

## **Voluntary Principles on Security and Human Rights 2015 Annual Report to the Plenary**

**April 2016  
Bogotá, Colombia**

Freeport-McMoRan Inc. has been a member of the Voluntary Principles on Security and Human Rights (Voluntary Principles) since it was first established in 2000. 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 workforce and with our government and community partners. Freeport-McMoRan is also a founding member of the International Council on Mining and Metals (ICMM), implements the ICMM Sustainable Development Framework, which includes a commitment to uphold human rights, and is committed to implementation of the UN Guiding Principles of Business and Human Rights (UN Guiding Principles).

Freeport-McMoRan is a natural resources company with headquarters in Phoenix, Arizona. The company operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold, molybdenum, cobalt, oil and natural gas. Freeport-McMoRan is the world's largest publicly traded copper producer, the world's largest producer of molybdenum, and a significant gold, oil and natural gas producer. The company's portfolio of metal assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; significant mining operations in North and South America, including the large-scale Morenci minerals district in Arizona and the Cerro Verde operation in Peru; and the Tenke Fungurume minerals district in the Democratic Republic of Congo (DRC).

In some of these locations, weaker rule of law and high-levels of interaction with public security forces, as well as related challenges linked to education levels, poverty, in-migration and diversity of culture, have combined to create a need for improved security and human rights programs.

This report sets out new developments in our human rights programs, as well as implementation activities in 2015. While much of the background information does not differ from previous years' reports, it is provided here for new members of the Voluntary Principles and other stakeholders. Country implementation details are provided for Indonesia and the DRC, as these represent our most challenging operating environments in terms of security and human rights.

### **A. 1. Statement of Commitment or Endorsement of the Voluntary Principles**

In 2000, Freeport-McMoRan joined other extractive companies, governments and human rights organizations in endorsing the joint U.S. Department of State-British Foreign Office Voluntary Principles. As we have expanded our international footprint, we have worked closely with our affiliate operations to assist in the implementation of the Voluntary Principles. Our endorsement of the Voluntary Principles is set forth on our website ([www.fcx.com/sd/security/index.htm](http://www.fcx.com/sd/security/index.htm)) as well as in our annual Working Toward Sustainable Development report (WTSD Report) ([www.fcx.com/sd/sustain/index.htm](http://www.fcx.com/sd/sustain/index.htm)).

We have incorporated our commitment to the Voluntary Principles into our Principles of Business Conduct. The Principles of Business Conduct apply to all our employees and our Board of Directors. We also hold our contractors and other partners with whom we conduct business to the same standards, which are reflected in our Supplier Code of Conduct. Both documents can be found at: [www.fcx.com/sd/approach/policies.htm](http://www.fcx.com/sd/approach/policies.htm).

## **B. Policies, Procedures and Related Activities**

### **2. Relevant Policies, Procedures and Guidelines to Implement the Voluntary Principles**

Freeport-McMoRan maintains strong, unequivocal commitments to human rights. These commitments are expressed in our Human Rights Policy ([www.fcx.com/sd/approach/policies.htm](http://www.fcx.com/sd/approach/policies.htm)), which incorporates the Voluntary Principles. The policy was updated and approved by our Board of Directors in February 2015 to reflect our commitment to aligning our human rights due diligence practices with the UN Guiding Principles. The policy requires the company 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. The policy prohibits discrimination, forced, compulsory or child labor and human trafficking, and ensures fair working conditions, including 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, including interactions with host government police and military personnel and private security contractors. Furthermore, we expect all suppliers of goods and services to operate in accordance with this policy.

In 2015, we continued to further integrate the UN Guiding Principles into our human rights program. Verisk Maplecroft, the global risk analytics and advisory firm that facilitated our corporate-level human rights impact assessment (Corporate HRIA), which was completed in 2014, subsequently facilitated a site-level HRIA at our Tenke Fungurume Mining (TFM) operation in the DRC (TFM HRIA). TFM was prioritized for a site-level assessment on the basis that it was identified as the Company's highest ranking site for both potential and actual impacts in the Corporate HRIA.

