

Voluntary Principles on Security and Human Rights 2012 Annual Report to the Plenary

**March 2013
The Hague, Netherlands**

Freeport-McMoRan Copper & Gold Inc. (Freeport-McMoRan) has been a member of the Voluntary Principles on Security and Human Rights (Voluntary Principles) since it was first established in 2000.¹ The Voluntary Principles have been an important cornerstone of Freeport-McMoRan's human rights and security program, providing guidance for our operations as well as a mechanism to promote engagement, awareness, and respect for human rights within our employee base and with our government and community partners. Freeport-McMoRan is the world's largest publicly traded copper company, the world's largest molybdenum and cobalt producer and a significant gold producer. The Company has long-lived reserves in geographically diverse operations including Indonesia, Democratic Republic of Congo (DRC), Chile, Peru and the United States. In some of these challenging locations education levels, poverty, in-migration, diversity of culture, and lack of government capacity have combined to create a real need for improved security and human rights programs and efforts.

This report includes an explanation of changes or new developments in our human rights program as well as implementation activities in 2012. While much of the background information does not differ from previous years' reports, it is provided here for new stakeholders and members of the Voluntary Principles. Country implementation details are provided for Indonesia and the DRC, as our operations in these locations represent our most material security and human rights challenges.

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

In 2000, Freeport-McMoRan joined other mining and oil and gas companies, governments and human rights organizations in endorsing the joint U.S. Department of State-British Foreign Office Voluntary Principles on Security and Human Rights. Since 2000, as the Company has grown in scope internationally, we have worked closely with our affiliate sites throughout the world to assist them in the implementation of the Voluntary Principles. The Company's endorsement of the Voluntary Principles is set forth on our website and can be found at the following link:

<http://www.fcx.com/envir/security.htm> as well as in our annual Working Toward Sustainable Development report which can be found at: http://www.fcx.com/envir/sus_reports.htm

Freeport-McMoRan has incorporated our commitment to the Voluntary Principles in the Freeport-McMoRan Principles of Business Conduct (http://www.fcx.com/envir/approach_policies.htm) established in 2008, which are communicated to all employees. We also hold our contractors and other partners with whom we conduct business to the same standards.

¹ Freeport-McMoRan is also a founding member of the International Council on Mining and Metals (ICMM) and implements the ICMM Sustainable Development Framework, which includes a commitment to uphold human rights.

B. Policies, Procedures and Related Activities

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

Freeport-McMoRan has made strong, unequivocal commitments to human rights. These commitments are expressed in our Human Rights Policy (http://www.fcx.com/envir/approach_policies.htm), which incorporates the Voluntary Principles and was last updated and approved by the Freeport-McMoRan Board of Directors in 2009. The Freeport-McMoRan Human Rights Policy requires the Company and all of our contractors to conduct operations in a manner consistent with the Universal Declaration of Human Rights, to educate employees about human rights and to protect any employee who reports suspected human rights violations. With regard to employees, the policy prohibits forced and child labor, and addresses health and safety, discrimination, wages and the right to freedom of association and collective bargaining. Moreover, in the area of security, the Voluntary Principles serve as the guidelines for the Company's security programs, interactions with host government police and military personnel, and private security contractors.

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

- The establishment of site-specific policies and procedures consistent with the Freeport-McMoRan Human Rights Policy, in-country laws and regulations, and the Voluntary Principles;
- The appointment of a Human Rights Compliance Officer for overseeing compliance, promoting, educating, training, and reporting on human rights, as well as a grievance mechanism for reporting, documenting and reviewing all human rights allegations that are reported in our areas of operation;
- Periodic certification of compliance with the Freeport-McMoRan Human Rights Policy for all relevant personnel; and
- The requirement that all contractor and supplier companies abide by the Freeport-McMoRan Human Rights Policy or adopt similar guidelines and procedures designed to ensure compliance.

