

Voluntary Principles on Security and Human Rights 2018 Annual Report to the Plenary

**March 19-20, 2019
London, United Kingdom**

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 and 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 the Americas, including the large-scale Morenci minerals district in North America and the Cerro Verde operation in South America.

The Company’s Human Rights Policy commits us to implement both the UN Guiding Principles on Business and Human Rights (UN Guiding Principles) and the Voluntary Principles on Security and Human Rights (Voluntary Principles). Freeport-McMoRan has been a member of the 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. As part of our UN Guiding Principles implementation, we are advancing site-level Human Rights Impact Assessments (HRIAs). These assessments use a comprehensive and dedicated HRIA methodology that is aligned with the UN Guiding Principles to identify and prioritize an operations’ human rights risks and impacts, including those related to security and human rights.

Freeport-McMoRan is a founding member of the International Council on Mining and Metals (ICMM) and implements the ICMM Sustainable Development (SD) Framework, including site-level external assurance in accordance with the ICMM SD Framework Assurance Procedure. The framework includes a commitment to uphold human rights. This commitment was strengthened in 2018 with the adoption of multiple Performance Expectations (PEs) that are to be implemented and validated at the operating site level; one of these PEs commits members to supporting the implementation of the UN Guiding Principles. Furthermore, we continue to participate in multi-industry dialogue on respect for human rights via the Business for Social Responsibility human rights working group. We also continue to engage with the Corporate Human Rights Benchmark (CHRB), which allows us to assess our performance related to a set of human rights indicators based on publically available information, which includes our participation in and implementation of the Voluntary Principles.

This report sets out developments in our human rights programs, as well as implementation activities during 2018. 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 higher risk 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. Since that time, we have worked closely with our affiliate operations to assist in the implementation of the Voluntary Principles. Our endorsement of the Voluntary Principles is set forth on our website (www.fcx.com/sustainability/human-rights) as well as in our annual Working Toward Sustainable Development Report (WTSD Report) (www.fcx.com/sites/fcx/files/documents/sustainability/wtsd_2017.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: www.fcx.com/sustainability/approach/policies.

In 2018, 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 completed a two-year term on the Voluntary Principles Initiative (VPI) Steering Committee and Voluntary Principles Association (VPA) Board of Directors. At the 2018 Voluntary Principles Plenary in Washington D.C. we gave a verification presentation on our Voluntary Principles implementation and participated in a panel discussion on model clauses for Memoranda of Understanding (MOU) with security forces. Furthermore, we participated in the VPI Implementation Working Group, the VPI Outreach Working Group and Corporate Pillar meetings throughout the year.

We publish our Annual Reports to the Plenary on the Freeport-McMoRan public website (www.fcx.com/sustainability/reports-and-documents) as part of our broader sustainability reporting and are committed to engaging with fellow Voluntary Principles members and observers 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

The Company has 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. Our Supplier Code of Conduct was updated in February 2018 to align it with recent updates to our Principles of Business 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 suppliers (including contractors). The system issues a risk assessment questionnaire, which must be completed before new business partners are approved, as well as prior to contract renewal. The questionnaire includes topics related to a range of legal, regulatory and reputational risk areas, including human rights and security risks.

While our El Abra operation is not located in a high-risk environment in terms of security and human rights, we are including some information on our site-level Voluntary Principles implementation. El Abra is an open-pit copper mining complex located 47 miles north of Calama in Chile's El Loa Province. In 2018, the El Abra operation provided training on Human Rights and the Voluntary Principles to its two security employees and 51 of its 60 security contractor personnel. In addition, approximately 425 employees and contractors received a brochure and training on our Corporate Human Rights, Community and Environment policies. El Abra employs one private security contractor company, which deploys unarmed personnel to assist with the protection of company assets. Government security personnel are not directly assigned to the site.

We are advancing technical studies for a potential expansion project at El Abra and have initiated planning to conduct a Human Rights Impact Assessment there in 2019. The conduct of security personnel will be included within the scope of this assessment. These assessments help us test the effectiveness of our human rights relevant management systems, including the degree to which they are effective in addressing human rights and security issues.

For other examples of how we promote awareness of the Voluntary Principles in Indonesia and Peru, 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 Observing Member of the International Code of Conduct Association (ICoCA).

