

Voluntary Principles on Security and Human Rights 2016 Annual Report to the Plenary

**March 2017
Ottawa, Canada**

Freeport-McMoRan Inc. (“Freeport-McMoRan” or “the company”) is a leading international mining company with headquarters in Phoenix, Arizona. The company operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. Freeport-McMoRan is the world’s largest publicly traded copper producer, the world’s largest producer of molybdenum, and a significant gold producer. The company’s 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. Freeport-McMoRan also operates mining and refining operations in Chile, Finland, the Netherlands, Spain, and the United Kingdom. On November 16 2016, we completed the sale of our interest in Tenke Fungurume Mining (TFM) in the Democratic Republic of Congo (DRC) to China Molybdenum Corporation (CMOC).

In some of our operating locations, high levels of interaction with public security forces, as well as related challenges linked to education levels, poverty, in-migration and diversity of culture, have combined to create a need for adequate security and human rights programs.

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

This report sets out new developments in our human rights programs, as well as implementation activities in 2016. 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, Peru, and the DRC as these countries represent our most material operating environments in terms of security and human rights. References in this report to TFM and/or the DRC are limited to the period January 1 – November 15, after which CMOC assumed legal responsibility for the operation.

A. Commitment to the Voluntary Principles

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

In 2000, Freeport-McMoRan joined other extractive companies, governments and human rights organizations in endorsing the joint U.S. Department of State-British Foreign Office Voluntary Principles. As we have expanded our international footprint, we have worked closely with our affiliate operations to assist in the implementation of the Voluntary Principles. Our endorsement of the Voluntary Principles is set forth on our website (www.fcx.com/sd/security/index.htm) as well as in our annual Working Toward Sustainable Development report (WTSD Report) (www.fcx.com/sd/sustain/index.htm).

We have incorporated our commitment to the Voluntary Principles into our Principles of Business Conduct. The Principles of Business Conduct apply to all our employees and our Board of Directors. We also hold our contractors and other partners with whom we conduct business to the same standards, which are reflected in our Supplier Code of Conduct. Both documents can be found at: www.fcx.com/sd/approach/policies.htm.

In 2016, Freeport-McMoRan participated in country-level Voluntary Principles activities in Indonesia, Peru, and the DRC, which are Voluntary Principles priority countries (please see the country-level reports below in Part C). At the Initiative-level, we commenced a two-year term on the Voluntary Principles Initiative Steering Committee and Voluntary Principles Association Board of Directors, peer-reviewed an implementation presentation at the 2016 Voluntary Principles Plenary in Bogotá, and participated in both Voluntary Principles Working Groups and Corporate Pillar meetings.

We publish our Annual Reports to the Plenary on the Freeport-McMoRan public website (www.fcx.com/sd/sustain/vol_principles.htm) as part of our broader sustainability reporting and are committed to engaging with Participants to facilitate greater understanding our Voluntary Principles implementation.

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

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

To better assess potential human rights risks in our supply chain, we utilize an online due diligence system for contractors and suppliers. The system issues a risk assessment questionnaire to contractors and suppliers, which must be completed before they are approved as a business partner, as well as prior to contract renewal. The questionnaire includes questions related to a range of legal, regulatory and reputational risk areas, including human rights and security risks. Suppliers and contractors linked to locations not covered by the online system undergo manual screening by our Global Supply Chain department. In 2016, we initiated a process to update the risk assessment questionnaire to advance our

supply chain due diligence in line with our UNGP implementation and requirements under the UK Modern Slavery Act.

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

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

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

Freeport-McMoRan served as a panelist in a multi-stakeholder Human Rights and Business Roundtable discussion on private security sector standards facilitated by The Fund for Peace.

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

We frequently engage with financial stakeholders on security and human rights issues, including our implementation of the Voluntary Principles. In 2016, we briefed these stakeholders on security-related human rights incidents near our operations in Indonesia and the DRC, reported on follow-up action taken and discussed approaches to mitigating human rights and security risks.