The TFM HRIA aimed to:

- Directly consult affected stakeholders (including vulnerable groups and those who might otherwise have difficulties raising grievances)
- Validate the findings of the Corporate HRIA with respect to TFM
- Identify and prioritize any other potential and actual adverse impacts associated with TFM, as well as broader human rights dynamics
- Identify areas where TFM has opportunities to promote human rights
- Identify TFM's positive human rights impacts

The TFM HRIA involved the direct engagement of more than 70 stakeholders in and around TFM, and in the broader southeastern DRC, including:

- Employees (such as managers, workers and trade union representatives, amongst others)
- Community members (such as women's representatives, farmers, traditional leaders and doctors, amongst others)

- Third parties (such as public and private security providers, public officials and non-governmental organizations (NGOs), amongst others)

In addition, we conducted international-level stakeholder meetings aimed at verifying both the TFM HRIA methodology and the findings of the assessment. Approximately 20 entities, representing academia, investors, business partners and the NGO community, participated in these meetings.

Following the completion of the assessment, we worked with Verisk Maplecroft to develop a set of Action Plans to investigate, mitigate and/or remedy TFM's adverse human rights impacts (both actual and potential). We monitor the implementation of these Action Plans via TFM's sustainable development risk register process (see Section 3 below for further details).

The Voluntary Principles serve as a key component of our broader human rights program, which includes implementation of the UN Guiding Principles. Not all human rights issues are security issues, and not all security issues are human rights issues; it is at the nexus of human rights and security where our implementation of the Voluntary Principles resides.

We report on our human rights performance in our annual WTSD Reports. Our 2014 WTSD Report was prepared in accordance with the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines (G3 Guidelines) for the seventh consecutive year and in accordance with version 3.0 of the GRI's Mining and Metals Sector Supplement for the fifth consecutive year. A GRI content index is located on our website ([www.fcx.com/sd/sustain/index.htm](http://www.fcx.com/sd/sustain/index.htm)). We have self-declared our 2014 WTSD Report at the A+ Application Level of the G3 Guidelines. External assurance was conducted by Corporate Integrity Ltd. (Corporate Integrity) in accordance with the ICMC Sustainable Development Framework Assurance Procedure. We have applied site-level external assurance at all active mining operations since 2009. We are continuing to apply site-level external assurance at all our operations at least once every three years, and more frequently where specific operations pose higher levels of sustainability risk and/or opportunity, or where they are subject to heightened stakeholder interest. Our 2015 WTSD Report is being prepared in line with the GRI G4 guidelines and is expected to be available in the second quarter of 2016.

Our Voluntary Principles reporting (and the performance we communicate therein) is also included within the scope of our annual external assurance process. This Annual Report to the Plenary will be included in Corporate Integrity's review process for the 2015 reporting period. This external assurance process includes meetings with our security and human rights teams to review their respective programs and management systems, for example their training programs, risk mitigation plans and grievance mechanisms. The results of this process are communicated in a public assurance statement located within our WTSD Report. We also publish our Annual Report to the Plenary as part of our broader sustainability reporting ([www.fcx.com/sd/sustain/vol\\_principles.htm](http://www.fcx.com/sd/sustain/vol_principles.htm)).

### **3. Company Procedure to Conduct Security and Human Rights Risk Assessments**

Freeport-McMoRan implements a sustainable development risk register process at its mining and metals processing operations. Human rights and security are included in this process as risk areas for evaluation. Any specific risks rated as 'actionable' prompt the development and implementation of Action Plans (and the monitoring of their results).

In 2015, for example, the Action Plans resulting from the TFM HRIA were integrated into the site's risk register process. These included Action Plans relating to:

- The responsible prevention of illegal on-site mining and the mitigation of its impacts
- The conduct of public security providers on the concession
- The security of TFM's employees and contractor employees

Site-level risk registers are maintained by inter-departmental teams at the operational level. The corporate sustainable development team and senior, cross-functional corporate personnel monitor and review the site-level registers, and maintain a corporate-level risk register. The resulting sustainability focus areas highlighted in the corporate-level register, including human rights and security, are reported on in our annual WTSD Report ([www.fcx.com/sd/sustain/index.htm](http://www.fcx.com/sd/sustain/index.htm)). The 2014 WTSD report also includes an explanation of the risk register process (see page 9).

Additionally, we maintain a Project Development Sustainability Review process for greenfield or expansion projects. The process includes an assessment of risks and opportunities associated with the project, including those relating to human rights and security. This process is used to embed sustainability strategies, including strategies to ensure that we respect human rights from the earliest stages of a project.

