

Voluntary Principles on Security and Human Rights 2010 Report to the Plenary

**March 22-23, 2011
Washington, DC**

Freeport-McMoRan Copper & Gold Inc. (FCX) has been a member of the Voluntary Principles on Security and Human Rights since it was first established in 2000. The Voluntary Principles have been an important cornerstone of FCX's human rights and security program, providing guidance for our operations as well as a mechanism to promote engagement, awareness, and respect for human rights within our employee base as well as with our government and community partners. FCX is the world's largest publicly traded copper company, the world's largest molybdenum producer and a significant gold producer. The Company has long-lived reserves in geographically diverse operations including Indonesia, Democratic Republic of Congo (DRC), Chile, Peru and the United States. FCX is also a founding member of the International Council on Mining and Metals (ICMM).

In 2010, FCX, with the assistance of an external consultant, conducted a review and assessment of the effectiveness of the Company's Voluntary Principles risk assessment and training program in Papua, Indonesia to ensure the program is meeting the Company's current needs. The Company also engaged the Voluntary Principles in the DRC to promote rules of engagement with local Mines Police and host country security forces during an incident involving an uprising of illegal artisanal miners in the operation's mining concession.

A. 1. Statement of Commitment

In 2000, FCX joined other mining and oil and gas companies, governments and human rights organizations in endorsing the joint U.S. Department of State-British Foreign Office Voluntary Principles on Human Rights and Security. Since 2000, as the Company has grown in scope internationality, it has worked closely with its affiliate sites throughout the world to assist them in the implementation of the Voluntary Principles. The Company's endorsement of the Voluntary Principles is set forth on our website and can be found at the following link: http://www.fcx.com/envir/soc_hr.htm as well as in our annual sustainable development reporting which can be found at: http://www.fcx.com/envir/sus_reports.htm

FCX has also incorporated our commitment to the Voluntary Principles in the FCX Principles of Business Conduct, which are communicated to all employees, contractors, and any other partners with which FCX conducts business.

B. Policies, Procedures and Related Activities

2. Policies, Procedures and Guidelines

FCX has made strong, unequivocal commitments to human rights. This commitment is expressed in our Human Rights Policy, which incorporates the Voluntary Principles. The FCX Human Rights Policy requires the Company and all contractors to conduct our operations in a manner consistent with the Universal Declaration of Human Rights, to educate our employees about human rights and to protect any employee who reports suspected human rights violations. With regard to employees, the policy prohibits forced and child labor, and addresses health and safety, discrimination, wages and the right to freedom of association and collective bargaining. Moreover, in the area of security, the Voluntary Principles serve as the guidelines for the Company's security programs, interactions with host government police and military personnel, and private security contractors.

The FCX Human Rights Policy also recognizes that our mine sites located in developing countries manage a higher level of risk than our domestic operations, so those sites must also comply with the following standards:

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

Overseeing the development and implementation of our policy on human rights is an internationally recognized expert, Judge Gabrielle Kirk McDonald, Iran-United States Claims Tribunal, The Hague. Judge McDonald has been a distinguished civil rights attorney, United States federal judge and President of the International Criminal Tribunal for the former Yugoslavia. She serves as a Special Counsel on Human Rights to FCX. In this capacity, Judge McDonald reports regularly to the Company's Board of Directors on human rights issues and developments.

To help ensure FCX performance in the area of human rights is in accordance with our policy, FCX has also established annual reoccurring performance goals, including:

1. Incur zero human rights transgressions; and
2. Train all new security employees directly employed at our operations in Indonesia and the DRC on the Company's human rights policies and procedures.

It is our goal to prevent transgressions by promoting an awareness of human rights in our operations. It is also critical that we train all Company security guard force personnel, at our highest risk sites, in human rights. In 2010, we were not aware that any employees or contractors of FCX and its affiliates committed any material human rights transgressions. However, several incidents were reported and investigated as noted in Section C. of this report, including incidents of abuse by host government

security personnel in our Indonesia project area. In 2010, our operations in Indonesia and the DRC completed human rights training for all new security personnel, as well as refresher training for a significant number of existing Company guard force personnel.

