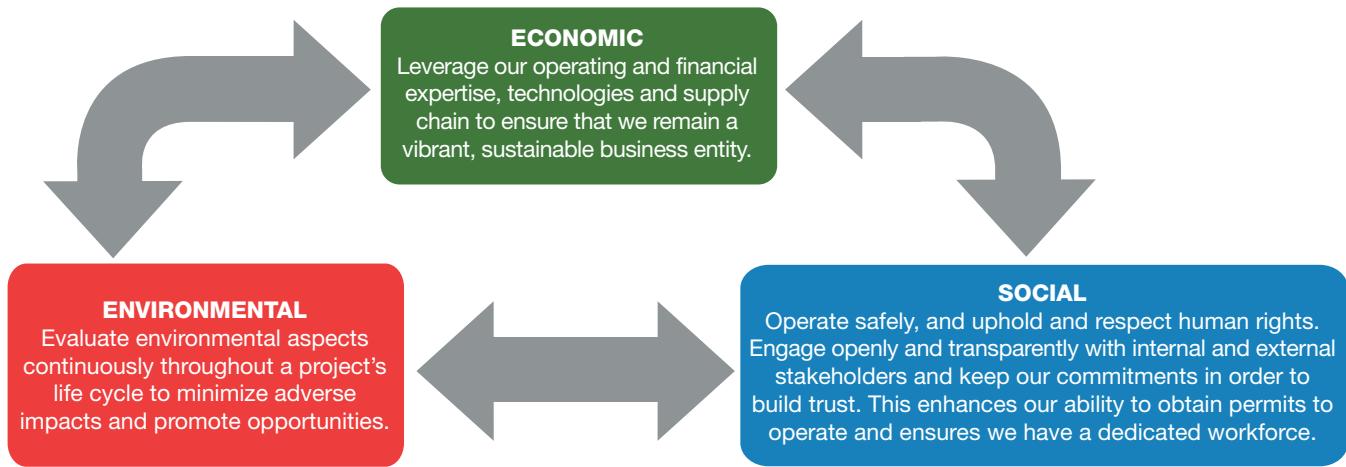


The nature of our business impacts the environment and communities surrounding our operations. We mitigate impacts to the extent practicable through state-of-the-art control and remediation measures. We develop infrastructure, support health, safety and education efforts, and provide local employment and business development opportunities. The products we produce are critical for sustainability and higher standards of living. To supply essential natural resources to current and future generations, we are guided by our stated business objectives, principles and policies, and we continuously improve our sustainable development programs. Our approach has three core elements:



### PRINCIPLES OF BUSINESS CONDUCT

Our approach is based on the overarching values detailed in our Principles of Business Conduct, which set forth the global system of principles that our workforce must follow in all activities – from complying with laws and avoiding conflicts of interest to developing positive relationships in local communities. In 2014, we plan to update our Principles of Business Conduct to emphasize our core values, clearly communicate our expectations and reflect our business objectives in today's operating environment. We also have developed a Supplier Code of Conduct, to be released in 2014, to ensure that the same values and expectations are clearly communicated to our supply chain partners.

Our supporting policies, along with external standards and initiatives, form the overall framework that guides our sustainability programs. Supporting this framework are internal governance and management systems that provide the essential details on how we operate.

### CORPORATE RESPONSIBILITY COMMITTEE

The Corporate Responsibility Committee of our Board of Directors is responsible for overseeing our policies and programs related to the environment, human rights, safety and health, governmental and stakeholder relations, community health and social investments. The Committee examines key performance data and

receives briefings concerning challenges and emerging issues in these areas. During 2013, the Corporate Responsibility Committee received various reports and considered numerous items with a particular focus on safety, which included reviewing the root causes of fatal accidents, the corrective actions implemented to prevent accidents in the future, enhancements to our fatality prevention program, our safety accountability practices and our aviation safety activities. In addition, during the year, the Corporate Responsibility Committee reviewed our HIV/AIDS prevention program in Indonesia, malaria prevention program in the DRC, global social programs and expenditures, and political activity and spending practices. The Corporate Responsibility Committee reports to our Board of Directors, which provides oversight on all matters, including the economic viability of our Company – the first element of our approach to sustainable development.

### SUSTAINABLE DEVELOPMENT LEADERSHIP TEAM

The Freeport-McMoRan Sustainable Development Leadership Team provides strategic and operational guidance regarding our sustainability commitments. The team 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 team includes business unit presidents and senior personnel from the safety, supply chain, human resources, sales, compliance, and land and water functions.

During 2013, the team reviewed and addressed key issues and projects including:

- Our corporate-level Human Rights Impact Assessment and overall process for integration of the UN Guiding Principles for Business and Human Rights into our programs
- Development of a Supplier Code of Conduct that specifies our expectations of suppliers with respect to sustainability areas such as anti-corruption, human rights, social and environmental performance
- Development of Freeport Compliance eXchange, a survey-based online due-diligence software designed to assess the risk level of suppliers based on criteria related to anti-corruption and human rights. The tool provides important data that will enable us to help ensure our suppliers demonstrate ethical business conduct.
- Organizational response to current and emerging requirements, initiatives and value chain inquiries associated with material and product stewardship
- Monitoring of emerging sustainability reporting initiatives including the GRI G4 Guidelines
- Review of stakeholder engagement strategies and outcomes, including the socially responsible investment (SRI) community, banking institutions and nongovernmental organizations (NGOs)
- Our global social investment programs, including our new Foundation in Chile
- Progress of sustainability performance targets
- Implementation of the ICMM Sustainable Development Framework, including observations and recommendations from our site-level assurance program

## STAKEHOLDER ENGAGEMENT

Project planning and project life-cycles can span decades. We consider early and effective engagement with stakeholders critical for creating mutual opportunities and reducing sustainability-risks to our plans. We seek strategic partnerships with host governments, communities and development partners to ensure the viability of our projects while delivering meaningful benefits. We aim to work with persons and entities that have pragmatic ideas to help us improve our performance, as well as with those who genuinely seek to understand the overall economic, social and environmental impact of our operations.