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

B. Policies, Procedures and Related Activities

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

Freeport-McMoRan maintains a strong, unequivocal commitment to respect human rights. This commitment is expressed in our Human Rights Policy (www.fcx.com/sd/approach/policies.htm), which incorporates the Voluntary Principles and reflects our commitment to the UN Guiding Principles. The policy requires the company 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. The policy prohibits discrimination; forced, compulsory or child labor; and human trafficking; and ensures fair working conditions, including freedom of association and collective bargaining. Moreover, in the area of security, the Voluntary Principles serve as the guidelines for the company's security programs, including interactions with host government police

and military personnel and private security contractors. Furthermore, we expect all suppliers of goods and services to operate in accordance with this policy.

We promote awareness of our Human Rights Policy and the Voluntary Principles through a variety of mechanisms, including annual training through live/online training classes, distribution of pamphlets, etc. for managers and periodic training for non-managers on a rotating basis. We require our managers to certify their compliance with the Principles of Business Conduct on an annual basis. Furthermore, managers and supervisors are responsible for ensuring that the employees who report to them understand these principles.

In addition, our corporate Sustainable Development Leadership Team received updates on our human rights program, including our planning for future human rights impact assessments. The team includes the company's business unit presidents and senior personnel from the safety, supply chain, human resources, sales, legal, and land and water functions. It is sponsored by our Executive Vice President and Chief Administrative Officer, and is led by our Vice President of Environmental Services and Sustainable Development.

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

We report on our human rights performance in our annual WTSD Reports. Our 2015 WTSD Report was prepared in accordance with the Global Reporting Initiative (GRI) G4 core option reporting guidelines for the first year and in accordance with the Mining and Metals Sector Supplement for the sixth consecutive year. A GRI content index is located on our website (www.fcx.com/sd/gri.htm). A Sustainability Reporting Prioritization Assessment process was utilized to delineate the aspect categories and indicators reported under the G4 core option. More about this process, which included broad stakeholder consideration, as well as a GRI content index, is located on our website. Prior to this report, since 2008, we reported according to the GRI G3 A+ level. External assurance was conducted by Corporate Integrity Ltd. (Corporate Integrity) in accordance with the ICMM Sustainable Development Framework Assurance Procedure. We have applied site-level external assurance at all active mining operations since 2009. We are continuing to apply site-level external assurance at all our operations at least once every three years, and more frequently where specific operations pose higher levels of sustainability risk and/or opportunity, or where they are subject to heightened stakeholder interest. Our 2016 WTSD Report is being prepared in line with the GRI G4 guidelines and is expected to be available in the second quarter of 2017.

Freeport-McMoRan opted in to the Corporate Pillar Verification Framework. Our Voluntary Principles reporting (and the performance we communicate therein) is included within the scope of our annual external assurance process. This Annual Report to the Plenary will be included in Corporate Integrity's review process for the 2016 reporting period. This external assurance process includes meetings with our security and human rights teams to review their respective programs and management systems, for example their training programs, risk mitigation plans and grievance mechanisms. The results of this process are communicated in a public assurance statement located within our WTSD Report. As previously mentioned, we also publish our Annual Report to the Plenary as part of our broader sustainability reporting (www.fcx.com/sd/sustain/vol_principles.htm).

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

Freeport-McMoRan implements a sustainable development risk register process at its mining and metals processing operations. Human rights and security are included in this process as risk areas for evaluation. Any specific risks rated as 'actionable' prompt the development and implementation of Action Plans, as well as the monitoring of their results.

In 2016, for example, implementation of the Action Plans to investigate, mitigate and/or remedy the adverse human rights impacts (both actual and potential) identified in the 2015 TFM Human Rights Impact Assessment was monitored via the site's risk register process. This included Action Plans relating to:

- The responsible prevention of illegal on-site mining and the mitigation of its impacts,
- The conduct of public security providers on the concession, and
- The security of TFM's employees and contractor employees.

