

# HUMAN RIGHTS IMPACT ASSESSMENT

## El Abra Case Study

### WHAT IS A HUMAN RIGHTS IMPACT ASSESSMENT?

Freeport-McMoRan Inc. (Freeport or FCX) uses Human Rights Impact Assessments (HRIAs) conducted by third-party consultants as its primary method for conducting human rights due diligence at its operations. HRIAs are conducted on a standalone basis by third-party consultants and involve direct input from a broad cross section of internal and external rightsholders. HRIAs support continuous improvement of Freeport’s management systems by testing effectiveness in identifying and addressing potential, actual and perceived human rights risks and impacts.

### HRIA Methodology

Freeport’s HRIAs use the United Nations Guiding Principles on Business & Human Rights methodology to identify and prioritize human rights risks and impacts at each operation. Site- level HRIAs test our established programs and practices for effectiveness in identifying, mitigating, and remediating any potential, actual and perceived human rights risks and impacts.

In many cases, human rights risks and impacts already have been identified through each site’s sustainability risk register process, management system and grievance mechanism. However, HRIAs supplement existing information with any unreported risks or impacts. These are uncovered through direct in-depth engagement with actually or potentially affected rightsholders in and around our operations.

Our HRIA approach includes 5 main steps: 1) Desktop Assessment; 2) Planning; 3) Stakeholder Engagement; 4) Processing; and 5) Action Planning. For more information, please see our [HRIA Methodology](#).

### Operation: El Abra

El Abra is an open-pit copper mining complex that has been in operation since 1996 and is located 47 miles north of Calama in Chile’s El Loa province, Region II. Freeport has a 51 percent ownership interest in El Abra, and the remaining 49 percent interest is held by the state-owned copper enterprise Corporación Nacional del Cobre de Chile. El Abra’s consolidated copper production totaled 160 million pounds in 2021, 159 million pounds in 2020 and 180 million pounds in 2019.



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In early 2021, FCX engaged a third-party consultant, Verisk Maplecroft, to restart El Abra’s HRIA which had been deferred since 2019 due to social unrest and COVID-19 challenges.

### **Step 1: Desktop Assessment**

Refreshed the desktop assessment of El Abra’s potential human rights risks and impacts based on multiple sources, including:

- ▶ Verisk Maplecroft’s proprietary Human Rights Risk Indices
- ▶ Third-party sources, including the media and civil society organizations
- ▶ Site-specific documentation, including the sustainability risk register process, grievance mechanisms, health and safety reports, environmental reports, International Council on Mining and Metals and Copper Mark Assurance Report, social and environmental management reports, community dialogue outcomes, Environmental Impact Study and Five-Year Community Engagement Plans
- ▶ HRIA Self-Assessment Questionnaires completed by managers at both corporate and site levels

### **Step 2: Planning**

Identified stakeholders to be engaged during interviews, the outcome of which is shown in the table below which is shown in the table below.

EL ABRA STAKEHOLDERS			
EMPLOYEES	INDIVIDUALS AT SUPPLIERS/CONTRACTORS	COMMUNITY MEMBERS	THIRD PARTIES
Managers	Onsite Contractors	Community members and representatives	Public Officials
Employees	Offsite Contractors	Indigenous Groups	NGOs
Union Representatives	Domestic logistics contractors	Women / Youth	Private Security
	Domestic suppliers of goods	Academics	Police
	Domestic cleaning / catering contractors		
	Workers within the supply chain		



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### **Step 3: Stakeholder Engagement**