Our mining operations maintain 5-year community engagement and development plans that identify affected or interested parties and appropriate methods for ongoing engagement. Local strategies for stakeholder engagement are aligned with business-related risks and opportunities identified in each operation's Sustainable Development Risk Register. We engage with hundreds of entities via community foundations, formal grievance systems, individual meetings and operations tours, workshops, participatory group panels or focus groups, town hall meetings and surveys. We also engage at the earliest stages through regulatory consultation processes with local governments and community groups, including indigenous peoples, as part of brownfield expansion plans for our copper business.

Our corporate Sustainable Development Department and senior personnel regularly work with the SRI community and NGOs through in-person meetings and site visits, teleconferences, inquiries via email and conferences. In 2013, our corporate team engaged with over 40 investor organizations, sustainability analysts, banks, government entities and NGOs regarding our sustainability programs and performance. Key topics of interest included safety and occupational health, controlled riverine tailings management at PTFI, human rights, security and community engagement programs. As an example, during September and October of 2013, we held stakeholder roundtable meetings in New York and London to review the methodology, process and initial outputs of our corporate-level Human Rights Impact Assessment. More than 30 participants from over 20 entities, including academia, NGOs, business partners and the investment community, participated and provided meaningful input with respect to our human rights programs.

## AUDITS AND ASSESSMENTS

To ensure our policy commitments and objectives are being met, we implement a combination of audit and assessment programs along with an annual program for site-level assurance of the ICMM Sustainable Development Framework. Every major operation undergoes a comprehensive internal audit (including contractors) of environmental and health and safety systems at least once every two years. Our operations also are routinely inspected by regulatory agencies or ministries of host governments. The health and safety management systems and environmental management systems of our operations obtain independent certification to Occupational Health and Safety Assessment Series (OHSAS) 18001 and International Organization for Standardization (ISO) 14001, respectively. These systems include corrective and preventive action

tracking for internal and external audit findings. In addition, customers or financial institutions may request to conduct sustainability focused audits or assessments at certain facilities depending on geographic location and life-cycle stage.

### PROJECT DEVELOPMENT SUSTAINABILITY REVIEW

Our Project Development Sustainability Review process allows us to integrate sustainability considerations into mine development or expansion projects. The process is designed to help multi-disciplined project teams identify risks, unintended consequences, trade-offs and opportunities so they may be adequately addressed early and throughout each stage of project development. Project Development Sustainability Reviews occur at the scoping, pre-feasibility, feasibility and/or engineering/construction stages of projects, and the process also is applicable to exploration projects. This review process complements our operational Sustainable Development Risk Register procedure for existing operations.

Since inception, we have implemented reviews for 13 projects, including three during 2013. Key areas of focus identified at scoping stages include access to water, energy and materials, potential impacts to hydrology, air quality, human rights, community receptivity to the project, economic impacts, and land acquisition and resettlement. As we respond to increased demand for our products, our ability to reduce or mitigate certain impacts such as land disturbance, absolute greenhouse gas emissions and water consumption will be challenged even as we continue to integrate sustainability considerations in the early phases of our projects.

### SUSTAINABLE DEVELOPMENT RISK REGISTER

The Freeport-McMoRan Sustainable Development framework is designed for alignment with the ICMM Sustainable Development Framework and implemented based on site-specific factors and influences over the short to long term. Our framework has evolved over the past five years and operations vary in maturity of its implementation. Essential to our framework is the Sustainable Development Risk Register process, which prioritizes environmental, social and economic challenges and opportunities based on our views of potential impacts to our business and the importance of these topics to stakeholders. As part of this process,



Leaders of Freeport-McMoRan's South American operations join members of the corporate Sustainable Development Department during an annual environmental and sustainable development workshop in Santiago, Chile.

local management teams utilize a matrix with eight consequence categories, including safety, community, environmental, reputational and production impacts.

Our Sustainable Development Department works with operational management teams to review operational risks to ensure the process is effective in articulating and prioritizing key business risks and associated action and monitoring plan elements. For example, during 2013 and into 2014, corporate personnel facilitated training with PTFI leadership not only to assist in focusing the operation's sustainable development risk register on the most significant challenges, but to identify, resource and track key actions towards desired outcomes. As a result, PTFI is developing an operational-level Sustainable Development Risk Register standard operating procedure (SOP), which exceeds the requirements of the corporate SOP and incorporates a unique management structure to address a large, geographically complex operation.

Resulting sustainability focus areas identified through this Sustainable Development Risk Register process have not changed significantly over recent years and are described on the adjacent page and throughout the report. We present specific operations where the focus area is currently of particular significance.