In 2011 we drafted a corporate procedures document providing additional detail and guidance in implementation of our corporate Human Rights Policy and the Voluntary Principles. The procedures were intended to be finalized in 2012 and rolled out to our sites. However, we deferred roll-out of the procedures until we determine how best to integrate the UN Guiding Principles on Business and Human Rights into our existing Human Rights Policy. In 2012 we joined a multi-industry human rights working group which will provide a forum to gain insight from peer companies to help determine the best way to integrate human rights due diligence into our business practices and to support our Voluntary Principles program.

The Voluntary Principles Implementation Guidance Tools were introduced to our sites in 2011. In 2012, our Human Rights Compliance Officers and security personnel from our sites in Indonesia, DRC and Peru attended training on the Guidance Tools funded by Freeport-McMoRan and other member companies. The training was well received by participants as a means to further their understanding and use of the Guidance Tools.

In 2011, Freeport-McMoRan joined a volunteer group of companies to help develop and pilot a set of key performance indicators (KPIs) on Voluntary Principles implementation. We engaged in the KPI process as a way to help us better monitor performance at our sites and drive improvement. We piloted the KPIs at our mine site in Indonesia and the DRC as a site self-assessment tool. We then requested our external assurance provider to review the KPIs and results as part of our 2012 ICMM Sustainable Development Framework assurance process. 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 that will generate consistent results across sites.

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

Freeport-McMoRan uses a sustainable development risk register process and procedure that was established in 2009 for all our operating sites. Human rights and security are included in this register as risk areas for sites to assess, and any risks ranked as actionable require development of an action plan. Site-level risk registers are submitted to the corporate office at least annually for review by an inter-departmental team. Key sustainability challenges identified for the corporation as a whole, including human rights and security, are outlined in our Working Toward Sustainable Development report (http://www.fcx.com/envir/wtsd/pdf-wtsd/2011/WTSD_Bk_2011.pdf). The report also includes an explanation of the risk register process (page 7).

Since 2010, we have worked to improve upon our risk assessment tools for security and human rights by engaging a third-party consultant to provide training at our sites 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 Arequipa, Peru using the Voluntary Principles Implementation Guidance Tools as a reference. Voluntary Principles risk assessments were also conducted at our mining operations in Indonesia and the DRC by teams that have received training within the past two years. Actionable risks that are identified in the Voluntary Principles risk assessment are then linked to and reported in the site's sustainable development risk register mentioned above.

In 2012, we also continued to implement a sustainable development assessment checklist for new or expansion projects. The checklist includes an assessment of risks and opportunities associated with the project, including security and human rights. This tool is being used to embed sustainability strategies, such as respect for human rights, early in project plans and the process is facilitated by a third-party. In 2012, we conducted checklist reviews of eight projects globally in the Company.

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

The Company established Human Rights Compliance Officer positions for each international operating mine site whose role is to receive, document and follow up on any reported human rights allegations. The role of the Human Rights Compliance Officer is communicated to community groups as well as all employees and contractors. Some sites have drop-boxes available for anonymous reporting and, as part of the Freeport-McMoRan Principles of Business Conduct, anonymous compliance hotlines managed by third parties have been established. Human rights have also been incorporated into our corporate

community grievance mechanism procedure to ensure that there is a mechanism for reporting grievances (security-related or other) from the community as well as our workforce. It is the role of the mine site Human Rights Compliance Officers to report any incidents, grievances, or allegations of human rights to site-level management as well as the Freeport-McMoRan Corporate Human Rights Compliance Officer and Corporate Human Rights Legal Counsel. Any human rights allegations associated with host government security are also reported to the appropriate government institutions for investigation.

Reporting mechanisms have been communicated to sites via training materials and will be further communicated in the corporate human rights implementation procedures. Some operations, such as PT Freeport Indonesia, also have their own site-level reporting procedure. A corporate-level procedure is being developed to help provide consistency across sites. For examples of how the reporting mechanism was implemented in 2012, please see the country-level reports below.

