

## **EXPANDING RESOURCES**

2012 WORKING TOWARD SUSTAINABLE  
DEVELOPMENT REPORT



Freeport-McMoRan Copper & Gold Inc. (Freeport-McMoRan or the Company) is a leading international mining company with headquarters in Phoenix, Arizona. We operate large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. The Company has a dynamic portfolio of operating, expansion and growth projects in the copper industry and is the world's largest producer of molybdenum.

Freeport-McMoRan's portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; significant mining operations in the Americas, including the large-scale Morenci minerals district in North America and the Cerro Verde and El Abra operations in South America; and the Tenke Fungurume minerals district in the Democratic Republic of Congo (DRC).

In the second-quarter of 2013 the Company completed its three-way combination with Plains Exploration & Production Company (NYSE: PXP) and McMoRan Exploration Co. (NYSE: MMR). The transactions add a high quality portfolio of oil and gas assets to Freeport-McMoRan's global mining business to create a premier U.S.-based natural resource company. Freeport-McMoRan's portfolio of oil and gas assets include strong oil production facilities in California, a growing production profile in the onshore Eagle Ford trend in Texas, significant production facilities and growth potential in the Deepwater Gulf of Mexico and large onshore resources in the Haynesville natural gas trend in Louisiana. In addition, Freeport-McMoRan is an industry leader in the emerging ultra-deep gas trend with sizeable potential, located offshore in the shallow waters of the Gulf of Mexico and onshore in South Louisiana.

## ABOUT THIS REPORT

This 2012 Working Toward Sustainable Development (WTSD) report provides our stakeholders with summary information on our sustainability programs, including policies, systems and performance data. Additional information is located on our website at [www.fcx.com](http://www.fcx.com) including specific topical reports, performance data and fact sheets.

Data presented in the report includes the primary operations of Freeport-McMoRan's principal subsidiaries: PT Freeport Indonesia (PTFI) and Freeport-McMoRan Corporation for the period January 1, 2012 to December 31, 2012 (oil and gas assets acquired in 2013 are not included in report boundary). As a result of methodology changes or corrections, prior year data may be updated. Data presentation and comparisons may not meet the direct needs of all stakeholders, and we encourage users of this information to contact our Sustainable Development Department at [sustainability@fmi.com](mailto:sustainability@fmi.com) with inquiries about our report. We appreciate receiving feedback that will help us identify the topics that are of most interest to you and thus improve the quality of future reporting.

## Cautionary Statement

This report contains forward-looking statements in which we discuss factors we believe may affect our performance in the future. Forward-looking statements are all statements other than statements of historical facts, such as statements regarding projected production and sales volumes. We caution readers that our actual results may differ materially from those anticipated or projected in the forward-looking statements. Important factors that can cause our actual results to differ are described in Freeport-McMoRan's Annual Report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission and available on our website at [www.fcx.com](http://www.fcx.com).

## EXTERNAL ASSURANCE

Since 2005, Freeport-McMoRan has sought independent verification of its annual sustainability reports, including selected performance data, statements on processes and achievements, and conformance to the GRI guidelines. We



are implementing the International Council on Mining & Metals (ICMM) Sustainable Development Framework, including implementation of 10 Sustainable Development Principles across the Company. External assurance of our 2012 WTSD reporting was conducted by Corporate Integrity in accordance with the ICMM Sustainable Development Framework Assurance Procedure. Since 2009, site-level external assurance has been completed at all active mining operations at least once (with the exception of our Climax mine that resumed operation in 2012). We are continuing site-level external assurance at major operations at least once every three years, with more frequent assurance engagements at operations with higher sustainability risks or opportunities and increased stakeholder interests. The 2012 Assurance Statement can be found on page 32.

## GLOBAL REPORTING INITIATIVE

We are reporting in accordance with the Global Reporting Initiative (GRI) G3 reporting guidelines for the fifth consecutive year and in accordance with version 3.0 of the Mining and Metals Sector Supplement for the third time. A GRI content index is located on our website. We have self-declared this report, as well as the content referenced in the GRI content index, at the A+ level of the GRI G3 guidelines.



### Cover Photo

After significant engagement with local, regional and national stakeholders, in December 2012 we received the Environmental and Social Impact Assessment (ESIA) approval for a large-scale expansion of the Cerro Verde mine near Arequipa, Peru. Together with community partners, we are working on long-term strategies for clean water including the recent completion of a potable water treatment plant that serves over 300,000 people in the region (over 750,000 persons once at full capacity). We are also in the permitting phase for a much needed wastewater treatment facility for the city of Arequipa. Not only will the plant enhance regional water quality, but treated effluent from the plant would supplement current water supplies to support Cerro Verde's expansion project.



## **EXPANDING RESOURCES**

**FREEMPORT-McMoRAN** provides resources that fuel global growth. We explore, mine and process metals around the world that are essential to our daily lives and an expanding global infrastructure. Through attractive brownfield expansion projects, including those at Cerro Verde, Morenci and Tenke Fungurume Mining (TFM), we expect to grow copper production volumes by 1 billion pounds by 2016 to a total of 5 billion pounds per annum. With the addition of a high-quality, North America-focused oil and gas resource base, we enter a new era. Underpinning these plans for production growth and resource expansions is our commitment to join with stakeholders in working toward sustainable development.

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## MAJOR MINE OPERATIONS

	NORTH AMERICA	SOUTH AMERICA	INDONESIA	AFRICA	CONSOLIDATED TOTALS
<b>RESERVES AT 12/31/12</b>					
Cu	38.8 billion lbs	Cu 38.8 billion lbs	Cu 31.0 billion lbs	Cu 7.9 billion lbs	Cu 116.5 billion lbs
Au	0.4 million ozs	Au 1.2 million ozs	Au 30.9 million ozs	Co 0.8 billion lbs	Au 32.5 million ozs
Mo	2.7 billion lbs	Mo 0.7 billion lbs			Mo 3.4 billion lbs
					Co 0.8 billion lbs





**SUMMARY OF KEY ECONOMIC CONTRIBUTIONS BY OPERATING REGION**

For the year ended December 31, 2012 (\$ millions)	North America <sup>(a)</sup>	South America	Indonesia	Europe	Africa	Other Countries	Total
Payments to suppliers	\$3,254	\$1,613	\$1,564	\$1,201	\$547	\$19	\$ 8,198
Employee wages and benefits	1,231	488	844	48	113	3	2,727
Payments to providers of capital:							
Dividends	1,129	110	3	–	–	–	1,242
Interest	189	1	8	11	–	–	209
Payments to governments <sup>(b)</sup>	225	905	753	12	26	–	1,921
Community investments <sup>(c)</sup>	38	6	111	–	18	–	173
<b>Direct economic contributions</b>	<b>\$6,066</b>	<b>\$3,123</b>	<b>\$3,283</b>	<b>\$1,272</b>	<b>\$704</b>	<b>\$22</b>	<b>\$14,470</b>

Note: These amounts were derived primarily from Freeport-McMoRan’s publicly reported segment data. For disclosure of Freeport-McMoRan’s segment data in accordance with generally accepted accounting principles (GAAP), see pages 171-176 of our 2012 Form 10-K.

(a) Includes parent company results.

(b) Excludes employee payroll taxes, dividends, property taxes and certain other taxes, which are included in payments to suppliers and dividends. A reconciliation to the 2012 Cash Payments to Governments schedule on page 17 is available on our website.

(c) Please refer to page 23 of this report for a description of our community investments.

This 2012 Working Toward Sustainable Development report, "Expanding Resources," highlights the sustainability programs that support our increasing production profile and expanding asset base. The report describes our sustainability performance and future plans in setting priorities for our business objectives. The acquisitions of North America-focused oil and gas assets in the second-quarter of 2013 enhance the geographic and commodity diversification of our company. We continue to have a positive long-term view of the important role of natural resources in the world's economies and believe we are well-positioned to deliver positive benefits to our stakeholders.

Before discussing any other subject matter, we want to express how deeply saddened we are by the Underground QMS Training Facility tunnel collapse in May 2013 that resulted in 28 fatalities and serious injuries. The Freeport family around the world joins PTFI in grieving for our colleagues. Our thoughts and prayers remain with the families and friends of the victims and all those affected by this tragedy. We are working closely with the Government of Indonesia in supporting their investigation and have enlisted technical experts from the international mining community to assist in our internal investigation of this event so that we can ensure that it never happens again. We will keep our stakeholders informed with updates on our website as we learn more about this tragic event.

During 2012, we lost six people to work-related fatalities. Three were a consequence of a helicopter accident that has led to a full safety review of our global aviation activities. We continue to analyze causal factors of events at our worldwide operations that have the potential for fatal consequences, and we review and update associated critical controls where our findings suggest opportunities for improvement. Although our total

recordable incident rate has improved over the last six years and compares favorably with industry statistics, we have more work ahead of us to reduce injuries even further and to eliminate fatalities.

We remain concerned that shooting incidents by unknown assailants continued near our PTFI operations in 2012, resulting in three fatalities and seven injuries to contractors and Indonesian security personnel. We continue to work with government officials at local, provincial and national levels regarding the security situation, and we continue to call for impartial and independent investigations into these incidents. This heightened security situation makes our commitment to promoting and implementing the Voluntary Principles on Security and Human Rights in our daily operations all the more critical. In 2013, we plan to advance our global human rights program by conducting a corporate-level human rights impact assessment, as well as communicate clear expectations to supply chain partners through a new supplier code of conduct.

Consistent access to clean water is a critical concern of stakeholders in water-stressed regions where our operations are located, and we recognize the potential for conflict over scarce water resources. Because this requires that we use water efficiently, we have put significant resources into our global water management activities, such that recycled water now accounts for over 70 percent of our total water use. We are also developing a variety of water supply projects to facilitate the co-existence of mining, agriculture and community development. Although they require significant capital and operating costs, these projects provide benefits to local stakeholders while allowing us to continue existing operations with long-lived reserves, while enabling us to also pursue brownfield expansion opportunities.

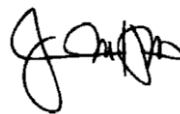
During 2012 we completed construction of a desalination plant and pipeline to supply water to our Candelaria operation in Chile. This alternative water source has eliminated the need to pump water from a local aquifer for mining operations and allowed us to transfer potable water rights for residential uses. After significant stakeholder engagement, our Cerro Verde operation in Peru has received important permits for its world-scale expansion. This operation recently completed construction of a potable water treatment plant that will serve over 750,000 people in the Arequipa region at full capacity. Additionally, Cerro Verde has committed to finance and construct a municipal wastewater treatment plant, currently in permitting, which would improve regional water quality while providing a supplemental water supply for the expansion. In the DRC and Indonesia, we continue to install clean water wells and distribution points for villages and growing population centers near our operations.

While addressing the challenges facing our operations, we are keenly aware of the many opportunities to provide value for our stakeholders. Transparency of the flow of mineral revenues is important for sustainable development, and our reporting of payments to governments promotes governance and accountability regarding revenue distribution. We continue to invest in educational opportunities focused on Science, Technology, Engineering and Math (STEM), and in the development of needed health services. We want all of our mining communities to flourish long after we complete operations and, envisioning this desired outcome helps guide our social engagement and investment decisions. Informed by robust local engagement and guided by formal criteria, we have invested over \$1 billion in local communities since 2007.

With recent independent certifications at our Climax mine in Colorado and the TFM mine in the DRC, all our operations maintain environmental management systems certified to ISO 14001 standards. We have not experienced a significant consequence environmental event at any of our operations since 2008, thereby meeting one of our most important annually recurring targets. We continue to review controls in place to prevent events that could have major environmental, safety, community, financial or reputational consequences. As we pursue expansion opportunities, our continued review of these controls remains essential to our growth objectives.

We would like to express appreciation to our global workforce whose daily commitment to safety, teamwork and productivity are key to our continued success. We also thank the Corporate Responsibility Committee of the Board of Directors and all Board members and Advisory Directors who have provided us with oversight and guidance in Freeport-McMoRan's pursuit of sustainable development.