## SUSTAINABILITY FOCUS AREAS

|   |   |       |
|---|---|-------|
| <b>Artisanal Mining</b>                     | Illegal artisanal and small-scale miners have limited equipment and expertise at operating in hazardous conditions and can create social conflict and environmental impacts, including placing their own health and safety at risk.<br><i>PTFI, TFM</i>   | p. 24 |
| <b>Biodiversity</b>                         | We own, lease and operate large land holdings around the world including, at certain locations, in and adjacent to areas of high biodiversity value. We manage our operations in a manner to identify impacts and, where practicable, implement actions that conserve and enhance biodiversity (including reclamation activities).<br><i>All Mining Operations</i>  | p. 30 |
| <b>Community Engagement and Development</b> | Our social and economic development programs are responsive to issues raised by communities, including indigenous peoples, and help us maintain good relations and avoid disruptions of operations. Nevertheless, social demands or instability in the areas of our operations can adversely impact our mining operations.<br><i>Cerro Verde, PTFI, TFM</i>   | p. 20 |
| <b>Corruption</b>                           | As a company with global operations, our business may be adversely affected by issues related to corruption. Violations of anti-corruption laws could result in criminal liability, serious fines and imprisonment. Reputational harm from the violation of anti-corruption laws also can be significant.<br><i>Cerro Verde, PTFI, TFM</i>  | p. 15 |
| <b>Energy Management</b>                    | Energy generally represents approximately 20 percent of our consolidated copper production costs. Potential new regulatory requirements or legislation related to greenhouse gas emissions could result in costs associated with our emissions as well as an increase in raw material and purchased power costs. We have modeled carbon tax scenarios and cannot predict the magnitude of increased costs with any certainty given the wide scope of potential regulatory changes in the many jurisdictions in which we operate.<br><i>All Mining Operations</i>  | p. 26 |
| <b>Labor Relations</b>                      | As of December 31, 2013, approximately 50 percent of our employees were covered by collective bargaining agreements. We continue to engage openly with our employees and union leadership to successfully negotiate labor agreements recognizing that prolonged strikes or other work stoppages at our operations can adversely affect our business and local and regional stakeholders.<br><i>Cerro Verde, Operations in Chile, PTFI</i>   | p. 12 |
| <b>Safety and Health</b>                    | We sadly incurred 35 fatalities in 2013, including the loss of 28 workers in a fall of ground event in an underground training facility at our Indonesian mining operations. We are working continuously to eliminate fatalities and improve safety performance at every operation. Protecting the safety, health and welfare of our workforce is a core value.<br><i>All Operations</i>  | p. 13 |
| <b>Security and Human Rights</b>            | Our operations may be adversely affected by impacts from security risks stemming from events or activities including, separatist movements, political instability, labor strikes, illegal artisanal mining and civil strife. These risks could impose limitations on operational logistics. The Voluntary Principles on Security and Human Rights serve as guidelines for our security and human rights programs, interactions with host government police and military personnel, and with private security contractors.<br><i>Cerro Verde, PTFI, TFM</i>  | p. 17 |
| <b>Tailings and Waste Rock Management</b>   | Managing the volume of waste rock, leach material and tailings produced in our mining operations presents significant environmental, safety and engineering challenges. We maintain large leach and waste rock stockpiles and tailings impoundments that contain viscous material, which must be monitored for structural stability. Our tailings impoundments in arid areas also have programs to suppress fugitive dust emissions.<br><i>Cerro Verde, Morenci, PTFI, Sierrita, TFM</i>  | p. 29 |
| <b>Water Supply and Management</b>          | We require significant quantities of water for mining and ore processing. Most of our operations in North and South America are in areas where water is scarce; continuing access to water is significant from the perspective of multiple stakeholders, including local communities. We maintain programs to promote efficient use of water and are advancing alternative water supply projects. Uncontrolled seepage of process-related solutions or sulfate also can impact water quality. Some mined material can generate acid rock drainage and when properly managed, the impact from these solutions can be contained and controlled.<br><i>All Mining Operations</i> | p. 28 |