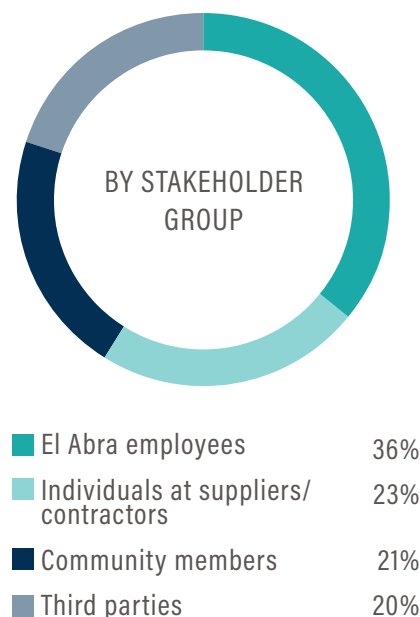
Parties identified during the planning phase were engaged by Verisk Maplecroft throughout July and August of 2021. Fieldwork was conducted remotely due to ongoing COVID-19 restrictions and included engagement of approximately 85 stakeholders in and around El Abra’s operations and surrounding communities. This included a range of actually and potentially affected rightsholders as well as those with insight into such rightsholders. Engagement was structured around a “living” list of stakeholders cooperatively prepared by El Abra and Verisk Maplecroft that evolved throughout the engagement process. Stakeholder interviews were conducted by three Verisk Maplecroft consultants on an individual and collective basis through various means (including video and voice calls) over a two-month period. With the exception of managers at El Abra, interviewees were offered anonymity before their engagement.

Within the entire stakeholder sample, 15 people belonged to the Indigenous communities of Conchi Viejo, Chiu Chiu, Lasana, Quillagua, Chunchuri, Ollagüe and Cebollar Ascotán. While Indigenous Peoples constitute 14 percent of the population in the Antofagasta region, 18 percent of the stakeholders engaged in the HRIA were Indigenous Peoples.

As with our previous assessments, the El Abra operations HRIA applied the “but-for” test in relation to the identification of human rights impacts caused by, contributed to, or otherwise linked to El Abra, its activities or business partners. Alleged impacts were included in the assessment even if there was uncertainty regarding the supporting facts and/or the causal relationship to El Abra.

The El Abra HRIA included a parallel exercise to assess the operation’s positive human rights impacts to better understand: (1) how these compare to its negative impacts; and (2) opportunities to further enhance Freeport’s support of human rights – including lessons learned from the operation’s implementation of Chilean Standard 3262, which sets requirements to ensure greater gender equality and balance.

**STAKEHOLDER SAMPLE**



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### ***Step 4: Processing***

The adverse impacts, allegations and issues identified by the El Abra HRIA included the following:

#### Employees:

- ▶ Recorded Lost Time Injuries / Medical Treatment Injuries reflecting latent risks associated with the mining sector
- ▶ Allegation of wrongful dismissal of two workers returning from medical leave, with the potential to contribute to underreporting of medical problems

#### Supply Chain:

- ▶ Recorded Lost Time Injuries / Medical Treatment Injuries, including two potentially fatal events
- ▶ Possible impacts relating to late / non-payment of two workers by suppliers / contractors (which were subsequently addressed)

#### Community Members:

- ▶ Ongoing impact on biodiversity due to legacy water over extraction at Ascotán salt plains (notwithstanding the restoration plan already under implementation)
- ▶ Contribution to possible collective community safety impact generated by high vehicle traffic throughout the Antofagasta region
- ▶ Contribution to collective mining industry impact on community access to—and preservation of—ancient mountain trails of cultural relevance, particularly the Qhapaq Ñan
- ▶ Actual impact related to the spillage of clean water into the El Loa River, impacting cattle food supply (this has since been addressed)
- ▶ Possible contribution to the collective sector impact on local costs of living (including rent, land and homes), driven by the development of a “parallel mining economy”
- ▶ Possible impact relating to the dismissal of local community workers at the onset of the pandemic

#### Third Parties:

- ▶ Contribution to collective mining industry impact on (low-level) local community tensions driven by competition for access to community social investment and local employment

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### Environment:

- ▶ Absolute use of continental waters in the context of a highly arid environment and historic drought at the national level
- ▶ Possible contribution to the collective and ongoing impact of the broader mining industry—including dust pollution from mining activity and the transportation of people / materials through local road networks in a desert environment

The HRIA preliminary findings indicate that El Abra is a low impact operation. This reflects its remote location, the implementation of effective site-level management systems and strong governance in Chile, which have collectively helped to prevent risks from manifesting. Examples of effective site-level management systems, approaches and actions include:

