

2019

OECD STEP 5 DUE DILIGENCE REPORT





OUR APPROACH

Freeport-McMoRan Inc. (Freeport-McMoRan, FCX or the company) is a leading international mining company with headquarters in Phoenix, Arizona. FCX operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. FCX is one of the world's largest publicly traded copper producers. Our portfolio of assets includes the Grasberg minerals district in Indonesia (PT Freeport Indonesia or PT-FI), one of the world's largest copper and gold deposits; and significant mining operations in North America and South America, including the large-scale Morenci minerals district in Arizona and the Cerro Verde operation in Peru.

Freeport-McMoRan is committed to being a leading responsible copper producer – integrating sustainability in everything we do, everywhere, every day. We do this by identifying the commitments that will move the industry forward and enable us to make meaningful advancements at our operations and in our supply chains, such as the United Nations Guiding Principles on Business and Human Rights and the Voluntary Principles on Security and Human Rights. We also have endorsed and supported the Extractive Industries Transparency Initiative since 2008 and are a founding member of the International Council on Mining and Metals (ICMM). We report on these commitments in our [Annual Report on Sustainability](#) and maintain up to date information on each on our website.

We have long held Anti-Corruption and Human Rights policies and programs in place globally. In 2019, we adopted and published our new [Responsible Sourcing of Minerals Policy](#) (the Policy), which commits the company to identifying and mitigating human rights violations in our supply chain of minerals and metals used in our downstream processing facilities. The Policy describes how we are implementing the Organization of Economic Co-operation and Development Guidelines on Mineral Supply Chains in Conflict-Affected and High-Risk Areas (the OECD Guidelines) in our supply chains of minerals and metals. The OECD Guidelines are critical to addressing the requirements of the London Metals Exchange Policy on Responsible Sourcing announced in October 2019, where we trade several of our products. Implementing the OECD Guidelines is also a requirement of the ICMM Mining Principles, the Copper Mark and the Responsible Minerals Initiative (RMI) Cobalt Refiner program.



For more information on our company and its assets, please see our [website](#). To learn more about our policies please visit our [Governance page](#).

Our Kokkola cobalt refinery in Finland has had a Responsible Sourcing of Minerals program in place for several years, and in 2019 become recognized as a Conformant Cobalt Refiner by the RMI. This recognition provides assurance that our cobalt sourcing aligns with the OECD Guidelines and allows our customers to rely on our products. It also provides an opportunity for our customers to extend this chain of responsibility downstream to the final consumer product.

In 2019, we began extending this focus to the other minerals and metals we produce, with a first priority on our two copper smelters in Huelva, Spain, (pictured below) and Miami, Arizona. While both smelters process significant quantities of our own concentrates, they also purchase and process concentrates and other mineral-bearing materials from external parties.



