

## **Voluntary Principles on Security and Human Rights 2017 Annual Report to the Plenary**

**March 2018  
Washington D.C., United States**

Freeport-McMoRan Inc. (“Freeport-McMoRan” or “the company”) maintains a strong, unequivocal commitment to respecting human rights. We are 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. We are the world’s largest publicly traded copper producer. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world’s largest copper and gold deposits, and significant mining operations in North America and South America, including the large-scale Morenci minerals district in Arizona and the Cerro Verde operation in Peru. We also operate mining and refining operations in Chile, Finland, the Netherlands, Spain, and the United Kingdom.

Some of our operating locations require the use of public security forces to ensure the safety of people and equipment, and to control in-migration to mining lease and operational areas. The use of public security forces creates the need to implement adequate safeguards for the rights of all people.

Freeport-McMoRan has been a member of the Voluntary Principles on Security and Human Rights (Voluntary Principles) since it was first established in 2000. The Voluntary Principles have been an important cornerstone of our human rights and security program, providing guidance for our operations as well as a mechanism to promote engagement, awareness, and respect for human rights within our workforce and with our government and community partners. Freeport-McMoRan is also a founding member of the International Council on Mining and Metals (ICMM) and implements the ICMM Sustainable Development (SD) Framework, which includes a commitment to uphold human rights. The company is committed to the implementation of the UN Guiding Principles on Business and Human Rights (UN Guiding Principles).

This report sets out new developments in our human rights programs, as well as implementation activities in 2017. While much of the background information does not differ from previous years’ reports, it is provided here for new members of the Voluntary Principles and other stakeholders. Country implementation details are provided for Indonesia and Peru, as these countries represent our most material operating environments in terms of security and human rights.

### **A. Commitment to the Voluntary Principles**

#### **1. Public Statement of Commitment or Endorsement of the Voluntary Principles, Engagement in the Voluntary Principles Initiative, and Transparency**

In 2000, Freeport-McMoRan joined other extractive companies, governments and human rights organizations in endorsing the joint U.S. Department of State-British Foreign Office Voluntary Principles. As we have expanded our international footprint, we have worked closely with our affiliate operations

to assist in the implementation of the Voluntary Principles. Our endorsement of the Voluntary Principles is set forth on our website (<https://www.fcx.com/sustainability/human-rights>) as well as in our annual Working Toward Sustainable Development Report (WTSD Report) ([https://www.fcx.com/sites/fcx/files/documents/sustainability/wtsd\\_2016.pdf](https://www.fcx.com/sites/fcx/files/documents/sustainability/wtsd_2016.pdf)).

We have incorporated our commitment to the Voluntary Principles into our Human Rights Policy as well as our Principles of Business Conduct (PBC). Our Human Rights Policy and PBC apply to all of our employees and our Board of Directors. We also expect our suppliers (including contractors and other partners with whom we conduct business) to uphold and abide by the same standards, which are reflected in our Supplier Code of Conduct. Both documents can be found at: <https://www.fcx.com/sustainability/approach/policies>.

In 2017, Freeport-McMoRan participated in country-level Voluntary Principles activities in Indonesia and Peru (please see the country-level reports below in Part C). At the Initiative-level, we continued a two-year term on the Voluntary Principles Initiative (VPI) Steering Committee and Voluntary Principles Association (VPA) Board of Directors, peer-reviewed an implementation presentation at the 2016 Voluntary Principles Plenary in Ottawa, and participated in the VPI Implementation Working Group as well as Corporate Pillar meetings.

We publish our Annual Reports to the Plenary on the Freeport-McMoRan public website (<https://www.fcx.com/sustainability/reports-and-documents>) as part of our broader sustainability reporting and are committed to engaging with fellow Voluntary Principles participants to facilitate greater understanding our Voluntary Principles implementation.

## **2. Examples of Promoting Awareness of the Voluntary Principles Throughout Our Organization, Including Within the Value Chain**

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

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

In 2017, our El Abra operation in Chile provided training on Human Rights and the Voluntary Principles to its 2 security employees and 92 security contractor personnel. In addition, approximately 350 employees and contractors received a brochure and training on our Corporate Human Rights Policy. El Abra is an open-pit copper mining complex located 47 miles north of Calama in Chile's El Loa province. We are evaluating a potential expansion project at El Abra and planning to advance a Human Rights Impact Assessment there in 2018.