Site-level risk registers are maintained by inter-departmental teams at the operational level. The corporate sustainable development team and senior cross-functional corporate personnel monitor and review the site-level registers and maintain a corporate-level risk register. The resulting sustainability focus areas highlighted in the corporate-level register, including human rights and security, are reported on in our annual WTSD Report (www.fcx.com/sd/sustain/index.htm). The 2015 WTSD report also includes an explanation of the risk register process (see page 9). As previously mentioned, we also publish our Annual Report to the Plenary as part of our broader sustainability reporting (www.fcx.com/sd/sustain/vol_principles.htm).

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

We also continue to advance integration of the UN Guiding Principles into our human rights program. Following completion of our corporate-level human rights impact assessment (Corporate HRIA) in 2014, we completed a site-level HRIA at the Tenke Fungurume Mining (TFM) operation in the DRC (TFM HRIA) in 2015. In 2016, we continued to work with Verisk Maplecroft, a global risk analytics and advisory firm, to develop a work plan to implement the site-level HRIA framework at other operations on a risk basis. The scope of subject matters included in future site-level HRIAs will build on that used for the Corporate and TFM HRIAs.

Preliminary work on a site-level HRIA for Cerro Verde was initiated in 2016 with an initial desk-based assessment of human rights risks based on:

- Verisk Maplecroft's proprietary Human Rights Risk Indices, plus associated indices (<https://maplecroft.com/themes/hr/>),
- Media and NGO reports, and
- An HRIA Self-Assessment Questionnaire completed at a corporate- and site-level.

In 2017, we are planning to complete the site-level HRIA at Cerro Verde. Action plans for the potential and actual impacts identified will be embedded and tracked via the site-level risk register process.

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 for operations with potential for higher risks. Their role is to receive, document and follow-up on formally or informally reported human rights allegations – including those relating to the conduct of public and private security providers. We actively communicate the role of the Human Rights Compliance Officer to community groups, as well as employees and contractors. All members of our workforce have access to the Compliance Line, an anonymous¹ compliance hotline managed by third parties that was established under our Principles of Business Conduct. In addition, some operations have drop-boxes available for anonymous reporting.

We have also incorporated human rights into our corporate Community Grievance Management system, which is implemented at each site to collect community grievances including those potentially related to human rights and/or security. Site-level Human Rights Compliance Officers report human rights incidents, grievances or allegations to site-level management, as well as to the corporate sustainable development 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.

For examples of how we implemented this reporting mechanism in 2016, 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 the DRC include specific language related to our corporate Human Rights Policy (and, by extension, to the Voluntary Principles). Security contractors are required to comply with the operations' Human Rights Policies, including receiving human rights training and instructions to immediately notify Freeport-McMoRan of any human rights allegations.

For descriptions of training provided to private security contractors in 2016, please see the country-level reports below in Part C.

¹ Spain's Data Protection Act (Organic Law 15/1999 on the Protection of Personal Data) prohibits anonymous reporting.

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

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

For examples of how we addressed security-related incidents in 2016, please see the country-level reports below in Part C.

C. Country Implementation

Indonesia

Overview of Country Operations

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

In 2009, a series of shooting incidents targeting company personnel, contractors and public security personnel occurred within the PTFI project area, primarily along our remote access road and east levee. The shooting incidents have continued on a sporadic basis, with the last incident occurring on January 1, 2015 (refer to our 2015 Annual Report to the Plenary for more information on the January 1, 2015 incident). During this six-year period, there were 20 fatalities and 59 injuries to employees, contractor employees, public security personnel, and civilians from shooting incidents within the PTFI project area. The safety of our workforce is a critical concern, and PT-FI continues to work with the Indonesian

government to address security issues. To date, no one person or group has claimed responsibility for the shootings and investigations by the Indonesian authorities remain ongoing. We continue to limit the use of the road leading to our mining and milling operations to secured convoys.

Approximately 1,100 public security personnel from the police and military were assigned directly to the PTFI project area during 2016. In addition, the PTFI Security and Risk Management Department employs approximately 700 unarmed security personnel and approximately 340 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 remote and challenging terrain.