- ▶ The application of the ISO 45001 Health and Safety Management System (as well as strong recognition of El Abra's health and safety practices by employees and communities, and the extension of these practices to contractors and suppliers)
- ▶ The maintenance of mature human resources mechanisms, including respect for employees' rights to freedom of association and collective bargaining and good faith participation in collective bargaining processes
- ▶ A commitment to improving diversity in the workplace through the adoption of Chilean Standard 3262
- ▶ Open interactions with local communities and the maintenance of strong business ethics
- ▶ Active support for community development via social investments and a leadership program co-designed with Indigenous leaders to empower communities
- ▶ Application of our Principles of Business Conduct, covering a range of issues including diversity and inclusion, respecting human rights and anti-corruption
- ▶ Application of our Business Partner Code of Conduct for suppliers (including contractors), in addition to abiding by Chilean employment and labor legislation
- ▶ The application of environment management systems certified to the ISO 14001:2015 standard, including extensive air quality monitoring stations, two of which are located within local communities

The El Abra HRIA also considered the potential human rights impacts of the large-scale expansion under evaluation. The assessment took into consideration whether female rightsholders would be at risk of higher exposure to any potential impacts. This will help inform mitigation measures, including gender-targeted ones, associated with the expansion project should it advance.

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The El Abra HRIA provided useful insight into broader human rights dynamics, as well as stakeholder perceptions. For example, a widespread perception exists regarding El Abra's impact on water availability in the Alto Loa Valley, with the vast majority of stakeholders convinced that, despite environmental monitoring and reporting standards, the operation is a major, ongoing contributor to water depletion in the Ascotán salt plains—undermining agriculture and camelid-rearing in the Lasana Valley as herds need to be taken further for suitable grazing. To a lesser extent, the dispersal of dust and particulate matter during seasonal periods of high wind was also mentioned as having a direct negative impact on crop and cattle productivity in communities in the area of direct influence, although other potential causes could include the desert context and the impacts of climate change.

### ***Step 5: Action Planning***

The El Abra team is reviewing the results of the HRIA to develop action plans to address priority risks and impacts. Due to the uncertainty of the supporting facts behind certain allegations and/or the causal relationship to El Abra, further investigation may be required in certain instances. These action plans will be embedded within El Abra's sustainability risk register process to support the continuous improvement of the site's existing systems and processes, and to establish new measures for all aspects of our human rights policy, when necessary.

Key findings from the HRIA assessment and next steps will be reported to stakeholders via existing engagement mechanisms. Insights into stakeholder perceptions will further inform our communication strategies.

We look forward to updating our stakeholders on the priority areas for action, action plan implementation and communication during the next reporting cycle.

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### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements in which we discuss our potential future performance. Forward-looking statements are all statements other than statements of historical facts, such as plans, projections, expectations, targets, objectives, strategies or goals relating to our HRIA methodology and performance, including our commitment to and application of certain policies, practices, and other management systems, approaches and actions. The words “anticipates,” “may,” “can,” “plans,” “believes,” “estimates,” “expects,” “endeavors,” “seeks,” “goal,” “predicts,” “strategy,” “objective,” “projects,” “targets,” “intends,” “aspires,” “likely,” “will,” “should,” “could,” “to be,” “potential,” “assumptions,” “guidance,” “future” and any similar expressions are intended to identify those assertions as forward-looking statements. We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, expected, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include, but are not limited to, the factors described under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission (SEC), as updated by our subsequent filings with the SEC, and available on our website at [fcx.com](http://fcx.com).

Many of the assumptions upon which our forward-looking statements are based are likely to change after the forward-looking statements are made. Further, we may make changes to our business plans that could affect our results. We caution investors that we undertake no obligation to update any forward-looking statements, which speak only as of the date made, notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes.

While certain matters discussed in this report may be significant and relevant to our investors, any significance should not be read as rising to the level of materiality for purposes of complying with the U.S. federal securities laws or the disclosure requirements of the SEC. The goals and projects described in this report are aspirational; as such, no guarantees or promises are made that these goals and projects will be met or successfully executed.