

Voluntary Principles on Security and Human Rights 2013 Annual Report to the Plenary

**March 2014
Montreux, Switzerland**

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

In the second-quarter of 2013, Freeport-McMoRan acquired North America-focused oil and gas assets, but due to the timing of the acquisition these assets are not included in the scope of this report. In 2014, we plan to conduct a security and human rights risk assessment of these assets and identify any high risk areas where Voluntary Principles implementation should be incorporated.

This report includes an explanation of changes or new developments in our human rights program as well as implementation activities in 2013. While much of the background information does not differ from previous years' reports, it is provided here for new stakeholders and members of the Voluntary Principles. Country implementation details are provided for Indonesia and the DRC, as our operations in these locations represent our most significant security and human rights challenges.

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

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

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

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

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

B. Policies, Procedures and Related Activities

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

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

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

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

In 2013 we also continued to further our work to integrate the UN Guiding Principles on Business and Human Rights into our existing human rights approach. We contracted Maplecroft, a UK-based advisory firm, to help us facilitate a corporate-level human rights impact assessment to help identify impacts across our portfolio and assess where we have gaps. As part of the assessment, we conducted two international level stakeholder verification meetings to receive input on the assessment's methodology and approach and presented initial findings. We will complete the assessment in 2014 and use the findings from this process to help inform a review of our human rights policy and strategy. We currently

see our Voluntary Principles program as one component of our implementation of the UN Guiding Principles in how we address security and human rights related impacts and risks. In 2013 we also continued to participate in a BSR multi-industry human rights working group which has provided us with a forum for gaining insight from peer companies to help determine the best way to integrate human rights due diligence into our business practices and to support our Voluntary Principles implementation.

We report on our human rights performance in our annual Working Toward Sustainable Development (WTSD) report, which has been prepared in accordance with the Global Reporting Initiative (GRI) G3 reporting guidelines for the fifth consecutive year and in accordance with version 3.0 of the Mining and Metals Sector Supplement for the third time. A GRI content index is located on our website (<http://www.fcx.com/sd/sustain/index.htm>). We have self-declared our 2012 WTSD reporting at the A+ level of the GRI G3 guidelines and external assurance was conducted by Corporate Integrity in accordance with the ICMM Sustainable Development Framework Assurance Procedure. Since 2009, site-level external assurance has been completed at all active mining operations at least once. We are continuing site-level external assurance at major operations at least once every three years, with more frequent assurance engagements at operations with higher sustainability risks or opportunities and increased stakeholder interests. Our Voluntary Principles report and performance is also included in the assurance process as we publish this report as part of our public sustainability reporting (http://www.fcx.com/sd/sustain/vol_principles.htm).

As another tool to help us better monitor Voluntary Principles implementation at sites and drive improvement, Freeport-McMoRan joined a volunteer group of companies in 2011 to help develop and pilot a set of key performance indicators (KPIs) on Voluntary Principles implementation. We piloted the KPIs at our mine site in Indonesia and the DRC as a site self-assessment tool, and then requested our external assurance provider to review the KPIs and results as part of our ICMM Sustainable Development Framework assurance process for reporting years 2011 and 2012. We collaboratively concluded in the context of our operations that the KPIs could be used to measure maturity of site Voluntary Principles systems and implementation. The KPIs are continuing to be used as an annual self-assessment exercise and reviewed jointly by the site and corporate office to assess progress and identify gaps in implementation.

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

Freeport-McMoRan uses a sustainable development risk register process that was established in 2009 for all our operating sites. Human rights and security are included in this register as risk areas for sites to assess, and any risks ranked as actionable require development and implementation of an action plan. Our site human rights teams conduct risk assessments specific to human rights and security and record and track any actionable risks in the site's sustainable development risk register. Site-level risk registers are submitted to the corporate office at least annually for review by an inter-departmental team. Sustainability focus areas identified for the corporation as a whole, including human rights and security, are outlined in our Working Toward Sustainable Development report (http://www.fcx.com/sd/pdfs/WTSD_2012.pdf). The report also includes an explanation of the risk register process (page 8).