#### **4. Company Mechanism to Report Security-Related Incidents with Human Rights Implications by Public/Private Security Forces Relating to the Company's Activities**

Freeport-McMoRan has established Human Rights Compliance Officer positions for its higher risk sites. Their role is to receive, document and follow-up on any formally or informally reported human rights allegations – including those relating to the conduct of public and private security providers. We actively communicate the role of the Human Rights Compliance Officer to community groups, as well as employees and contractors. All members of our workforce have access to the Compliance Line, an anonymous<sup>1</sup> compliance hotline managed by third parties that was established under our Principles of Business Conduct. In addition, some sites have drop-boxes available for anonymous reporting.

We have also incorporated human rights into our corporate Community Grievance Management System Procedure. This is implemented at each site to collect community grievances including those potentially related to human rights and/or security. Site-level Human Rights Compliance Officers report human rights incidents, grievances or allegations to site-level management, as well as to the corporate sustainable development group and legal counsel. Allegations linked to public security providers are reported to the appropriate government institutions for investigation. For examples of how we implemented this reporting mechanism in 2015, please see the country-level reports below in Part C.

#### **5. Company Procedure to Consider the Voluntary Principles in Entering into Relations with Private Security Providers**

Contracts with private security providers in Indonesia, the DRC, and Peru include specific language related to our corporate Human Rights Policy (and, by extension, to the Voluntary Principles). Security contractors are required to comply with the operations' Human Rights Policies, including receiving

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<sup>1</sup> Spain's Data Protection Act (Organic Law 15/1999 on the Protection of Personal Data) prohibits anonymous reporting.

human rights training and instructions to immediately notify Freeport-McMoRan of any human rights allegations.

We have also incorporated standard language on human rights into our corporate contract template. Suppliers and contractors receive, and are expected to perform in accordance with, our Supplier Code of Conduct.

To better assess potential human rights risks in our supply chain, we utilize an online due diligence system for contractors and suppliers. The system issues a risk assessment questionnaire to contractors and suppliers, which must be completed before they are approved as a business partner. The questionnaire includes questions related to a range of legal, regulatory and reputational risk areas, including human rights and security risks. New suppliers and contractors linked to locations not covered by the online system undergo manual screening by our Global Supply Chain department.

## **6. Company Mechanism to Address Security-Related Incidents with Human Rights Implications by Public/Private Security Forces Relating to the Company's Activities**

Human rights allegations, including security-related incidents, are referred to the site-level Human Rights Compliance Officer, who oversees the documentation of each allegation and assigns an internal team to assess the allegation. The process includes a comprehensive review of all relevant facts, as well as witness interviews. The outcome of the assessment process is reported to site-level management and the individual respondent. For more severe cases, such as those involving fatalities, the outcome is also reported to our corporate sustainable development group and legal counsel.

Where cases involve security-related incidents linked to public security personnel, the Human Rights Compliance Officer and site-level management ensure these incidents are reported to the appropriate government institution for investigation. Cases involving private security personnel are investigated by Freeport-McMoRan and, where culpability is found, appropriate disciplinary action is taken. For examples of how we addressed security-related incidents in 2015, please see the country-level reports below in Part C.

## **7. Examples of Promoting Awareness of the Voluntary Principles Throughout Our Company**

We promote awareness of our Human Rights Policy and the Voluntary Principles through a variety of mechanisms, including annual training for managers and periodic training for non-managers on a rotating basis. We require our managers to certify their compliance with the Principles of Business Conduct on an annual basis. In 2015, 97 percent of managers did so. Furthermore, managers and supervisors are responsible for ensuring that the employees who report to them understand these principles.

In addition, our corporate Sustainable Development Leadership Team received an update on our human rights program and the TFM HRIA. The team includes business unit presidents and senior personnel from the safety, supply chain, human resources, sales, legal, and land and water functions. It is sponsored by our Executive Vice President and Chief Administrative Officer, and is led by our Vice President of Environmental Services and Sustainable Development.

In 2015, our Cerro Verde operation in Peru provided training on the Voluntary Principles and sexual harassment to all of its security employees and 89 percent of its security contractors. All new employees at Cerro Verde also received a booklet on human rights and professional conduct. Furthermore, training was extended to members of the Peruvian National Police, who are assigned to the site in teams of 15 on a rotating basis. As a result, a total of 353 members of the Peruvian National Police were also trained on the Voluntary Principles during the course of the year. An additional 128 security contractors were assigned to Cerro Verde's expansion project in 2015. Demobilization of these security contractors was initiated in December 2015 following project commissioning.