The Company also continued to participate in a Business for Social Responsibility (BSR) human rights working group, which provides 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 2018, we briefed a set of financial 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 implementation of a Human Rights Impact Assessment (HRIA) at our New Mexico operations (Chino and Tyrone) in the United States.

For other examples of how we promote awareness and advance implementation of the Voluntary Principles in Indonesia and Peru, 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

The Company's commitment to respecting human rights is expressed in our Human Rights Policy (www.fcx.com/sustainability/approach/policies), which incorporates the Voluntary Principles and affirms our commitment to the UN Guiding Principles. The policy, most recently updated in August 2017

to reflect feedback from international stakeholders, 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, to maintain grievance mechanisms to record and address human rights allegations and incidents, and to protect anyone who reports suspected human rights violations. The policy also includes a commitment to prohibiting discrimination; forced, compulsory or child labor; and human trafficking; and ensuring 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. Refer to our Human Rights Policy for more detail.

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 and other media for managers and periodic training for non-managers on a rotating basis.

We conduct comprehensive training on the Company's employee code of conduct, the PBC, which incorporates our commitment to the Voluntary Principles and links to our Human Rights Policy. The PBC highlights our core values of *Safety, Respect, Integrity, Excellence* and *Commitment*, and helps guide how we conduct business. It sets forth a variety of business principles, from promoting a safe workplace to complying with laws and avoiding conflicts of interest to treating each other and our stakeholders with respect and developing positive relationships with local communities. All employees receive training annually. This process consists of computer-based training for employees with network access and classroom training for employees without network access. Employees at the manager level and above sign a certification 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 respect for human rights. The committee received two updates on our human rights program in 2018. Topics included the results of the HRIA at our Cerro Verde operation in Peru, the results of the HRIA conducted at our New Mexico operations (Chino and Tyrone) in the United States as well as our performance on the 2018 Corporate Human Rights Benchmark.

Our corporate Sustainable Development Leadership Team considers both imminent matters and emerging trends while providing strategic guidance for our sustainability programs, including our human rights program. The team is sponsored by our Senior 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, as well as executives from the safety, supply chain, human resources, sales, security, legal/compliance, and land and water functions. In 2018, the team received updates on our human rights program, including the results of the HRIA at our Cerro Verde operation in Peru, and the drivers, planning for and results of the HRIA conducted for our New Mexico operations (Chino and Tyrone) in the United States. The team also discussed the nexus between the UN Guiding Principles and various responsible sourcing topics of interest to downstream stakeholders, including the Responsible Minerals Initiative, which include security and human

rights. Site implementation and assurance planning for the recently approved ICMM PEs, which include UN Guiding Principles and Voluntary Principles implementation, were also deliberated by the team.

In 2018, we launched a FCX Human Rights Working Group to further support our implementation of the UN Guiding Principles and integration of human rights considerations across our business. The team is sponsored by our Vice President of Environmental Services and Sustainable Development, and is co-lead by our Director of Sustainability and Manager of Business and Human Rights. The group is comprised of representatives from the safety, supply chain, human resources, sales, security, legal/compliance, environment and community development functions.

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 reporting. Our 2017 WTSD Report was prepared in accordance with the Global Reporting Initiative (GRI) G4 core option reporting guidelines for the third year and in accordance with the Mining and Metals Sector Supplement for the eighth consecutive year. A Sustainability Reporting Prioritization Assessment process, including stakeholder consideration, was utilized to delineate the aspect categories and indicators reported. More about this process, as well as a GRI content index, is located on our website (www.fcx.com/sustainability/gri-content-index). External assurance of our 2017 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 at a minimum of once every three years, with annual assurance engagements at PT Freeport Indonesia (PTFI) and Cerro Verde. Our 2018 WTSD Report is being prepared in line with the guidance of GRI Standards core level as well as the GRI Mining and Metals Sector Supplement and is expected to be available in the second quarter of 2019.