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

Contracts with private security providers in Indonesia and the DRC include specific language related to the Voluntary Principles. The contracts state that all security contractors are required to comply with the operation's Human Rights Policy and the Voluntary Principles, including receiving human rights training and instructions to immediately notify the Company in the event of any human rights allegations. In 2012, contracts with our private security providers in Peru were revised to incorporate specific language related to the Voluntary Principles.

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

All human rights allegations, including security-related incidents, are referred to the site Human Rights Compliance Officer, who oversees the process of documenting all allegations and assigning an internal team to conduct an assessment of the allegation. The process includes a comprehensive review of all relevant facts, as well as witness interviews. The outcome of the assessment process is reported to the Corporate Human Rights Legal Counsel, Corporate Human Rights Compliance Officer, site management, the complainant, and the individual respondent. If any cases involve security-related incidents by either public or private security personnel, the Human Rights Compliance Officer and site management ensure that these incidents are reported to the appropriate government institution for investigation and disciplinary action. For an example of how security-related incidents were addressed in 2012, please see the country-level report below in Part C. for the DRC.

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

We promote awareness of the Freeport-McMoRan Human Rights Policy and the Voluntary Principles through a variety of mechanisms including training programs that reach all managers and employees on a periodic basis. In 2012 alone, for example, 98 percent of global managers certified their compliance with the Principles of Business Conduct and received refresher training. The Principles of Business Conduct Certification is required of management each year and managers and supervisors are responsible for ensuring that employees who report to them understand these Principles, which

includes a section on human rights. In 2012 presentations on the Voluntary Principles and Company human rights program was also presented at various Company forums, including a corporate global meeting held for site ethics compliance officers and a meeting conducted by the Exploration Group with representatives from global exploration sites. In addition, an update on Voluntary Principles program implementation is presented to the Freeport-McMoRan Board of Directors Corporate Responsibility Committee annually.

For other examples of how awareness of the Voluntary Principles is promoted, please see the country-level reports below in Part C. for Indonesia and the DRC.

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

In 2012, Freeport-McMoRan promoted Voluntary Principles implementation internationally by actively participating in country-level Voluntary Principles activities in Indonesia and the DRC, which are each Voluntary Principles priority countries (See Part C. Country Implementation below for more details).

We frequently engage with socially responsible investors on security and human rights issues; in 2012 investor groups asked us to describe and discuss our Voluntary Principles program and the benefits we perceive from being members. We promoted the benefits of a multi-sector approach and expressed the importance of the Voluntary Principles as a platform for discussing human rights in host countries that are in post-conflict areas or have human rights risks.

Freeport-McMoRan also supported the Voluntary Principles Communications Working Group in 2012 by facilitating the contract for redesign of the Voluntary Principles website to provide more effective external communication on the Voluntary Principles. In addition, we publish our report to the Voluntary Principles Plenary on the Freeport-McMoRan public website at: <http://www.fcx.com/envir/security.htm>

C. Country Implementation

Indonesia

Overview of Country Operations

Freeport-McMoRan's Indonesian affiliate, PT Freeport Indonesia (PTFI), operates the Grasberg mining complex, which contains the largest recoverable reserves of copper and the largest single gold reserve in the world. Freeport-McMoRan has been operating in Papua, Indonesia since 1973 and implementing the Voluntary Principles there since becoming a signatory in 2000. Security risks in the area stem from the presence of poverty, in-migration, limited education, separatist activists and advocates in the region, presence of illegal gold panners in the project area, and social, political and ethnic tensions within the local community and in other areas of the province. Via a presidential decree, the Government of Indonesia has identified the Grasberg mine as a "vital national asset" and has assigned host country security (police and military) to the site. In 2009, a series of shooting incidents targeting company personnel, contractors and host government security personnel occurred within the PTFI project area, primarily along our remote access road and east levee; these shooting incidents have continued on a sporadic basis with the last shooting incident occurring on October 13, 2012. From the beginning of

2009 through 2012, there have been a disturbing 15 fatalities and 57 injuries from shooting incidents within our project area (there were three fatalities and seven injuries in 2012).