3. Risk Assessments

In 2009, FCX established a sustainable development risk register, which was implemented at our operating sites globally. Human rights are included in this register as one area for sites to assess, and any risks which were ranked as actionable required development of an action plan.

In 2010, we continued to improve upon our risk assessment tools for security and human rights, and engaged a third-party consultant to review and evaluate the risk assessment procedure at our Indonesian operations. The outcome of this evaluation was a recommendation to conduct a more robust risk assessment on security and human rights that addressed threats to the operation across the country. The risk assessment also incorporated input from various management levels and departments. The first round of this security and human rights risk assessment process was conducted by the end of the year and recommendations for improvements will continue to be implemented in 2011. FCX also plans to roll out this security and human rights risk assessment process in the DRC in 2011, as well as other international sites by 2012. This assessment tool is in addition to the overall sustainable development risk register that is continuing to be implemented by all sites.

4. Mechanism for Reporting Incidents

To support implementation of the FCX Human Rights Policy, the Company has established Human Rights Compliance Officers for all international operating mine sites whose role is to receive, document and follow up on any human rights allegations reported at their respective sites. The role of the Human Rights Compliance Officer is communicated to community groups as well as all employees. At many sites, we are expanding the number and location of drop boxes available for anonymous reporting and, as part of the FCX Principles of Business Conduct process, anonymous compliance hotlines, managed by third parties, have been established and are in the process of being rolled out to each operation. Human rights have also been incorporated into the FCX community grievance mechanism, to ensure that there is a mechanism for reporting grievances from the community as well as employees. Training continues with sites to ensure community grievances are properly reported and communicated to the site Human Rights Compliance Officer. It is also the role of the Compliance Officers to report any incidents to a FCX Corporate Compliance Officer, who can help review and ensure that any severe transgressions are reported to the proper authorities.

5. Contracts with Private Security Providers

At our mine sites in Indonesia and the DRC, contracts with private security providers include specific language related to the Voluntary Principles. The contracts state that all security contractors are required to comply with the operation's human rights policy and the Voluntary Principles, including human rights training and the need to immediately notify the Company in the event of any human rights allegations.

6. Mechanism to Address Incidents

Regardless of how human rights incidents are reported, all human rights allegations are referred to the site Human Rights Compliance Officer, who oversees the process of documenting all allegations and assigning an internal team to conduct an assessment of the allegation. The process includes an impartial and comprehensive review of all relevant facts, as well as witness interviews. FCX is working with sites to establish reporting procedures to ensure that the senior management at the site and corporate levels are aware of significant complaints and their resolutions. The outcome of the assessment process is reported to the site management, the complainant, and the individual respondent. Where allegations have been reported, monthly summary reports regarding any allegations are also reported to the FCX Human Rights Compliance Officer. If any cases involve host government security forces, the Human Rights Compliance Officer and site management ensure that these incidents are reported to the appropriate government institution for investigation and disciplinary action.

7. Promoting Awareness of the Voluntary Principles Internally

FCX promotes awareness of the FCX Human Rights Policy and the Voluntary Principles through the annual employee training on the FCX Principles of Business Conduct. In 2010, 97% percent of our management globally completed training on the Principles of Business Conduct; we established a 2010 goal to train 70% of non-management staff¹. The Principles of Business Conduct Certification is required by management each year. In Indonesia, human rights are also promoted via various forms of media, including Company news media, posters, newsletters and other electronic and print materials. In the DRC, training on human rights was incorporated into the new employee induction materials and refresher training modules.

8. Promoting Implementation of the Voluntary Principles Internationally

FCX worked to promote and advance the implementation of the Voluntary Principles in both Indonesia and the DRC. In Indonesia, our foreign affiliate, PT Freeport Indonesia (PTFI), participated in a number of meetings with members from all pillars to launch the in-country implementation of the Voluntary Principles. PTFI also gave a presentation on best practices at a Voluntary Principles Round Table conducted in Jakarta in December 2010. In the DRC, our foreign affiliate, Tenke Fungurume Mining (TFM), participated in the first two meetings held to launch the DRC in-country implementation. TFM participated along with representatives from the other pillars. See Part C. Country Implementation below for more details.