Respectfully yours,



**JAMES R. MOFFETT**  
Chairman of the Board

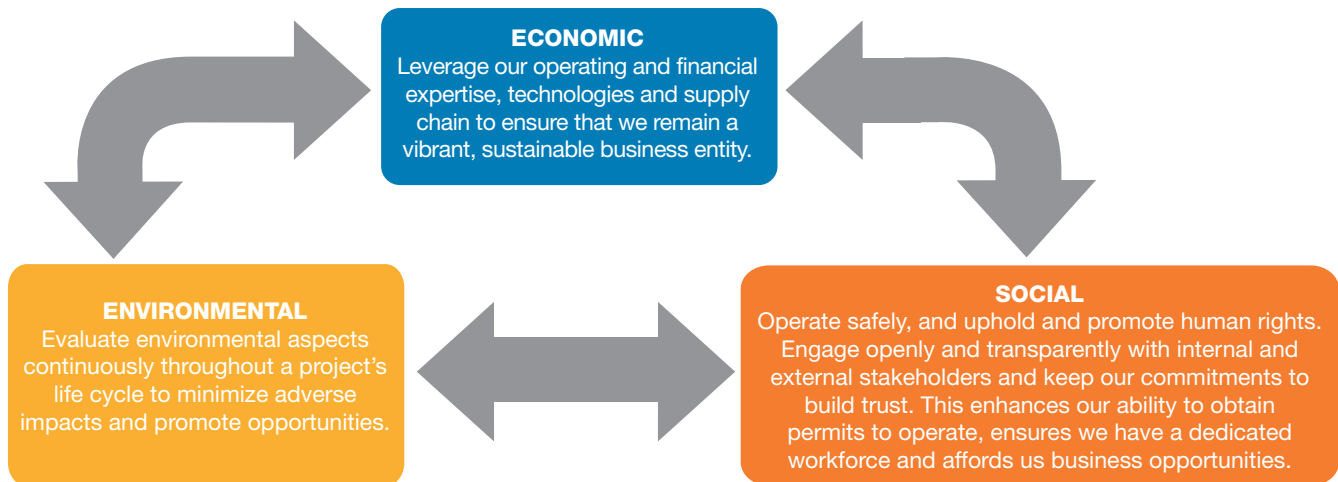


**RICHARD C. ADKERSON**  
President and  
Chief Executive Officer



July 15, 2013

The nature of our business impacts the environment and communities surrounding our operations. We mitigate impacts to the extent practicable through state-of-the-art control and remediation measures. We develop infrastructure, support health, safety and education efforts, and provide local employment and business development opportunities. The metals we produce are critical for a sustainable, healthy, energy-efficient society. To supply essential metals to current and future generations, we are guided by our stated business objectives, principles and policies, and we continuously improve our sustainable development programs. Our approach has three core elements:



**Principles of Business Conduct**

Our approach is based on the overarching values detailed in our Principles of Business Conduct, which sets forth the global system of principles that our workforce must follow in all activities — from complying with laws and avoiding conflicts of interest to developing positive relationships in local communities. In 2013, we are updating our Principles of Business Conduct to further emphasize and promote our values, clearly communicate our expectations and reflect our current business objectives in today's operating environment. We also are developing a supplier code of conduct to ensure that the same values and expectations are clearly communicated to our supply chain partners.

Our supporting policies, along with external standards and initiatives, form the overall framework that guides our sustainability programs. Supporting this framework are internal governance and management systems that provide the essential details on how we operate.

**Corporate Responsibility Committee**

The Corporate Responsibility Committee (formerly named the Public Policy Committee) of our Board of Directors is responsible for overseeing our sustainable development programs, including policies and programs related to the environment, human rights, safety and health, community

health and investment, and stakeholder and governmental relations. With an updated charter, the committee examines key performance data and receives briefings concerning challenges and emerging issues. During 2012, the Corporate Responsibility Committee received various reports and considered numerous items, including safety and occupational health programs, environmental programs, regional healthcare initiatives, worldwide social and human rights programs, community investments and political activity and spending practices. The Corporate Responsibility Committee reports to our Board of Directors, which provides global oversight on all matters, including the economic viability of our Company — the first element of our approach to sustainable development.

**Sustainable Development Leadership Team**

The Freeport-McMoRan Sustainable Development Leadership Team was established in 2011 to promote our sustainability commitments and facilitate integration into our operations. The team is sponsored by our Executive Vice President and Chief Administrative Officer, led by our Vice President of Environmental Services and Sustainable Development, and includes business unit presidents and senior personnel from the safety, supply chain, human resources, sales, compliance, finance, sustainable development and environmental functions.



In 2012, the team identified subjects and addressed work plans to enhance our sustainability performance, including:

- Further integrating the Guiding Principles for Business and Human Rights into our Human Rights policies and programs
- Developing a supplier code of conduct and a supplier due diligence tool
- Addressing downstream customer requests for sustainability information
- Leveraging expert advice to anticipate emerging issues and inform our stakeholder engagement strategies and processes
- Monitoring and responding to the interests of the socially responsible investment (SRI) community and banking institutions through frequent engagement
- Updating sustainability targets to address key challenges and opportunities

### Stakeholder Engagement

Engagement with stakeholders around key industry topics is an integral part of how we conduct our business. We believe that effective communication can help reduce sustainability-related risks and create opportunities for mutual benefit. We have been working with an external firm specializing in stakeholder engagement to strategically approach stakeholders around subjects such as revenue transparency, human rights, indigenous peoples, water resources and community development. This effort includes mapping stakeholders by subject area and geography at the international and local levels. This helps us identify the key foundations, NGOs, community leaders and other groups with whom we can interact and learn from with mutual interest.



Members of our Community Development team (above) maintain constructive dialogue with community members and civic organizations within TFM's concession.

At the corporate level, our Sustainable Development Department and senior personnel frequently engage with the SRI community and banking institutions through in-person meetings, teleconferences and surveys. In 2012, we participated in topical reports such as Oxfam's Community Consent Index and a benchmark of the Guidance on Responsible Business in Conflict-Affected and High-Risk Areas led by Calpers, PGGM and Robeco. At the operational level, we maintain 5-year community engagement and development plans that identify affected or interested parties and appropriate methods for engagement. Our local strategies for stakeholder engagement are aligned with community-related risks and opportunities identified in each operation's Sustainable Development Risk Register. We engage locally via forums including individual meetings and operations tours, workshops, participatory group panels or focus groups, town hall meetings and surveys.

### Audits / Assessments / Customer Certifications

To ensure our policy commitments and sustainability objectives are being met, we implement a combination of audit and assessment programs along with site-level assurance of the ICMM Sustainable Development Framework. Every major operation undergoes a robust internal audit of environmental, and health and safety systems at least every two years. Our operations also are routinely inspected by regulatory agencies or ministries of host governments. The health and safety management systems and environmental management systems of our sites receive independent certification to Occupational Health and Safety Assessment Series (OHSAS) 18001 and International Organization for Standardization (ISO) 14001, respectively. These systems include corrective and preventive action tracking for internal and external audit findings. To improve our performance, we have contracted experts to assess our approach regarding supply chain due diligence, energy consumption, human rights impact assessments, artisanal mining networks and community development programs.

During the last few years, including in 2012, customers have requested sustainability data or certification that we comply with certain principles or standards. Certain customers also have conducted site-level sustainability audits at TFM. Working with these customers, we have found our own Principles of Business Conduct and associated policies and practices address their expectations. Our Sustainable Development Department coordinates with our sales organization to continue to be responsive to our customers' needs and identify areas for improvement of our own sustainability programs. For example, some customers inquire about sustainability expectations in our own supply chain, which became a partial driver for developing our specific supplier code of conduct in 2013.

### Project Development Sustainability Review

Our Project Development Sustainability Review process allows us to critically consider sustainability elements of mine development or expansion projects. The process is designed to help multi-disciplined project teams identify risks, unintended consequences, trade-offs and opportunities, so they may be adequately addressed early and throughout each stage of project development. Project Development Sustainability Reviews occur at the scoping, pre-feasibility and/or feasibility stages of projects, and the process is also applicable to exploration projects. This process complements our operational Sustainable Development Risk Register procedure (discussed below).

In 2012, with multi-disciplined project teams, we implemented reviews for seven projects and are currently embedding sustainability considerations early in project plans. Examples range from strategies to reduce social impacts during a construction phase due to an influx of contractors to evaluating multiple configurations in processing facilities for optimization of energy consumption. With the support of a consulting firm, we continue to refine the Project Development Sustainability Review process based on lessons learned from its application on global projects.

### Sustainable Development Risk Register

The Freeport-McMoRan Sustainable Development framework is designed to be aligned with the ICMM Sustainable Development Framework. Our framework has evolved over the past four years and each operation varies in maturity of its implementation. Pivotal to the framework is our Sustainable Development Risk Register process which assists in prioritizing environmental, social and economic challenges and opportunities based on our views of the business and the views of stakeholders. As part of this process, local cross-functional management teams utilize a matrix with eight consequence categories ranging from community or environmental aspects, to reputational impacts.

Our corporate Sustainable Development Department works with operational management teams to review the linkages of action plans and management systems with the identification and prioritization of risks and opportunities required by the Sustainable Development Risk Register standard operating procedure (SOP). For example, during 2012 and into 2013, our corporate Sustainable Development personnel facilitated training with PTFI managers to assist in focusing the operation's sustainable development risk register on the most significant challenges and opportunities, as well as the associated connections with existing management systems. As our operations identify and track key actions and milestones towards reducing sustainability-related risks, this process enhances decision making regarding operational planning and resource allocation.



Members of PTFI's Sustainable Development Risk Register team and the corporate Sustainable Development Department meet in Timika during a third-party ICMM assurance review.

In 2012, we updated our Sustainable Development Risk Register SOP to increase our level of confidence that we are identifying and addressing key issues for our business and our stakeholders.

Changes to the SOP include:

- A streamlined assessment form with consistent definitions for sustainability topics
- The addition of a value chain category to address potential challenges or opportunities presented by downstream customers, in addition to suppliers of goods and services
- A monitoring plan component for unlikely events that have the potential for major consequences
- An action plan summary format that documents key actions/milestones with expected completion dates
- A corporate cross-functional review of Sustainable Development Risk Registers from five priority operations chosen based on level of sustainability risks, level of stakeholder interest, as well as the existing and expected production contribution to Freeport-McMoRan (currently Cerro Verde, Morenci, PTFI, Sierrita and TFM)

Sustainability focus areas identified through this Sustainable Development Risk Register process are described on the adjacent page and throughout the report. While these topics are applicable to many or all of our operations, we present specific operations where the focus area is currently of particular significance.

<p><b>Artisanal Mining</b></p>	<p>Illegal artisanal and small-scale miners (ASM) have limited equipment and expertise at operating in hazardous conditions and have the potential to create social conflict and environmental impacts, as well as placing their own health and safety at risk. <i>PTFI, TFM</i></p>	<p>p. 25</p>
<p><b>Biodiversity</b></p>	<p>We own, lease and operate large land holdings around the world including in and adjacent to areas of high biodiversity value. We manage our operations in a manner to identify impacts and, where practicable, implement actions that conserve and enhance biodiversity (including reclamation activities). <i>All Operations</i></p>	<p>p. 30</p>
<p><b>Community Engagement and Development</b></p>	<p>Our social and economic development programs are responsive to issues raised by communities, including indigenous peoples, and help us maintain good relations and avoid disruptions of operations. Nevertheless, social demands or instability in the areas of our operations may adversely impact our mining operations. <i>Cerro Verde, PTFI, Sierrita, TFM</i></p>	<p>p. 21</p>
<p><b>Corruption</b></p>	<p>As an international mining company our business may be adversely affected by issues related to corruption. Violations of anti-corruption laws could result in criminal liability, serious fines and imprisonment. Reputational harm from the violation of anti-corruption laws can be significant. <i>Cerro Verde, PTFI, TFM</i></p>	<p>p. 16</p>
<p><b>Energy Management</b></p>	<p>Energy generally represents approximately 21 percent of our consolidated copper production costs. New regulatory requirements or legislation related to greenhouse gas emissions can result in increased raw material and energy costs. An inability to procure sufficient energy at reasonable prices could adversely affect our profits, cash flow and growth opportunities. <i>All Operations</i></p>	<p>p. 26</p>
<p><b>Labor Relations</b></p>	<p>As of December 31, 2012, approximately 50 percent of our labor force was covered by collective bargaining agreements, and approximately 35 percent of our labor force is covered by agreements that will expire within one year. We are undertaking steps to engage with our employees and union leadership to successfully negotiate labor agreements recognizing that prolonged strikes or other work stoppages at our operations can adversely affect our business. <i>Cerro Verde, Operations in Chile, PTFI</i></p>	<p>p. 13</p>
<p><b>Safety and Health</b></p>	<p>Mining is an industry with inherent safety hazards and we sadly incurred six fatalities in 2012. We are working continuously to eliminate fatalities and improve safety performance at every operation. Protecting the safety, health and welfare of our workforce is a core value. <i>All Operations</i></p>	<p>p. 14</p>
<p><b>Security and Human Rights</b></p>	<p>Our operations may be adversely affected by impacts from security risks, including limitations on operational logistics. From mid-2009 through early 2013, there have been a disturbing 15 fatalities and 57 injuries from shooting incidents perpetrated by unknown assailants within our project area at PTFI. We will not tolerate human rights abuses at our operations and we continue to call for full investigations and justice. The Voluntary Principles on Security and Human Rights serve as guidelines for the Company's security programs, interactions with host government police and military personnel, and with private security contractors. <i>Cerro Verde, PTFI, TFM</i></p>	<p>p. 18</p>
<p><b>Tailings and Waste Rock Management</b></p>	<p>Managing the volume of waste rock, leach material and tailings produced in our mining operations presents significant environmental, safety and engineering challenges. We maintain large leach and waste rock stockpiles and tailings impoundments that contain viscous material, which must be monitored for structural stability. Our tailings impoundments in arid areas must have effective programs to suppress fugitive dust emissions. <i>Cerro Verde, Morenci, PTFI, Sierrita, TFM</i></p>	<p>p. 29</p>
<p><b>Water Supply and Management</b></p>	<p>We require significant quantities of water for mining and ore processing. Operations in North and South America are in areas where water is scarce and competition among users, including communities, industry and agriculture, for continuing access to water is significant. We maintain programs to use water efficiently and are advancing alternative water supply projects. Uncontrolled seepage of process-related solutions or sulfate also can cause impacts to water quality. Some mined material can generate acid rock drainage (ARD) and when properly managed, the impact from these solutions can be controlled. <i>All Operations</i></p>	<p>p. 28</p>