Due to the heightened security situation at PTFI, approximately 1,500 host country security personnel (police and military) were assigned to the PTFI project during 2012. In addition to the public security presence, PTFI employs approximately 750 unarmed security personnel and 325 unarmed private security contractors and transportation/logistics consultants. This increased security presence has been necessary to enhance protection of company employees, contractors and assets, especially considering the remote and challenging terrain found in the PTFI project area.

In 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 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 were also seven cases reported in 2012 regarding domestic issues. This year was the first time domestic issues and disputes have been reported. 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 well communicated and known, not only by employees and contractors, but also by their families and others in the project area.

All cases were documented, reviewed, and closed, or are in the process of being followed up by the PTFI Human Rights Compliance Officer or investigated by the government authorities. Both of the criminal cases were security related incidents involving shootings that occurred within the PTFI project area as mentioned above. One of these cases resulted in the fatality of two contractor employees. Both cases remain under investigation by the Government of Indonesia.

Engagement with Stakeholders on Country Implementation

We continue to engage with a number of critical stakeholders at the international, national and local level to promote the Voluntary Principles. At the national level, PTFI continued to be an active participant in the country-level Voluntary Principles activities, such as attending Voluntary Principles roundtable dialogues facilitated by the Indonesian Center for Ethics. PTFI also met eight times during the year with the Indonesian Human Rights Commission (Komnas HAM) to discuss human rights and security issues at the mine site, as well as grievances reported to Komnas HAM. These meetings also included meetings that Komnas HAM held with extractive companies in Indonesia regarding the role of companies to respect and promote human rights, as well as to have mechanisms for reporting and responding to human rights grievances.

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. Training and awareness activities were also promoted to the wider community via articles in the local media. In 2012, PTFI also conducted meetings on the Voluntary Principles with local church leaders in order to increase outreach to the broader community. More information on outreach and training activities is presented below.

PTFI continued 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. Establishing an anonymous system was critical to ensuring employees and their family members felt comfortable reporting any security incidents. 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 in making people feel comfortable to report.

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

In 2012, we employed two private security contractors and one transportation/logistics contractor, all of whom are unarmed, to assist with protection of company assets, airport security screening and passenger/supply convoy logistics. Two of the contractors are international companies and signatories to the International Code of Conduct for Private Security Providers. Contracts with private security providers state that contractors are required to comply with both the Company's Human Rights Policy and the Voluntary Principles.

PTFI also entered into a Memorandum of Understanding (MoU) with the Provincial Commander of the National Police in 2009, which is currently under review for extension. The MoU details the working relationship between the Company and the public security personnel, including areas of support, coordination and commitment to PTFI policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MoU.

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

PTFI's share of support costs for the government-provided security was \$22 million for 2012. The supplemental support consists of various infrastructure and other costs, such as food, housing, fuel, travel, vehicle repairs, allowances to cover incidental and administrative costs, and community assistance programs conducted by the military and police.

Examples of Supporting Outreach, Education and Training

In 2012, training on the PTFI human rights program and the Voluntary Principles was provided to over 1,240 police and military personnel. When feasible, military and police contingents receive a presentation on human rights two times before beginning their rotation with PTFI; once at their home base and again within two days upon arrival in Papua. In 2012, PTFI also distributed over 1,700 translations of the Voluntary Principles in the form of a pocket book to host government security personnel and private security contractors, as well as other PTFI contractor employees. Due to the

security incidents experienced at PTFI in 2011 and 2012, this outreach more than doubled from the previous year.