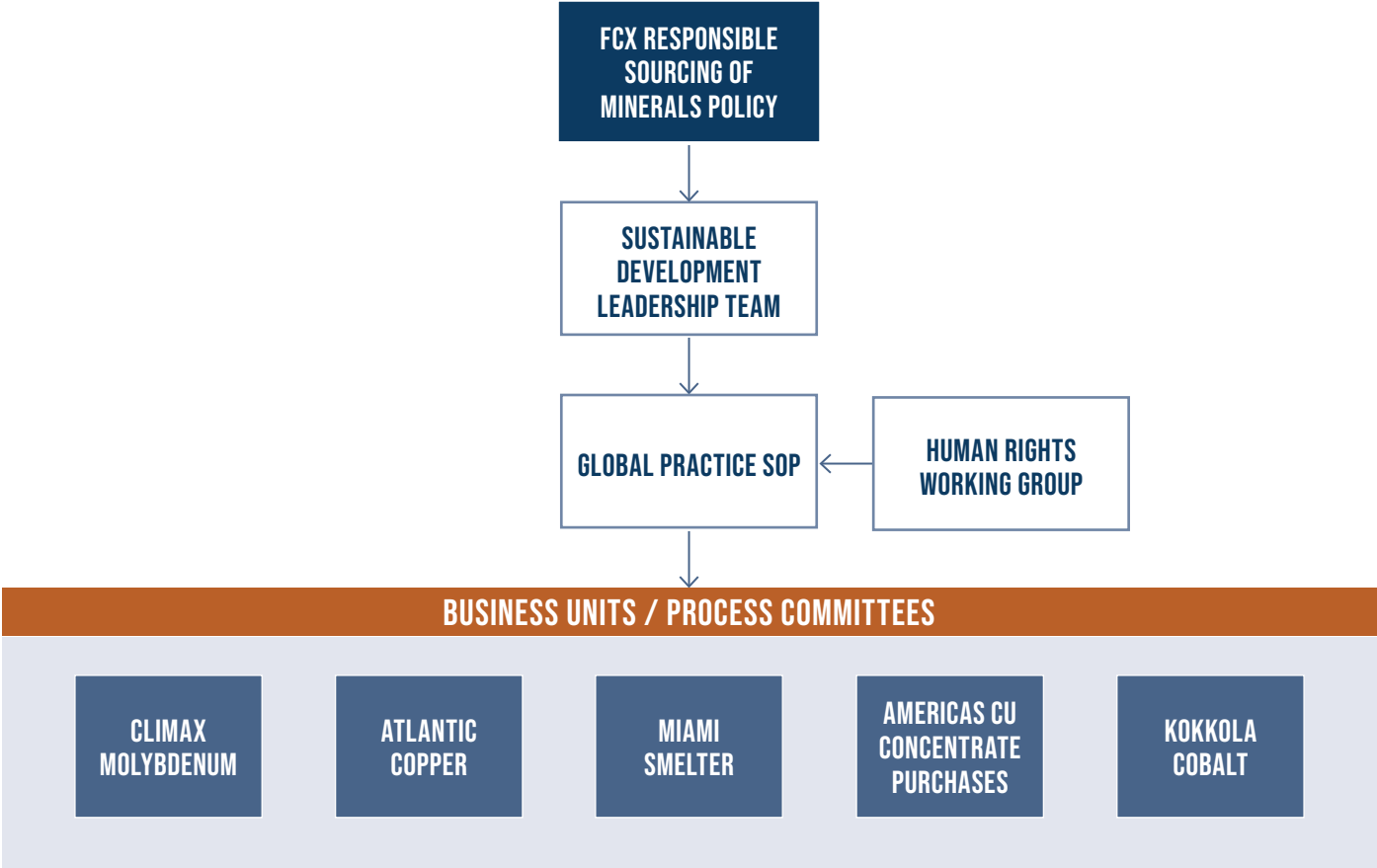
Atlantic Copper Smelter & Refinery in Huelva, Spain

Governance

The Freeport-McMoRan Board of Directors (Board) has four committees, each comprised of entirely independent directors who are responsible for providing oversight to the company’s management team on specific matters. The Corporate Responsibility Committee (CRC), on behalf of the Board, is responsible for providing oversight on social and environmental matters, including supply chain-related risks and opportunities across our business.

Our Chief Executive Officer (CEO) has ultimate responsibility for the company’s sustainability performance. The company’s Sustainability Development Leadership Team (SDLT) includes members of the management team tasked with defining the sustainability strategy broadly and implementing our policies, systems and programs across the business. The SDLT is sponsored by our Senior Vice President and Chief Administrative Officer and is led by our Vice President of Environmental Services and Sustainable Development. Other members of the SDLT include our Chief Operating Officer, business unit Presidents, and senior representatives from safety, security, supply chain, human resources, sales, legal, compliance, environmental, community and finance functions. The SDLT regularly reports to executive leadership, including our CEO and Chief Financial Officer, and members of the SDLT report to the CRC on key environmental, social and governance matters throughout the year. The SDLT regularly reviews, discusses and addresses responsible sourcing matters in its scheduled meetings.

The Policy is signed by our CEO, implemented through our SDLT and supported by our Human Rights Working Group as indicated in the figure below. A global Standard Operating Procedure (SOP) defines the process and roles and responsibilities across the organization. Key to the implementation of the SOP is the role of Responsible Sourcing Committees within each of the business units and processes identified below. These Committees are made up of key individuals from both the business units and corporate office and meet as needed to review the outcomes of the due diligence processes outlined below.