## PERFORMANCE TARGETS

TARGET	2012 STATUS	PERFORMANCE DESCRIPTION	TARGET DATE
<b>BUSINESS ETHICS</b>			
Annually train 90% of management and 33% of non-management employees (rotational basis) in the Freeport-McMoRan Principles of Business Conduct	X	During 2012, we exceeded our management-level training target (98% trained), however we only reached 20% of non-management employees company-wide, based on the pre-selected geographic locations for the rotation. Of those selected, 92% completed the training.	Annually Recurring*
Publish payments to host governments at all active foreign mining operations in support of revenue transparency and the Extractive Industries Transparency Initiative (EITI)	√	We annually publish all material payments to every country in which we operate (pg. 17). We also support the EITI and participate in its implementation in the DRC, Indonesia, Peru and the United States.	Annually Recurring*
With our online training module, annually train 90% of targeted employees who interact with, or have the potential to interact with, government officials on anti-corruption laws, regulations and Company policies and procedures	New Target		Annually Recurring
<b>WORKFORCE</b>			
Increase the percentage of women in our workforce, including representation in managerial roles, to 15%	Behind Schedule	Women comprise 9% of our employee population and hold 11% of managerial positions, which is relatively unchanged from recent years.	Ongoing
<b>SAFETY &amp; HEALTH</b>			
Incur zero fatalities	X	Sadly, we incurred six work-related fatalities in 2012.	Annually Recurring
Meet company-wide total recordable incident rate (TRIR) of 0.58	√	Our TRIR has improved each year since 2007 and we have met our 2012 target of 0.58.	Annually Recurring
<b>HUMAN RIGHTS</b>			
Incur zero human rights transgressions at our operations	X	In 2012, we had one human rights allegation involving a security contractor in the DRC. Although the facts and circumstances of this incident remain unclear and are under investigation by government authorities, in our desire for transparency we are taking the most conservative approach and reporting we have not met this target. Please see our Voluntary Principles report on our website for more on this allegation.	Annually Recurring
Train all new security employees directly employed at our operations in Indonesia and the DRC on the Company's Human Rights Policy and procedures	√	Human rights training was conducted for all new security employees at our operations in Indonesia and the DRC, as well as refresher training for a majority of existing security personnel. In 2012, both sites also trained all contractor security personnel.	Annually Recurring*
Implement a new human rights risk assessment process and improve training at operations in Indonesia and the DRC by 2011 and other international operations by the end of 2012	√	Human rights risk assessments were conducted at PTFI and TFM in 2011. In 2012, a human rights and security risk assessment was conducted at Cerro Verde in Peru to review any potential risk areas that may not have been previously assessed. The results of the risk assessment will drive the development of human rights training for security personnel in 2013.	2012

\* Future reporting of target will not occur as it is planned and executed as an ongoing business activity.

TARGET	2012 STATUS	PERFORMANCE DESCRIPTION	TARGET DATE
<b>COMMUNITIES</b>			
Invest (in aggregate) 1% of the average of the previous three years annual revenue, as reported in Freeport-McMoRan's audited consolidated financial statements, in community programs, including in-kind support and administration	X	In 2012, approximately \$173 million was invested in community programs across our operations, less than our 1% target of \$183 million. Contributing to the missed target were reduced sales volumes at PTFI, which impacted contributions to the PTFI Partnership Fund, and the expiration of Peru's voluntary social contribution program.	Annually Recurring
Complete third-party studies with improved methodology to evaluate direct and indirect economic impacts of all mining operations at the local, regional and country level	X	In 2013, we are conducting an economic impact study for our operations in Chile. Studies have been completed, and some periodically updated for all of our other mining operations and summary results have been communicated to key stakeholders.	2009
Develop community guidelines for exploration projects	√	Draft community guidelines for exploration projects were developed in 2012 and will be piloted at select sites.	2011
Conduct a comprehensive baseline assessment on artisanal mining in our project area in Indonesia in cooperation with host governments and community stakeholders	√	In 2012, a baseline assessment conducted by Atma Jaya Catholic University was completed in the PTFI project area. TFM also launched a baseline study in 2012 that was completed in early 2013. We are evaluating results to help develop a deeper understanding of the socioeconomic drivers and risks associated with artisanal mining, as well as possible strategies for engagement.	2011
Implement at least two new community programs that are directed at supporting the development of women	New Target		2014
<b>ENVIRONMENT</b>			
Incur zero significant environmental events (rating of three or higher on Sustainable Development Risk Register)	√	We did not incur any significant environmental event. We did have 12 spills or releases that were reportable to agencies based on applicable regulations.	Annually Recurring
Incur zero penalties more than \$100,000	√	In 2012, our operations did not incur any penalties exceeding \$100,000.	Annually Recurring
Prepare a biodiversity inventory and land management plan for all active mining operations	√	Biodiversity inventories and action plans were completed for all active mining sites in 2010 and 2011. Methodologies for incorporating this information into land use planning was completed in 2012.	2011
Operations prioritized using the Sustainable Development Risk Register process to implement a water management/conservation plan	X	Water balance models are now being used at all operations in water-stressed regions. Development of water management plans to address challenges and opportunities continues into 2013.	2012
Identify and implement one material carbon offset mitigation project in Papua, Indonesia	Target Removed	We are supporting a major hydroelectric power study in Papua that would supply renewable energy to local communities and PTFI operations. The project could allow the Company to significantly reduce direct greenhouse gas emissions from coal-fired power generation. In addition, we continue expansion of our mangrove planting programs in coordination with the indigenous Kamoro community.	N/A

Our Company is a global leader in the production of copper, gold and molybdenum. We are advancing several significant expansion projects and our exploration drilling programs continue to identify opportunities for future reserve and production growth. As we increase our worldwide copper production during the next several years, the ability to achieve our business goals depends on successfully recruiting and retaining talented employees. We offer not only competitive compensation and benefits, but also a culture of personal and professional development. We also provide employees significant technical training and business learning opportunities throughout their career progression.

**Local Hiring and Skills Development**

We make concerted efforts to hire locally for all positions, as this practice promotes understanding of local cultures and complements our long-standing commitment to community engagement and development. For example, at our largest operation, PTFI, located in the remote province of Papua, Indonesia, our policy is to prioritize the hiring of indigenous Papuans. At year-end 2012, 99 percent of PTFI employees were Indonesian and of that total, 34 percent were indigenous Papuans. At our TFM operation, 98 percent of our employees are Congolese citizens. We also employ more than 200 Native Americans at our U.S. operations.

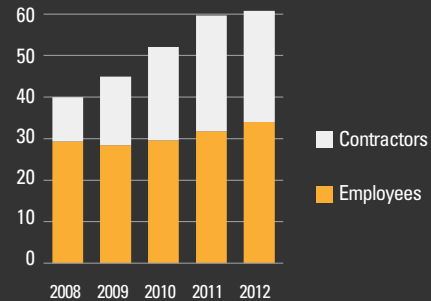


Karolina Rumaropen, an indigenous Papuan, is a Nemangkawi Mining Institute graduate. She began her career as an apprentice and is currently working as a haul truck operator with the Grasberg team at PTFI.

Training skilled employees in core competencies is critical to ensuring safety and operating efficiency in our business. In 2011, we formed the Freeport-McMoRan Mine Training Institute in southern Arizona. As the hub of our technical training program, the Institute leads the development of safety training programs and advances the skills of operation and maintenance employees which account for 80 percent of our North American mining operation employees. Before students demonstrate their ability to operate or maintain machinery in the production environment, they undergo training consisting of classroom and online instruction, hands-on labs, as well as state-of-the-art electrical and mechanical simulation.

**WORKFORCE COMPOSITION**

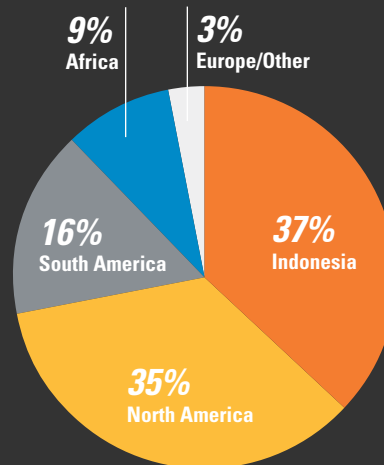
In thousands of workers as of December 31



The increase of contractors in our workforce over recent years is attributable to brownfield expansion projects and work associated with development of underground mining operations at PTFI.

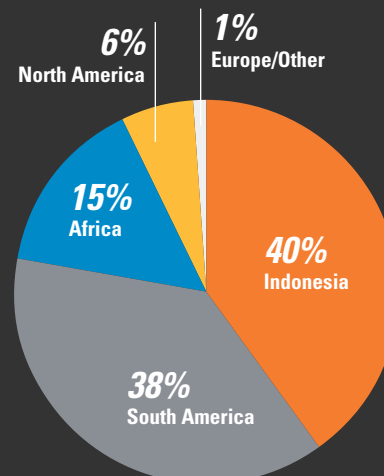
**EMPLOYEES**

Approximately 34,000 as of December 31, 2012



**CONTRACTORS**

Approximately 27,100 as of December 31, 2012





We also have established regional technical training programs that prepare local community members for careers in mining, even though trainees have no obligation to join our Company. Our Nemangkawi Mining Institute in Papua, Indonesia continued its success in 2012, having placed over 2,100 apprentices into permanent positions to date at PTFI, 90 percent of whom are indigenous Papuans.

In 2012, we launched a technical training program with the San Carlos Apache Tribe in Arizona, whose unemployment rate is near 70 percent. Our goal is to educate up to 200 Apache trainees per year. This program, the first of its kind between Freeport-McMoRan and a North American tribe, is designed to train tribal members in heavy equipment operations and industrial maintenance with the goal to increase employment opportunities. This successful partnership will be used as a model for collaboration with other tribal nations.

Our TFM operation in the DRC is engaged in efforts to develop the local workforce, including operating a community training program in welding and mechanics, recruiting student interns from local universities and technical schools and sponsoring scholarships for students. Our haul truck operator training program at our Candelaria operation in Chile is another example of how we strive to enhance employability of local community members. In 2012, 82 participants graduated from this program and 35 were hired by our operations.

Our learning and leadership development team offers courses for our global employees designed to align with Freeport-McMoRan's leadership competencies and expectations. The subject matter includes understanding key business drivers and business fundamentals, developing strategies for becoming an influential communicator and leadership development. From exploration projects to reclamation, these abundant technical and professional training courses ensure a highly-skilled, motivated workforce to help our Company reach its potential.

### Diversity

We operate in regions of varying ethnic, religious and cultural backgrounds and are generally the largest employer in local communities. The resulting diverse backgrounds and perspectives within our workforce are an asset to our business.

Women traditionally have been underrepresented in the mining sector, and we continue to seek ways to recruit and foster career development for females in our Company. We have several women in key management roles within our organization, including our Chief Financial Officer. The percentage of women represented in our Company varies across geographies, from a high of 16 percent in North America to a low of four percent in both Indonesia and the DRC. In total, women account for nine percent of our global workforce, which is below our target of 15 percent.



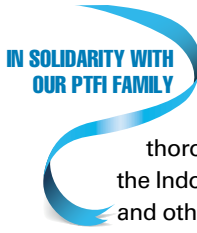
In 2012, the Freeport-McMoRan Mine Training Institute began a partnership with the San Carlos Apache Tribe to increase students' technical skills and employment opportunities. The program is helping grow a qualified workforce to support mining operations in Arizona.

In 2013, we also are continuing our focused participation in recruiting events and career fairs targeted to improve the diversity of our applicant pool and subsequent hires. We continue to invest in women's development projects that improve opportunities for an underrepresented segment of the population, which will improve the communities where we operate.

### Labor Relations

Our workforce increased to approximately 34,000 employees and 27,100 contractors by year-end 2012. Approximately 50 percent of our labor force is covered by collective bargaining agreements, and approximately 35 percent of our labor force is covered by agreements that will expire within one year. We work cooperatively with 21 unions worldwide and the largest numbers of union-represented employees are located at our operations in Indonesia, DRC, Chile and Peru. Our policy is to ensure fair treatment and work conditions for all employees, including rights to freedom of association and collective bargaining. Employees have the right to exercise freedom of association at all of our operations.

During 2011, PTFI was adversely affected by labor disruptions, including an 8-day work stoppage in July 2011 and an approximate 3-month strike that concluded in December 2011. The strike involved civil unrest, transportation blockades, sabotage of important operating facilities and violence. During the first-quarter of 2012, PTFI experienced additional work interruptions in connection with its efforts to resume normal operations and temporarily suspended operations. Operations and productivity at PTFI improved throughout 2012.