We are implementing the Corporate Pillar Verification Framework, which entails 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 our External Assurance Review provider's scope for the 2018 reporting period. This external assurance process includes meetings with our security and human rights teams to review their respective programs and management systems, which include, for example, their training programs, risk mitigation plans and grievance mechanisms. A public assurance statement is located within our WTSD Report and on our website. As previously mentioned, we also publish our Annual Report to the Plenary as part of our broader sustainability reporting (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 based on operation-specific factors and influences, including regional context, type and stage of operation and social setting. Essential to this framework is the SD Risk Register process, which prioritizes SD-related risks that could have impacts to our business and our stakeholders. Our SD Risk Register process was updated in 2018 to include

additional topics and more robust categorical definitions for risk evaluation. The updates also reflect due diligence priorities of downstream consumer-facing companies in our value chain, such as the Risk Readiness Assessment topics created by the Responsible Minerals Initiative. Human Rights is integrated throughout the SD risk category definitions to reflect the broader scope of potential impacts relevant to our mining related activities (also refer to the dashboard on page 19 of our 2017 WTSD Report) (www.fcx.com/sites/fcx/files/documents/sustainability/wtsd_2017.pdf). Security remains a risk area for evaluation, with human rights considerations reflected in the categorical definition for risk evaluation.

Risks rated as ‘actionable’ prompt the development and implementation of Action Plans, as well as the monitoring of their progress and results. Site-level SD Risk Registers are maintained by inter-departmental teams at the operational level. The Corporate Sustainable Development Department and senior, multi-disciplinary experts coordinate with operations personnel to ensure prioritization processes are consistent with corporate procedures and provide associated guidance. Sustainability focus areas identified through this process are reviewed by our Sustainable Development Leadership Team and communicated to our Board of Directors. Our current focus areas, including human rights, are described throughout our website and in our annual WTSD Report (www.fcx.com/sustainability). The 2017 WTSD Report also includes an explanation of the SD Risk Register process (see page 9).

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

The Company continues to work with Verisk Maplecroft, a global risk analytics and advisory firm, to advance our implementation of the UN Guiding Principles and integration of human rights considerations across our business. In 2018, we engaged Verisk Maplecroft to conduct our third site-level HRIA, which targeted our New Mexico Operations (Chino and Tyrone) in the United States. Our HRIA scope includes the conduct of both private security forces and government security forces. The New Mexico Operations HRIA involved the direct engagement of more than 150 stakeholders in Silver City, the Chino and Tyrone mines and the surrounding communities (including a range of affected or potentially affected rights holders - both on an individual and collective basis). Stakeholders engaged included employees, community members, third parties (including police and NGOs) and individuals at suppliers, contractors and sub-contractors (including security contractors). This helped test the effectiveness of our human rights related management systems, including the degree to which they are addressing human rights and security issues. No actual or possible negative impacts were identified involving the Chino and Tyrone’s private security contractors or the local police for the period of the assessment.

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 PTFI, Cerro Verde and El Abra as they represent our higher risk operating environments in terms of security and human rights. Part of their role is to receive, document and follow-up on formally or informally reported human rights incidents, grievances and allegations – including those relating to the conduct of public and private security forces. 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 (refer to Supplier Code of Conduct page 11 for additional information). Both our PBC and Supplier Code of Conduct can be found at:

www.fcx.com/sustainability/approach/policies. In addition, PTFI, Cerro Verde and El Abra each have drop boxes or other mechanisms 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.

The Company does not tolerate retaliation against any employee, member of our supply chain, or community member for raising a question or concern in good faith. Furthermore, per our Human Rights Policy, use of our grievance mechanisms does not preclude access to judicial or other non-judicial grievance mechanisms. In 2018, we advanced 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 Indonesia and Peru in 2018, 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 the Company of any human rights related incidents or allegations.

For descriptions of training provided to private security contractors in Indonesia and Peru in 2018, 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 outcome of the assessment process is reported to site-level management and the individual respondent. Depending on the level of severity of the case, 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 and to urge action to prevent recurrence. Cases involving private security personnel are investigated by the Company 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 the Company's actions.

For examples of how we addressed security-related incidents in Indonesia and Peru in 2018, please see the country-level reports below in Part C.

C. Country Implementation

Indonesia

Overview of Country Operations

Freeport-McMoRan's Indonesian affiliate, PTFI, operates the Grasberg mining complex.¹ PTFI has been operating in Papua, Indonesia since 1973 and implementing the Voluntary Principles since the Company became a signatory in 2000.

Indonesia has long faced separatist movements and civil and religious strife in a number of provinces. Several separatist groups have sought increased political independence for the province of Papua, where our Grasberg minerals district is located. In Papua, there have been attacks on civilians by separatists and sporadic but highly publicized conflicts between separatists and the Indonesian military and police. Security risks also stem from periodic social and ethnic tensions within the local community and in other areas of the province as well as the presence of in-migration.