The Voluntary Principles Implementation Guidance Tools risk assessment is also periodically used to assess new security programs and approaches. In 2013, our corporate team jointly worked with our

mine site in the DRC to assess the option of using new forms of non-lethal weapons as an approach to managing incidents with illegal miners entering our area of operations. The assessment helped to identify and rank risks and inform the site's decision making process. In the end, the site decided to not introduce new forms of non-lethal weapons due to risks of equipment being misused by host government security, potential ineffectiveness of the technology, as well as the potential risk of escalating tensions.

In order to better assess potential human rights-related risks in our supply chain, we worked with our legal department to develop a web-based due diligence tool for contractors and suppliers. The tool issues a risk assessment questionnaire to contractors and suppliers for completion prior to being approved as a business partner with our Company. Among several legal, regulatory, and reputational risk areas, the questionnaire includes questions related to human rights and security that we believe important to the integrity of our supply chain. The tool was officially launched at our Indonesia site in January 2014 and will be deployed across the rest of our offshore mining sites throughout 2014.

In 2013, we also continued to implement a Project Development Sustainability Review process for new or expansion projects. The process includes an assessment of risks and opportunities associated with the project, including security and human rights factors. This process is being used to embed sustainability strategies, such as respect for human rights, early in project plans and the process is facilitated by a third-party. In 2013, we conducted reviews of three projects globally in the Company. In addition, our Cerro Verde mine site in Peru, as part of a current expansion project, contracted a third-party in 2013 to conduct a security risk assessment, which included a review of the site's Voluntary Principles implementation.

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

Freeport-McMoRan established Human Rights Compliance Officer positions for each international operating mine site whose role is to receive, document and follow up on any reported human rights allegations. The role of the Human Rights Compliance Officer is communicated to community groups as well as all employees and contractors. Some sites have drop-boxes available for anonymous reporting and, as part of the Freeport-McMoRan Principles of Business Conduct, anonymous compliance hotlines managed by third parties have also been established. Human rights have also been incorporated into our corporate Community Grievance Management System Procedure, which is implemented at each site, to ensure that there is a mechanism for collecting human rights grievances (security-related or other) from the community. It is the role of the mine site Human Rights Compliance Officers to report any incidents, grievances, or allegations of human rights to site-level management as well as the Freeport-McMoRan Corporate Human Rights Compliance Officer and Corporate Human Rights Legal Counsel. Any human rights allegations associated with host government security are also reported to the appropriate government institutions for investigation. For examples of how the reporting mechanism was implemented in 2013, please see the country-level reports below in Part C.

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

Contracts with private security providers in Indonesia and the DRC include specific language related to the Company's Human Rights Policy and the Voluntary Principles. Our mine site in Peru has also introduced language on their site human rights policy in contracts with private security contractors. The contracts state that all security contractors are required to comply with the operation's Human Rights Policy, including receiving human rights training and instructions to immediately notify the Company in the event of any human rights allegations. The Company is currently reviewing the corporate contract template to include standard language on human rights.

Additionally, Freeport-McMoRan supports the development of the International Code of Conduct for Private Security Providers (ICoC) and participated in the launch conference of the International Code of Conduct Association in 2013. Freeport-McMoRan is also a member of the United States' Technical Advisory Group for the development of an ISO International Standard Management System for Quality of Private Security Company Operations. Through these initiatives, Freeport-McMoRan supports further application of best practices for private security contractors as set forward by the Voluntary Principles. For other examples related to selection of private security contractors, please see the country-level report below in Part C. for the DRC.

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

All human rights allegations, including security-related incidents, are referred to the site Human Rights Compliance Officer, who oversees the process of documenting all allegations and assigning an internal team to conduct an assessment of the allegation. The process includes a comprehensive review of all relevant facts, as well as witness interviews. The outcome of the assessment process is reported to the Corporate Human Rights Legal Counsel, Corporate Human Rights Compliance Officer, site management, the complainant, and the individual respondent. For those cases involving security-related incidents by public security personnel, the Human Rights Compliance Officer and site management ensure that these incidents are reported to the appropriate government institution for investigation. Cases involving private security personnel are investigated by the Company and appropriate disciplinary action is taken. Cases may also be reported to the government for investigation, as appropriate. For an example of how security-related incidents were addressed in 2013, please see the country-level report below in Part C. for Indonesia and the DRC.