In May 2013, a tunnel collapse at the PTFI Underground QMS Training Facility resulted in 28 fatalities and serious injuries to 10 of our co-workers. This unprecedented incident is being thoroughly investigated by PTFI, international experts, the Indonesian Department of Energy and Mineral Resources and other government authorities with PTFI's full cooperation. This tragedy has brought great sadness and grief to the management and employees of PTFI, the local community, the Province of Papua and people of Indonesia, the international mining community and the global Freeport-McMoRan family. As we learn more about this tragic event, we will keep our stakeholders informed with updates on our website.

Safety is the highest priority at all Freeport-McMoRan operations. Our philosophy of "Safe Production" is demonstrated by the integration of safety practices in all aspects of our operational activities. Despite another year of improving our TRIR, we sadly incurred six workplace fatalities in 2012.

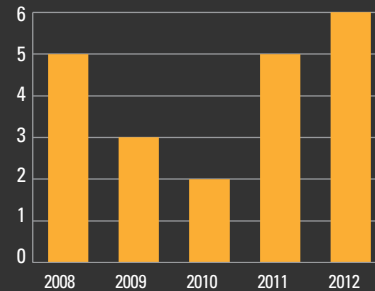
Safety is a direct-line management responsibility and is driven from the top down and implemented by a formal structure starting with our Safety and Health Policy. Our Board of Directors requires comprehensive audits to assure the safety management system is effective, weaknesses are identified, and resources are applied to achieve the Company's policy objectives. Independent health and safety audits are conducted at all sites according to the Freeport-McMoRan Health and Safety Audit Protocol, on a 2-year rotating cycle, including 13 audits in 2012. These independent audits are supplemented with ongoing internal safety audits and inspections that focus on specific hazards or on operations performing below safety targets.

Based on OHSAS 18001, our Health and Safety Management System consists of a framework for managing risks and compliance obligations. With the accreditation of TFM's health and safety management system in 2012, all of our operating sites have achieved accredited OHSAS 18001 certification.

We draw no distinction between contractors and our own employees with regard to health and safety performance reporting. In 2012, we improved our TRIR for the sixth consecutive year and met our company-wide TRIR performance target of 0.58. We worked 169 million hours in 2012 compared to 147 million in 2011, and recorded a total of 487 reportable injuries in 2012 compared to 452 in 2011. Our 2012 TRIR performance compares positively to the preliminary metal mining sector 2012 industry average of 2.21 as reported by the U.S. Mine Safety and Health Administration.

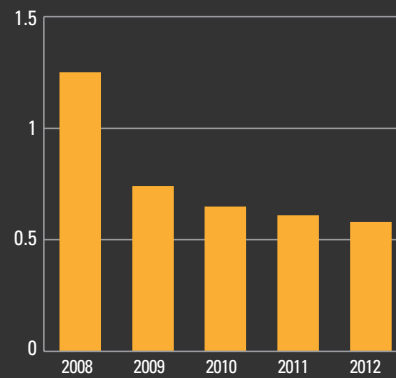
**WORKPLACE FATALITIES**

(including contractors)



**TOTAL RECORDABLE INCIDENT RATE**

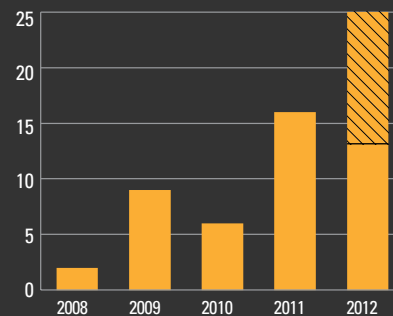
(including contractors)



$$TRIR = [(Fatalities + Lost Time Incidents + Restricted Duty Incidents + Medical Treatment) * 200,000] / Total Hours Worked$$

**OCCUPATIONAL ILLNESS CASES**

(including contractors)



12 cases were related to reports of skin irritation at the Miami operations on a single date.

## Fatality Prevention

Our continued emphasis on fatality prevention is integral to many of our activities, and it is with regret that we suffered six fatalities in 2012. Following is a brief description of each incident:

**PTFI** – A light vehicle accident occurred on a mine road resulting in a fatality.

**PTFI** – A crew using a hand-operated jackleg drill to install additional ground support bolts caused a large mass of rock to fall and strike an employee, resulting in fatal injuries.

**TFM** – A 948 knuckle crane truck that was being operated by a supervisor along a mine-controlled road veered off the roadway and struck a pedestrian walking along the road, fatally injuring her.

**Exploration (near PTFI operations)** – A contractor (Airfast) helicopter with a single pilot and two passengers did not arrive at its destination. A search revealed wreckage from the helicopter on a steep mountainside. All three occupants suffered fatal injuries.

A full root-cause analysis (RCA) has been completed for each of these events, and remedial actions and systems improvements are being implemented to reduce the likelihood of recurrence.



As a consequence of aviation-related incidents in Indonesia, a review is being conducted of all aviation safety activities. The review was conducted initially on rotary wing operations in Indonesia. The second phase will be conducted on aviation activities related to our fixed wing operations, culminating in reviews of Freeport-McMoRan's global aviation activities, practices and policies.



All Freeport-McMoRan operating sites have achieved OHSAS 18001 certification (El Abra operation near Calama, Chile shown above).

We continue to aggressively refine and improve elements of our Fatality Prevention Initiative which emphasizes identification and management of potentially fatal risks. A key component of this initiative is company-wide communication of potential fatal event (PFE) advisories, which describe in detail any incident that has occurred and had the potential for a fatal consequence. Each PFE is treated as if an actual fatality occurred and a full RCA is required. Upon completion of each RCA, a PFE Follow-up Advisory is distributed to our sites which identifies the causal factors of the incident and recommendations for preventive actions.

## Occupational Health

Freeport-McMoRan operations have a comprehensive occupational health program to assess the risk of exposure to occupational health hazards and implement adequate controls for the workforce. There were 25 occupational illness events in 2012. The increase in illness events from 2011 was partly attributable to 12 workers reporting skin irritation at the Miami acid plant on a single date. With the exception of one incident of a reportable threshold shift in an audiometric examination, all of these cases were transient and were handled as first-aid cases. Each incident was subjected to a job safety analysis by safety and health specialists to further define and promote recognition of hazards and implement controls to prevent reoccurrence where applicable.



Freeport-McMoRan is committed to the highest level of ethical and legal conduct. Our Principles of Business Conduct are a commitment to integrity and define the expected behavior of all employees and our Board of Directors. We conduct comprehensive training on our Principles of Business Conduct, including annual certification of management-level employees (98 percent trained in 2012). This process consisted of computer-based training, as well as a certification that the employee understands the Principles of Business Conduct and is not aware of any issues of non-compliance. Principles of Business Conduct training also is provided annually to approximately one-third of our non-management employees on a rotating basis by geographic location. Due to scheduled locations for 2012, only 20 percent of the non-management employees were selected to be trained. Of those employees selected, 92 percent completed the training. By the end of 2013, we are scheduled to complete our 3-year rotation at all locations. This training also is mandatory for all new hires.

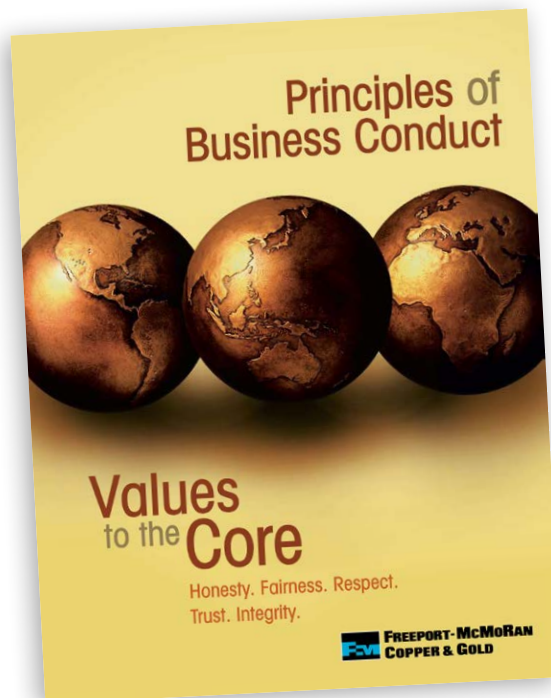
### Anti-Corruption

Corruption sometimes is widespread in local governmental systems and cultures near our operations, particularly in developing countries. We do not tolerate the offering or payment of bribes, kickbacks or other similar payments to any person or organization or governmental official to secure advantages for our business. Likewise, we will not accept any of these payments. Our Anti-Corruption Policy and Guidelines assist in ensuring compliance with the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) and other relevant anti-corruption laws, including local laws.

In the fourth-quarter of 2012, the Company updated its corporate-level Anti-Corruption Policy and Guidelines. While the core message has not changed, the updated Policy and Guidelines provide additional detail to our employees in an easy-to-read format.

During 2012, the Company also developed and implemented a new, online training module focused on the FCPA and other anti-corruption laws. The training module was issued to employees who regularly interact with government officials. Through the use of this new tool, we were able to provide focused training to over 1,850

employees at operations around the world. The online training is not meant to replace our existing classroom training programs; rather, it has been developed to supplement existing systems and extend the reach of the Company's overall compliance efforts. Going forward, we will broaden our training selection process to include additional employees within key departments and executive level groups who may interact with government officials, as well as support functions. This approach will increase the number of employees selected for the training and provide a more consistent and automated selection process.



During 2012, we held in-person classroom training at TFM for key departments, including Government Relations, Travel, Immigration and Logistics. Training also was conducted in support functions, including the Legal, Human Resources and Accounting departments along with senior management, responsible for approval procedures and internal controls. In addition, several classes were held for TFM's third-party contractors. This anti-corruption training at TFM reached more than 165 employees and contractors. The Company also conducted similar training at PTFI during 2012, reaching more than 100 employees and contractors. In-person anti-corruption training also was

conducted for the Climax Molybdenum management team and the global management team of our exploration group.

### Information and Reporting

Freeport-McMoRan maintains a Compliance Line to provide guidance and assistance to workforce members with any questions or concerns related to our Principles of Business Conduct. To encourage our workforce to raise any potential violations of business conduct, we also provide anonymous reporting through our compliance system. During 2012, 405 reports were made through the Freeport-McMoRan Compliance Line relating to various topics, including employee workplace conduct; environment, health, and safety; protecting Company assets; and conflicts of interest. All reports are investigated and, if substantiated, appropriate disciplinary action is taken, up to and including termination of employment.

## Transparency of Government Payments

In 2008, we endorsed and committed to support the Extractive Industries Transparency Initiative (EITI), which is a commitment for governments to disclose revenues, and for oil, gas and mining companies to disclose natural resource payments to governments in order to advance responsible governance and accountability. A senior Freeport-McMoRan executive serves on the EITI international Board of Directors and other employees directly participate in supporting EITI processes described below.



Because the DRC and Indonesia are candidate countries under EITI, our TFM and PTFI operations directly participate and support implementation of each country's work plan. Our Cerro Verde operation participates and supports implementation of EITI in Peru, which became a compliant country in 2012. The United States has declared that it will implement the EITI, and Freeport-McMoRan is supporting the work plan development process undertaken by the multi-stakeholder group.

Our payments to host governments via taxes, royalties and other obligations are a significant contribution to national, regional and local development. We believe that increased transparency of mineral revenues is an important mechanism to promote better governance and accountability regarding the distribution of mineral revenues. In addition to our country-level EITI commitments, our practice is to report material cash payments to governments in all countries where we conduct business, as presented in the table below.

*Our payments to host governments via taxes, royalties and other obligations are a significant contribution to national, regional and local development. We believe that increased transparency of mineral revenues is an important mechanism to promote better governance and accountability regarding the distribution of mineral revenues.*

### CASH PAYMENTS TO GOVERNMENTS <sup>(a)</sup>

For the year ended December 31, 2012 (\$ millions)	U.S.	Chile	Peru	Indonesia	DRC	Other Countries <sup>(b)</sup>	Total
Corporate Income Taxes, Net of Refunds	\$189	\$302	\$464	\$677	\$ 2	\$12	\$1,646
Withholding Taxes on Foreign Dividends	–	46	–	–	–	–	46
Employee Payroll Taxes	310	25	55	76	39	25	530
Dividends	–	–	–	–	–	–	–
Royalties and Net Severance Taxes	36	77	–	76	24	–	213
Property Taxes	82	1	–	10	–	2	95
Other Taxes and Fees	52	25	88	150	136	3	454
<b>Total</b>	<b>\$669</b>	<b>\$476</b>	<b>\$607</b>	<b>\$989</b>	<b>\$201</b>	<b>\$42</b>	<b>\$2,984</b>

(a) This schedule reflects a voluntary effort by Freeport-McMoRan to capture its material cash payments to governments (net of refunds)

(b) Represents cash payments to governments by Freeport-McMoRan's other business groups that are located outside of the countries where Freeport-McMoRan conducts its mining operations

Freeport-McMoRan does not tolerate human rights transgressions. Our Human Rights Policy requires the Company and our contractors to conduct business in a manner consistent with the Universal Declaration of Human Rights, educate and train our employees and protect any workforce member who reports suspected violations. We have established site-specific human rights policies and procedures consistent with the Freeport-McMoRan Human Rights Policy, in-country laws and regulations, and the Voluntary Principles on Security and Human Rights (Voluntary Principles).