For other examples of how we promote awareness of the Voluntary Principles, including with host governments and authorities, please see the country-level reports below in Part C.

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

Freeport-McMoRan continued to serve as an active observing member of the International Code of Conduct Association (ICoCA). As a commercial client of private security companies (PSCs), we have a keen interest in the provision of these security services to a high standard. ICoCA has been active in establishing guidelines for the provision of security services that are based on human rights and humanitarian-based principles. ICoCA has also initiated its process for certification of PSCs, including announcing the acceptance for certification of companies that have been audited to the ISO 18788 standard (Management System for Private Security Operations) promulgated in 2015.

We also continued to participate in a Business for Social Responsibility (BSR) multi-industry human rights working group, which has provided a forum for gaining insight from companies representing multiple industrial sectors on methods for integration of the UN Guiding Principles into our business practices.

We frequently engage with financial stakeholders on security and human rights issues, including our implementation of the Voluntary Principles. This engagement is conducted both proactively and by request. In 2017, we briefed these stakeholders on security-related human rights incidents near our operations in Indonesia, reported on follow-up actions taken and discussed approaches to mitigating human rights and security risks. We also briefed stakeholders on planning for and implementation of a Human Rights Impact Assessment (HRIA) at our Cerro Verde operation in Peru.

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

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

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

Our commitment to respecting human rights is expressed in our Human Rights Policy (<https://www.fcx.com/sustainability/approach/policies>), which incorporates the Voluntary Principles and reflects our commitment to the UN Guiding Principles. The policy, most recently updated in August 2017, requires the company to conduct operations in a manner consistent with both the Universal Declaration of Human Rights and the UN Guiding Principles, to educate employees about human rights and to protect any employee who reports suspected human rights violations. The policy prohibits discrimination; forced, compulsory or child labor; and human trafficking; and ensures fair working conditions, including freedom of association and collective bargaining. Moreover, in the area of security, the Voluntary Principles serve as the guidelines for the company's security programs, including interactions with host government police and military personnel and private security contractors. Furthermore, we expect all suppliers of goods and services to operate in accordance with this policy.

We promote awareness of our Human Rights Policy and the Voluntary Principles through a variety of mechanisms, including annual training through classroom and online training classes, distribution of pamphlets, etc. for managers and periodic training for non-managers on a rotating basis.

We conduct comprehensive training on our company's employee code of conduct, the PBC. Beginning in 2017, we have initiated a plan to conduct PBC training for all employees annually. This process consists of computer-based training for employees with network access and classroom training for employees without network access. It includes a signed certification by employees at the manager level and above that the employee understands the PBC and is not aware of cases of non-compliance. Furthermore, managers and supervisors are responsible for ensuring that the employees who report to them understand these principles.

The Corporate Responsibility Committee of our Board of Directors (Board) assists the Board in fulfilling its oversight responsibilities with respect to the management of risks associated with our Human Rights Policy and practices (respect for human rights). The Corporate Responsibility Committee oversees the Company's sustainable development programs, including our human rights policy and practices. The committee received an update on our human rights program in August, including updates to our Human Rights policy and our performance on the pilot Corporate Human Rights Benchmark.

In addition, our corporate Sustainable Development Leadership Team provides strategic and operational guidance regarding our sustainability commitments, including our human rights program. The team is sponsored by our Executive Vice President and Chief Administrative Officer, and is led by our Vice President of Environmental Services and Sustainable Development. The team includes our Chief Operating Officer and business unit presidents and senior personnel from the safety, supply chain, human resources, sales, security, legal/compliance, and land and water functions. In 2017, the team received updates on our human rights program, including our first UK Modern Slavery Act Statement, our performance on the pilot Corporate Human Rights Benchmark, updates to our FCX Human Rights Policy, as well as planning for and preliminary results of the Human Rights Impact Assessment conducted at our Cerro Verde operation in Peru.

