the PNC high command in discussions regarding the incident and used the opportunity to reinforce its expectations with respect to rules of engagement. In addition, a small number of employees brought concerns to the Human Rights Compliance Officer, but these were minor issues that were redirected to Human Resources or other departments for review and resolution.

Engagement with Stakeholders

In 2011, TFM held a number of meetings to revitalize a discussion group on security and human rights with security managers from other mining companies in Katanga province, host security personnel, international organizations and NGOs. The objective of this group is to hold regular meetings to discuss security issues as they relate to the mining industry, as well as to provide a forum for discussion on the Voluntary Principles. TFM is the only company in this group who is a member of the Voluntary

¹ In October 2010, Freeport-McMoRan agreed to a change in the ownership structure of the TFM project. The government of the DRC must still approve TFM's modified bylaws at which time FCX's ownership interest will be reduced to 56% prospectively.

Principles, so it is also a forum to promote awareness of the Voluntary Principles with non-members. In early 2012 this group hopes to identify a facilitator from the NGO sector.

TFM also participated in the DRC country-level Voluntary Principles meetings held in Kinshasa to share resources and discuss with other members steps that can be taken to promote the Voluntary Principles in-country. Throughout the year, TFM also held meetings with local government and community leaders where security and/or human rights issues were raised. TFM also engaged with a local human rights NGO regarding questions and concerns raised about the Company's resettlement program and community consultation process.

Voluntary Principles Considerations Regarding Arrangements with Private Security Providers and Public Security Forces

In 2011, TFM contracted two private security contractors. One of the contractors was newly assigned to the TFM mining concession and selected based on their experience working with the United Nations in the DRC. Contracts with private security providers include specific language related to the Voluntary Principles, and state that contractors are required to comply with the Company's human rights policy and the Voluntary Principles. In addition, all contract employees undergo background checks, using the same procedures as applied for TFM security personnel.

TFM has also established a Memorandum of Understanding (MoU) with the Mines Police assigned by the state to maintain public security in the TFM concession area. The MoU details the working relationship between the Company and the Mines Police, including areas of support, coordination and commitment to TFM policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MoU. TFM provides food, housing, monetary allowances and logistical support as well as direct payments to the government for the provision of the security assigned to the concession area. The total cost to TFM for this support, including in-kind support, totaled less than \$1 million in each of the years 2011, 2010 and 2009.

Outreach, Education & Training

Training and awareness on human rights is incorporated in company-wide training materials for new employees, as well as refresher training modules that reached a total of 4,092 TFM and contract employees in 2011, a significant increase from 1,325 employees trained in 2010. In addition to reporting grievances to the site Human Rights Compliance Officer, TFM also has a third-party compliance hotline that was established to allow employees access to an anonymous human rights grievance mechanism. Community grievances are recorded in the community grievance management system and any human rights issues are reported to the site Human Rights Compliance Officer. TFM has also developed a contract template that includes language on human rights to help ensure contractor awareness and implementation of the TFM Human Rights Policy.

TFM requires training on the Voluntary Principles for all new security employees as well as all security contract personnel. TFM security employees are required to receive human rights training before they begin employment. Private security contractors are also required to receive human rights training, and in 2011 TFM shared their human rights training module with the security contractors to ensure that the same level of training was provided. TFM, as a private company, is not authorized to conduct formal training of state employees or governmental representatives, which includes government security personnel. However, at the request of the commander of the National Mines Police assigned to the TFM Concession, TFM has conducted presentations to promote and share information regarding the

Voluntary Principles to Mines Police personnel. TFM is currently in discussions with MONUSCO (United Nations Stabilization Mission in the DRC) to explore opportunities for additional human rights training for public security personnel assigned to the TFM concession area.

Company Procedure to Review Progress in Voluntary Principles Implementation

Freeport-McMoRan corporate management and directors regularly review implementation of the Voluntary Principles at TFM, which includes visits to the site and meetings with the site Human Rights Compliance Officer and site Security Manager. In 2011, TFM also worked with an external consultant to help assess the TFM human rights and Voluntary Principles program and assist with development of the program. Work focused on conducting a security and human rights risk assessment using the Voluntary Principles Guidance Tool, training including scenario role-playing with site management, and recommendations for improving engagement strategies with public security forces.

D. Lessons and Issues

Freeport-McMoRan experienced a number of lessons learned across our operations in 2011, including:

- There is a need for additional external resources to help with Voluntary Principles promotion and training when the Company is facing heightened security risks. When managing a crisis situation, site resources are stretched when providing training, especially when there is an influx and turnover of host government security personnel throughout our project area.
- Training needs to be developed at the site level and fit the local culture. Role-playing using practical situations increases understanding of the Voluntary Principles and improves implementation. The focus of many of our Voluntary Principles activities and training has been on our own company security employees and on host government security but more effort is needed to engage community members and to improve management of community grievances.
- Peru has a National Ombudsman organization which is staffed and trained to assist people who need assistance regarding allegations of abuse or malfeasance. In many of our countries of operation we are challenged to find locally accepted avenues to resolve allegations, however this office has a national mandate and is broadly accepted as effective and unbiased.