PTFI conducted over 38,000 hours of specific training on the Company's Human Rights Policy and the Voluntary Principles in 2012, an increase of 10,000 training hours from 2011 due to enhanced efforts to reach more employees, contractors and community members. Over 7,170 PTFI employees and over 8,900 contractor employees received training, as well as another 3,000 individuals representing community leaders and partner organizations, students, local contractors and police and armed forces personnel. Human rights training is prioritized for security personnel and employees working in the areas of community, government and employee relations; however, training is not limited to those groups and is available to all departments, contractors and community partners. In 2012, PTFI incorporated human rights awareness training into the induction materials for all new employees and made it a requirement before new employees are allowed to work. In addition, all PTFI security personnel and third-party security contractors have received human rights training. Approximately 85 percent of PTFI security personnel also received refresher training in 2012.

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. The outreach activities also included human rights awareness training for middle school students in the local community. This activity was the first time promotion activities included outreach to students with the target of creating human rights awareness at an early age.

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

Freeport-McMoRan corporate personnel review implementation of the Voluntary Principles at PTFI through visits to the site and meetings with the site Human Rights Compliance Officer and staff, as well as the site security managers. The PTFI Human Rights Compliance Officer also issues a monthly and annual report to site and corporate senior management on human rights training activities and the status of any reported human rights grievances. As part of the volunteer group piloting Voluntary Principles KPIs, PTFI also implemented the KPIs as a site self-assessment. The process served as a useful tool for the site to determine the level of maturity of the Voluntary Principles program and to identify areas for improvement, such as internal monitoring and measuring the effectiveness of training. The KPIs will be implemented again in 2013 to measure progress.

Democratic Republic of Congo (DRC)

Overview of Country Operations

Freeport-McMoRan serves as the operator of the Tenke Fungurume Mine (TFM), whose ownership structure is comprised of Freeport-McMoRan (56%), Lundin Mining Corp (24%), and Gécamines (20%). TFM's copper and cobalt mining operations, located in Katanga Province, approximately 110 miles northwest of Lubumbashi, began commercial production in 2009. TFM is far removed from the conflict areas in the eastern and northeastern parts of the country, but is reported here as it 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.

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 (PNC) and are responsible for maintaining security in mining concessions throughout the DRC.

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, two were criminal matters, 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 individual in a restricted area of company property. After being taken to the TFM 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 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 still under investigation by the National Police.

Engagement with Stakeholders on Country Implementation

TFM actively supports implementation of the Voluntary Principles at the international, national, provincial and local level. In 2012, TFM facilitated monthly meetings of a Security and Human Rights Discussion Group attended by security managers from other mining companies in 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 is also a forum to promote awareness of the Voluntary Principles with non-members.

TFM actively participated in a country-level Voluntary Principles meeting held in Kinshasa to share resources and discuss with other members steps that can be taken to promote the Voluntary Principles in-country. Locally, TFM also participated in monthly security meetings held by local authorities in Fungurume, where security and human rights issues are raised and discussed by local government and community leaders. TFM used this meeting venue to raise awareness about the Voluntary Principles and TFM's human rights program activities.

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

In 2012, TFM contracted two private security contractors. Contracts with private security providers include specific language related to the Voluntary Principles, and state that contractors are required to comply with the Company's human rights policy and the Voluntary Principles. In addition, all contract employees undergo background checks, using the same procedures as applied for TFM security personnel. One of the contractors has become a signatory to the International Code of Conduct for Private Security Providers.

TFM also entered into a Memorandum of Understanding (MoU) with the Mines Police assigned by the state to maintain public security in the TFM concession area. The MoU details the working relationship between the Company and the Mines Police, including areas of support, coordination and commitment

to TFM policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MoU. TFM provides food, housing, monetary allowances and logistical support as well as direct payments to the government for the provision of the security assigned to the concession area. The total cost to TFM for this support, including in-kind support, totaled less than \$1 million in 2012.

Examples of Supporting Outreach, Education and Training

Training and awareness on human rights is incorporated in company-wide training materials for new employees, as well as refresher training modules that reached a total of nearly 5,960 TFM and contract employees in 2012, an increase from 4,090 employees and contractors trained in 2011². Overall training hours totaled 12,038 hours. In addition to reporting grievances to the site Human Rights Compliance Officer, TFM also has a third-party compliance hotline established to allow employees access to an anonymous human rights grievance mechanism. Community grievances may also be reported to any Community Liaison Officer, who will report any allegations to the site Human Rights Compliance Officer. TFM has also developed a contract template that includes language on human rights to help support contractor awareness and implementation of the TFM Human Rights Policy.