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

We report on our human rights performance in our annual WTSD Reports. Our 2016 WTSD Report was prepared in accordance with the Global Reporting Initiative (GRI) G4 core option reporting guidelines for the second year and in accordance with the Mining and Metals Sector Supplement for the seventh consecutive year. A Sustainability Reporting Prioritization Assessment process was utilized to delineate the aspect categories and indicators reported. More about this process, which included broad stakeholder consideration, as well as a GRI content index, is located on our website (<https://www.fcx.com/sustainability/gri-content-index>). External assurance of our 2016 WTSD reporting was conducted by Corporate Integrity Ltd. (Corporate Integrity) in accordance with the ICMM SD Framework Assurance Procedure. Since 2009, site-level external assurance has been completed multiple times at all active mining operations. We are conducting site-level external assurance at operations a minimum of once every three years, with annual assurance engagements at PT-FI and Cerro Verde. Our 2017 WTSD Report is being prepared in line with the GRI G4 guidelines and is expected to be available in the second quarter of 2018.

Freeport-McMoRan opted in to the Corporate Pillar Verification Framework, which entails having a process to verify that we are meeting our responsibilities as a VPI member. As such, our Voluntary Principles reporting (and the performance we communicate therein) is included within the scope of our annual external assurance process. This Annual Report to the Plenary will be included in Corporate Integrity's review process for the 2017 reporting period. This external assurance process includes meetings with our security and human rights teams to review their respective programs and management systems, for example their training programs, risk mitigation plans and grievance mechanisms. The results of this process are communicated in a public assurance statement located within our WTSD Report. As previously mentioned, we also publish our Annual Report to the Plenary as part of our broader sustainability reporting (<https://www.fcx.com/sustainability/reports-and-documents>).

### **5. Company Procedure to Conduct Security and Human Rights Risk Assessments, and Integrate Findings**

The Freeport-McMoRan Sustainable Development framework is implemented based on operation-specific factors and influences, including regional context, type of operation and social setting. Essential to this framework is the SD Risk Register process, which prioritizes risks that could have the potential for negative consequences to our business and our stakeholders. Human rights and security are included in this process as risk areas for evaluation. Any specific risks rated as 'actionable' prompt the development and implementation of Action Plans, as well as the monitoring of their results. Site-level SD Risk Registers are maintained by inter-departmental teams at the operational level. The corporate sustainable development team and senior cross-functional corporate personnel monitor and review the site-level SD Risk Registers and maintain a corporate-level SD Risk Register. The resulting sustainability focus areas highlighted in the corporate-level register, including human rights and security, are reported on in our annual WTSD Report (<https://www.fcx.com/sustainability>). The 2016 WTSD Report also includes an explanation of the SD Risk Register process (see page 9). As previously mentioned, we also publish our Annual Report to the Plenary as part of our broader sustainability reporting ([www.fcx.com/sd/sustain/vol\\_principles.htm](http://www.fcx.com/sd/sustain/vol_principles.htm)).

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

We also continue to work with Verisk Maplecroft, a global risk analytics and advisory firm, to advance our implementation of the UN Guiding Principles and integrate human rights considerations across our business. In 2016, we initiated a site-level HRIA for our Cerro Verde operation in Peru. The Cerro Verde HRIA was completed in 2017.

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

Freeport-McMoRan has established Human Rights Compliance Officer positions at PT-FI and Cerro Verde. Their role is to receive, document and follow-up on formally or informally reported human rights

allegations – including those relating to the conduct of public and private security providers. We actively communicate the role of the Human Rights Compliance Officer to employees and contractors, as well as community groups. All members of our workforce have access to the FCX Compliance Line, a hotline managed by third parties that allows for anonymous reporting (refer to PBC pages 42-43 for additional information). The FCX Compliance Line is also available to members of our supply chain via our Supplier Code of Conduct. In addition, PT-FI has drop-boxes available for anonymous reporting. We have also incorporated human rights into our corporate Community Grievance Management system, which is implemented at each site to collect community grievances including those potentially related to human rights and/or security. Site-level Human Rights Compliance Officers report human rights incidents, grievances or allegations to site-level management, as well as to the corporate SD group and legal counsel. Allegations related to public security providers are reported to the appropriate government institutions for investigation and to urge action to prevent recurrence. In 2017, we initiated a project to review our global grievance management systems against the effectiveness criteria outlined in the UN Guiding Principles. For examples of how we implemented this reporting mechanism in 2017, please see the country-level reports below in Part C.