C. Country Implementation

Indonesia

Overview of Country Operations

FCX's foreign affiliate, PT Freeport Indonesia (PTFI), operates the Grasberg mining complex, which is one of the world's largest single producers of both copper and gold, and contains the largest recoverable reserves of copper and the largest single gold reserve in the world. Security risks in the area stem from

¹ 2010 non-management training data not yet available at the time of this report.

the presence of separatist activists and advocates in the region, presence of illegal gold panners in the project area, and social, political and ethnic tensions within the local community and in other areas of the province. Via a presidential decree, the Government of Indonesia has also identified the Grasberg mine as a “vital national asset” and has assigned host country security (police and military) to the site. In 2009, a series of shooting incidents targeting company personnel and host government security personnel occurred within the PTFI project area; the last shooting incident occurred January 24, 2010 (see the FCX 2010 report to the Voluntary Principles Plenary for additional details).

Due to the heightened security situation at PTFI, during 2010 the host country security (police and military) assigned to the PTFI project area ranged from a high of 1,601 personnel to the current level of 1,140. During the year, PTFI provided support to a total of 2,600 host government security personnel, which included both personnel assigned to the PTFI project area as well as those personnel serving near the area (in Timika and neighboring villages). In 2010, training on the PTFI human rights program and the Voluntary Principles was provided to over 1,000 police and military personnel. Military and police contingents receive a presentation on human rights at least twice before the beginning of their rotation with PTFI; once in their home base and again within two days upon arrival in Papua. Indonesian translations of the Voluntary Principles were also distributed to over 2,000 host government, company and private security personnel. New training initiatives currently being developed will also increase training for host government security in 2011.

Reported Allegations

In 2010, twelve human rights allegations were reported to the PTFI Human Rights Compliance Officer. These cases did not include any allegations of human rights transgressions committed by PTFI personnel against the community, but there were a number of incidents against or among our employees. The majority of these allegations (five cases) were criminal cases, three were harassment cases, one was industrial relations and three were unverifiable. All cases were documented and investigated or are in the process of being investigated by the PTFI Human Rights Compliance Officer or the government authorities.

All five of the criminal cases involved allegations that public security forces physically intimidated and assaulted company or contractor personnel (three of the cases being PTFI guard force employees). PTFI’s procedure is to notify the direct commanders of the perpetrators, who then investigate the case and determine disciplinary action (as of January 2011, strong and effective disciplinary action was taken in four of the cases and processing for the fifth case is still pending). In 2010, PTFI experienced an increase in human rights allegations made against host country security (three cases in 2009) and a decline in internal industrial relations cases, which were the majority of cases in 2009. These incidents highlight the importance of continued training for host country security forces and the improved effectiveness of the Company’s grievance mechanism.

Training & Education

PTFI conducted over 28,000 hours of training on the Company’s Human Rights Policy in 2010 (close to the 29,000 hours of training provided in 2009). Over 6,600 PTFI employees and 5,800 contractor employees received training, as well as another 1,700 individuals representing community leaders and partner organizations, students, local contractors and police and armed forces personnel. Human Rights training is a priority for security personnel and employees working in the areas of community, government and employee relations; however, training is not limited to those groups and is available to all departments, contractors and community partners. All PTFI security personnel and private or third-

party security personnel have received training on human rights. As mentioned above in Section B., PTFI's contracts with private security providers also include specific language related to the Voluntary Principles and compliance requirements.

In 2010, FCX contracted a third-party consultant to review the effectiveness of the PTFI human rights training program. PTFI's human rights training program has been in place for years and has been updated slightly from year to year, but the Company did not have a good sense of the effectiveness of the training. The consultant conducted a survey of 150 PTFI personnel ranging from the President Director to the local PTFI guard force, as well as 20 police personnel and other senior Indonesians outside PTFI. The findings reported that while those interviewed had a high awareness of the Voluntary Principles and human rights, they had a low understanding of how it related to their individual roles and obligations in terms of implementation.

As a result of these findings, a revised training module is being developed and implemented at PTFI to increase training effectiveness. Training will focus on the roles and responsibilities in implementation for all employees and contract personnel. As part of this process, a more robust human rights risk assessment was also conducted with employees from various PTFI sites, departments and management levels. Recommendations from this process will continue to be implemented in 2011 and both the training and risk assessment approaches will also be rolled out in the DRC in 2011 and plans will be made to do the same in Peru and Chile.