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

We promote awareness of the Freeport-McMoRan Human Rights Policy and the Voluntary Principles through a variety of mechanisms including training programs that reach all managers and employees on a periodic rotating basis. In 2013, for example, 98 percent of global managers certified their compliance with the Principles of Business Conduct and received refresher training. The Principles of Business Conduct Certification is required of management each year and managers and supervisors are responsible for ensuring that employees who report to them understand these Principles, which

includes a section on human rights. In addition, an update on the Company's human rights program was presented to the corporate Sustainable Development Leadership Team. An announcement was also placed on the corporate intranet site to promote the release of the Company's annual report to the Voluntary Principles, including a link for employees to access the report.

In 2013, additional outreach was conducted with our Cerro Verde mine site in Peru to increase promotion of the Voluntary Principles with security employees, contractors and host government security personnel working in the project area. With a large expansion project underway, additional outreach and awareness on human rights principles was required. As a result, Cerro Verde provided training on the Voluntary Principles and sexual harassment to 100% of security employees, 84% of security contractors, and 236 members of the Peruvian National Police.

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

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

In 2013, Freeport-McMoRan promoted Voluntary Principles implementation internationally by participating in country-level Voluntary Principles activities in Indonesia, the DRC and Peru which are each Voluntary Principles priority countries (See Part C. Country Implementation below for more details). In 2013, we also participated in Voluntary Principles Working Groups, attended one of the strategic planning meetings in Geneva, and led a presentation on our implementation of the Voluntary Principles in the DRC at the 2013 Plenary meeting in the Hague.

We frequently engage with socially responsible investors on security and human rights issues, including our implementation of the Voluntary Principles. In 2013, we briefed investors on security-related human rights incidents near our mine sites in Indonesia and the DRC and reported on follow-up action taken, as well as discussed approaches to human rights and security risk mitigation.

As previously mentioned, we also publish our report to the Voluntary Principles Plenary on the Freeport-McMoRan public website at: http://www.fcx.com/sd/sustain/vol_principles.htm

C. Country Implementation

Indonesia

Overview of Country Operations

Freeport-McMoRan's Indonesian affiliate, PT Freeport Indonesia (PTFI), operates the Grasberg mining complex, which contains one of the world's largest single recoverable copper and gold reserves. Freeport-McMoRan has been operating in Papua, Indonesia since 1973 and implementing the Voluntary Principles there since becoming a signatory in 2000. Security risks in the area stem from the presence of in-migration, separatist activists and advocates in the region, presence of illegal gold panners in the project area, and social, political and ethnic tensions within the local community and in other areas of the province. Via a presidential decree, the Government of Indonesia has identified the Grasberg mine as a "vital national object" and has assigned host country security (police and military) to the site.

In 2009, a series of shooting incidents targeting company personnel, contractors and host government security personnel occurred within the PTFI project area, primarily along our remote access road and east levee; these shooting incidents have continued on a sporadic basis with the last shooting incident occurring on January 9, 2014. From the beginning of 2009 through January 2014, there have been a disturbing 15 fatalities and 58 injuries to employees, contractor employees, host government security personnel, and civilians from shooting incidents within our project area (there was one injury in 2013 and no fatalities). In early 2014, there were also two deaths and one injury to members of the armed group believed to be perpetrating the attacks.

Due to the heightened security situation at PTFI, approximately 1,600 host country security personnel (police and military) were assigned to the PTFI project during 2013. In addition to the public security presence, the PTFI Security and Risk Management Department employs approximately 750 unarmed personnel and around 130 unarmed private security contractors and transportation/logistics consultants on a rotational basis. In addition, there are approximately 200 unarmed local contract employees working as drivers, guards, and maintenance staff. This security structure has been necessary to enhance protection of company employees, contractors, and assets, especially considering the remote and challenging terrain found in the PTFI project area.

In 2013, 34 human rights allegations were reported to the PTFI Human Rights Compliance Officer. These cases did not include any allegations of human rights transgressions committed by PTFI personnel or contractors against the local community, but there were a number of allegations against or among our employees and their dependents. Nine of these allegations were human resource cases, eight were harassment cases, two were intimidation cases, one was a criminal case, and one was unsubstantiated. There were also thirteen cases reported in 2013 regarding domestic issues, where spouses brought grievances against their spouses who are employees or contractors. While most of these domestic disputes were not human rights issues, the cases illustrate that the human rights grievance system is well communicated and known, not only by employees and contractors, but also by their families and others in the project area. Nevertheless, the Human Rights team at PTFI is reviewing the reasons these cases are continuing to be reported as they are not the type of grievances that the system is targeting to collect. Revised training on human rights grievances may be needed to continue to educate internal and external stakeholders about their rights and the appropriate mechanisms for reporting.