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

Contracts with private security providers in Indonesia, Peru and Chile include specific language related to our corporate Human Rights Policy (and, by extension, to the Voluntary Principles). Security contractors are required to comply with the operations' Human Rights Policies, including receiving human rights training and instructions to immediately notify Freeport-McMoRan of any human rights allegations.

For descriptions of training provided to private security contractors in 2017, please see the country-level reports below in Part C.

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

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

Where cases involve security-related incidents linked to public security personnel, the Human Rights Compliance Officer and site-level management ensure these incidents are reported to the appropriate government institution for investigation. Cases involving private security personnel are investigated by Freeport-McMoRan and, where culpability is found, referred to the service provider to ensure that appropriate disciplinary action is taken. We cooperate with any human rights related investigations and support appropriate remediation for proven violations caused by or contributed to by our company's actions.

For examples of how we addressed security-related incidents in 2017, please see the country-level reports below in Part C.

## **C. Country Implementation**

### **Indonesia**

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

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

In 2009, there were a series of shooting incidents within the PT-FI project area, with sporadic shooting incidents continuing through January 1, 2015. More recently, from August 2017 through December 31, 2017, there were 20 shooting incidents within the PT-FI project area in the highlands and five shooting incidents in nearby areas. These shooting incidents resulted in ten injuries to workforce members transiting the Main Supply Road, as well as two injuries to medical services contractors administering care to a community member (who was also injured). During related law enforcement actions, government security forces personnel suffered seven injuries and two fatalities. In response to the security conditions, dependents were temporarily demobilized from the affected project area from November 24, 2017 to January 8, 2018. The safety of our workforce is a critical concern, and PT-FI works cooperatively with the Indonesian government to address security issues. The investigation of these incidents by the Indonesian authorities remain ongoing. We also restrict use of the road leading to our mining and milling operations to secured convoys, including transport of personnel by armored vehicles in designated areas. Refer to Figure 1 for a map of the PTFI project area for geographic context.

PTFI experienced two additional security incidents in 2017. In April, PT-FI experienced civil unrest in Timika involving employees and the police. In August, a group, estimated at between 400 to 500 persons, injured four contractors and one employee, and destroyed company and personal property with an estimated loss exceeding \$3 million. Both security incidents were described in reports to the Voluntary Principles Plenary. These incident reports are included as attachments to this report (refer to Appendix 1 and Appendix 2).

Approximately 1,430 public security personnel from the police and military were assigned directly to the PT-FI project area during 2017. In addition, the PT-FI Security and Risk Management Department employed approximately 575 unarmed security personnel and approximately 600 unarmed private security contractors and transportation/logistics personnel on a rotational basis. These security arrangements have been necessary to enhance the protection of our employees, contractors, and assets, especially considering the nature of security challenges and the remote and challenging terrain.

In 2017, a total of 26 grievances were reported to the PT-FI Human Rights Compliance Office related to domestic issues, human resources, verbal harassment, physical assault and intimidation. Two were security-related. One of the security-related grievances involved an allegation of attempted physical assault of a security employee by a guest in company housing. The allegation was reported to the police and an internal review of access controls was conducted to prevent recurrence. The other security-related grievance was a collective grievance from the employees of a security contractor regarding their work hours and work assignments. Eight of the cases were domestic issues that did not directly involve PT-FI. They illustrate that the human rights grievance system is well communicated and known, not only by employees and contractors, but also by their families and others in the project area. Regardless of the types and credibility of these allegations, all cases reported were documented, reviewed and closed, or are in the process of being followed up by the PT-FI Human Rights Compliance Office. Nine of the 26 cases remained in process of handling at the end 2017.

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

PT-FI continues to engage with a number of stakeholders at the international, national and local level regarding the implementation of the Voluntary Principles and respect for human rights. During 2017, the PT-FI Human Rights team held meetings with key human rights NGOs, including the Institute of Human Rights Studies and Advocacy (ELSHAM). PT-FI met with the Indonesian Human Rights Commission (KOMNAS HAM) on multiple occasions, both in Jakarta and in Papua province. These meetings included both proactive engagement, as well as meetings to discuss the human rights related risks and issues at PT-FI, such as industrial disputes, shooting incidents, and customary rights. In the spirit of maintaining transparent and open dialogue regarding labor matters, PT-FI also met with the International Workers Union and IndustriALL in 2017.