## PERFORMANCE TARGETS

| PERFORMANCE TARGETS   | 2013 Status | 2013 Performance Description  | Target Date        |
|---|-------------|---|--------------------|
| <b>Business Ethics</b>  |             |   |                    |
| With our online training module, annually train 90% of targeted employees who interact with, or have the potential to interact with, government officials on anti-corruption laws, regulations and Company policies and procedures  | ✓           | 95% of targeted employees completed the anti-corruption online training course.   | Annually Recurring |
| <b>Workforce</b>  |             |   |                    |
| Increase the percentage of women in our workforce, including representation in managerial positions, to 15%   | X           | Women comprise 10% of our employee population and hold 12% of all managerial positions, which is relatively unchanged from recent years.  | Ongoing            |
| <b>Safety &amp; Health</b>  |             |   |                    |
| Incur zero fatalities   | X           | Sadly, we incurred 35 work-related fatalities in 2013.  | Annually Recurring |
| Meet company-wide total recordable incident rate (TRIR) of 0.55   | X           | Our TRIR <sup>(a)</sup> was 0.74 for 2013.  | Annually Recurring |
| <b>Human Rights</b>   |             |   |                    |
| Incur zero human rights violations at our operations <sup>(b)</sup>   | X           | We received a community report of an alleged rape by one of our private security contractors in the DRC. In another reported incident in the DRC, Mines Police (host government security) were dispersing a group of illegal miners who had entered an active pit during the night and one illegal miner was found fatally shot.                  | Annually Recurring |
| <b>Communities</b>  |             |   |                    |
| Invest (in aggregate) 1% of the average of the previous three years annual mining operations revenue, as reported in Freeport-McMoRan's audited consolidated financial statements, in community programs, including in-kind support and administration (2013 target of \$193 million) | X           | Approximately \$173 million was invested in community programs across our operations, relatively unchanged from the prior year despite lower commodity prices. The shortfall is primarily related to timing of the community infrastructure projects at PTFI and lower contributions to the PTFI Partnership Fund due to decreases in production. | Annually Recurring |
| Implement at least two new community programs that are directed at supporting the development of women  | On schedule | We continue to advance programs focused on women's economic empowerment, including a partnership designed to mentor Native American women who want to start or grow small businesses.   | 2014               |
| Work with regional and local governments, community stakeholders, private sector developer(s) and businesses, to commence construction of town infrastructure and residential housing in the Integrated Development Zone in our TFM concession to support sustainable urban growth    |             | New Target  | 2016               |
| <b>Environment</b>  |             |   |                    |
| Incur zero significant environmental events (rating of three or higher on Sustainable Development Risk Register)  | X           | During the year, approximately 1,000 metric tons of tailings spilled from a pipeline near our Ojos del Salado operation in Chile resulting in local impacts to farmland and an associated clean-up operation in coordination with regulatory agencies.  | Annually Recurring |
| Incur zero penalties more than \$100,000  | ✓           | Our operations did not incur any penalties exceeding \$100,000.   | Annually Recurring |
| Operations prioritized using the Sustainable Development Risk Register process to implement a water management/conservation plan  | ✓           | Water balance models are maintained at all operations in water-stressed regions. These operations also utilize a common format for water management plans, including scenario planning.   | 2012               |

(a) Includes FM O&G

(b) Please see the Security & Human Rights section on page 17 for information regarding our updated human rights target.

**A**s a leading international natural resource company, we continue to advance significant expansion projects and our exploration drilling programs continue to identify opportunities for future reserve and production growth. The ability to achieve our business goals depends on successfully recruiting and retaining talented employees. We offer not only competitive compensation and benefits, but also a culture of personal and professional development throughout career progression.

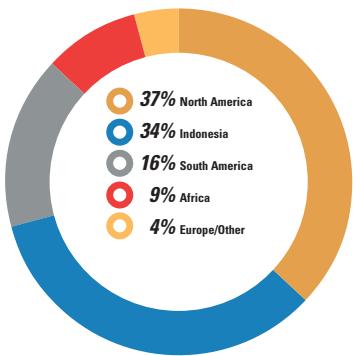
## LOCAL HIRING AND SKILLS DEVELOPMENT

We make concerted efforts to hire locally, as this practice promotes understanding of local cultures and complements our long-standing commitment to community engagement and development. For example, at our largest operation, PTFI, located in the remote province of Papua, Indonesia, our policy is to prioritize the hiring of indigenous Papuans. At year-end 2013, 99 percent of PTFI employees were Indonesian and of that total, 35 percent were indigenous Papuans (up from 32 percent two years prior). At our TFM operation, 98 percent of our employees are Congolese citizens. We also employ approximately 240 Native Americans at our U.S. operations, an increase of 20 percent since 2012.

Our technical training program with the San Carlos Apache Tribe in Arizona, the first of its kind between Freeport-McMoRan and a U.S. tribe, is intended to increase the employability and skills of Apache students who are faced with high unemployment in their community. The program is designed to train and certify students in heavy equipment operations and industrial maintenance. Through the end of 2013, 200 students have entered the program and 42 have graduated – most of whom have been hired or are in the process of being hired. In Chile, our haul truck operator training program at the Candelaria operation has graduated over 240 trainees since

### EMPLOYEES

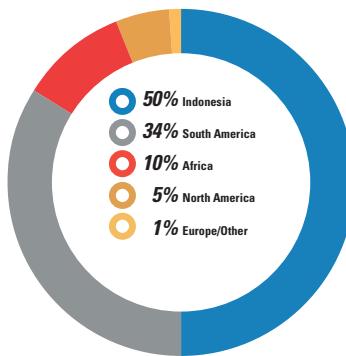
Approximately 36,100 as of December 31, 2013



Workforce data includes FM O&G

### CONTRACTORS

Approximately 38,400 as of December 31, 2013



Senior technical advisor, Aldo Perazzonem, demonstrates set-up procedures for proper oxyacetylene welding to San Carlos Apache students at the Freeport-McMoRan Mine Training Institute. The Mine Training Institute works closely with our mining operations to identify the skills necessary to ensure safe production.

inception. Graduates have found employment at our operations, other companies or with businesses supporting the mining industry in Chile.

Our regional technical training programs prepare community members for careers in mining, even though trainees have no obligation to join our Company. The Nemangkawi Mining Institute in Papua, Indonesia continued its success in 2013, having placed over 2,300 apprentices into permanent positions to date at PTFI, over 90 percent of whom are indigenous Papuans. To teach Papuan employees about the Company's global operations and processes, we also conducted three four-week Papuan-U.S. Workforce Development Training programs in 2013 at our corporate office in Phoenix, Arizona. Twenty-four participants attended daily English-language skills classes, presentations by various business functions and professional development courses.

Our learning and leadership development team offers employees courses designed to align with Freeport-McMoRan's leadership competencies and expectations. The subject matter includes understanding key business drivers and business fundamentals, developing strategies for becoming an influential communicator and leadership development. These professional training courses help ensure a highly-skilled, motivated workforce to help our Company reach its potential.