In-country Implementation

In 2010 PTFI continued the support of the Indonesia in-country Voluntary Principles implementation, which PTFI helped to initiate in November 2009. In 2010, a group of "Voluntary Principles champions", related governments, NGOs, and companies, amongst it PTFI, met to discuss the importance and role of the Voluntary Principles. PTFI will continue to be an active participant and supporter of the national process, as they see this as an opportunity to share the lessons learned and best practices implemented at the Grasberg mine site and gain from the experience of other participants.

Democratic Republic of Congo (DRC)

Overview of Country Operations

FCX serves as the operator of the Tenke Fungurume Mine (TFM), whose ownership structure is comprised of FCX (56%), Lundin Mining Corp (24%), and Gécamines (20%). TFM's copper and cobalt mining operations, located in Katanga Province approximately 110 miles northwest of Lubumbashi, began commercial production in 2009. TFM is far removed from the conflict areas in the eastern and northeastern parts of the country, but still faces security risks, primarily posed by illegal artisanal miners working on the TFM concession.

On August 9, 2010, a group of illegal artisanal miners committed violent acts of aggression against TFM in Fungurume, including damage to TFM equipment and some minor TFM facilities. The incident was sparked after a truck transporting illegal ore out of the concession was detained by the local authorities. The day following the initial incident, the Provincial Minister of Interior sent a supplement of Territorial Police to the area; the artisanal miners responded by throwing stones at the police. A small number of policemen received superficial injuries as a result. At this point, some of the Territorial Police discharged

their weapons in the air to disperse the crowd of stone throwers, who then dispersed. On August 18, there was another clash between government security forces and artisanal miners, when a military contingent arrived in Fungurume. Shots were fired to disperse the miners and one young boy was killed. The government conducted an investigation into the child's death, and, in accordance with the Voluntary Principles, TFM urged for a proper and transparent investigation. TFM has followed-up with the magistrate investigating the death of the child and has sent letters to both MONUSCO (United Nations Stabilization Mission in the DRC) and the Prosecutor General in Lubumbashi to request that they provide oversight into the ongoing government investigation.

TFM worked diligently to promote and communicate the Voluntary Principles to the host government authorities. Upon arrival at the site, during the first incident, the Provincial Minister of Interior and the Territorial Police officers met with TFM representatives. The purpose of this meeting was to describe the site and corporate human rights policies and to request that they be respected during their law enforcement operation via the stated rules of engagement. Unfortunately, in the second incident, the fatal shooting occurred before TFM had the chance to meet with the military leaders and transmit its rules of engagement. TFM notified civilian members of MONUSCO tasked with human rights compliance regarding events that took place in Fungurume. These conversations led to a site visit by MONUSCO and a member of the national human rights NGO, ASADHO. After speaking with local authorities and TFM human rights personnel, the MONUSCO delegation concluded that events had been conducted by both the authorities and TFM in a manner consistent with human rights principles and that they would not need to conduct any additional investigation.

The presence of illegal miners working in the TFM concession is a risk the Company monitors closely. Road checks have been established with the DRC authorities at the boundaries of the mining concession to stem transport of illegal ore and prevent confrontation with the illegal miners themselves. TFM is continuing to discuss with authorities and the local community how we can best address this illegal activity in a non-confrontational manner and in alignment with the Voluntary Principles on Security and Human Rights.

In 2010, several employees brought concerns to the Human Rights Compliance Officer. These were either not actual human rights violations and were redirected to Human Resources or other departments, or they were informally mediated to the satisfaction of all parties and thus no formal complaints were filed.

Training, Education & Contracts

In 2010 TFM made significant progress in advancing the implementation of the Voluntary Principles at the project level. A Human Rights Compliance Officer was appointed and training and awareness on human rights were incorporated in company-wide training materials for new employees, as well as refresher training modules that reached a total of 1,325 TFM and contract employees. A compliance hotline was also established to allow employees access to a human rights grievance mechanism, while a complaints register was established for community grievances. The community grievance process is managed by TFM Community Liaison Officers and then reported to the site Human Rights Compliance Officer. TFM also included contract language on human rights into all TFM contracts to ensure awareness and implementation of the TFM Human Rights Policy. The contract language includes a requirement for contractors to provide training on human rights or participate in the TFM training.