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

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

In 2017, PT-FI employed one primary private security contractor company, which deployed unarmed personnel to assist with the protection of company assets. PT-FI also employed four transportation/logistics contractor companies in 2017, providing unarmed personnel to assist with airport security screening, passenger/supply convoy logistics and driving vehicles for personnel and logistical support. Contracts with private security providers and transportation/logistics contractor companies state that contractors are required to comply with both our Human Rights Policy and the Voluntary Principles (including their participation in human rights training). Furthermore, new private security providers, new contractors and contractor renewals are subject to Freeport-McMoRan's online due diligence system (FCeX), and are required to comply with the company's Supplier Code of Conduct. New suppliers and contractors linked to locations not covered by the online system undergo manual screening by our Global Supply Chain department.

PT-FI's Memorandum of Understanding (MOU) with the National Police was last revised and signed in 2016. The MOU covers a three-year term and details the working relationship between the company and the public security personnel assigned to it, such as areas of support, coordination and commitment to PT-FI policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MOU.

PT-FI, and all businesses and residents of Indonesia, rely on the Indonesian government for the maintenance of public order, upholding the rule of law and the protection of personnel and property. The Grasberg minerals district has been designated by the Indonesian government 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 Indonesian government is responsible for employing police and military personnel and directing their operations.

From the outset of PT-FI's operations, the Indonesian government has looked to PT-FI to provide logistical and infrastructure support and assistance for these necessary services because of the limited resources of the Indonesian government and the remote location of and lack of development in Papua. PT-FI's 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 PT-FI's roads and secure its operating area. The provision of such support is consistent with the scope of PT-FI's project area comprising approximately 2900 square kilometers, and our obligations under our Contract of Work. It also reflects our philosophy of responsible corporate citizenship, and is in keeping with our commitment to pursue practices that will promote human rights.

In 2017, the majority of PT-FI's security budget (70%) was directed to PT-FI's own industrial security requirements (including employee and contractor direct costs, and associated overhead). The remainder of the budget (30%) represented PT-FI support to host government security elements and totaled \$23 million.

Police provide the majority of security, and have overall responsibility for the security of the vital national asset, and 80% of the government support costs were directed to police units. The remainder was directed to military units who provide specialized security skill sets, including for example, Navy and Air Force personnel for port and airport security respectively.

Under the terms of the MOU, approximately 80% of overall host government support is provided in-kind as food, housing, fuel, travel, vehicle repairs. Provision of food represents the single largest category. The remaining host government support is provided in the form of monetary allowances for police and military units, covering incidental and administrative costs (including community assistance programs conducted by the military and police), and a voluntary monthly support allowance (VMSA) for individual service members, are paid to and managed via official unit-level bank accounts. The VMSA is intended to defray the hardships of the remote assignment, and ensure provision of a base living allowance for assigned personnel. PT-FI does not provide any lethal or non-lethal munitions nor, under the terms of our MOUs, exercise any command and control of the military or police.

All costs associated with assistance to the host government are subject to rigorous internal controls, including regular internal and external audits.

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

In 2017, PT-FI conducted approximately 19,690 hours of training on our Human Rights Policy and the Voluntary Principles. Approximately 1,170 PT-FI employees and 6,275 contractor employees received training, as well as over 4,790 individuals including representatives from local communities, partner organizations, student bodies, and the police and military.

The PT-FI Human Rights team provided training on the PT-FI human rights program and the Voluntary Principles to 1,427 police and military personnel, including 416 assigned to site in response to shooting incidents. Military and police contingents not based in Papua receive a presentation on human rights before beginning their rotation within the PT-FI project area; either at their home base or upon arrival at the site. The PT-FI Security Department also provided public security personnel with training on professional conduct and protocols in the PT-FI project area.

PT-FI has incorporated human rights awareness training into the induction of all new employees. In addition, all private security contractor employees and PT-FI security employees received induction or refresher training in 2017. Feedback forms and knowledge checks are collected after training to help the team assess training effectiveness, raise questions and give suggestions for improvement.