In an incident occurring in a residential area of Tembagapura in August 2016, numerous gunshots were fired by host government security forces. Members of a host government security unit on rotation from Manado fired shots into the air outside the home of a commander in charge of a unit from East Java. The incident stemmed from a disagreement between the two units over illicit sales of cigarettes and alcohol. Regional police authorities launched an investigation resulting in the arrest of three individuals who received disciplinary action for the illegal discharge of firearms. Another six individuals received disciplinary action for assault. There is no linkage between this incident and previous shooting incidents on PTFI's roads.

In another case, police investigated a possible shooting incident on the PTFI main service roadway. The driver of a vehicle traveling in a Lowlands-to-Highlands convoy reported that something struck his window. No bullet or other physical evidence was found at the scene. It is not clear whether it was a rock or another hard object that struck the window. No one was injured. There is no apparent linkage between this event and previous shooting incidents on PTFI's roads.

In 2016, a total of 32 grievances were reported to the PTFI Human Rights Compliance Office related to domestic issues, human resources, verbal harassment and discrimination. None were security-related. Sixteen of the cases were domestic issues that did not directly involve PTFI. They illustrate that the human rights grievance system is well communicated and known, not only by employees and contractors, but also by their families and others in the project area. Regardless of the types and credibility of these allegations, all cases reported were documented, reviewed and closed, or are in the process of being followed up by the PTFI Human Rights Compliance Office.

Engagement with Stakeholders on Country Implementation

We continue to engage with a number of stakeholders at the international, national and local level regarding the implementation of the Voluntary Principles and respect for human rights. During 2016, the PTFI Human Rights team held meetings with key national-level human rights NGOs, including the Indonesia Center for Ethics (ICE), the Commission for the Disappeared and Victims of Violence (KONTRAS), and the Institute of Human Rights Studies and Advocacy (ELSHAM). PTFI met with the Indonesian Human Rights Commission (KOMNAS HAM) on multiple occasions, both in Jakarta and in Papua Province. These meetings included both proactive engagement, as well as meetings to discuss the UN Guiding Principles, the Voluntary Principles and human rights related risks and issues at PTFI, such as industrial disputes, employee strikes, customary rights, the transition from open pit to underground mining, and levee extensions.

PTFI partnered with two academic institutions to facilitate an internal workshop to build common understanding on human rights and industrial issues. PTFI also attended a workshop on human rights defenders, how to report on human rights incidents, and how to coordinate with human rights defenders organized by ELSHAM in Jakarta.

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

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

In 2016, PTFI employed one private security contractor company and three transportation/logistics contractor companies, each of which deploys unarmed personnel to assist with the protection of company assets, airport security screening and passenger/supply convoy logistics. Contracts with private security providers 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, 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.

In 2016, PTFI updated a Memorandum of Understanding (MoU) with the National Police, which was last revised and signed in 2013. 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.

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 awareness.

PTFI's share of support costs for the government-provided security was \$20 million for 2016. The supplemental support consists of various infrastructure and other costs, such as food, housing, fuel, travel, vehicle repairs, financial 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 2016, PTFI conducted approximately 14,000 hours of training on our Human Rights Policy and the Voluntary Principles. Approximately 1,600 PTFI employees and 3,200 contractor employees received training, as well as over 4,550 individuals including representatives from local communities, partner organizations, student bodies, and the police and military.

The PTFI Human Rights team provided training on the PTFI human rights program and the Voluntary Principles to 1,262 police and military personnel (included in the total training figure above). Military and police contingents not based in Papua receive a presentation on human rights before beginning their rotation within the PTFI project area; either at their home base or upon arrival at the site. The PTFI Security Department also provided public security personnel with training on professional conduct and protocols in the PTFI project area. In addition, the PTFI Human Rights team coordinated an outdoor 'sports day' to help foster good working relationships between PTFI and the police/military. The event, which involved approximately 300 participants from PTFI and members of the police/military, was well received.

PTFI has incorporated human rights awareness training into the induction of all new employees. In addition, all private security contractor employees and PTFI security employees received induction or refresher training in 2016. Feedback forms and quizzes are collected after training to help the team assess training effectiveness, raise questions and give suggestions for improvement.