For other examples of how we promote awareness of the Voluntary Principles, please see the country-level reports below in Part C.

## **8. Examples of Promoting and Advancing Implementation of the Voluntary Principles Internationally**

In 2015, Freeport-McMoRan participated in country-level Voluntary Principles activities in Indonesia and the DRC, which are Voluntary Principles priority countries (please see the country-level reports below in Part C).

We also participated in Voluntary Principles Working Groups and gave a peer-reviewed presentation on our implementation of the Voluntary Principles at the 2015 Voluntary Principles Plenary Meeting in London for invited governments and guests.

At the end of 2014, Freeport-McMoRan completed a term on the United States' Technical Advisory Group for the development of an International Organization for Standardization (ISO) standard for private security companies, Management System for Quality of Private Security Company Operations (ISO/PC 284). In 2015, this standard was redefined as ISO Standard 18788. This standard is under review for recognition by the International Code of Conduct for Private Security Providers' Association (ICoCA). As a formal observer to the ICoCA, Freeport-McMoRan continues to follow the progress of this review.

In 2015 we continued to participate in a Business for Social Responsibility (BSR) multi-industry human rights working group, which has provided a forum for gaining insight from companies representing multiple industrial sectors on methods for the integration of human rights due diligence into our business practices and support of our Voluntary Principles implementation.

We frequently engage with socially responsible investors on security and human rights issues, including our implementation of the Voluntary Principles. In 2015, we briefed investors on security-related human rights incidents near our operations in Indonesia and the DRC, reported on follow-up action taken and discussed approaches to migrating human rights and security risks.

As previously mentioned, we publish our Annual Reports to the Plenary on the Freeport-McMoRan public website ([www.fcx.com/sd/sustain/vol\\_principles.htm](http://www.fcx.com/sd/sustain/vol_principles.htm)).

## **C. Country Implementation**

### **Indonesia**

### ***Overview of Country Operations***

Freeport-McMoRan's Indonesian affiliate, PT Freeport Indonesia (PTFI), operates the Grasberg mining complex, which contains one of the world's largest single recoverable copper and gold reserves. PTFI has been operating in Papua, Indonesia since 1973 and implementing the Voluntary Principles there since we became a signatory in 2000. Security risks in the area stem from the presence of in-migration, separatist activists and advocates in the region, the presence of illegal gold panners in the project area, as well as social, political and ethnic tensions within the local community and in other areas of the province. The Grasberg minerals district has been designated a vital national asset by the Indonesian government. As a result, the police, and to a lesser extent, the military play a significant role in protecting our operations. The Indonesian government is responsible for employing police and military personnel and directing their operations.

In 2009, a series of shooting incidents targeting company personnel, contractors and public 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 occurring on January 9, 2014. To date, no one person or group has claimed responsibility for the shootings and investigations by the Indonesian authorities remain ongoing.

On January 1, 2015 a shooting incident occurred in the highlands village of Utikini, near the company's mine site town of Tembagapura, killing two members of the Indonesian police's Mobile Brigade and one PTFI security employee. The police arrested two men and as a result of this incident, the police closed off access to illegal panning areas in the village and evicted non-resident panners from the area. Months after this incident, an influx of illegal panners were observed in the area that was temporarily closed off by year end 2015. This incident was also included in the 2014 report. No formal links have been made between this incident and previous shooting incidents on PTFI's roads.

From the beginning of 2009 through December 2015, there have been 20 fatalities and 59 injuries to employees, contractor employees, public security personnel, and civilians from shooting incidents within the PTFI project area, including the January 1 event described above.

Approximately 1,000 public security personnel from the police and military were assigned to the PTFI project area during 2015. In addition the PTFI Security and Risk Management Department employs approximately 710 unarmed security personnel and approximately 125 unarmed private security contractors and transportation/logistics personnel on a rotational basis. These security arrangements have been necessary to enhance the protection of our employees, contractors, and assets, especially considering the remote and challenging terrain.

In 2015, a total of 52 allegations were reported to the PTFI Human Rights Compliance Office. Of those, two were security-related or involved security personnel. One case alleged verbal harassment by union members towards a contractor who performs a security role for one of PTFI's contracted mining services firms. The second case alleged physical assault by a security employee. One of the cases was substantiated and the other inconclusive. Both have been resolved or closed.