Public and Private Security. 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. Approximately 1,070 public security personnel from the police and military were assigned directly to the PTFI project area during 2018. In addition, the PTFI Security and Risk Management Department employed approximately 565 unarmed security personnel and approximately 800 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.

Security Incidents. In 2009, a series of shooting incidents occurred within the PTFI project area, including along the road leading to our mining and milling operations. The shooting incidents continued on a sporadic basis through January 1, 2015. The next shooting incident occurred in August 2017, and a series of shooting incidents continued on a sporadic basis within the PTFI project area and in nearby areas through August 2018. Between August 2017 and August 2018, there were 37 shooting incidents within

¹ On December 21, 2018 the Company announced the completion of its transaction with the Indonesian government regarding PT-FI's long-term mining rights and share ownership. As a result of the transaction the Government of Indonesia, through a state-owned entity, will own 51.2% of PT-FI. This report, which covers calendar year 2018, does not reflect any change in ownership.

the highlands of the PTFI project area as well as nearby areas. There have been no shooting incidents since August 17, 2018. Refer to Figure 1 for a map of the PTFI project area for geographic context.

These 37 shooting incidents resulted in 14 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 personnel suffered eight injuries and two fatalities. In response to these heightened security conditions, workforce dependents were temporarily demobilized from the affected project area from November 24, 2017 to January 8, 2018.

Although the majority of the shooting incidents have occurred along the Main Supply Road and nearby areas, a shooting incident also occurred in one of our residential communities. On June 5, 2018, shots were fired at a workforce member and his child as they walked from their residence to their vehicle. Their vehicle was struck several times, as was their residence. No one was injured.

In December 2018, a mass shooting incident targeted a highway construction crew in a remote mountain area approximately 100 miles east of the PTFI project area, resulting in at least 19 fatalities and several individuals reported as missing. PTFI continues to monitor the situation in the region. Elements of a Papuan separatist movement claimed responsibility for this, and other, regional security incidents.

The safety of our workforce is a critical concern, and PTFI continues to work cooperatively with the Indonesian government to address security issues within the project area and in nearby areas. We continue to limit 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 also experienced security incidents at its Amamapare Port in 2018. Beginning in January 2018, the Dewatering Plant (DWP) at Amamapare Port was subjected to frequent incursions by increasingly large, aggressive and armed (machetes, axes, clubs) groups from adjacent Karaka Island and Pomako with the intent to steal copper concentrate. On January 11, 2018, while waiting for additional support from host government security, PTFI security confronted a group of nearly 50 individuals that had breached the fence at the DWP. One PTFI Security employee was seriously wounded after being struck with an axe by one of the intruders.

On the evening of February 3, 2018, police responded to another attempt by a small group to steal concentrate by apprehending one individual and transporting him to Mimika Pantai (the Cargo Dock) by boat. When the individual jumped out of the boat and called for help, individuals from Karaka Island responded by throwing rocks at the police. Police report they fired several warning shots to disperse the large crowd. A local woman was killed during the confrontation. Friends and family brought the woman's body victim to the site's medical clinic at approximately 11 pm and reported she was killed by a gunshot wound. The body was then transported by ambulance to the Mitra Masyarakat (RSMM) hospital in Timika at approximately 4 am on February 4, 2018. At the same time, approximately 60 individuals gathered at the Cargo Dock, stoned ten vehicles, lit tires on fire, damaged a refrigerated cargo container, and closed the entrance to the Cargo Dock. On the afternoon of February 4, 2018, the family transported the body from the RSMM hospital to the Mimika Parliament building and was joined by the group that had gathered at the Cargo Dock the evening before. The next day the group demanded that PTFI and police accept responsibility for the incident. The body was then taken from the

Mimika Parliament building back to the RSMM hospital, where an autopsy confirmed a gunshot wound was the cause of the woman's death. On February 7, 2018, after negotiations with police, local leaders, and PTFI Community Liaison and Security, the group at the Cargo Dock withdrew and the road to the Cargo Dock was re-opened. The victims' family submitted a grievance to the local government, police, and PTFI requesting compensation for their loss. PTFI provided humanitarian aid to the victim's family including provision of a home, a boat and fishnets, an employment opportunity for a family member, scholarships for the victim's children, a gravesite, and both financial and in-kind support for the funeral. PTFI also coordinated several meetings between the police, the Secretary of Mimika Regency and the victim's family. The family joined PTFI in calling for an end to the criminal actions around the DWP and the Cargo Dock. PTFI cooperated with the police's internal investigation of the incident. A police officer was convicted by the Mimika District Court of improper discharge of his weapon and sentenced to eight months in prison.