TFM requires training on the Voluntary Principles for all new security employees as well as all security contract personnel. TFM security employees are required to receive human rights training before they begin employment. All TFM security employees and contractors received human rights training in 2012. TFM, as a private company, is not permitted to conduct formal training of state employees or governmental representatives, which includes government security personnel. However, as an outcome of the Security and Human Rights Discussion Group, MONUSCO (United Nations Stabilization Mission in the DRC) offered to conduct additional human rights training for public security personnel assigned to the TFM concession area. The first training workshop was held in December 2012 and was attended by 35 participants comprised of TFM employees from security, community development, and other relevant departments, including 10 representatives of the local government and host government security, and Mines Police. Based on the success of the first training workshop, TFM and MONUSCO are planning to conduct a minimum of six training workshops in 2013.

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

Freeport-McMoRan corporate personnel regularly review implementation of the Voluntary Principles at TFM, which includes visits to the site and meetings with the site Human Rights Compliance Officer and site Security Manager. The TFM Human Rights Compliance Officer also issues a monthly and annual report to site and corporate senior management on all human rights training activities and the status of any reported human rights grievances. In 2012, TFM also worked with an external consultant to help review and revise general employee human rights training materials to include a section focused on the Voluntary Principles, as well as to conduct in-depth human rights training to key employees from security, community, legal, and external relations departments supporting the TFM human rights program.

² Training numbers increased due to an increase in employees and contractors at the mine to support the mine expansion, and as a result of further development of the training program and increased outreach (e.g., security contractors, host government).

As part of the volunteer group piloting Voluntary Principles KPIs, TFM also implemented the KPIs as a site self-assessment. The process served as a useful tool for the site to determine the level of maturity of the Voluntary Principles program and to identify areas for improvement. One such finding was that TFM had discontinued local stakeholder engagement activities on the Voluntary Principles due to a change in personnel. The gap was identified and the engagement program was revitalized in 2012.

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

Freeport-McMoRan experienced a number of lessons learned across our operations in 2012, including:

- Our Voluntary Principles program is focused on outreach and outcomes, but we need to find more ways to measure overall program and training-specific effectiveness.
- Change in personnel can result in a change in Voluntary Principles implementation. It is important to provide induction training for new employees stepping into management roles with Voluntary Principles responsibilities. Having well developed site policies, procedures and plans can also assist in program handover and consistency. The Voluntary Principles Implementation Guidance Tool training was very beneficial for new team members and managers.
- The pilot KPIs helped site teams identify gaps and areas for improvement in Voluntary Principles implementation and set targets for the next year. However, more refining of the tool needs to be done to ensure consistent implementation across sites and better definition of what a fully mature and effective Voluntary Principles program comprises and achieves.
- It is better to have grievances reported in the grievance system than not. Having grievances reported, even if they are not always valid human rights issues, illustrates that there is good awareness of the system and that people feel comfortable to access it to raise issues, concerns, and allegations. However, we continue to find that our human rights grievance system is accessed primarily by employees and contractors, and less so by community members.
- Reported human rights allegations should trigger adaptation in existing training modules and curriculum to reflect current issues, needs, and developments. We recognize the opportunity for continuous improvement in training programs, while at the same time acknowledge that unique or one-off situations may be difficult to address through training program revisions.

In terms of advancing the Voluntary Principles in 2013, we plan to focus on implementing Voluntary Principles training at our mining operation in Arequipa, Peru. We also plan to be active participants in Voluntary Principles implementation at the country level in Peru, DRC, and Indonesia. We are also targeting to develop a corporate video about our human rights program and the Voluntary Principles to be able to reach a wider audience across our global sites.