The other 50 allegations reported to the PTFI Human Rights Compliance Office related to domestic issues, human resources, verbal harassment, physical assault, intimidation, discrimination, and a land rights claim. Twenty-six of these cases were domestic issues that did not directly involve PTFI. They illustrate that the human rights grievance system is well communicated and known, not only by employees and contractors, but also by their families and others in the project area. Regardless of the

types and credibility of these allegations, all cases reported were documented, reviewed and closed, or are in the process of being followed up by the PTFI Human Rights Compliance Office.

In an incident occurring outside PTFI's operational area in August 2015, four off-duty military personnel were involved in a dispute with local community members. The dispute escalated, and two community members were shot and killed. When the incident was reported, two of the implicated military personnel were found to be assigned to the protection of PTFI. As a result, we requested that these individuals be removed from this role. All four individuals were charged and subsequently convicted in a military court of crimes associated with the incident.

### ***Engagement with Stakeholders on Country Implementation***

We continue to engage with a number of stakeholders at the international, national and local level regarding the implementation of the Voluntary Principles and respect for human rights. During 2015, the PTFI Human Rights team held meetings with key national-level human rights NGOs, including ICE, KONTRAS, and ELSHAM. PTFI met with the Indonesian Human Rights Commission (KOMNAS HAM) on multiple occasions, both in Jakarta and in Papua Province. These meetings included both proactive engagement, as well as meetings to discuss the UN Guiding Principles, the Voluntary Principles and human rights related issues at PTFI, such as past employee strikes and customary rights. PTFI also participated in:

- A National Conference in Yogyakarta on the UN's 'Protect, Respect and Remedy' framework, which was attended by companies, academia and government representatives
- A focus group discussion on the Voluntary Principles organized by the government in Jakarta

Within and near its project area, PTFI engages with community leaders, partner organizations and local authorities by conducting presentations on PTFI's human rights program and implementation of the Voluntary Principles. In addition, PTFI security staff and Community Liaison Officers frequently meet with community members and local authorities to discuss security-related issues. These include, for example, community concerns following the January 2015 security incident in Utikini village, illegal gold panning and community transport routes. More information on outreach and training activities is presented below.

### ***Voluntary Principles Considerations in the Selection of Private Security Providers and Formulation of Contractual Agreements with Private Security Providers, as well as Arrangement with Public Security Forces***

In 2015, PTFI employed three private security contractor companies and one transportation/logistics contractor company, each of which deploys unarmed personnel to assist with the protection of company assets, airport security screening and passenger/supply convoy logistics. Contracts with private security providers state that contractors are required to comply with both our Human Rights Policy and the Voluntary Principles (including their participation in human rights training). Furthermore, new private security providers, new contractors and contractor renewals are subject to Freeport-McMoRan's online due diligence system, and are expected to comply with the company's Supplier Code of Conduct. New suppliers and contractors linked to locations not covered by the online system undergo manual screening by our Global Supply Chain department.



PTFI has also established a Memorandum of Understanding (MoU) with the Provincial Commander of the National Police, which was last revised and signed in 2013. The MoU covers a three-year term and details the working relationship between the company and the public security personnel assigned to it, such as 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 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 awareness.

PTFI's share of support costs for the government-provided security was \$21 million for 2015. The 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.

#### ***Examples of Supporting Outreach, Education and Training***

In 2015, PTFI conducted more than 22,000 hours of training on our Human Rights Policy and the Voluntary Principles. Over 2,100 PTFI employees and 7,165 contractor employees received training, as well as nearly 2,115 individuals including representatives from local communities, partner organizations, student bodies, local contractors, and the police and military.

The PTFI Human Rights team provided training on the PTFI human rights program and the Voluntary Principles to 1,008 police and military personnel (included in the total training figure above). Military and police contingents not based in Papua receive a presentation on human rights before beginning their rotation within the PTFI project area; either at their home base or upon arrival at the site. The PTFI Security Department also provided public security personnel with training on professional conduct and protocols in the PTFI project area. In addition, the PTFI Human Rights team coordinated an outdoor 'sports day' to help foster good working relationships between PTFI and the police/military. The event, which involved approximately 300 participants from PTFI and members of the police/military, was well received.