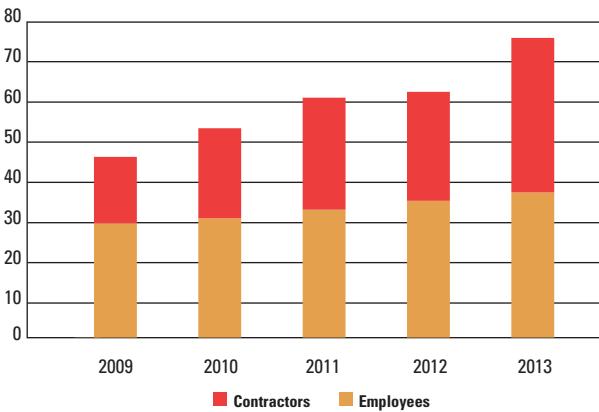
### LABOR RELATIONS

Our workforce increased to approximately 36,100 employees and 38,400 contractors by year-end 2013. Approximately 50 percent of our employee population is covered by collective bargaining agreements and 1 percent of our labor force is covered by agreements that will expire during 2014. We work cooperatively with 24 unions worldwide. Our policy is to ensure fair treatment and work conditions for all employees, including rights to freedom of association and collective bargaining. Employees have the right to exercise freedom of association at all of our operations.

During fourth-quarter 2013, we reached agreements on two new Collective Labor Agreements, which combined are applicable to approximately 31 percent of our total employee population. In October 2013, PTFI entered into a new biennial labor agreement, and Cerro Verde signed a new four-year Collective Labor Agreement in November.

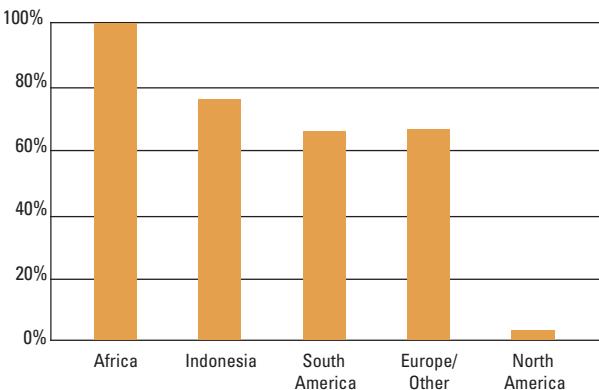
### WORKFORCE COMPOSITION

In thousands of workers as of December 31



### EMPLOYEES UNDER COLLECTIVE BARGAINING AGREEMENTS

By operating region as of December 31, 2013



### DIVERSITY



Karla Peabody, a metallurgist at the Safford operation in Arizona, maintains a piezometer on the Phase I leach pad. Piezometers provide real-time solution level data to metallurgists who monitor the structural integrity of leach pads to ensure the safe production of copper.

We operate in regions of varying ethnic, religious and cultural backgrounds and are generally the largest employer in local communities. The resulting diverse backgrounds and perspectives within our workforce are an asset to our business. We prohibit discrimination and harassment, and our Principles of Business Conduct and Human Rights Policy require that all employees treat everyone in and around our operations with dignity and respect.

We seek ways to recruit and foster career development for women in our Company as women traditionally have been underrepresented in the mining sector. We have several women in key management roles within our organization, including our Chief Financial Officer, as well as two members of our Board of Directors. The percentage of women represented in our Company varies across geographies, from a high of 17 percent in North America to a low of 3 percent in the DRC. Nearly 1,000 women have joined our Company since 2010 (including over 350 in FM O&G) however, the percentage of women in our employee population remains at 10 percent which is below our 15 percent target. We participated in over 30 recruiting events in 2013, including those intended to increase the diversity of our employee base, such as the MBA Women International career expo and the Society of Hispanic Professional Engineers annual conference.

**S**afety is integral to all Freeport-McMoRan operations. Our philosophy of Safe Production is demonstrated by the integration of safety practices in all aspects of our operational activities.

Safety is the responsibility of all employees and managed by a formal structure starting with our Safety and Health Policy. Our Board of Directors requires comprehensive audits to assure the safety management system is effective, weaknesses are identified, and resources are applied to achieve the Company's policy objectives. Independent health and safety audits are conducted at all sites on a 2-year rotating cycle, including 19 audits conducted in 2013. These independent audits are supplemented with ongoing internal safety audits and inspections that focus on specific hazards or on operations performing below safety targets.

We draw no distinction between contractors and our own employees with regard to health and safety performance and reporting. Based on OHSAS 18001, our Health and Safety Management System consists of a framework for managing risks and compliance obligations. Twenty-seven locations or entities, including all active mining operations, maintain accredited OHSAS 18001 certification globally.

After six consecutive years of total recordable incident rate (TRIR) improvement, our company-wide TRIR increased to 0.74 in 2013, missing our target of 0.55. We worked 175 million hours in 2013 compared to 169 million in the prior year, and we recorded a total of 649 reportable injuries in 2013 compared to 487 in 2012.

## FATALITY PREVENTION

In May 2013, a fall of ground event at a PTFI underground training facility resulted in 28 fatalities and injuries to 10 of our co-workers. This unprecedented incident was thoroughly investigated by PTFI, international experts, the Indonesian Department of Energy and Mineral Resources (DEMR) and other government authorities. PTFI cooperated thoroughly with the three Indonesian government investigations of the incident, which were conducted by the Police, Indonesian DEMR mine inspectors, and a specially-appointed investigation team led by experts in the Indonesian mining industry.