Our site Human Rights compliance officers oversee compliance and training, as well as a grievance mechanism for reporting, documenting and following up on all human rights allegations that are reported in our areas of operations.

**Human Rights Program Update**

After joining a volunteer group of companies to develop a set of key performance indicators (KPIs) on implementation of the Voluntary Principles in 2011, we piloted the KPIs at PTFI and TFM as a self-assessment tool in 2012. Then we tasked our ICMM Sustainable Development Framework assurance provider with reviewing the KPIs and self-assessment results. We collaboratively concluded in the context of our operations that the KPIs could be used to measure maturity of site Voluntary Principles systems and implementation; however, because the tool was still in its development stage, further refinement of the KPIs would be needed to ensure they constitute effective metrics. In 2012, we also continued to implement our Project Development Sustainability Review process, facilitated by a third-party, for development or expansion projects. The review includes an assessment of risks and opportunities associated with the project, including security and human rights.

Since 2010, we have engaged a consultant to assist in improving our risk assessment tools for security and human rights by providing training on conducting specific human rights and security risk assessments. In 2012, training on the risk assessment process was conducted at our Cerro Verde mine site in Peru using the Voluntary Principles Implementation Guidance Tools as a reference. Voluntary Principles risk assessments also were conducted at our mining operations in Indonesia and the DRC by personnel that recently received training.

During 2012, we also began an overall review on how to integrate, where gaps may exist, the UN Guiding Principles on Business and Human Rights into our existing Human

Rights Policy and programs. As part of this effort, we have joined Business for Social Responsibility's (BSR) multi-industry Human Rights Working Group to gain insight from peer companies on integration of human rights due diligence into business practices as well as methods to enhance workforce and stakeholder training on human rights. We also have engaged a global consultancy to develop a custom tool for risk-based supply chain due diligence, which will include information gathering regarding human rights. Our aim is for these efforts to be further refined and informed by a company-wide human rights impact assessment that will be conducted with the guidance of an expert consultancy in 2013.

In 2012, we engaged with the SRI community on human rights, including the security situation at PTFI and TFM, integration of the UN Guiding Principles on Business and Human Rights, and our implementation of the Voluntary Principles. These corporate-level engagements, totaling approximately 30 in 2012, occur through in-person investor briefings, written information requests, and collaboration on projects. We find this dialogue, along with engaging local, national and regional stakeholders, to be helpful in advancing our programs.

**Security**

Security risks near our PTFI operations in Papua, Indonesia, 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.

PTFI employs approximately 750 unarmed security personnel and 325 unarmed private security contractors and transportation/logistics consultants that perform functions such as protecting facilities, monitoring shipments of supplies and products, assisting in traffic control and aiding in emergency response operations. The Grasberg minerals district has been designated by the Government of Indonesia as one of Indonesia's vital national assets. This designation results in the police, and to a lesser extent, the military, playing a significant role in protecting the area of our operations. The Government of Indonesia is responsible for employing police and military personnel and directing their operations. PTFI's share of support costs for the government-provided security was \$22 million for 2012. This supplemental support consists of 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.



In 2009, a series of shooting incidents by unknown assailants targeting Company personnel, contractors and host government security personnel occurred within the PTFI project area, primarily along our remote access road and the east levee. From mid-2009 through early 2013, there have been a disturbing 15 fatalities and 57 injuries from shooting incidents within our project area. In 2012, these incidents resulted in three fatalities and seven injuries to contractors and Indonesian security personnel. The Company has responded with measures of enhanced security for both personnel and material transport. To date, no persons or entities have claimed responsibility for these incidents, and the Company continues to call for full investigations and justice.

PTFI continues to engage with employees and their families about the security situation. In 2012, the Company launched an anonymous security incident reporting hotline and website for employees and their

families. PTFI does not tolerate retaliation against anyone who in good faith reports a security incident or human rights allegation, but fear of retaliation is a challenge to overcome.

*To date, no persons or entities have claimed responsibility for these incidents, and the Company continues to call for full investigations and justice.*

In the DRC, TFM is far removed from the conflict areas in the eastern and northeastern parts of the country, but faces a number of security and social risks, such as risks posed by illegal artisanal miners present on the TFM concession as well as a rapid population influx of migrants looking for economic opportunities. There have been conflicts between armed rebellion groups (often referred to as “Mai Mai”) and government security forces in the Katanga Province, resulting in injuries and fatalities. TFM’s operations have not been impacted by this reported activity nor has the activity altered any future operational or expansion plans. TFM and the local authorities continue to work in a cooperative manner, including through monthly security meetings, to proactively address potential civil unrest.



PTFI has taken measures of enhanced security for both personnel and material transport to and from mining operations, including convoys.

TFM employs approximately 370 unarmed security employees and 300 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 and are responsible for maintaining security in mining concessions throughout the DRC. 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 2012.

Provision of support is consistent with our obligations under our agreements with the respective governments, our philosophy of responsible corporate citizenship and the Voluntary Principles. We periodically review our support practices to ensure they are appropriate, lawful and properly controlled.

**Reporting and Engagement Mechanisms**

In 2012, 19 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 or contractors against members of the local community, but there were a number of allegations against or among our employees and their dependents. Six of these allegations were human resource cases, two were harassment cases, two intimidation cases, and two were criminal cases. There also were seven cases regarding domestic issues; these cases were recorded, reviewed and the Compliance Officer informed spouses of their rights to seek remedy through the police and Indonesian judicial system. While none of these domestic disputes were human rights issues, the cases illustrate that the human rights grievance system is known, not only by employees and contractors, but also by their families and others in the project area.

PTFI continued to be an active participant in the country-level Voluntary Principles activities in 2012, such as attending roundtable dialogues facilitated by the Indonesian Center for Ethics. In 2012, PTFI also conducted a number of human rights promotion activities for Human Rights Day, including a communications campaign to stop violence, discrimination and harassment. At the local level, PTFI engaged with community leaders, partner organizations and local authorities on implementation of the Voluntary Principles, by arranging meetings with community groups and conducting a training presentation on PTFI's Human Rights and Voluntary Principles Program.

In 2012, 12 human rights allegations were reported to and recorded by the TFM Human Rights Compliance Officer. Out of the total cases reported, five were physical assault, four were verbal/sexual harassment cases, one was a criminal matter, one was a case of intimidation, and one was related to housing. All cases were documented, reviewed and closed, or are in the process of being followed up by the TFM Human Rights Compliance Officer or investigated by government authorities.

One of the assault cases was related to a security incident involving personnel from a TFM security contractor who apprehended an unauthorized individual in a restricted area of Company property. After being taken to the TFM



In partnership with MONUSCO (United Nations Stabilization Mission in the DRC), TFM provides human rights training for employees, local authorities, and host government security personnel.

Security Office, the individual complained of injury and was transferred to the site clinic for medical care. He was later transferred to a hospital for surgical consultation. Although the surgery was initially successful, the individual passed away 24 hours after surgery. The contractor security personnel involved in the incident were removed from their positions at TFM. The incident is under investigation by government authorities.

In 2012, TFM facilitated monthly meetings of a Security and Human Rights Discussion Group attended by security managers from other mining companies in the Katanga Province, host government security personnel, international organizations and NGOs. This group discusses security issues as they relate to the mining industry, as well as to provide a forum for discussion on the Voluntary Principles and human rights issues, and share best practices and resources. TFM is the only company in this group who is a member of the Voluntary Principles, so it also is a forum to promote awareness of the Voluntary Principles with non-members.

*For more information on our Human Rights programs, including our significant training programs, please see our Voluntary Principles on Security and Human Rights 2012 Report to the Plenary at [www.fcx.com](http://www.fcx.com).*

## COMMUNITY ENGAGEMENT MODEL



### Planning and Engagement

We recognize that our operations have economic, social and environmental impacts on local communities throughout the life cycle of our mining operations. Some of these impacts include land use change and population influx, while others include economic opportunities and development in the areas of infrastructure, health and education. We engage openly and transparently with local stakeholders to facilitate our ability to operate and grow our business. Our Community Policy calls for collaboration with communities to minimize and mitigate adverse impacts and cultivate opportunities to maximize benefits.

Engagement and consultation ensures communities have input into our development and operating projects and promotes understanding of our business operations. Dialogue with local stakeholders occurs formally through open houses and regulatory processes, but also through regular interactions with our community development representatives in the field. For example, after significant engagement with local, regional and national stakeholders including 13 workshops and public hearings, we received important permits for our Cerro Verde expansion in Peru. We also have submitted our ESIA for the next expansion at TFM in the DRC. These engagement processes enable local management teams to monitor and assess any potential risks in its operations or local area, and consider necessary mitigation.

Our Project Development Sustainability Review process helps us consider critical sustainability issues at the exploration, scoping, pre-feasibility and feasibility stages of mine development or expansion projects, including impacts and opportunities for local communities. This allows our project teams to develop mitigation plans to address key social impacts and opportunities prior to the project permitting phase. During permitting processes, such as an ESIA, potential impacts and associated mitigation plans are socialized with local stakeholders and those plans frequently become project commitments.

At existing operations, we use the Sustainable Development Risk Register process on an ongoing basis to review potential economic, social and environmental risks that may directly or indirectly impact local communities. Each operation maintains a 5-year community engagement and development plan that links to the Sustainable Development Risk Register so community engagement methods and development objectives are aligned with identified risks and opportunities. The plans include mechanisms for evaluating our impacts and performance on an annual basis.

Operations use a community grievance management system for recording, processing and responding to community concerns. We continuously evaluate these systems to ensure their effectiveness at all of our operations. The objective is to:

- Establish a consistent, transparent, accessible and credible grievance management process for individuals, households and communities affected by the project;
- Create outcomes that are considered by all parties as realistic, fair, effective and sustainable;
- Promote and establish open and clear lines of community engagement around grievances; and to
- Manage and reduce community and Company risks by effectively addressing grievances so they can be resolved before escalation into larger conflicts.

For example, in 2012, the PTFI grievance management system has produced outcomes that range from a response and explanation letter to the community; to a meeting facilitated by a third party such as the government or a tribal institution; to development and implementation of community development programs. At TFM, an independent mediation committee was formalized in 2012 to address grievances that cannot be resolved between TFM and the complainant directly. The committee is comprised of a majority participation of external stakeholders, largely community representatives.



### TFM Community Resettlement

Due to the ongoing expansion at TFM, access to new land results in impacts to farmland and households, and in many cases economic and/or physical displacement cannot be avoided. TFM develops and implements a community Resettlement Action Plan (RAP) for each mine expansion site. The RAPs are based on DRC law and International Finance Corporation performance standards, and also undergo an annual independent review. The operation finalized a Land Access, Compensation, and Resettlement Policy Framework in November of 2012. This policy is a public document that sets out the principles, procedures, entitlements, eligibility criteria and organizational arrangements that govern TFM's compensation for involuntary resettlement impacts.

Since the resettlement of three villages and compensation and relocation of farmland associated with development of the Kwatebala ore body in 2009, expansion of the TFM plant and mining operations to the Tenke-Fwaulu ore deposits led to additional physical resettlement of 70 resident households. These households were relocated in 2011 and 2012. In addition, with the expansion, nearly 200 farmers were relocated and entered into a livelihood restoration program. The Oxide Project expansion advanced in 2012 and the associated draft ESIA was finalized and posted for public comment following completion of the environmental and social baseline studies, impact mitigation plans, and open house public consultations. Planning is underway to develop an area-specific RAP for the physical and economic displacement of the first community scheduled to be impacted within the Oxide Project footprint. TFM will develop additional area-specific RAPs as the Oxide Project advances.



Our agronomists at TFM work with local farmers to increase crop yields. Farmers impacted by resettlement receive livelihood restoration support including improved seeds, fertilizer and technical training.

In 2012, Southern Africa Resource Watch (SARW) released a report titled "Freeport-McMoRan versus the People of Fungurume: How the largest mining investment in DRC brought poverty not prosperity." The report made a number of constructive observations regarding the operation's community commitments including issues regarding community resettlement. However, we believe there were a number of incorrect conclusions based on partial and incomplete information. TFM recognizes the importance of an active and informed civil society and has subsequently engaged with SARW on key stakeholder topics and areas of concern to better share information.