PTFI has incorporated human rights awareness training into the induction of all new employees. In addition, all private security contractor employees and 87 percent of PTFI security employees received induction or refresher training in 2015. Feedback forms and quizzes are collected after training to help the team assess training effectiveness, raise questions and give suggestions for improvement.

In 2015, the PTFI Human Rights team used banners, Voluntary Principles pocket guides and other educational items to raise employee awareness. Team members also attended mediation training conducted by the National Mediation Center in Jakarta to support grievance resolution. In addition, PTFI

conducted a number of human rights promotional activities in 2015, including human rights awareness presentations for students from elementary school to university level in Papua.

### ***Company Procedure to Review Progress on Voluntary Principles Implementation at Local Facilities***

Freeport-McMoRan corporate personnel review implementation of the Voluntary Principles at PTFI through multiple site visits and meetings with the Human Rights Compliance team, as well as its Security team. The PTFI Human Rights Compliance team also issues a monthly report to site management on human rights training activities and the status of any reported human rights grievances. As part of Freeport-McMoRan's ICMM assurance commitment (see Section B. 2. above), PTFI underwent an external assurance review by a third party, which included a review of security and human rights risk management systems.

## **Democratic Republic of Congo (DRC)**

### ***Overview of Country Operations***

Freeport-McMoRan serves as the operator of TFM, whose ownership structure is comprised of Freeport-McMoRan (56%), Lundin Mining Corp (24%), and La Générale des Carrières et des Mines (Gécamines) (20%). TFM's copper and cobalt mining operations, located approximately 110 miles northwest of Lubumbashi in southeast DRC, began commercial production in 2009. While TFM is far removed from the conflict areas in the eastern and northeastern parts of the country, there have been sporadic acts of violence in southeastern DRC where the Tenke minerals district is located. TFM currently faces a number of security and social risks, including those associated with illegal artisanal mining activity on the concession area, as well as a rapid influx of migrants looking for economic opportunities. TFM also recognizes the potential risk of instability to the north of the region impacting the concession area.

TFM employs approximately 325 unarmed security employees and 835 unarmed private security contractors. In addition to these security personnel, the national government has assigned 112 members of the 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 2015, a total of 40 allegations were reported to the TFM Human Rights Compliance Office. Of these, 13 were security-related or involved security employees, security contractors and/or host government security. Two of these cases were allegations of rape. One was a report that a minor was raped by an off-duty member of the Mines Police in Fungurume and was reported to the local police. The second case alleged rape by a group made up of two security contractors, one security employee and one member of the Mines Police. All four individuals were arrested, prosecuted and convicted by the Congolese authorities. The individual working for the Mines Police and the two Security contractors were replaced, the security employee was terminated, and we are addressing this incident with the contractor.

A third case alleged that two girls, aged 15 and 16, were seen performing household tasks at a security checkpoint. Upon investigation, it was determined that the girls were simply drawing water from a tank located by the checkpoint.

Of the remaining 10 allegations:

- Four were made by community members who claimed that they were physically assaulted, mistreated or had property seized by members of the Mines Police
- One was made by a community member who alleged that two of his relatives were injured when their motorcycle hit a road block put in place by TFM employee on the order of a member of the Mines Police
- One was made by a community member who claimed that they were denied assistance by a security employee and a member of the Mines Police after a motorcycle accident allegedly involving a TFM vehicle
- Two were made anonymously by security contractors against their employer, claiming poor working conditions
- One was made by a security employee who alleged ethnic discrimination
- One was made by a community member who was allegedly detained against his will following an accusation of theft by a TFM contractor

All of these cases have been closed (5 reported to the local Police for further investigation) and 8 of them were concluded to be unsubstantiated or inconclusive.

The other 27 allegations were reported to the TFM Human Rights Compliance Office by employees, contractors and community members related to verbal/sexual harassment, human resources, physical assault/injury, discrimination, theft, a threat and an anonymous allegation of extortion by an on-site immigration official that was determined to be inconclusive. Regardless of the types and credibility of these allegations, all cases reported were documented, reviewed, and closed, or are in the process of being followed up by the TFM Human Rights Office or investigated by government authorities.