Regardless of the types and credibility of allegations, all cases reported were documented, reviewed, and closed, or are in the process of being followed up by the PTFI Human Rights Compliance Officer. The criminal case involved an incident where public security forces physically assaulted a contract employee in a mess hall. PTFI notified the direct commander of the perpetrators, who investigated the case and issued disciplinary action, including removal of the security personnel involved from the PTFI project area.

Engagement with Stakeholders on Country Implementation

We continue to engage with a number of critical stakeholders at the international, national and local level to promote the Voluntary Principles. PTFI met a number of times with the Indonesian Human Rights Commission (Komnas HAM) in Jakarta and when they visited the PTFI mine site in June 2013 as part of a human rights review following a tunnel collapse in an underground mine training facility that resulted in 28 fatalities and serious injuries to 10 workers. PTFI also met with Komnas HAM in Jayapura to provide clarification regarding one human resources case that was under review. Additionally, PTFI

presented our human rights and Voluntary Principles program at the Indonesia Business Links conference held in Jakarta in March 2013.

At the site level, PTFI engaged with community leaders, partner organizations and local authorities on implementation of the Voluntary Principles, by conducting training presentations on PTFI's Human Rights and Voluntary Principles Program and holding human rights promotion events. PTFI also disseminated information and spoke to local stakeholders on human rights and the Voluntary Principles at a local expo event held at our operations in Papua. 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 2013, PTFI employed two private security contractors and one transportation/logistics contractor, all of whom are unarmed, to assist with protection of company assets, airport security screening and passenger/supply convoy logistics. Two of the contractors are international companies and signatories to the International Code of Conduct for Private Security Providers. Contracts with private security providers state that contractors are required to comply with both the Company's Human Rights Policy and the Voluntary Principles.

In 2013, PTFI also entered into a revised and updated Memorandum of Understanding (MoU) with the Provincial Commander of the National Police. The MoU covers a three-year term and details the working relationship between the Company and the public security personnel, including areas of support, coordination and commitment to PTFI policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MoU.

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

PTFI's share of support costs for the government-provided security was \$25 million for 2013. The supplemental support consists of various infrastructure and other costs, such as food, housing, fuel, travel, vehicle repairs, allowances to cover incidental and administrative costs, and community assistance programs conducted by the military and police.

Examples of Supporting Outreach, Education and Training

In 2013, training on the PTFI human rights program and the Voluntary Principles was provided to 1,488 police and military personnel. When feasible, military and police contingents not based in Papua receive a presentation on human rights two times before beginning their rotation within the PTFI project area; once at their home base and again upon arrival at the site. In 2013, PTFI also distributed over 1,300

translations of the Voluntary Principles in the form of a pocket book to host government security personnel and private security contractors, as well as other employees and community members.

PTFI conducted over 23,000 hours of specific training on the Company's Human Rights Policy and the Voluntary Principles in 2013. Over 5,200 PTFI employees and 2,900 contractor employees received training, as well as another 3,700 individuals representing community leaders and partner organizations, students, local contractors and police and armed forces personnel. PTFI has also incorporated human rights awareness training into the induction materials for all new employees and made it a requirement before new employees are allowed to work. In addition, approximately 19 percent of PTFI security employees also received refresher training in 2013. This percentage of security department employees receiving refresher training was significantly lower in 2013 compared to 2012 (85 percent). During a corporate-level review, the root causes for this reduction were determined to be a change in the staffing and structure of the human rights team, which reduced resources for training. The human rights team and the Security and Risk Management Department are reviewing training targets for 2014 and developing a schedule to prioritize security employees for refresher training.

PTFI also conducted a number of human rights promotion activities in 2013, including human rights awareness training for middle school and university students in Papua. The human rights team also conducted an awareness campaign for Human Rights Day including distributing messages through electronic media (e.g., company screen savers) and banners around the mine site and in Timika.

Twelve staff members of the PTFI human rights team and related departments also attended training in Jakarta on the Voluntary Principles Implementation Guidance Tools. The training was conducted by a third-party Indonesian organization called Quality Improvement Program (QIP).