*Please visit our website for more information on TFM community resettlement, as well as the SARW report and our associated response.*

### Indigenous Peoples

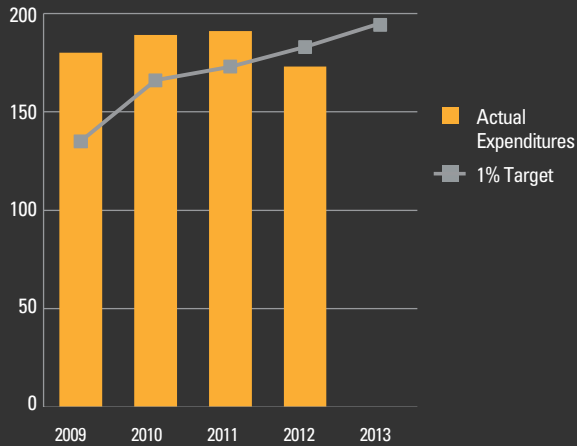
Our community development programs and investment objectives, as reflected in our overall sustainability reporting, are significantly focused on indigenous Papuans in Papua, Indonesia; Native Americans in the United States; and the communities of Alto El Loa in Chile (Chile's First People). Through community engagement, cultural promotion and preservation projects, and training and development programs, we specifically seek to address the needs, cultures and customs of indigenous peoples near our operations.

PTFI supports programs to preserve and promote local indigenous Papuan culture and to maintain the rich and unique indigenous cultures alongside development. In 2012 PTFI supported programs both within Papua and wider Indonesia promoting local Papuan tribal culture. Activities included sponsoring Kamoro Cultural Exhibitions promoting traditional dances, food and art. During the year, the best quality carvings are collected from Kamoro coastal villages and auctioned at the exhibitions. The program not only provides some economic benefits to the local carvers, but also encourages the community to preserve their culture and keep the tradition of carving alive.

In 2012, Freeport-McMoRan continued to implement its long-term engagement program with Native American tribes. As a result of this effort the Company and tribes have jointly identified education as a priority issue and subsequently, we launched a Native American university scholarship program for certain tribes in Arizona. In 2012, we also introduced two new social development funding opportunities: the Native American Partnerships Fund and the Native American Community Activities Fund. These funds encourage tribes to assess how Company funding can strengthen their communities both in the short and long-term. We also have established a technical training program for the San Carlos Apache Tribe in Arizona.

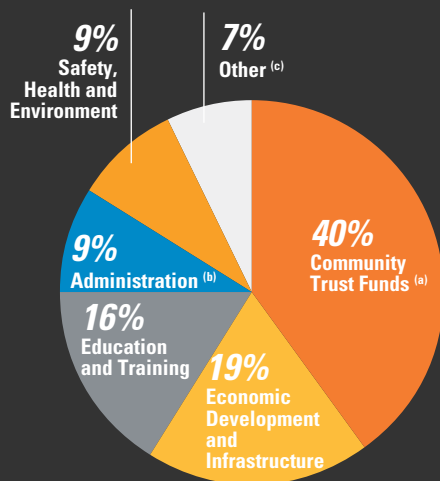
## COMMUNITY INVESTMENTS

(in \$ millions)



1% Target: Invest (in aggregate) 1% of the average of the previous three years annual revenue, as reported in Freeport-McMoRan's audited consolidated financial statements, in community programs, including in-kind support and administration.

## 2012 COMMUNITY INVESTMENT \$173 MILLION



(a) Community Trust Funds (primarily directed by the community) include the PTFI Partnership Fund for Community Development, the Amungme and Kamoro Trust Funds (Indonesia), and the TFM Social Community Fund (DRC).

(b) Includes administration and manpower costs associated with the direct provision and management of social programs/services.

(c) Includes TFM Resettlement (\$3.9 million), Arts, Culture, Heritage, and employee programs such as Matching Gifts and United Way.

## Community Investment

Freeport-McMoRan's community investment strategy addresses high-priority needs and facilitates local capacity building to sustain communities post-closure. Our formal Social Investment Criteria is a set of guidelines designed to ensure that resources are used effectively to support this strategy by decreasing community dependencies on our operations and ensuring that we enter into partnerships that support sustainability. We continue to partner with NGOs, foundations, and other community and government institutions to implement community development initiatives.

Aligned with our overall community investment strategy is our emphasis on educational programs that improve STEM skills for students to prepare for success in a global, knowledge-based society. Since 2010, we have invested over \$11 million in STEM education programs. For example, we are helping to fund a multi-sector effort called 100Kin10 to prepare, deploy and support 100,000 excellent STEM teachers in the United States over the next 10 years. A focus on STEM is aligned with the technical requirements of our business, as well as environmental education opportunities available at most of our operations.

We have established community foundations or social funds in Indonesia, Peru, the United States and the DRC, which are managed by community members who determine the allocation of funds to priority programs that focus on education, health and economic development. In 2012, these community foundations and funds accounted for more than 40 percent of our annual community investment. Our community investment totaled \$173 million in 2012; however we fell short of our one percent target (\$183 million) due to reduced sales volumes at PTFI and the expiration of the voluntary social program in Peru. If average realized prices for our products are similar to 2012, we may not meet this community investment target as we attempt to grow our production profile by over 1 billion pounds of copper by 2016. The rate of growth for our community investment could be less than revenue growth which drives our target, however we will continuously review our budgets to ensure we maintain an adequate level of local investment.

We launched [Freeportinmycommunity.com](http://Freeportinmycommunity.com) "Transforming Tomorrow Together" in 2012 as a comprehensive information source for our community engagement and investment activities. We encourage stakeholders to visit the website to learn more about our programs including community investment funds, community partnership panels, Native American programs, STEM programs, education mini-grants and our disaster relief efforts.



**Public Health**

Malaria, HIV/AIDS and tuberculosis (TB) can have devastating impacts on local communities, including members of our workforce. We operate in parts of the world that lack clean water and sanitation, and have populations with low levels of health education, awareness and access to adequate health services. In coordination with local governments and NGOs, we dedicate significant resources to helping communities, including indigenous peoples and governments, reduce public health risks.

**PT Freeport Indonesia**

Malaria, HIV/AIDS, TB, and diarrheal illness are risks to employees, their families and the local community. Through the PTFI Public Health and Malaria Control (PHMC) Department, supported by the Company’s medical services provider, International SOS, the Company implements programs for education and training, prevention, counseling, diagnosis and treatment. PTFI also contributes one percent of annual revenues to the PTFI Partnership Fund for Community Development, which is managed by the Amungme and Kamoro Community Development Organization (LPMak). In 2012, LPMak contributed over \$17 million to community health care programs, including the operation of two community hospitals, as well as the implementation of a comprehensive public health program addressing HIV/AIDS, TB, malaria, mother and child health, and clean water.

Papua Province has one of the highest malaria prevalence rates in Indonesia, and in most of the communities near our operations, malaria infection is the single greatest cause of morbidity and hospitalization. PTFI implements a world-class integrated malaria control program in its project area and the local community which includes indoor residual insecticide spraying, drainage control, distribution of insecticide-treated bed nets and patient treatment with artemisinin-based combination therapy.

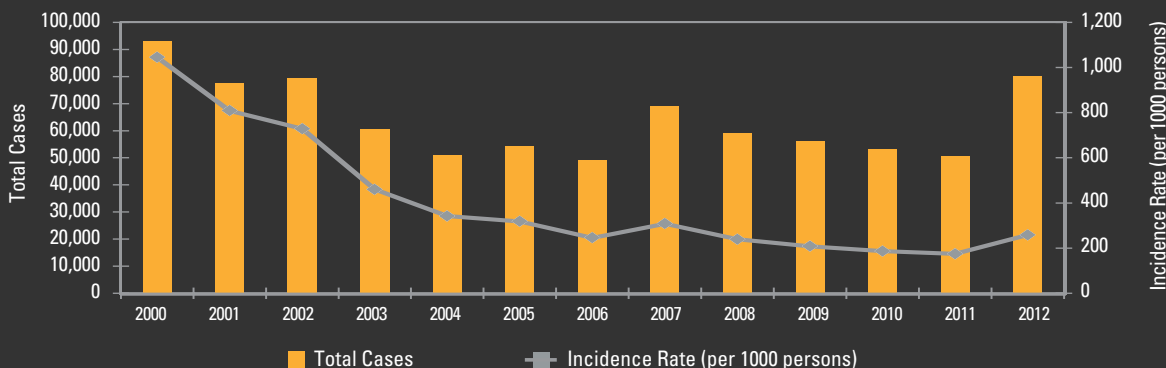
In 2012, approximately 85,000 cases of malaria were detected and treated in the Mimika Regency, an alarming 68 percent increase in reported cases from 2011. The reasons for this dramatic increase in reported cases are the result of increased transmission risk in the Timika area. A similar malaria resurgence was last witnessed in 2007. PTFI has responded by initiating and organizing a collaboration with the LPMak and local government to mobilize a comprehensive and integrated approach to involve mosquito vector control activities, additional insecticide-treated bed net distribution, expanded access to accurate diagnosis and treatment, and promotion of greater health awareness in the affected communities.

**Tenke Fungurume Mining**

In 2008, TFM conducted a baseline health assessment and identified a number of public health issues and serious diseases that impact the local community, including malaria, HIV/AIDS and other sexually transmitted infections (STIs), TB, onchocerciasis and diarrhea, as well as other illnesses linked to the lack of clean water and sanitation. In addition, rapid population influx into the urban center of Fungurume for people looking for economic opportunities linked to the mine and supporting businesses has created strains on the provision of limited public health services to cope with rising demands.

Malaria is one of the major health challenges facing the workforce and community in the concession area. Before TFM started its operations in the area, malaria was the largest cause of morbidity and placed a significant social and economic burden on the wider community. TFM implements an integrated malaria control program to protect the workforce, as well as the community residing within the concession. The integrated program consists of targeting vectors and parasites, as well as an indoor residual spraying program that targets all households in the concession, including almost 50,000 households during 2012. The program also focuses on efforts to improve diagnosis and prompt treatment of patients.

**MIMIKA REGENCY MALARIA INCIDENCE AND TOTAL CASES, PAPUA, INDONESIA**



Note: Incidence rates represent the rate of new cases of a disease within a population over a period of time. As the population increases, we would expect the total number of cases to increase as well, but that does not necessarily mean the risk has increased.





TFM supports clean water and sanitation initiatives in over 60 villages and two urban centers located within the TFM concession. This program consists of five complementary projects that maintain a clean water distribution and drainage system, provide health and hygiene education, build local capacity for pit latrines, hand-washing stations and waste disposal sites and engages community participants to manage the water supply system.

An annual malaria prevalence survey among local school children is conducted twice a year to monitor the impact of the community malaria program. The average malaria prevalence rate of 38 percent from the 2012 May survey after the rainy season was a decrease of 51 percent, compared with the baseline (pre-control) survey conducted in 2007, and a decrease of 19 percent, compared to the malaria prevalence rates for the previous 2011 May survey. The October 2012 survey results at the end of the dry season indicated an average malaria prevalence rate of 22 percent and a decrease of 71 percent compared to the 2007 baseline survey (seasonal differences may account for some variance).

*In 2012, TFM was recognized by GBCHHealth for its integrated malaria control program—the first of its kind in the DRC. For more on this award and additional information on our public health programs, please visit our website.*

### Artisanal Mining

#### PT Freeport Indonesia

PTFI uses a controlled river tailings management system which transports the tailings to a designated area in the lowlands and coastal zone, called the Modified Deposition Area. Thousands of illegal artisanal and small-scale miners (ASM) pan for gold in the Otomona river system (downstream of the mill) within the Company's project area. The artisanal miners include local community members, but the majority are from outside the region. They have limited equipment and expertise at operating in hazardous conditions and have the potential to create environmental risks, as well as placing their own health and safety in jeopardy.

In 2012, Atma Jaya Catholic University completed a comprehensive social baseline study of this ASM community and its supporting networks. The study covered both the highland and lowland areas of the river and mapped out

key landowners and community leaders within the ASM network. The key outcomes were a better understanding of the ethnographic composition of the panning community, their migration, territories along the river, organization and systems, economic activities and gold sales, and root conflict issues.

One of the greatest risks from illegal gold panning is the potential use of mercury. PTFI monitors regularly for mercury use via routine environmental monitoring programs, and mercury has not been detected above natural background levels in the river ecosystem. The Company also maintains a continuous air mercury monitoring system in the town of Timika, and since 2010, mercury has been detected at elevated levels in parts of the town where gold shops are present. PTFI believes that due to these monitoring systems and outreach, the risk of mercury use in the river system has been reduced.

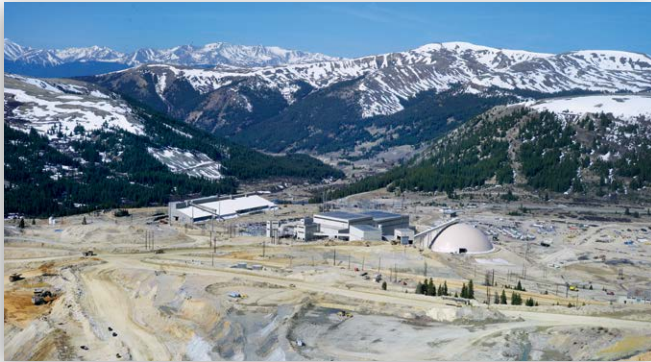
#### Tenke Fungurume Mining

Artisanal mining is widespread throughout the DRC, and ASM activities occur on the TFM concession, where such activities are illegal under DRC law. The greatest risks arising from artisanal mining remain safety and security of our employees and the local population, including illegal miners. Artisanal miners dig underground adits and tunnels to access ore deposits without using protective gear. With an influx of outsiders to the area for illegal mining activities, social ills such as increased crime rates have been observed.