TFM also experienced a number of incidents related to illegal artisanal mining on the concession in 2015. There were eight incidents observed by or reported to TFM personnel in 2015, which together resulted in the deaths of 11 illegal miners (including 10 deaths as a result of tunnel collapses or geotechnical instabilities, and one as a result of action by a member of the Mines Police) and non-life-threatening injuries to three illegal miners (all injured by members of the Mines Police). Half of these incidents took place in or near our operational areas, while the other half took place outside active mining areas. One of the incidents that occurred in an active mining area spilled over into the town of Tenke. It involved a large group of illegal miners who were seen carrying a body out of one of the Tenke stockpiles and vandalizing stationary mining equipment. The crowd then proceeded towards the center of Tenke and vandalized the TFM Community Liaison office. As a precaution, the Tenke pits and immediate areas were shut down until the situation calmed. As a result of this incident, the TFM Community Liaison team launched an awareness campaign targeting more than 400 community leaders, aimed at mobilizing their support behind efforts to protect the company's investments for the benefit of the local community. TFM worked with the relevant Congolese authorities to respond to each of these incidents. TFM also engages with international organizations and NGOs on these issues via a monthly, multi-stakeholder Security and Human Rights Discussion Group (see below for further details).

In addition, TFM employees and contractors have suffered injuries from attacks by trespassers seeking to steal equipment and fuel, or access mining areas for illegal mining activities. In 2015, employees and contractors incurred a total of 96 injuries after being physically assaulted by trespassers, ranging in severity from those requiring minor first aid to more serious injuries resulting in hospitalization. The

majority of the injuries (66) were incurred against unarmed security employees and security contractors while they guarded TFM personnel and assets. The other 30 injuries were suffered by employees and contractors who were attacked on the job. In addition, the Mines Police reportedly suffered 10 injuries. The growing number of attacks against TFM personnel and contractors (as well as the Mines Police) is of significant concern to both the TFM and corporate management teams. We are committed to providing a safe and secure workplace and continue to evaluate and implement measures to reduce the risks faced by our personnel, while also ensuring that our operational area remains safe and secure.

Illegal mining in the TFM concession remains a significant security risk for the site – in part due to the high quality of our ore and the proximity of the working areas to nearby populations. In addition to our established security measures, we are addressing the issue through a combination of ongoing training on the Voluntary Principles, engagement with the local community security council, and investment in economic development programs to promote long-term growth and alternative livelihoods in the community. TFM continued its partnership with non-profit organization Search for Common Ground in 2015 to address conflict drivers in the local community, including illegal mining, through a communications and engagement program. Through this partnership, participatory theater was used to promote dialogue on issues related to illegal mining and targeted over 5,000 people with 20 performances in villages throughout the concession. These performances helped build understanding of the negative impacts of illegal mining on the community, such as increased violence, and encouraged community members to develop solutions to underlying issues, such as limited opportunities for youths.

### ***Engagement with Stakeholders on Country Implementation***

TFM actively supports implementation of the Voluntary Principles at the international, national, provincial and local level. In 2015, TFM facilitated monthly meetings of a Security and Human Rights Discussion Group attended by security managers from other mining companies in southeast DRC, public security personnel, international organizations and NGOs. This group discusses security issues as they relate to the mining industry, whilst also providing a forum for discussion on the Voluntary Principles and related human rights issues, as well as the sharing of good practices and resources. TFM is one of only two Voluntary Principles member companies in this group, so it is also a forum in which we can promote awareness of the Voluntary Principles with non-members. In 2015, the group discussed a range of issues, including the growing security threat and risk of conflicts created by the presence of illegal artisanal miners around industrial mining operations.

TFM is active in the country-level implementation of the Voluntary Principles in the DRC. In 2015, TFM representatives participated in meetings hosted by the Embassy of Switzerland in Kinshasa, during which members of the Voluntary Principles shared resources and discussed steps that can be taken to further promote the Voluntary Principles in the DRC. In addition, TFM gave a presentation on its Voluntary Principles program to the Katanga Chamber of Commerce, as well as at two Initiatives for Sustainable Investment in Katanga (IDAK) plenary meetings. IDAK is a platform of mining companies, NGOs and civil society groups led by German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) that serves to promote sustainable development in the region. TFM also hosted numerous visits for local and regional stakeholders, including NGOs, to various social investment projects.

Locally, TFM participated in monthly security meetings held by the local authorities in Fungurume, where security and human rights issues are raised and discussed by local government officials and community leaders. TFM used these meetings to raise awareness about the Voluntary Principles and to

discuss more specific security-related incidents and concerns. TFM personnel also attended a seminar on sexual violence against women organized by two local human rights NGOs in Fungurume.