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

Freeport-McMoRan corporate personnel review implementation of the Voluntary Principles at PTFI through visits to the site and meetings with the site Human Rights Compliance Officer and staff, as well as the site security managers. In 2013, a joint site and corporate assessment was conducted on the site's human rights grievance mechanism according to the "Principles for Rights-Compatible Grievance Mechanisms" in order to identify areas for strengthening the current grievance mechanism. The PTFI Human Rights Compliance Officer also issues a monthly and annual report to site and corporate senior management on human rights training activities and the status of any reported human rights grievances.

As part of the volunteer group piloting Voluntary Principles KPIs, PTFI has implemented the KPIs as a site self-assessment tool for two years. The process served as a useful tool for the site to determine the level of maturity of the Voluntary Principles program and to identify areas for improvement. Due to changes in the human rights team staff and structure in 2013, the KPIs helped the team to identify areas where policies and procedures needed to be updated and revised.

Democratic Republic of Congo (DRC)

Overview of Country Operations

Freeport-McMoRan serves as the operator of the Tenke Fungurume Mine (TFM), whose ownership structure is comprised of Freeport-McMoRan (56%), Lundin Mining Corp (24%), and La Générale des Carrières et des Mines (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 recent incidents raise concerns about growing insecurity in Katanga. TFM currently faces a number of security and social risks, such as risks posed by illegal artisanal miners present on the TFM concession as well as a rapid population influx of migrants looking for economic opportunities.

TFM employs approximately 350 unarmed security employees and 390 unarmed private security contractors. In addition to these security personnel, the national government has assigned approximately 140 Mines Police to the TFM concession area. The Mines Police are a division of the Congolese National Police (PNC) and are responsible for maintaining security in mining concessions throughout the DRC.

In 2013, 17 human rights allegations were reported to and recorded by the TFM Human Rights Compliance Officer. Out of the total cases reported, five were alleged physical assault/injury, four were criminal cases, four were human resource cases, three were verbal harassment cases, and one case was unsubstantiated. All cases were documented, reviewed and closed, or are in the process of being followed up by the TFM Human Rights Compliance Officer or investigated by government authorities.

Four of the five physical assault/injury cases involved allegations made against security contractors and employees or host government security personnel. Out of those four security-related cases, one of them resulted in termination of a security employee, one is still under review by the local government security council, and two were deemed not credible and closed. Two of the four criminal cases were security-related. One case involved an alleged rape by a security contractor. That case was investigated by local authorities and closed on the basis of insufficient evidence. Nevertheless, the security contractor removed the accused from the Company's site. The second case was related to a fatality when Mines Police were dispersing a group of approximately 200 illegal miners who had entered an active TFM mine pit during the night. When the illegal miners started to destroy TFM security and mining equipment and threaten employees, Mines Police arrived and fired warning shots in the air to disperse the group. After the incident, one illegal miner was found fatally wounded on one of the mining benches located above the area where the shots came from. TFM called for the provincial police to conduct an investigation of the incident and also contacted local human rights NGOs to brief them on the incident and seek their support in monitoring and reporting on incidents related to illegal mining.

In addition to reporting grievances to the site Human Rights Compliance Officer, TFM also has a third-party compliance hotline established to allow employees access to an anonymous grievance mechanism. Community grievances may also be reported to any Community Liaison Officer, who will report any allegations to the site Human Rights Compliance Officer.

Engagement with Stakeholders on Country Implementation

TFM actively supports implementation of the Voluntary Principles at the international, national, provincial and local level. In 2013, TFM facilitated ten meetings of a Security and Human Rights Discussion Group attended by security managers from other mining companies in Katanga Province, host government security personnel, international organizations and NGOs. This group discusses security issues as they relate to the mining industry, as well as to provide a forum for discussion on the Voluntary Principles and human rights issues, and share best practices and resources. TFM and Pact are the only Voluntary Principles members in this group, so it is also a forum to promote awareness of the Voluntary Principles with non-members.

TFM volunteered to serve as the lead company for country-level Voluntary Principles implementation in the DRC and participated in meetings held in Kinshasa to share resources and discuss with other members steps that can be taken to promote the Voluntary Principles in-country. In July, TFM hosted a delegation from the US, Canadian and Swiss embassies for a visit to the TFM mine site and community development programs. The visit was a great opportunity for Voluntary Principles member governments to see firsthand TFM's activities on the ground and to discuss ways that the governments and TFM could work together. TFM also supported the Geneva Centre for the Democratic Control of Armed Forces (DCAF), an international foundation working on security reform and an observer to the Voluntary Principles, to meet with the Security and Human Rights Discussion Group when they visited Katanga.