On the evening of December 12, 2018, a non-employee who was part of another group illegally entering the Dewatering Plant (DWP) to steal copper concentrate sustained head injuries while jumping from a shipping container to flee from responding police. The individual was treated at the scene, transported to the site's industrial medical clinic for further treatment, and once stable, evacuated to hospital in Timika under police escort. The individual died at the RSMM hospital early the following morning. PTFI conducted an investigation of the incident, including witness interviews. While there are no indications of excessive use of force by host government security, police reported the incident to the commander of the national police and are conducting an internal investigation concerning the incident. Their investigation remains ongoing. An autopsy was refused by the family of the victim.

Overall security conditions have since improved at the DWP and the Cargo Dock areas. PTFI Community Affairs continues its regular engagement with the nearby Karaka Island community and other local stakeholders.

Grievances. In 2018, a total of 20 grievances were reported to the PTFI Human Rights Compliance Office by employees, contractors and community members related to domestic issues, human resources, verbal harassment, discrimination and intimidation. Only one of these grievances was security-related; it involved an allegation of intimidation of a contracted medical officer by a military officer in the highlands. The allegation was reported to the military. Regardless of the types and credibility of these allegations, all cases reported were documented, reviewed and closed, or are in the process of being followed up by the PTFI Human Rights Compliance Office.

Engagement with Stakeholders on Country Implementation

PTFI continues to engage with a number of stakeholders at the national and local level regarding the implementation of the Voluntary Principles and respect for human rights. During 2018, the PTFI Human Rights team met with the Indonesia Center for Ethics (ICE), a key human rights NGO, on the Voluntary Principles and security incidents. PTFI met with the Indonesian Human Rights Commission (KOMNAS HAM) in Jakarta on multiple occasions to discuss human rights and labor related matters at PTFI. PTFI also met with a new Papuan human rights advocacy and policy NGO (PAK HAM Papua) in Jayapura to explore inter-program synergies and collaborative working relationships between the two organizations.

Within and near its project area, PTFI engages with community leaders, partner organizations and local authorities by conducting socialization of PTFI's human rights program and implementation of the Voluntary Principles. In addition, PTFI leadership and staff (including security and Community Liaison

Officers) meet frequently with community members and local authorities to discuss updates on PTFI's operations, economic development programs, community transport routes, security matters, illegal gold panning, and customary rights. 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 2018, PTFI employed one primary private security contractor company, which deployed unarmed personnel to assist with the protection of company assets. PTFI also employed three transportation/logistics contractor companies in 2018, 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.

PTFI's MOU with the National Police was last revised and signed in 2018. The MOU covers a three-year term and details the working relationship between the company and the public security personnel assigned to it, such as areas of support, coordination and commitment to PTFI policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MOU.

PTFI, like all businesses and residents of Indonesia, relies on the Indonesian government for the maintenance of public order, upholding the rule of law and protection of personnel and property. From the outset of PTFI's operations, the Indonesian government has looked to PTFI 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. PTFI's financial support of the Indonesian government security institutions assigned to PTFI's operations area represents a prudent response to PTFI's requirements and commitments to protect its workforce and property, and better ensuring that personnel are properly fed and lodged and have the logistical resources to patrol PTFI's roads and secure its area of operations. In addition, the provision of such support is consistent with the scope of PTFI's project area comprising approximately 2900 square kilometers, our philosophy of responsible corporate citizenship, and reflects our commitment to pursue practices that respect and promote human rights.

In 2018, the majority of PTFI's security budget (68 percent) was directed to PTFI's own industrial security requirements (including employee and contractor direct costs, and associated overhead). The remainder of the budget (32 percent) represented PTFI's support costs for government-provided security and totaled \$27 million.

Police provide the majority of security, and have overall responsibility for the security of the vital national asset, and 82 percent 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 83 percent of overall host government support was provided in-kind such as food, housing, fuel, travel and 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. PTFI 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 internal controls, including regular internal and external audits.

Examples of Supporting Outreach, Education and Training

In 2018, PTFI conducted approximately 19,800 hours of training on our Human Rights Policy and the Voluntary Principles.