***Voluntary Principles Considerations in the Selection of Private Security Providers and Formulation of Contractual Agreements with Private Security Providers, as well as Arrangement with Public Security Forces***

In 2015, TFM contracted four private security companies to provide unarmed guards to support security with patrols and enhance the protection of company assets. 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. Furthermore, new private security providers, new contractors and contractor renewals are subject to Freeport-McMoRan's online due diligence system and expected to comply with our Supplier Code of Conduct. New suppliers and contractors linked to locations not covered by the online system undergo manual screening by our Global Supply Chain department.

Since 2008, TFM has been a party to an MoU with the Mines Police assigned by the national government to maintain public security in the TFM concession area. The MoU details the working relationship between TFM 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, medical services, supervised transportation, non-lethal equipment and monetary allowances 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 2015.

***Examples of Supporting Outreach, Education and Training***

Human rights content is incorporated into company-wide training materials for the induction of new employees. In 2015, this reached a total of 2,869 TFM employees and contractor employees in 2015. Overall training hours totaled over 2,420 hours. This training included TFM security employees and private security contractors.

TFM, as a private company in the DRC, is not permitted to conduct formal training of state employees or government representatives, which includes government security personnel. However, as an outcome of discussions at the Security and Human Rights Discussion Group, in 2013 the United Nations Organization Stabilization Mission in the DR Congo (MONUSCO) offered to conduct additional human rights training for public security personnel assigned to the TFM concession area. TFM asked MONUSCO to continue the training program in 2015; however, due to increased demands on MONUSCO in the southeast and limited internal capacity, they were only able to conduct one three-day 'train the trainer' workshop on 'Human rights and Enterprises'. The workshop was attended by 24 participants comprised of representatives from TFM, its private security contractors, the Mines Police and the local contingent of the PNC.

The remainder of the human rights training conducted for public security providers in 2015 was conducted by the Mines Police, who participated in MONUSCO's 'train the trainers' workshop. We will continue to request MONUSCO's support for ongoing training and are actively engaged with other members and affiliates of the Voluntary Principles to facilitate additional training. Other mining companies in southeast DRC who are not members of the Voluntary Principles also requested

MONUSCO's support for human rights training based on the training started with TFM in 2013. There is a continued need for expert human rights and security training resources in TFM's concession and beyond.

***Company Procedure to Review Progress on Voluntary Principles Implementation at Local Facilities***

Freeport-McMoRan corporate personnel review implementation of the Voluntary Principles at TFM through multiple site visits and meetings with the TFM Human Rights Compliance team, as well as the TFM Security Managers. The TFM Human Rights Compliance team issues monthly and annual reports to site-level and corporate management on human rights training activities and the status of any reported human rights grievances. As part of Freeport-McMoRan's ICMM assurance commitment (see Section B. 2. above), TFM underwent an external assurance review by a third party, which included a review of its security and human rights risk management systems. In addition, the 2015 TFM HRIA included a site-level verification of TFM's potential and actual human rights impacts, based on more than 70 stakeholder interviews. This helped test the effectiveness of our human rights management systems, including the degree to which they are addressing human rights and security issues (see Sections B.2. and B.3. above).

**D. Lessons or Issues from this Reporting Year, as well as Plans or Opportunities to Advance the Voluntary Principles for the Organization**

We continue to identify opportunities for continuous improvement in our implementation of the Voluntary Principles. At PTFI, proactive engagement with national- and regional-level stakeholders (including NGOs) in 2015 helped to increase awareness of the human rights and security issues and challenges around our operations, and to identify areas for potential partnership and collaboration. We look forward to further developing these opportunities in 2016.

In the DRC, we are conscious of the need for increased human rights training for the Mines Police personnel assigned to our concession area. MONUSCO was unable to provide the level of training we had requested and we are monitoring the effectiveness of the 'train the trainer' workshop. We will continue to seek MONUSCO's support in 2016 and to actively look for other appropriate training experts for collaboration.

In 2016, we plan to continue our active participation in the implementation of the Voluntary Principles at the country-level in DRC, Indonesia and Peru. In addition, we plan to further harmonize our implementation of the Voluntary Principles with our broader human rights strategy as we continue to implement the UN Guiding Principles.