Locally, TFM also participated in monthly security meetings held by local authorities in Fungurume, where security and human rights issues are raised and discussed by local government and community leaders. TFM also used this meeting venue to raise awareness about the Voluntary Principles and to discuss specific security-related incidents and concerns.

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 2013, TFM contracted four private security contractors; three of these contractors were new to our operation. TFM used newly-developed corporate human rights due diligence questionnaires for suppliers in the review and selection of the new contractors. Contracts with private security providers include specific language related to the Voluntary Principles, and state that contractors are required to comply with the Company's human rights policy and the Voluntary Principles. In addition, contract employees undergo background checks, using the same procedures as applied for TFM security personnel. All four of the contractors are signatories to the International Code of Conduct for Private Security Providers.

TFM has also entered into a Memorandum of Understanding (MoU) with the Mines Police assigned by the state to maintain public security in the TFM concession area. The MoU details the working relationship between the Company and the Mines Police, including areas of support, coordination and commitment to TFM policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference and included as an attachment to the MoU. TFM provides food, housing, monetary allowances and logistical support as well as direct payments to the government for the provision of the security assigned to the concession area. The total cost to TFM for this support, including in-kind support, totaled approximately \$1 million in 2013.

Examples of Supporting Outreach, Education and Training

Training and awareness on human rights is incorporated in company-wide training materials for new employees, as well as refresher training modules that reached a total of nearly 7,140 TFM employees and contract employees in 2013, an increase from 5,960 employees and contractors trained in 2012. In addition TFM provided training to over 100 participants representing government agencies, NGOs, the local community and civil society. Overall training hours totaled 9,410 hours.

TFM requires training on the Voluntary Principles for all new security employees as well as all security contract personnel. TFM security employees are required to receive human rights training before they begin employment. All TFM security employees and contractors received human rights training in 2013. TFM, as a private company, is not permitted to conduct formal training of state employees or

governmental representatives, which includes government security personnel. However, as an outcome of the Security and Human Rights Discussion Group, MONUSCO (United Nations Stabilization Mission in the DRC) offered to conduct additional human rights training for public security personnel assigned to the TFM concession area. MONUSCO conducted seven training workshops, which incorporated the Voluntary Principles, in 2013. Over 325 participants comprised of TFM employees representatives of the local government, host government security, Mines Police, NGOs and civil society attended the workshops².

In 2013 TFM also promoted the Voluntary Principles and its human rights program at a local community expo event attended by government representatives, international NGOs, other mining companies, community members, and students. TFM also helped to sponsor a human rights event held in Fungurume by a local human rights NGO.

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

Freeport-McMoRan corporate personnel regularly review implementation of the Voluntary Principles at TFM, which includes visits to the site and meetings with the site Human Rights Compliance Officer and site Security Manager. The TFM Human Rights Compliance Officer also issues a monthly and annual report to site and corporate senior management on all reported human rights grievances.

As part of the volunteer group piloting Voluntary Principles KPIs, TFM also implemented the KPIs as a site self-assessment. The process served as a useful tool for the site to determine the level of maturity of the Voluntary Principles program and to identify areas for improvement. One area for continued improvement is the development of site-level procedures supporting Voluntary Principles implementation.

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 Voluntary Principles implementation. Change in the staffing and structure of our program in Indonesia illustrated the importance of continued oversight and guidance during internal organizational changes. Even if systems and practices have been in place, additional oversight is needed to ensure those systems are transitioned with new structures and staff or revised as needed. We also believed that having member governments visit our site in the DRC was a worthwhile exercise for all parties. The visit allowed our site team to present their achievements and challenges on the ground, and for one member of the government delegation, it was their first visit to an operating mine site. Increased engagement in country and can help Voluntary Principles members identify ways to collaborate and support implementation objectives.

In 2014, we plan to continue to be active participants in Voluntary Principles implementation at the country level in DRC, Indonesia and Peru. In addition, we plan to further introduce the Voluntary Principles into the practices and policies of our exploration teams.

² These training figures are included in the total site training count reported above.