TFM requires training on the Voluntary Principles for all new security employees as well as all third-party security personnel. In 2010, TFM also implemented human rights refresher training for 298 members (77%) of the guard force. TFM is also planning to conduct human rights education and training activities for private security contractors in 2011; contractors currently conduct their own training. According to Congolese law, no external entity can be authorized nor mandated to train state employees or governmental representatives, which includes government security personnel. However, at the request of the commander of the National Mines Police assigned to the TFM Concession, TFM began providing two-hour presentations to promote the Voluntary Principles to Mines Police personnel. The sessions were launched near the end of 2010; 66 of the 200 personnel had participated and sessions are continuing in 2011.

Stakeholder Engagement

In the past, TFM participated in monthly security coordination meetings with representatives from other companies, host security personnel and NGOs. These meetings stopped taking place on a regular basis and TFM is discussing with local authorities to resume a meeting schedule. The meetings have been used to discuss a wide array of security issues, as well as to provide a forum for discussion on the Voluntary Principles. Throughout the year, TFM also holds regular stakeholder engagement meetings with human rights NGOs, civil society groups, and local government and community leaders. A representative from the TFM Security Department often attends these meetings to update the community about any security issues or concerns and answer questions. TFM also engages regularly with employees on human rights, by including discussion items in departmental meetings and monthly safety meetings.

In-country Implementation

TFM also participated in two meetings held in Kinshasa in 2010 with other members of the Voluntary Principles to discuss the initial steps needed to assess and launch in-country implementation of the Voluntary Principles. The meetings resulted in interest across the board for in-country implementation as well as sharing of resources. The process continues to be in the initial activities scoping phase.

Voluntary Principles Implementation Across Sites

Public Security Agreements (MOUs)

In both Indonesia and the DRC, our affiliates have established Memoranda of Understanding (MoU) with host country security forces (the police in Indonesia and the Mines Police in the DRC) charged with protecting our project areas. The MoUs detail the working relationship between the Company and the public security personnel charged with protecting our project areas, including areas of support, coordination and commitment to PTFI and TFM policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MoUs.

Corporate Assurance

Implementation of the Voluntary Principles is reviewed regularly by FCX management, which includes visits to operation sites and meetings with the site Human Rights Compliance Officers and Security Managers. FCX will continue to use an external consultant to provide third-party assessments of Voluntary Principles implementation and training in the DRC in 2011, as conducted in Indonesia in 2010.

D. Lessons and Issues

FCX experienced the following key lessons learned in 2010 that we are using to help improve our human rights program and Voluntary Principles implementation at our sites. These lessons include:

- Importance of publicly communicating the Voluntary Principles and rules of engagement to host country security forces upon arrival at the project site. The tragic incident of August 18, 2010 in the DRC is deeply regrettable, but we believe the extensive consultation conducted with host nation forces reduced the potential for greater violence. It is important to note that the violence in the August 18 incident occurred before TFM had met with the military leadership. After meeting and insisting on the respect of human rights, the situation was handled peacefully. Nonetheless, we are reevaluating the incident to examine how we could be even more effective in the future.
- Effectiveness of training needs to be periodically evaluated. PTFI has been implementing human rights training for seven years. The training program reaches a great number of employees, contractors, host government security and community members and awareness of the Voluntary Principles at the site was very high. However, our 2010 third-party evaluation of the effectiveness of the training, led to a realization that while many people knew what the Voluntary Principles were, they did not understand their personal role or responsibility in implementation. FCX will use this evaluation to help improve training programs globally and to improve training effectiveness measurements. We are modifying existing training materials, such as presentations, posters and other multi-media and developing new materials to enhance the effectiveness of our program.
- Guarantee of anonymity. One of the identified key points of the third-party evaluation conducted at PTFI was the lack of understanding of the need to keep the identity of the reporter, the victim as well as the assailant confidential. The fear of retaliation is a known factor in reporting human rights violations. We are conducting training on ways to protect, to the greatest extent possible, the identities of those who fear retaliation for reporting allegations.