As TFM expands operations to additional deposits within its concession, the chance of conflict with active artisanal miners in those areas will increase. As a result, the Company engages with the DRC authorities to operate control measures at the entry and exit points of the concession to interdict shipments of illegal ore, which continues to be effective. TFM Community Liaison Officers conduct awareness campaigns to educate the community of the risks associated with ASM activity.

In 2012, TFM also commissioned a baseline study on ASM in the Katanga Province to help develop a deeper understanding of the socioeconomic drivers and risks of artisanal mining. The baseline study explains the organization of ASM and helps to document the organization, systems, historical events and activities that have helped to shape the current ASM activities in and around the TFM concession today. TFM's long-term strategy in relation to ASM continues to be support for economic development and job creation in the region to provide communities with other opportunities for income generation.

The Freeport-McMoRan Environmental Policy is based on our objective to be compliant with laws and regulations and to minimize environmental impacts using risk management strategies based on valid data and sound science. It requires that we review and take account of the environmental effects of each activity, whether exploration, mining or processing; and that we plan and conduct the design, development, operation and closure of each facility in a manner that optimizes the economic use of resources while reducing adverse environmental effects.



Our Climax molybdenum mine in Colorado, which restarted in 2012, recently received ISO 14001 certification of its Environmental Management System.

All of our operations maintain Environmental Management Systems (EMS) certified to ISO 14001, which are independently audited on an annual basis. During 2012, we completed internal environmental audits at 15 operations in accordance with our Environmental Auditing Policy and our facilities are routinely inspected by regulatory agencies. Since 1996, an independent environmental audit has been conducted at PTFI every three years and the current audit's executive summary and responses to audit recommendations are posted on our website. All operations have corrective action programs associated with the overarching EMS.

**Energy Management**

Our copper mining operations require significant energy, principally diesel, electricity, coal and natural gas. Energy represented approximately 19-21 percent of our consolidated copper production costs since 2009. Therefore, potential



Our Atlantic Copper smelter was awarded ISO 50001 certification for its energy management system, the first multinational company in the copper industry to receive the internationally recognized certificate.

regulation of greenhouse gas (GHG) emissions and associated cost increases for fuel, purchased power and other key inputs can negatively impact our cost profile. This is why we continue to focus on energy efficiency at our current operations and the deployment of innovative mining and processing technologies at our brownfield expansion projects.

We achieve significant improvements in energy efficiency with our new processing facilities. However, the gains do not warrant replacing currently operating plants as the financial breakeven time period is too long to economically justify this type of investment. Although our mining operations are currently not located in jurisdictions where there is a direct cost associated with our GHG emissions, we have modeled scenarios to understand the potential operating cost impacts. For example, we modeled a hypothetical carbon tax of \$50 per metric ton on total GHG emissions (direct and indirect) from our North American and South American operating regions based on their respective 2012 emission profiles. The exercise demonstrated operating cost increases of less than 10 percent and 5 percent for North America and South America, respectively. Based on expected future GHG emission profiles and a hypothetical \$50 per metric ton carbon tax on total emissions, the associated increase in operating costs would not necessitate operating plan changes in response to this scenario.

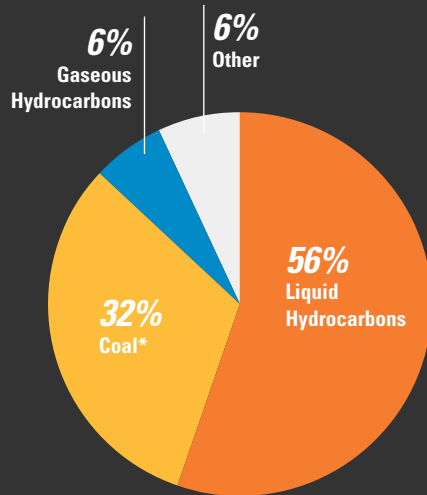
**ENVIRONMENTAL COMPLIANCE INDICATORS**

	2008	2009	2010	2011	2012
Reportable spills or releases of hazardous or toxic chemicals	85	26	10	11	12
Notices of Violations related to permit exceedences, spills, releases or other compliance matters	4	6	6	6	4
Environmental penalties*	\$191,151	\$493,039	\$83,420	\$75,000	\$47,369

\* Penalties are typically paid in periods subsequent to the year of the environmental event and/or enforcement action.

### 2012 DIRECT CARBON DIOXIDE EQUIVALENT EMISSIONS

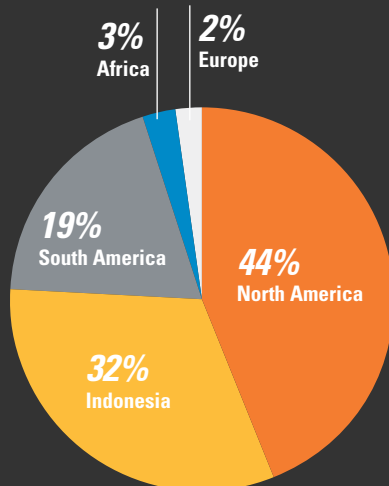
By Fuel Type



\* Associated with the self-generating coal-fired power facility at PTFI

### 2012 TOTAL CARBON DIOXIDE EQUIVALENT EMISSIONS

By Region



We have received independent verification of our greenhouse gas emissions inventory for years 2007-2012. The associated verification statements can be found on our website.



At our Morenci mine in Arizona, we are expanding mining and milling capacity to process additional sulfide ores. The new mill will use considerably less energy per ton of ore processed than older technologies.

In 2012, our worldwide total GHG emissions, measured as carbon dioxide equivalent emissions, were relatively unchanged from 2011 at approximately 10 million metric tons divided between direct (59 percent) and indirect (41 percent) emissions. Most of our direct emissions are from fuel combustion in haul trucks, followed by the combustion of fuels to provide energy for roasting, smelting and other processes. The majority of our mining activity occurs in open pits. As an open pit matures, haul road length increases and haul trucks are required to move ore an additional distance to the processing facility. When market conditions necessitate the mining and processing of lower grade ore, haul trucks must move more material. Our current 5-year business plans, tied to an additional 1 billion pounds of copper production by 2016, indicate increasing direct emissions (both absolute and intensity-based) over that time period. Although we do not currently have any mining operations directly subject to regulation limiting GHG emissions, this issue is important for some stakeholders.

Our GHG/Energy Task Force continues to engage with energy management experts, industry peers and suppliers to discuss the potential for new overarching mining system practices that could be employed to reduce the energy and greenhouse gas intensity of future projects. Subject to ore body characteristics, such step changes also would be predicated on technological innovation in material haulage and we are tracking this evolution closely.

Indirect emissions are generally the emissions of providers from whom we purchase electricity for use in our operations. In 2012, approximately 63 percent of our purchased power was from low carbon or renewable sources (we generate all of our power at PTFI). Crushing, milling, pumping and electrowinning are the most significant power-consuming processes at our facilities. Coupled with our expansion projects, purchased power consumption is expected to increase as we construct and operate new water supply and distribution alternatives.



**Water Supply and Management\***

Our mining operations require significant quantities of water for mining, ore processing and related support facilities. We know access to clean water is a critical concern, particularly to local communities and agricultural interests near many of our operations. This is why we are making strategic, long-term investments in water supply projects for the benefit of our stakeholders while supporting our operating and growth plans. Two of our major expansion projects at Cerro Verde and Morenci are in water-stressed regions.

Our Cerro Verde operation plans to construct a wastewater treatment plant for the city of Arequipa, Peru as it proceeds with a large-scale expansion. This plant would improve regional water quality, reduce waterborne illnesses and enhance the value of local agricultural products while providing water for an economically important operational expansion for the region. This would follow the recent significant development of an expandable water treatment facility which now provides local residents 24-hour access to potable water.

Near Copiapó, Chile, we have constructed a desalination plant that, together with effluent from a wastewater treatment plant, will eliminate the need to withdraw water from a local aquifer for Candelaria’s operations. Importantly, this project strategy has afforded the opportunity to transfer potable water rights to the local water utility for residential uses. Our El Abra operation near Calama, Chile also is conducting studies to assess the feasibility of constructing a desalination plant on the Pacific coast to treat seawater for potential use for sulfide ore production or mill processing.

In 2012, we used approximately 665 million cubic meters of water in our operating processes, of which approximately 71 percent was recycled water. Our overall water use, including recycled water, has remained relatively constant during the past five years, although we expect our absolute water use to increase in the future as we advance brownfield growth projects to increase copper production volumes. We will continue our programs to evaluate water supply options and efficiently manage water resources within our operations.

*We evaluate fully amortized cost per pound of product for investment and operating costs associated with water supply projects.*

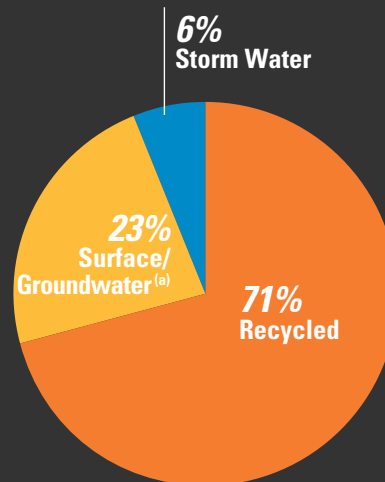


A desalination plant and pipeline will supply Candelaria’s longer-term water needs and has afforded the opportunity to transfer potable quality water rights to the local water utility for residential uses.

All operations in water-stressed regions utilize water balance models to understand water use requirements and system losses. This informs management decisions regarding project opportunities to improve site water management. For example, the water balance model at our Bagdad mine in Arizona provided key information that supported the decision to implement a tailings thickener project for more efficient use of water. By the end of 2013, we expect all operations in water-stressed regions to maintain a Water Management Plan that identifies key water challenges, opportunities, strategies and proposed actions to improve site water management.

**2012 WATER USE BY SOURCE**

665 Million Cubic Meters



<sup>(a)</sup> Includes 7.7 million cubic meters municipal water, municipal wastewater and water imported from any other industrial or mining facility

\* Water-related data in this section exclude amounts associated with all facilities located in Arizona due to ongoing water rights litigation.

Mining and metals processing can create on-site and off-site impacts to water quality, which we aim to avoid or minimize. For example, geochemical characteristics of mined material are analyzed and used to identify management opportunities for the minimization of potential impacts to water resources within and adjacent to our facilities. All operations maintain systems to monitor water quality parameters for compliance with applicable regulations and permit requirements.

During 2012, we conducted investigations of water impacts caused from surface sources, dewatering discharges, sulfate-impacted tailings seepage, and seepage of leach/process solutions at multiple operating sites and discontinued facilities (historical operations). In some cases we are implementing containment and active water treatment strategies (such as the Blackwell, Oklahoma water treatment facility reported in 2011) as well as providing alternative water supplies to well owners pumping sulfate-impacted groundwater.

We are also testing various treatment technologies to address impacted water. At our Sierrita mine near Tucson, Arizona we have built a demonstration plant to test the use of ion exchange resins to remove sulfate from impacted groundwater. We have two other demonstration plants at the same location to test the use of bacteria for processing sulfate-impacted groundwater. The goal is to change the sulfate into hydrogen sulfide that can either be recovered as elemental sulfur or used to precipitate metal sulfides from impacted groundwater. All three plants started initial test work during 2012 and will likely continue for several years.

### Tailings and Waste Rock

The waste rock (including overburden) and tailings that we produce represent our largest volume waste. Managing the volume of waste rock and tailings produced in our mining operations presents significant environmental, safety and engineering challenges. In 2012, we produced approximately 511 million and 213 million metric tons of waste rock and tailings, respectively. The primary risks with managing waste rock stockpiles and tailings relate to structural stability, geochemistry and subsequent water quality (acid rock drainage) as well as dust generation. Management of this waste is regulated in the jurisdictions where we operate, and our programs are designed to be in compliance with applicable national, state and local laws, permits and approved Environmental Impact Studies.

Freeport-McMoRan currently operates 14 tailings storage facilities (TSFs) and manages 59 TSFs that are inactive or have been fully reclaimed. At Cerro Verde, we have received the ESIA approval and commenced initial construction to proceed with a brownfield expansion expected to increase annual copper production by 600 million pounds. The project would expand the concentrator facilities to 360,000 metric tons of ore per day. The associated increased

quantity of ore processed will require construction of one of the largest TSFs in the global mining sector, with a targeted capacity to retain approximately 2 billion metric tons of material. We also are proceeding with plans to increase copper production by 225 million pounds at our Morenci operation in Arizona. As a result of its mill expansion and additional ore processing, we plan to significantly increase the operation's TSF capacity.