The PT-FI Human Rights team used banners to raise employee awareness and conducted a number of human rights promotional activities in 2017. Activities included human rights awareness presentations for students from elementary school to university level in Papua, as well as families of employees, illegal panners and the general population. PT-FI also conducted a radio campaign in partnership with Radio Public Mimika.

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

Freeport-McMoRan corporate personnel reviewed implementation of the Voluntary Principles at PT-FI through multiple site visits and meetings with the Human Rights Compliance team, as well as the Security team. The PT-FI Human Rights Compliance team also issues a monthly report to site and corporate management on human rights training activities and the status of any reported human rights grievances. As part of Freeport-McMoRan's ICMM assurance commitment (see Section B.4. above) and participation in the Corporate Pillar Verification Framework, PT-FI underwent an external assurance review by Corporate Integrity, which included a review of security and human rights risk management systems (see Sections B.4. and B.5. above).

## **Peru**

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

Sociedad Minera Cerro Verde SAA (Cerro Verde) is majority owned and operated by Freeport-McMoRan, which acquired the mine at the time of its privatization by the Peruvian government in 1994 through a predecessor company. The remaining shareholders are Sumitomo, Buenaventura and other minority shareholders. The Cerro Verde open-pit mining complex is located approximately 20 miles southwest of Arequipa. Following successful completion of a major expansion in 2015, Cerro Verde now includes the largest copper and molybdenum concentrating facilities in the world. Cerro Verde has provided a variety of community support projects over the years. Cerro Verde reached an agreement with the Regional

Government of Arequipa, the National Government, SEDAPAR and other local institutions to allow it to finance, engineer and construct a wastewater treatment plant for the city of Arequipa, which was completed in 2015. The wastewater treatment plant supplements existing water supplies to support Cerro Verde's concentrator expansion and also improves the local water quality, enhances agricultural products grown in the area and reduces the risk of waterborne illnesses. In addition to these projects, Cerro Verde annually makes significant community development investments in the Arequipa region. In January 2017, Cerro Verde was the recipient of the US Secretary of State's Award for Corporate Excellence in Transparent Operations in recognition of the company's dedication to placing transparency and stakeholder engagement at the core of its business.

Cerro Verde, like all businesses and residents of Peru, relies on the Peruvian government for the maintenance of public order, upholding the rule of law and the protection of personnel and property. The Peruvian government is responsible for employing police personnel and directing their operations.

Cerro Verde employs ten security employees and approximately 321 private security contractors. Some private security contractors assigned to the protection of expatriate personnel and explosives storage are armed. In addition to these security personnel, the national government has assigned Peruvian National Police (PNP) to the site in teams of 17 on 15-day rotations in accordance with Legislative Decree N° 1267, Supreme Decrees 026-2017-IN, N° 003-2017-IN and N° 018-2017-IN, and Emergency Decree N° 006-2017 (article 11). An additional 221 PNP USE (Special Services Unit) who service the Arequipa region provided support to Cerro Verde throughout 2017, including the protection of persons and property during protests near the mine.

In 2017, two grievances were reported to the Cerro Verde Human Rights Compliance Office related to discrimination and sexual harassment. None were security-related. Regardless of the type and credibility of these allegations, all cases reported were documented, reviewed and closed by the Cerro Verde Human Rights Compliance Office.

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

Cerro Verde continues to participate in the country-level implementation of the Voluntary Principles in Peru. Cerro Verde's security manager and legal manager attended meetings and workshops on the Voluntary Principles in 2017. Cerro Verde also continues to participate in the Corridor Minero del Sur (SEMSUR) organization, which meets regularly to discuss the interface between social and security issues.