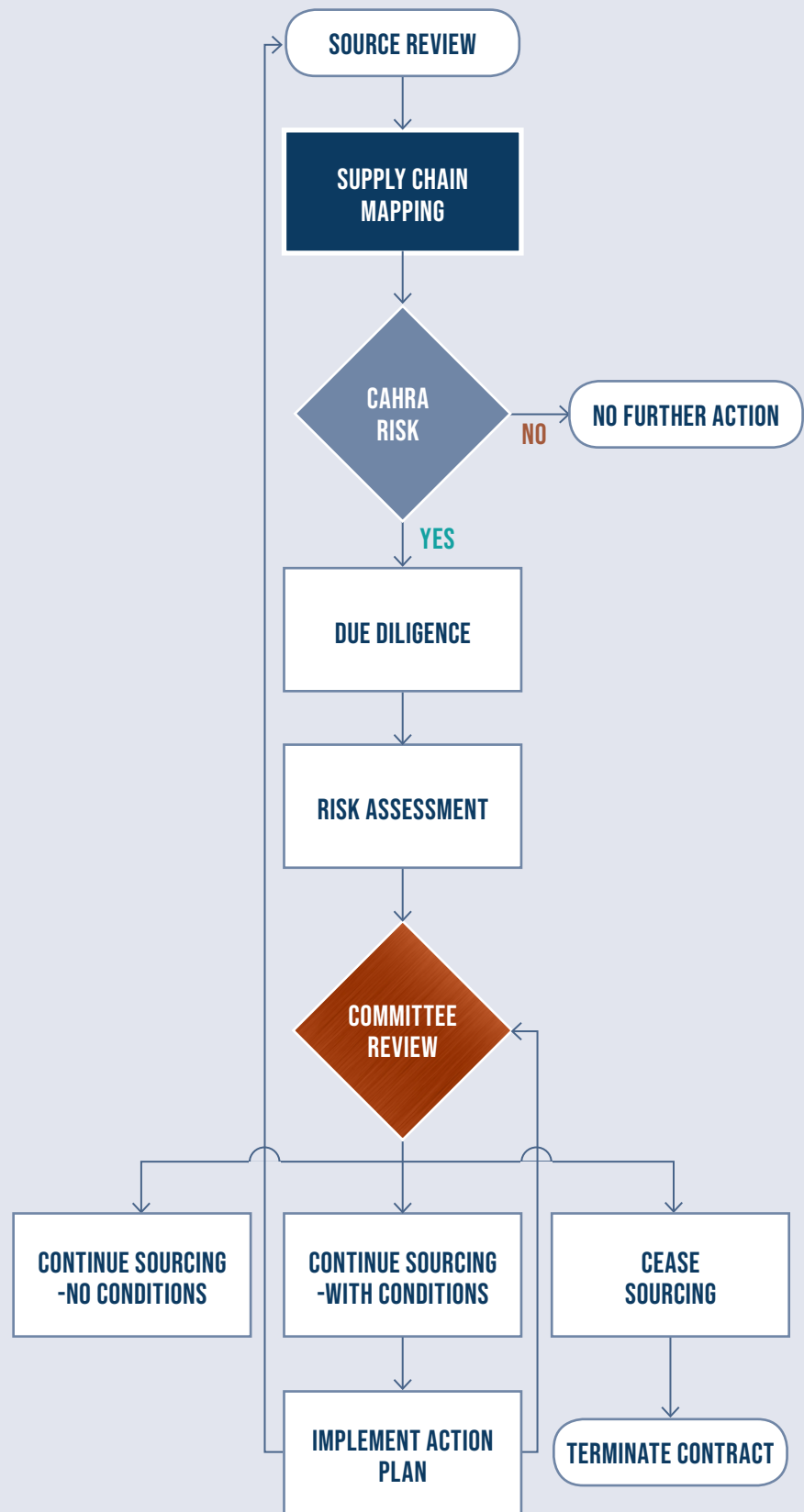
Risk Identification & Mitigation

To identify risks in our supply chain, we map and assess our incoming mineral supply chains to identify potential "red flags." A red flag can be commonly defined as locations or circumstances that serve as alerts for the possible presence of risks described in Annex II of the OECD Guidelines. These flags relate to a country or region in our supply chain (whether the source of a mineral or a transit route) being designated as a Conflict-Affected or High-Risk Area (CAHRA). A country's designation is determined through our use of a tool developed by The Dragonfly Initiative for the copper industry. The tool assesses countries and regions against a set of 10 well-known indicators related to corruption, human rights and governance, including those produced by the [Heidelberg Institute for International Conflict Research](#), [Transparency International](#) and [Worldwide Governance Indicators](#), among others. Based on these indicators, the tool identifies low-, moderate- and high-risk countries or regions within countries.