Approximately 560 PTFI employees and 5,000 contractor employees received training, as well as over 2,000 individuals including representatives from local communities, partner organizations and student bodies.

The PTFI Human Rights team also provided training on its human rights program and the Voluntary Principles to 1,072 police and military personnel. Military and police contingents not based in Papua receive a presentation on human rights before beginning their assignment within the PTFI project area; either at their home base or upon arrival at the site. Host government security not directly assigned to the PTFI project area may temporarily travel through PTFI's approximately 2900 square kilometer project area en route to other assignments. When possible, PTFI works to promote human rights and Voluntary Principles awareness among these individuals.

PTFI has incorporated human rights awareness training into the induction of all new employees and contractors. In addition, 82 percent of private security contractor employees and all PTFI security employees received induction or refresher training in 2018. Feedback forms and knowledge checks are collected after training to help the team assess training effectiveness, raise questions and provide feedback for improvement.

In 2018, PTFI launched a Human Rights Ambassador program, whereby representatives from contractor companies receive "train the trainer" instruction on human rights and the Voluntary Principles. Those trained are responsible to serve as Human Rights Ambassadors within their companies, promoting awareness of PTFI's human rights policy, emphasizing shared responsibility in respect for human rights, and delivering annual human rights training for their company's workforce. As of the end of the year, representatives from seven contractor companies had received training.

The PTFI Human Rights team also used banners to raise employee awareness and conducted a number of human rights promotional activities including human rights awareness presentations for students in Papua, as well as families of employees, community leaders, illegal panners and the general population. PTFI 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 PTFI through multiple site visits and meetings with the Human Rights Compliance team, as well as the Security team. The PTFI 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 in February 2019, PTFI 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 an open-pit copper and molybdenum mining complex is located approximately 20 miles southwest of Arequipa. It 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. Cerro Verde has provided a variety of community support projects over the years. In 2015, Cerro Verde completed construction of a wastewater treatment plant for the city of Arequipa. 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.

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.

Public and Private Security. As of the end of 2018, Cerro Verde employed 11 security employees and 372 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).

Grievances. In 2018, 75 grievances were reported to the Cerro Verde Human Rights Compliance Office and Legal team – an increase from prior years. Of these, 73 were related to human resources, one was related to discrimination and one was related to sexual harassment. The majority of the grievances were received from employees of subcontractors regarding late payroll payments. None were security-related. The increase in grievances is attributed to increased awareness of our grievance mechanism by contractors who were targeted for training on our Supplier Code of Conduct in 2018. Regardless of the type and credibility of these allegations, all cases reported are 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 2018. 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.

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 contracts two private security companies. Both employees and contractors perform functions such as protecting company facilities, monitoring shipments of supplies and products, assisting in traffic control and coordinating emergency response operations. Cerro Verde's costs for its internal civilian security department totaled \$8 million in 2018. Contracts with private security providers include specific language related to our corporate Human Rights Policy (and, by extension, to the Voluntary Principles) as well as our Supplier Code of Conduct. 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 Voluntary Principles as well as 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 2018. 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 2018, 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 received training on human rights as well as a booklet on human rights and internal labor regulations. In 2018, approximately 3600 contractors also received training on the Company's human rights policies and procedures.

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 addition to providing training to the PNP assigned to support Cerro Verde's operations, Cerro Verde's Security department sponsored a training on human rights and the Voluntary Principles for PNP who service the Arequipa region in partnership with fellow Voluntary Principles member Socios Perú and the national police. The three-day training was conducted in Arequipa in June for over 260 PNP members. Socios Perú delivered the training.

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 in December 2018, 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 Cerro Verde HRIA completed by Verisk Maplecroft in 2017 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. The assessment indicated that Cerro Verde's application of the Voluntary Principles was effective in minimizing human rights related impacts.

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 2019 include:

- Continuing our participation in a VPI and Corporate Pillar and Working Group meetings,
- Continuing our participation in the implementation of the Voluntary Principles at the country-level in Indonesia and Peru,
- Reviewing the final VPI model training materials to identify opportunities to enhance our training on human rights and the Voluntary Principles,
- Evaluating proposed requirements of the London Metals Exchange that would mandate OECD's Due Diligence framework (including evaluation of Annex II gross human rights violations) for copper materials listed and sold through the Exchange, and
- Continuing to advance our implementation of the UN Guiding Principles, including implementation of a site-level human rights impact assessment at our El Abra operation in Chile.