In addition, Cerro Verde was subject to a HRIA by Verisk Maplecroft in 2017, the scope of which included the conduct of both private security forces and government security forces. The Cerro Verde HRIA involved the direct engagement of more than 140 stakeholders in and around Arequipa, the Cerro Verde mine and its surrounding communities (including a range of actually or potentially affected rights holders - both on an individual and collective basis), including:

- Employees (such as employees, managers, contract workers and union representatives)
- Community members (such as water and farming groups, teachers, students, doctors, religious leaders/organizations, amongst others)
- Third parties (such as public and private security providers, public officials and nongovernmental organizations (NGOs), amongst others)
- Individuals at suppliers, contractors and sub-contractors

***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***

As part of its security program, Cerro Verde maintains its own internal security department and contracted two private security companies as of the end of 2017. Both employees and contractors perform functions such as protecting company facilities, monitoring shipments of supplies and products, assisting in traffic control and aiding in emergency response operations (observing protests and coordinating responses to them, not providing physical controls). Contracts with private security providers include specific language related to our corporate Human Rights Policy (and, by extension, to the Voluntary Principles) Furthermore, new private security providers, new contractors and contractor renewals are subject to Freeport-McMoRan's online due diligence system (FCeX) and required to comply with our Supplier Code of Conduct. New suppliers and contractors linked to locations not covered by the online system undergo manual screening by our Global Supply Chain department.

Cerro Verde has limited public security forces in support of its operation, with the arrangement defined through an MOU with the Peruvian National Police (PNP). Under Peruvian law, PNP officers may volunteer to be assigned to operations such as Cerro Verde during their scheduled leave. This allows the officers to supplement their government salaries at a rate set by Government. They retain their full powers as officers of the law when performing this role and wear their police uniforms, but are not armed. The MOU was last updated in December 2017. It covers a two-year term and details the working relationship between Cerro Verde and the PNP, including areas of support and coordination. The MOU also includes a commitment to the United Nations Code of Conduct for and Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, Peruvian human rights law and the related the human rights manual, and other applicable national or international norms related to human rights and international humanitarian law.

The total cost to Cerro Verde for this support totaled approximately \$1 million in 2017. This support is primarily remuneration, but also includes a limited amount for in-kind support (e.g., daily bus transportation to and from the mine, food and incidentals) provided by the Company. The amount and modality of payment is in accordance with Peruvian law (Supreme Decree N° 152-2017-EF, Ministry Act N° 552-2017-IN and Legislative Decree N° 1267).

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

In 2017, all of Cerro Verde's security employees and security contractors received training on Human Rights and the Voluntary Principles.

Some security contractors assigned to protection of expatriate personnel and explosives storage are armed. These contractors also receive training on firearms handling and defensive driving.

All new employees at Cerro Verde also received a booklet on human rights and internal labor regulations.

Furthermore, training was extended to members of the PNP, who are assigned to the site in teams of 17 on a rotating basis. As a result, 393 members of the PNP were also trained on our human rights policy and the Voluntary Principles over the course of the year. Cerro Verde conducts the training on the first

day of assignment to site. In 2017, Cerro Verde also organized training for the 221 PNP USE (Special Services Unit) who provided support to Cerro Verde, as well as over 200 PNP in the Arequipa region who were not directly assigned to Cerro Verde.

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

Freeport-McMoRan corporate personnel review implementation of the Voluntary Principles at Cerro Verde through site visits and meetings with the Cerro Verde Human Rights Compliance team, as well as the Cerro Verde Security Manager. As part of Freeport-McMoRan's ICMM assurance commitment (see Section B.4. above) and participation in the Corporate Pillar Verification Framework, Cerro Verde underwent an external assurance review by Corporate Integrity, which included a review of its security and human rights risk management systems (see Sections B.4. and B.5. above). In addition, the 2017 Cerro Verde HRIA included a site-level verification of Cerro Verde's potential and actual human rights impacts, based on more than 140 stakeholder interviews. This helped test the effectiveness of our human rights management systems, including the degree to which they are addressing human rights and security issues (see Engagement with Stakeholders on Country Implementation above).

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

We continue to identify opportunities for continuous improvement in our implementation of the Voluntary Principles.

Plans for 2018 include:

- Completing our two-year term on the VPI Steering Committee and VPA Board of Directors,
- Giving a verification presentation at the 2018 Voluntary Principles Plenary in Washington, D.C.,
- Joining a panel discussion on MOU model clauses at the 2018 Voluntary Principles Plenary in Washington, D.C.,
- Continuing our participation in the VPI Implementation Working Group and Corporate Pillar meetings,
- Continuing our participation in the implementation of the Voluntary Principles at the country-level in Indonesia and Peru, and
- Continuing to advance our implementation of the UN Guiding Principles.