In 2016, the PTFI Human Rights team used banners, Voluntary Principles pocket guides and other educational items to raise employee awareness. Team members also attended investigation training to support grievance resolution in addition to training on training practices and techniques in training delivery conducted by a government agency responsible for training certifications. In addition, PTFI conducted a number of human rights promotional activities in 2016, including human rights awareness presentations for students from elementary school to university level in Papua, and several radio campaigns in partnership with Radio Public Mimika.

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 multiple site visits and meetings with the Human Rights Compliance team, as well as its 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, PTFI underwent an external assurance review by a third party, 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 (Cerro Verde) is majority owned and operated by Freeport-McMoRan, which acquired the mine at the time of its privatization by the Peruvian government in 1994 through a predecessor company. The remaining shareholders are Sumitomo, Buenaventura and other minority shareholders whose shares are publicly traded on the Lima Stock Exchange. The Cerro Verde open-pit mining complex is located approximately 20 miles southwest of Arequipa. Following successful completion of a major expansion in 2015, Cerro Verde now includes the largest copper and molybdenum concentrating facilities in the world. Cerro Verde has provided a variety of community support projects over the years. Cerro Verde reached an agreement with the Regional Government of Arequipa, the National Government, SEDAPAR and other local institutions to allow it to finance, engineer and construct a wastewater treatment plant for the city of Arequipa, which was completed in 2015. The wastewater treatment plant supplements existing water supplies to support Cerro Verde's concentrator expansion and also improves the regional water quality, enhances agriculture products grown in the area and reduces waterborne illnesses. In addition to these projects, Cerro Verde annually makes significant community development investments in the Arequipa region. In January 2017, Cerro Verde was the recipient of the US Secretary of State's Award for Corporate Excellence in Transparent Operations in recognition of the company's dedication to placing transparency and stakeholder engagement at the core of its business.

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

Cerro Verde employs six security employees and approximately 330 private security contractors. Some private security contractors assigned to the protection of expatriate personnel 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 two-week rotations in accordance with Supreme Decree 069-2013-IN and Ministry Act N° 0120-2014-IN/PNP.

In 2016, four grievances were reported to the Cerro Verde Human Rights Compliance Office related to discrimination and verbal harassment. None were security-related. Regardless of the types and credibility of these allegations, all cases reported were documented, reviewed and closed by the Cerro Verde Human Rights Compliance Office.

Engagement with Stakeholders on Country Implementation

Cerro Verde participates in the country-level implementation of the Voluntary Principles in Peru, led by Peru's Ministry of the Interior. Cerro Verde's security manager attended the 2016 Voluntary Principles Plenary Meeting in Bogotá, Colombia. Cerro Verde also participates 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 contracted two private security companies in 2016. Both employees and contractors perform functions such as protecting company facilities, monitoring shipments of supplies and products, assisting in traffic control and aiding in emergency response operations. 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. Furthermore, new private security providers, new contractors and contractor renewals are subject to Freeport-McMoRan's online due diligence system 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 regularly scheduled two-week leave. This allows the officers to supplement their government salaries at a rate set by Government. The MoU was last updated in 2016 and details the working relationship between Cerro Verde and the PNP, including areas of support, coordination and commitment to Cerro Verde policies and procedures, including business ethics and human rights. The Voluntary Principles are incorporated by reference.

The total cost to Cerro Verde for this support totaled approximately \$1 million in 2016. This support is primarily remuneration, but also includes a limited amount for daily bus transportation to and from the mine, food and incidentals.

Examples of Supporting Outreach, Education and Training

In 2016, our Cerro Verde operation in Peru provided training on Human Rights and the Voluntary Principles to 83 percent of its security employees and 100 percent of its security contractors.

Some security contractors assigned to protection of expatriate personnel are armed. These contractors receive training on Voluntary Principles monthly, firearms training quarterly, as well as training on defensive driving, psychology, and human rights.

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

Furthermore, training was extended to members of the PNP, who are assigned to the site in teams of 17 on a rotating basis. As a result, a total of 543 members of the PNP were also trained on our human rights policy and the Voluntary Principles during the course of the year.