In response to the accident, and in consideration of recommendations made by government inspectors, independent experts, and the internal Investigation Steering Committee, PTFI has undertaken a number of actions to improve safety. Key measures include a complete review of ground support in PTFI's underground workings, removal of all ceilings or other barriers to line of sight, and improvements to inspection and monitoring programs. PTFI also is reviewing its detailed ground control processes and procedures and has developed a revised ground control management plan.

Seven other workers died in separate tragic accidents at our operations in 2013. A full root-cause analysis has been completed for each event, and remedial actions and systems improvements are being implemented to reduce the likelihood of recurrence. Please see our website for more information related to the fatal events in 2013.

## SAFETY AND HEALTH SUMMARY DATA

Including Contractors

|                                | 2009 | 2010 | 2011 | 2012 | 2013* |
|--------------------------------|------|------|------|------|-------|
| Workplace Fatalities           | 3    | 2    | 5    | 6    | 35    |
| Total Recordable Incident Rate | 0.74 | 0.65 | 0.61 | 0.58 | 0.74  |
| Occupational Illness Cases     | 9    | 6    | 16   | 25   | 41    |

\* Includes FM O&G

TRIR =  $\frac{[(\text{Fatalities} + \text{Lost Time Incidents} + \text{Restricted Duty Incidents} + \text{Medical Treatment}) \times 200,000]}{\text{Total Hours Worked}}$

**2009-2013 WORKPLACE FATALITIES**

By Event Type

|                     |            |                        |          |
|---------------------|------------|------------------------|----------|
| <b>Ground Fall</b>  | <b>28*</b> | <b>Falling Objects</b> | <b>3</b> |
| Transportation      | 4          | Moving Machinery       | 2        |
| Wet Muck            | 4          | Fall From Height       | 1        |
| Light Vehicles      | 4          | Heavy Equipment        | 1        |
| <b>Other Causes</b> | <b>4</b>   |                        |          |

\*Associated with a fall of ground event at a PTFI underground training facility in May 2013.

We continue to aggressively refine and improve elements of our Fatality Prevention Initiative, which emphasizes identification and management of potentially fatal risks. Our Fatality Prevention Guideline has been revised to include additional detail based on field inspections and feedback from front-line employees across our operations. The guideline now includes an updated list of Global Significant Risks (GSRs) which require specific task training on critical control identification and implementation. Our auditing procedures also are being refined to better assess the utilization and effectiveness of critical controls.

With subject matter experts, we continue to analyze our GSRs to develop and enhance tools for identifying critical controls necessary to reduce the risk of injury. In addition, we are developing core training modules on GSRs that are universal to our operations, including but not limited to confined space, work at height, open holes, and lockout / tagout / tryout. These training modules are being developed using modern instructional design techniques to ensure personnel develop the necessary competencies required of our safety policies and programs. Competencies will be measured through written and practical evaluations.



Earl Laney, utility crew Supervisor, reviews hazards with new employees before entering the Morenci concentrator. The "Red Hats" participate in an intensive 90-day training program focused on the Company's Safe Production philosophy.

A key component of our Fatality Prevention Initiative continues to be the company-wide communication of potential fatal event (PFE) advisories, which describe any incident that has the potential for a fatal consequence. In 2013, the Company issued 53 PFEs, which are treated as if an actual fatality occurred and a full incident investigation is required. Upon completion of each incident, a PFE Follow-up Advisory that identifies the causal factors of the incident and recommendations for preventive actions is distributed to all operations.

While our focus is on fatality prevention, we recognize a need to reduce our overall injury rate. Freeport-McMoRan trends indicate that hand injuries are the number one contributor to our TRIR. As a result, we began a Take 5 for Hand Safety campaign in 2013. The campaign consists of monthly safety messages on topics including glove use, proper tool use, and general hand safety guidelines.

**OCCUPATIONAL HEALTH**

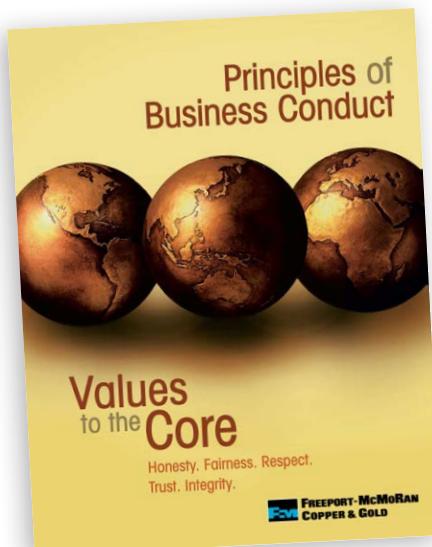
Freeport-McMoRan operations maintain comprehensive occupational health programs to assess the risk of exposure to occupational health hazards and implement adequate controls for the workforce. Our Field Guide for Occupational Health and Industrial Hygiene defines occupational exposure limits, standards and practices that apply globally. There were 41 occupational illness events in 2013, an increase of 64 percent from the prior year. A single event at a remediation site is attributed to seven cases of plant-based contact dermatitis. There were also 15 cases of heat exposure and 15 cases of exposure to toxic or chemical agents as singular events during the year. No permanent disabilities resulted from these occupational illness cases. Each incident was subjected to a job safety analysis by safety and health specialists to further define and promote recognition of hazards and implement controls to prevent recurrence where applicable.