## Appendix 1. Report to the Voluntary Principles Plenary re: April 20 Security Incident



### Report to the Membership of the Voluntary Principles on Security and Human Rights

April 27, 2017

Freeport-McMoRan wishes to report on a recent incident in Timika, Indonesia involving employees of our Indonesian affiliate, PT Freeport Indonesia (PTFI) and the Indonesian police. Violence flared outside the Timika court building during April 20 proceedings in the criminal trial of PTFI's SPSI union president Sudiro, who faces allegations that he embezzled union subscription fees from the organization's members. His supporters had gathered to protest his continued detention. Police say protestors threw rocks at police, who responded with teargas and rubber bullets. The projectiles reportedly struck six protesters as well as the Mimika police chief. The victims were treated at a local hospital and released. According to the spokesman of the National Police, a team has been sent to investigate whether officers followed procedure, including the use of firearms. The police have implemented a ban on mass protests outside the court during future hearings.

While this incident was not directly related to Company operations, because it involved public security forces and our employees we are reporting it in the spirit of transparency and as part of both our continued support of the Voluntary Principles and commitment to respecting human rights.

Should you have any questions or concerns related to this event, please do not hesitate to contact us.

## Appendix 2. Report to the Voluntary Principles Plenary re: August 19 Security Incident



Report to the Membership of the Voluntary Principles on Security and Human Rights  
August 31, 2017

Freeport-McMoRan wishes to report on a recent incident at our PT Freeport Indonesia (PTFI) operation near Timika, Papua, Indonesia.

On August 19, a violent group, estimated at between 400 to 500 persons, destroyed company and personal property with an estimated loss exceeding US\$3 million, and injured four contractors and one employee. Three contractors and one employee required hospitalization. The event occurred at Checkpoint (CP) 28 near the Timika Airport and at PTFI's Timika bus terminal as well as PTFI contractor office facilities located nearby.

The group gathered at CP 28 (an access control point between the community of Timika and PTFI's operational area) around 2 p.m. local time. The group seized control of the Checkpoint as well as the adjacent "T" intersection connecting CP 28 to the main supply route from the Amampare Port Facility in the Lowlands to the Highlands. Two transport trailers were seized, set on fire and used to block the intersection, causing regular traffic and convoys to be suspended. The group threw rocks at the drivers of the transport trailers as they fled. The two drivers (contract employees) sustained injuries requiring hospitalization. Protestors also set fire to approximately 150 employees' personal motorcycles before seizing and burning the checkpoint building. Police responded, positioned reinforcements and initiated dialogue with the group. Discussions with the group to vacate the area lasting several hours were unsuccessful. After orders for the crowd to disperse were not heeded, police used non-lethal force (water cannon and tear gas) to clear the area. Full control of CP 28, with fires extinguished, was regained around 9:30 p.m.

The group then moved to the Timika bus terminal, several kilometers south of CP 28, where they burned buildings, property and more motorcycles, including the offices of PTFI contractors. Two contractors were injured, with one requiring hospitalization. The group fled the area upon arrival of police from the CP 28 area. Control of the Timika bus terminal was regained without the use of force, and fires were extinguished by 11:00 p.m. local time.

During the incident, an off-duty employee was stopped, beaten (requiring hospitalization), and had his motorcycle stolen.

Police reports indicate that 17 people were detained. Eight, all former employees and contractors, have been formally charged. Police continue to investigate the incident.

Cleanup efforts at CP 28 and the bus terminal began early on August 20. Damage to these facilities was extensive and will require significant time and resources to repair. The main supply route was re-opened on August 21 under heightened security.

The company strongly condemns this act of violence. In addition to the five injuries reported, the group burned and ransacked buildings and offices, and set fire to six pieces of heavy equipment, eight light vehicles, one unarmored bus and approximately 150 employee personal motorcycles. The initial cumulative damage estimate exceeds US\$3 million.

The safety of our workforce is a critical concern, and PTFI continues to work with the Indonesian government to address security issues. Should you have any questions or concerns related to this event, please do not hesitate to contact us.