For all medium and high risks identified by the tool, we have an established process of due diligence to help us evaluate risk exposures present in our supply chain. This can include gathering data and information from public sources, specialized studies on a specific region, and direct conversations with suppliers. The applicable Business Unit Responsible Sourcing of Minerals Committee reviews the results and appropriate action is taken. Results and corresponding actions can include:

1. **Acceptable risk exposure:** continue sourcing without restrictions
2. **Moderate risk exposure:** continue sourcing with an action plan implemented in conjunction with the supplier
3. **Unacceptable risk exposure:** supplier termination or non-acceptance

Committees review progress on action plans and conduct ongoing reviews on a risk basis in an iterative manner, as illustrated in the process map to the right.



2019 Performance

COPPER

In 2019, we mapped our copper concentrate supply chains for both copper smelters and identified one high risk related to mineral origin and one related to transit that warranted detailed due diligence. The mineral origin flag was related to a small volume supplier. Subsequent due diligence led to the determination that we would no longer purchase material from this supplier. The second high risk was related to the transit route for concentrates produced in the United States and shipped through Guaymas, Mexico. In this case, our due diligence indicated the risk is related to theft of concentrates. We have been working closely with our logistics supplier to prevent theft on an ongoing basis through installation of security equipment and improved monitoring practices.

Also related to our copper operations, we purchase copper rod that contains tin for our specialty products facility in Bayway, New Jersey. The tin contained in the rod is sourced from RMI Responsible Minerals Assurance Process (RMAP) certified conflict-free suppliers.

COBALT

The 2019 results for our Kokkola cobalt refinery are available in pdf format on our [Freeport Cobalt website](#).

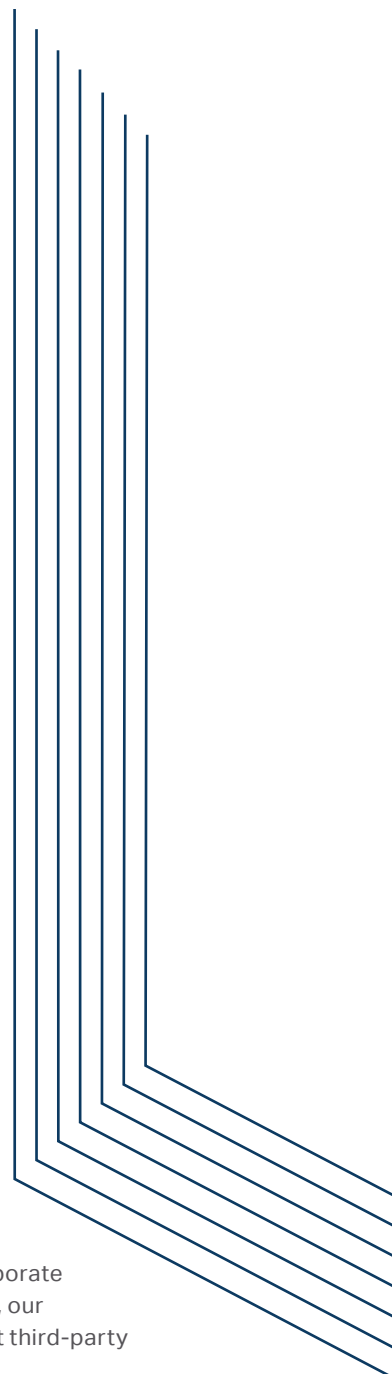
MOLYBDENUM

At our Climax Molybdenum plant in Rotterdam, we signed on to the International Responsible Business Conduct Agreement for the Metals Sector in the Netherlands. The agreement commits Climax Molybdenum B.V. to implementation of the OECD Guidelines for that supply chain in the coming years as well as collaborating across the sector in the country to encourage uptake.


ASSURANCE

Our overall approach and business unit implementations are assured through our annual sustainability assurance program by Corporate Integrity Ltd., the statement for which can be found in our 2019 [Annual Report on Sustainability](#). This process includes assurance on the program at the corporate level as well as our sites, including our mines, smelters and refineries. At our Kokkola cobalt operation, our conformance with RMI Standards and the OECD Guidelines was assessed and verified by independent third-party auditors as part of RMI's RMAP. Our [conformance status](#) is publicly listed on the RMI website.


In 2020, we will continue conducting due diligence in our copper supply chain and implementing the program in the molybdenum business. We also will roll out training on the Policy globally to help improve capacity and effectiveness of implementation.



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We Welcome Your Feedback

We would love to hear from you. Please contact us at ir@fmi.com or sustainability@fmi.com to ask questions and provide input to our company.