We are committed to the highest level of ethical and legal conduct. The Freeport-McMoRan Principles of Business Conduct are a commitment to integrity and define the expected behavior of all employees and our Board of Directors. We conduct comprehensive training on our Principles of Business Conduct, including annual certification of management-level employees (98 percent trained in 2013). This process consisted of computer-based training, as well as a certification that the employee understands the Principles of Business Conduct and is not aware of any issues of non-compliance. Principles of Business Conduct training also is provided annually to non-management employees on a rotating basis by geographic location. Of the 12,180 employees selected in 2013, 94 percent completed the training. In 2014, we will begin our next 3-year rotation, starting with employees in the U.S. and South America. This training also is mandatory for all new hires.

## ANTI-CORRUPTION

Corruption sometimes is widespread in local government systems and cultures near our operations, particularly in developing countries. We do not tolerate the offering or payment of bribes, kickbacks or other similar payments to any person or organization or government official to secure advantages for our business. Likewise, we do not accept any of these payments. Our Anti-Corruption Policy and Guidelines assist in ensuring compliance with the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) and other relevant anti-corruption laws, including local laws.

During 2012, the Company also developed and implemented a new online training module focused on the FCPA and other anti-corruption laws. The training module was issued to employees who regularly interact with government officials. In 2013, through the use of this new tool, we were able to provide focused training to more than 2,280 employees at operations around the world. The online training is not meant to replace our existing classroom training programs; rather, it has been developed to supplement existing systems and extend the reach of the Company's overall compliance efforts. Going forward, we will broaden our training selection process to include additional employees within key departments and executive-level groups who may interact with government officials, as well as support functions. This approach



may increase the number of employees selected for the training and provide a more consistent and automated selection process.

During 2013, we held in-person classroom training at TFM for key departments, including Government Relations, Travel, Immigration and Logistics. Training also was conducted in support functions, including the Legal, Human Resources and Accounting departments along with senior management responsible for approval procedures and internal controls. In addition, several classes were held for TFM's contractors. Anti-corruption training at TFM reached more than 90 employees and contractors. The Company also conducted similar training at PTFI during 2013, reaching more than 190 employees and contractors.

In recognition of the potential legal liability for the actions of our business partners under the FCPA and other laws, the Company finalized development of an online due diligence platform, the Freeport Compliance eXchange (FCeX). FCeX is a survey-based software platform designed to assess risk in the areas of anti-corruption, international trade controls and human rights. Launched as a pilot at PTFI, TFM and Cerro Verde during the first half of

2014, and scheduled to be rolled-out to the rest of the Company's non-US operations throughout the remainder of 2014, FCeX is expected to significantly enhance the Company's ability to identify, assess and mitigate compliance risks.

## INFORMATION AND REPORTING

Freeport-McMoRan maintains a Compliance Line to provide guidance and assistance to workforce members with any questions or concerns related to our Principles of Business Conduct. To encourage our workforce to raise any potential violations of business conduct, we also provide anonymous reporting through our compliance system. During 2013, 572 reports were made through the Freeport-McMoRan Compliance Line relating to various topics, including employee workplace conduct; environment, health, and safety; protecting Company assets; and conflicts of interest. All reports are investigated and, if substantiated, appropriate disciplinary action is taken, including termination of employment.

## TRANSPARENCY OF GOVERNMENT PAYMENTS

In 2008, we endorsed and committed to support the Extractive Industries Transparency Initiative (EITI), which is a commitment for governments to disclose revenues, and for oil, gas and mining companies to disclose natural resource payments to governments in order to advance responsible governance and accountability. A Freeport-McMoRan executive serves on the EITI International Board of Directors and other employees directly participate in supporting in-country EITI processes.



The DRC, temporarily suspended but fully engaged with the EITI, and Indonesia are candidate countries under EITI. Our TFM and PTFI operations directly participate and support implementation of each country's work plan, respectively. TFM participates as a member of the DRC EITI multi-stakeholder group. Our Cerro Verde operation participates and supports implementation of EITI in Peru, which became a compliant country in early 2012.

We also participate on the U.S. EITI multi-stakeholder group which, in December 2013, approved the U.S. EITI Candidacy Application for submittal to the EITI Secretariat and International Board for review and approval. On March 19, 2014, the U.S. was accepted as a candidate country by the EITI.

Our payments to host governments via taxes, royalties and other obligations are a significant contribution to national, regional and local development. We believe that increased transparency of natural resource revenues is an important mechanism to promote better governance and accountability regarding the distribution of natural resource revenues. In addition to our country-level EITI commitments, our practice is to report annual material cash payments to governments in all countries where we conduct business, as presented below.