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

Freeport-McMoRan corporate personnel review implementation of the Voluntary Principles at Cerro Verde through site visits and meetings with the Cerro Verde Human Rights Compliance team, as well as

the Cerro Verde Security Manager. As part of Freeport-McMoRan's ICMM assurance commitment (see Section B.4. above) and participation in the Corporate Pillar Verification Framework, Cerro Verde underwent an external assurance review by a third party, which included a review of its security and human rights risk management systems (see Sections B.4. and B.5. above).

Democratic Republic of Congo (DRC)

Overview of Country Operations

Through November 16, 2016, Freeport-McMoRan served as the operator of TFM, whose ownership structure was 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 approximately 110 miles northwest of Lubumbashi in southeast DRC, began commercial production in 2009. While TFM is far removed from the conflict areas in the eastern and northeastern parts of the country, there have been sporadic acts of violence in southeastern DRC where the Tenke minerals district is located. TFM faced a number of security and social risks, including those associated with illegal artisanal mining activity on the concession area, a rapid influx of migrants looking for economic opportunities, and political instability. TFM also recognized the potential risk of instability to the north of the region impacting the concession area.

TFM employed approximately 320 unarmed security employees and 810 unarmed private security contractors. In addition to these security personnel, the national government assigned 112 members of the 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.

Through November 15, 2016, a total of 16 grievances were reported to the TFM Human Rights Compliance Office by employees and contractors related to human resources, verbal harassment, discrimination, and alleged conflict of interest. None were security-related. Regardless of the types and credibility of these allegations, all cases reported were documented, reviewed, and closed. Any open cases as of November 16 were transferred for follow up by TFM.

TFM also experienced a number of incidents related to illegal artisanal mining on the concession through November 15. Thirty-two incidents were observed by or reported to TFM personnel, which together resulted in the deaths of 21 illegal miners and non-life-threatening injuries to 11 illegal miners. Twenty of the deaths were a result of tunnel collapses or geotechnical instabilities, including 12 when a storm flooded a trench in an abandoned mine pit where a group of illegal miners were present. TFM worked with local authorities and DRC officials to recover the victims. The other death was a result of conflict between illegal miners. Half of these incidents took place in or near operational areas, while the other half took place outside active mining areas. TFM worked with the relevant Congolese authorities to respond to each of these incidents and discourage this highly dangerous activity on TFM's property. TFM also engaged with international organizations and NGOs on these issues via a monthly, multi-stakeholder Security and Human Rights Discussion Group (see below for further details) and installed fencing installed around active mining pits with warning signs to discourage trespassing. TFM suspects that there may have been more cases of illegal artisanal miner fatalities, but they were not reported to TFM or the local authorities due to the illegal nature of the activity and fear of arrest or closure of access to open deposits and tunnels.

In addition, TFM employees and contractors continued to suffer injuries from aggressive actions by trespassers seeking to steal equipment and fuel, or access mining areas for illegal mining activities. Through November 15, employees and contractors incurred a total of 109 injuries after being physically assaulted by trespassers, ranging in severity from those requiring minor first aid to more serious injuries resulting in hospitalization. The majority of the injuries (92) were incurred against unarmed security employees and security contractors while they guarded TFM personnel and assets. The other 17 injuries were suffered by employees and contractors who were attacked on the job. In addition, the Mines Police reportedly suffered 12 injuries.

Illegal mining in the TFM concession remained a significant security risk for the site – in part due to the high quality of exposed and near-surface ore and the proximity of the working areas to nearby populations. In addition to our established security measures, we addressed the issue through a combination of ongoing training on the Voluntary Principles, engagement with the local community security council, and investment in economic development programs to promote long-term growth and alternative livelihoods in the community. Illegal mining activities in and around the TFM concession were a regular agenda item during TFM’s meetings with the provincial and national government. TFM also organized a media campaign warning community residents of the dangers of illegal mining via local radio stations.