TSF stability is monitored by internal engineering personnel and contracted engineering firms utilizing instrumentation, including manual and automated measurement equipment. At TSFs located in arid areas, the tailings management program includes measures to reduce fugitive dust emissions from the surface of tailings impoundments, and to increase tailings impoundment water capture and reclaim to reduce freshwater consumption. Our efforts to limit dust generation have resulted in a reduction in reportable air permit exceedances related to windblown dust from TSFs; five events in 2012 compared to 14 in the prior year. The five reportable dust events in 2012, all related to unfavorable weather, were at the approximate 3,000 acre TSF at our Sierrita mine in Arizona where we maintain a significant dust prevention program using multiple techniques and technologies.

We conducted annual field inspections of 11 active and 39 inactive TSFs during 2012 under our tailings stewardship program. The program, which is directed by an interdisciplinary group of Company management, internal experts and external consultants, includes reviews of operational issues, phreatic level trends, deposition plans, hydrologic controls, seepage management, decant systems, structural integrity and stability evaluations.

As previously reported, at PTFI we use riverine transport of material from the concentrating complex in the mountains to a designated engineered and managed deposition zone in the lowlands and coastal zone as approved by the Government of Indonesia. PTFI's tailings management review board meets to assess operational and other monitoring data to make specific operational recommendations for improving levee designs and construction and system-wide performance. We frequently engage with stakeholders ranging from the SRI community to academia to local communities on our controlled riverine tailings management system. Additional information is available on our website.

Waste rock and overburden are managed in stockpiles for possible future mineral recovery, reclamation or other projects. Overburden and waste rock stockpiles are evaluated for structural stability and local seismic design criteria and are monitored regularly.

**Reclamation**

Mine reclamation is the process of taking land once used by the operation and converting it into alternate land uses. Alternate land uses in mine reclamation include open space, wildlife habitat, grazing habitat, recreation areas, industrial land and other economically or ecologically productive land uses. Where a post-mining land use is proposed, we monitor reclaimed lands to ensure it is developing consistent with post-mining land use. Landscape Function Analysis (LFA) monitoring is used to assess how well certain reclamation



The Redrock Diversion drop structures were constructed as part of the award-winning reclamation project at Tyrone in New Mexico. These structures manage storm water from a large watershed between two reclaimed tailings dams.

areas are functioning as a natural system. Data generated allows for comparisons between reclaimed lands and native surrounding areas (reference sites) which represent mature native functional landscapes, and provide target values for the final reclaimed landscape. In 2012 we have completed LFAs on three reclamation units.

During 2012, large-scale reclamation projects continued at our Miami mine in Arizona, where more than 1,000 acres are being reclaimed. Renewed mining at Miami has produced an effective operational synergy between mining and reclamation activities. The non-mineralized overburden material being mined to develop the remaining ore body has been utilized as cover material for stockpile and tailings

reclamation. Large-scale tailings reclamation continued at the Chino mine in New Mexico during 2012, where, in coordination with state agencies, we are nearing completion of reclaiming approximately 2,000 acres of tailings which are no longer needed for our operations.



As PTFI fully transitions to underground operations we will have additional opportunities for reclamation of our overburden deposition area in the highlands alpine ecosystem.

At the former Bisbee mine (non-operating) in Arizona, we completed the reclamation of an 870-acre former tailings area during 2012. This was part of a two-year voluntary tailings reclamation project that will allow our teams to continue to evaluate innovative reclamation designs that may be applicable to other Company-owned tailings facilities. An historic mill site and power generation station (Crawford Mill) also was reclaimed in Bisbee in 2012. The former Crawford Mill complex encompassed approximately 40 acres of now reclaimed land.

**Biodiversity**

We are committed to identifying the impacts of our operations and, where practicable, implement actions that conserve and enhance biodiversity. Under the guidance of our corporate Biodiversity Task Force, all operating mines developed and implemented Biodiversity Action Plans (BAP) in 2011. Site-level BAPs consist of a multi-step process through which sites describe planned actions to identify biodiversity risks and opportunities. The specific steps include a landscape-scale habitat inventory, an assessment of biodiversity risks (linked with the site’s EMS), identification of biodiversity opportunities and establishment of goals, with prioritization and implementation of specific projects. BAPs may in some instances include measures proposed to meet regulatory objectives, however most are voluntary and conducted in partnership with various stakeholders. Several biodiversity projects were implemented in 2012 as a result of the BAP process, including a riparian habitat restoration program at the Bridle Creek Habitat Enhancement Area near our Bagdad, Arizona operation and the creation of wetland habitat for the boreal toad near our



Henderson molybdenum mine in Colorado. Many BAP projects have involved partnerships with external stakeholder groups.

In 2012, all operational mine sites also completed Land Management Plans (LMPs) through which biodiversity considerations are incorporated into the site-specific planning process consistent with the Corporate Integrated Approach to Land Management Planning – Environmental Management Practice. The LMPs consist of data overlays that illustrate the location and extent of significant biodiversity resources within and adjacent to mine sites. Our brownfield expansion projects will result in increased land disturbance for mining, processing and storage of mineral waste. As such, the Land Management Planning process will assist in minimizing and avoiding adverse impacts to biodiversity when practicable.

The Corporate Environmental Services group implemented the Corporate Wildlife Protection Plan (CWPP) in 2012. The CWPP represents an integral component of the broader environmental stewardship strategy which formalizes the Company's commitment to protecting wildlife resources. The CWPP presents guidance for the development of site-specific Wildlife Protection Plans (WPPs) at active and discontinued sites in North America. The goal of the WPPs are to establish a process through which the site assesses wildlife risks associated with operational activities and develops effective measures and strategies to minimize significant risks. It is anticipated all participating sites will develop and implement individual WPPs in 2013. In conjunction with the voluntary actions undertaken by sites pursuant to the BAPs and the consideration of biodiversity in mine planning pursuant to the LMPs, the WPPs will contribute to a robust biodiversity program at Freeport-McMoRan.



In the TFM concession, endemic, copper-cobalt plant species are the priority biodiversity focus. This is why, in partnership with academic and scientific institutions, TFM continues to delineate associated habitats, support ex-situ seed banks, and create artificial ecosystems for species of concern. For more on these efforts please visit [Copperflora.org](http://Copperflora.org), the result of collaborations between Belgian Universities, The University of Lubumbashi, Gembloux Agro-Bio Tech and TFM.



In response to a corporate challenge from our Vice President, Environmental Services and Sustainable Development, operations are identifying mining-related lands to construct pollinator gardens. These gardens promote pollinator species that help plants reproduce, thereby supporting global ecosystems. Pollinator gardens, such as at our Miami operations (above), provide environmental education opportunities in local communities that are aligned with Company support of STEM.

Over the past year, we continued to work with several NGOs including the Wildlife Habitat Council (WHC) and Bat Conservation International (BCI). Four sites (two domestic and two international) received recognition at the 2012 WHC Annual Symposium. This is in addition to WHC certifications previously received by four international operations and four operations in North America, which were recognized for their voluntary efforts to enhance wildlife habitat and promote environmental education and outreach initiatives in local communities. PTFI received WHC's "*Corporate Lands for Learning Rookie of the Year*" award, while Freeport-McMoRan as a company received the WHC "*Conservation Education and Outreach*" award — WHC's top annual award. Through our partnership with BCI, we continued to advance bat conservation efforts across our portfolio. These included developing monitoring protocols to track bat population numbers at various sites, and implementing management actions to enhance bat habitat on Company property.

We continue to closely monitor the developing concepts around ecosystem services. In 2012, we participated in BSR workshops and initiatives related to ecosystem services assessment tools and, along with several other large multi-national corporations, worked to address definitions, indicators, and disclosures used to define and understand ecosystem service risks and opportunities. As this field evolves, we will continue to enhance communications on our biodiversity systems and initiatives.

The Freeport-McMoRan Copper & Gold Inc., 2012 Working Toward Sustainable Development (WTSD) report, including information referenced by the Global Reporting Initiative (GRI) G3 Content Index published on the Freeport-McMoRan Copper & Gold Inc. web site has been prepared by the management of Freeport-McMoRan Copper & Gold Inc. who are responsible for the collection and presentation of this information.

### Scope

Corporate Integrity Limited, in accordance with Freeport-McMoRan Copper & Gold Inc. management's instructions, was asked to perform:

1. A review of policies and systems in place in relation to the International Council on Mining & Metals (ICMM) Sustainable Development (SD) Framework – using as a basis the ICMM Sustainable Development Framework: Assurance Procedure and the GRI G3 guidance on management disclosures
2. A review of statements made regarding the 2012 WTSD report and information referenced by the GRI G3 Content Index; and
3. A review of selected qualitative and quantitative reportable data/information based on GRI G3 guidelines and performance indicators including the GRI Mining and Metals Sector supplemental indicators.

Our assurance work covered Subject Matters 1 to 5 referred to in the ICMM SD Framework: Assurance Procedure.

Our assurance work scope covered all the Freeport-McMoRan Copper & Gold Inc. operations defined by the reporting boundaries of the 2012 WTSD report. The work involved selective reviews of documents, interviews and site visits to:

- Atlantic Copper smelter, Spain
- Safford mine, USA
- Tenke Fungurume mine, DRC
- PT Freeport Indonesia (PTFI) – Jakarta and Grasberg mine, Indonesia
- Morenci mine, USA
- Sierrita mine, USA
- Cerro Verde mine, Peru
- Head Office, Phoenix, USA

The review also involved desktop reviews and telephone interviews with management of Climax Molybdenum downstream facilities at Rotterdam, Netherlands, Stowmarket, UK and Fort Madison, USA.

The site visit programme is part of an ongoing process to visit all major Freeport-McMoRan Copper & Gold Inc. mining and processing sites at least one time every three years.

### Key Findings

Based on our review, its scope and limitations:

- Nothing has come to our attention, which causes us to believe that the information reported by Freeport-McMoRan Copper & Gold Inc., in the 2012 WTSD Report and information referenced by the GRI G3 Content Index regarding Freeport-McMoRan Copper & Gold Inc. implementation of the ICMM assurance commitment with respect to subject matters 1 to 4, has been materially misstated.
- Nothing has come to our attention to cause us to believe that the Freeport-McMoRan Copper & Gold Inc. self-declared application level of A+, in relation to its reporting against the GRI G3 Sustainability Reporting Guidelines, is materially misstated.

### Methodology

Through document reviews and interviews at the selected sites and head office, the work activity involved:

#### For Subject Matters 1 to 3 in the ICMM SD Framework: Assurance Procedure

1. A review of Freeport-McMoRan Copper & Gold Inc. policies and their alignment to ICMM's 10 SD principles and ICMM Position Statements at corporate and site level.
2. A review of processes in place to identify and prioritise SD risks and opportunities at corporate and site level during the reporting period and the results of the identification and prioritization process.

3. A review of the systems and approaches that Freeport-McMoRan Copper & Gold Inc. is using to manage its identified material SD risks and opportunities and to implement ICMM's 10 SD principles at corporate and site level.

**For Subject Matter 4 and 5 in the ICMM SD Framework: Assurance Procedure**

4. Review of Standard Operating Procedures (SOPs) for the collection and assimilation of GRI G3 reported performance information involving:
  - a. An assessment to evaluate the risk of misstating reported information for quantitative indicators reported. The assessment looked at site level reported performance data for GRI indicators and considered materiality in the context of corporate level reported information. On this basis certain indicators were selected for verification activities at the selected sites. The assessment methodology was based on ISO 31000:2009, Risk management – Principles and guidelines.
  - b. A review of data reporting, collection and consolidation processes at Head Office.
5. Review of statements made in the 2012 WTSD report and information referenced by the GRI G3 Content Index regarding Freeport-McMoRan Copper & Gold Inc. sustainable development processes and achievements in 2012 including its implementation of the ICMM SD Framework. This involved VP-level management interviews and documentation reviews in support of corporate level reported information as well as an interview with the Chief Executive Officer and Chief Financial Officer.
6. Review and selective testing for accuracy of qualitative statements made in the 2012 WTSD report and information referenced by the GRI G3 Content Index.
7. Assessment of the self-declared application level of reporting against the GRI G3 Sustainability Reporting Guidelines and the Mining and Metals Sector Supplement Final Version– self-declared at the A+ Level.

**Limitations of the Work Performed**

This work has been carried out by checking samples of information and documents that have been made available during the period of assurance activity by Freeport-McMoRan Copper & Gold Inc.

Information provided that has been deemed to be independently verified by other third parties has been considered to be appropriately verified, and was not subjected to re-verification by Corporate Integrity.

The review of PTFI operations considered the identification process for SD risks and opportunities. The review then focused on five actionable risks selected by PTFI management, with a limited review of the associated action and monitoring plans and management systems relating to these.

Our evidence gathering procedures have been designed to obtain a limited level of assurance on which to base our conclusions.

The assurance statement provided by Corporate Integrity is not intended to be used as advice or as the basis for any decisions, including, without limitation, financial or investment decisions.

**Statement of Independence**

The independence of our team has been reviewed and none of the Corporate Integrity assessors involved in this project presents a conflict of interest to the integrity of this assurance statement.

**Standard Applied to This Engagement**

International Standard on Assurance ISEA3000 (revised) – Assurance Engagements other than Audits & Reviews of Historical Financial Information' issued by IAASB.

Corporate Integrity Ltd.





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