Engagement with Stakeholders on Country Implementation

TFM supported implementation of the Voluntary Principles at the national, provincial and local level. Through November 15, TFM facilitated monthly meetings of a Security and Human Rights Discussion Group attended by security managers from other mining companies in southeast DRC, public security personnel, international organizations and NGOs. This group discussed security issues as they relate to the mining industry, while also providing a forum for discussion on the Voluntary Principles and related human rights issues, as well as the sharing of good practices and resources. TFM was one of only two Voluntary Principles member companies in this group, so it also served a forum to promote awareness of the Voluntary Principles with non-members. The group discussed a range of issues, including the growing security threat and risk of conflicts created by the presence of illegal artisanal miners around industrial mining operations and approaches to mitigation.

Locally, TFM participated in monthly security meetings held by the local authorities in Fungurume, where security and human rights issues were raised and discussed by local government officials and community leaders. TFM used these meetings to raise awareness about the Voluntary Principles and to discuss more specific security-related incidents and concerns. TFM personnel attended a seminar on violence against women organized by the United Nations Organization Stabilization Mission in the DR Congo (MONUSCO) in Fungurume. TFM also hosted numerous visits for local and regional stakeholders, including NGOs, to various social investment projects.

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

Through November 15, TFM contracted four private security companies to provide unarmed guards to support security with patrols and enhance the protection of company assets. Contracts with private

security providers included specific language related to the Voluntary Principles, and stated that contractors were required to comply with the company's human rights policy and the Voluntary Principles. Furthermore, new private security providers, new contractors and contractor renewals were subject to Freeport-McMoRan's online due diligence system and required to comply with our Supplier Code of Conduct. New suppliers and contractors linked to locations not covered by the online system underwent manual screening by our Global Supply Chain department.

Since 2008, TFM was a party to a MoU with the Mines Police assigned by the national government to maintain public security in the TFM concession area. The MoU detailed the working relationship between TFM 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 were incorporated by reference and included as an attachment to the MoU. TFM provided food, housing, medical services, supervised transportation, non-lethal equipment and monetary allowances 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 less than \$1 million through November 15, 2016.

Examples of Supporting Outreach, Education and Training

Human rights content was incorporated into company-wide training materials for the induction of new employees. Through November 15, this reached a total of 1,021 TFM employees and contractor employees. Overall training totaled over 510 hours. This training included TFM security employees and private security contractors.

As an outcome of discussions at the Security and Human Rights Discussion Group in 2013, the MONUSCO offered to conduct human rights training for public security personnel assigned to the TFM concession area. A three-day 'train the trainer' workshop on 'Human rights and Enterprises' was last organized in 2015. TFM staff and PMH representatives trained as trainers continued to conduct training in 2016, with PMH representatives providing training to PMH and TFM staff providing training to security staff and private security contractors.

We actively engaged with other members and affiliates of the Voluntary Principles to solicit additional training. Other mining companies in southeast DRC who are not members of the Voluntary Principles also requested MONUSCO's support for human rights training based on the training started with TFM in 2013.

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

Corporate personnel reviewed implementation of the Voluntary Principles at TFM through site visits, meetings and calls with the TFM Human Rights Compliance team and the TFM Security team. The TFM Human Rights Compliance team issued periodic and annual reports to site-level 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, TFM underwent an external assurance review by a third party, which included a review of its security and human rights risk management systems (see Sections B.4. and B.5. above).

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

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

In Indonesia, proactive engagement with national- and regional-level stakeholders (including NGOs) in 2016 helped to increase awareness of the human rights and security issues and challenges around our operations, and to identify areas for potential partnership and collaboration. We look forward to further developing these opportunities in 2017.

In Peru, we will be advancing a human rights impact assessment at Cerro Verde in 2017.

Furthermore in 2017, we will continue our two-year term on the Voluntary Principles Initiative Steering Committee. We will also continue our active participation in the implementation of the Voluntary Principles at the country-level in Indonesia and Peru. In addition, we plan to further harmonize our implementation of the Voluntary Principles with our broader human rights strategy as we continue to implement the UN Guiding Principles.