## CASH PAYMENTS TO GOVERNMENTS<sup>(a)</sup>

| For the year ended<br>December 31, 2013<br>(\$ millions) | U.S.            | Chile         | Peru          | Indonesia     | DRC           | Other Countries <sup>(b)</sup> | Total           |
|--|-----------------|---------------|---------------|---------------|---------------|--------------------------------|-----------------|
| Corporate Income Taxes, Net of Refunds                   | \$ 128          | \$ 204        | \$ 336        | \$ 160        | \$ 2          | \$ 3                           | \$ 833          |
| Withholding Taxes on Foreign Dividends                   | —               | 183           | —             | —             | —             | —                              | 183             |
| Employee Payroll Taxes                                   | 523             | 24            | 46            | 118           | 42            | 24                             | 777             |
| Dividends  | —               | —             | —             | —             | —             | —                              | —               |
| Royalties and Net Severance Taxes                        | 240             | 55            | —             | 101           | 29            | —                              | 425             |
| Property Taxes   | 125             | 1             | —             | 9             | —             | 2                              | 137             |
| Other Taxes and Fees                                     | 115             | 41            | 103           | 110           | 106           | (16)                           | 459             |
| <b>Total</b>   | <b>\$ 1,131</b> | <b>\$ 508</b> | <b>\$ 485</b> | <b>\$ 498</b> | <b>\$ 179</b> | <b>\$ 13</b>                   | <b>\$ 2,814</b> |

(a) This schedule reflects a voluntary effort by Freeport-McMoRan to capture its material cash payments to governments (net of refunds), including payments by FM O&G.

(b) Represents cash payments to governments by Freeport-McMoRan's other business groups that are located outside of the countries where Freeport-McMoRan conducts its operations.

We do not tolerate human rights violations, and our Human Rights Policy requires our Company and our contractors to conduct business in a manner consistent with the Universal Declaration of Human Rights. In order to do so, we promote human rights awareness through outreach and training to our employees, contractors and communities, and protect anyone who reports suspected violations. We have established site-specific human rights policies and procedures consistent with the Freeport-McMoRan Human Rights Policy, in-country laws and regulations,

## VOLUNTARY PRINCIPLES ON SECURITY + HUMAN RIGHTS

and the Voluntary Principles on Security and Human Rights (Voluntary Principles). Our site Human Rights compliance officers oversee compliance and training, as well as a grievance mechanism for reporting, documenting and following-up on all human rights allegations that are reported in our areas of operations.

### HUMAN RIGHTS PROGRAM UPDATE

For 2014 and beyond, we have adjusted our target to incur zero gross human rights violations\* at our operations. The update does not lessen our commitment to respect all human rights as set forth in our policies and programs, but assists in focusing on avoidance of the potential impacts of highest severity.

\* There is no uniform definition of gross human rights violations under international law; however, the United Nations Office of the High Commissioner report: The Corporate Responsibility to Respect Human Rights – An Interpretive Guide, provides guidance on identifying such types of violations.

In 2013, we advanced our work to integrate the UN Guiding Principles on Business and Human Rights into our existing human rights program. We contracted a UK-based advisory firm to assist us with a corporate-level human rights impact assessment to identify potential impacts across our portfolio and assess opportunities for further due diligence at the operating level using a risk-based approach (see topic dashboard below). As part of the assessment, we conducted two international stakeholder verification meetings with more than 20 entities to receive input on the assessment's methodology and presented initial findings. We plan to complete the assessment in 2014 and use the findings to inform a review of our human rights policy and strategy. Our preliminary findings from the human rights impact assessment illustrated that our greatest potential impacts globally are related to environmental and community issues, and our greatest actual and perceived impacts are related to community and employee issues. This high-level assessment will help us prioritize areas of focus as well as identify operations where more in-depth assessments would be beneficial. The tool allowed us to identify that both for potential and actual impacts, our TFM operation is our highest ranking site, followed by our PTFI operation; both findings are in alignment with stakeholder views.

In 2013, we also continued to participate in the Business for Social Responsibility's 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.

### CORPORATE-LEVEL HUMAN RIGHTS IMPACT ASSESSMENT TOPIC DASHBOARD

| Employees  | Community  | Third Parties                              | Environment                              |
|--|--|--|--|
| Working conditions                               | Standards of living / quality of life            | Conduct of government security forces      | Water security                           |
| Freedom of association and collective bargaining | Community health and safety                      | Conduct of private security forces         | Pollution                                |
| Forced and compulsory labor                      | Displacement / resettlement                      | Presence of artisanal / small-scale miners | Waste and hazardous materials management |
| Child labor                                      | Economic activity / livelihoods                  | NGOs and civil society groups              | Increased exposure to natural hazards    |
| Safe and healthy working conditions              | Cultural heritage                                | Judicial system (access to remedy)         |  |
| Discrimination                                   | Minorities, including indigenous peoples         |  |  |
| Contractors and workers in the supply chain      | Children's rights, including access to education |  |  |

As previously described, in 2014 we launched a web-based due diligence tool for suppliers (including contractors) that includes human rights topics. FCeX is a survey-based software platform designed to assess risk and includes a questionnaire to suppliers for completion prior to being approved as a business partner or when a contract is due for renewal. Among several legal, regulatory and reputational risk areas, the tool includes questions related to human rights that we believe are important to the integrity of our supply chain.

In 2013, we continued to implement a Project Development Sustainability Review process, as previously reported, for new or brownfield expansion projects. The process includes an assessment of risks and opportunities associated with human rights to embed early in project plans. In addition, our Cerro Verde mine 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 Voluntary Principles implementation. All existing operations continue to evaluate human rights risks on an ongoing basis as part of the Sustainable Development Risk Register process.

### SECURITY

Security risks near our PTFI operations in Papua, Indonesia 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.

PTFI employs approximately 750 unarmed personnel and 130 unarmed private security and transportation and logistics contractors that perform functions such as protecting facilities, monitoring shipments of supplies and products, assisting in traffic control and aiding in emergency response operations. The Grasberg minerals district has been designated by the Government of Indonesia as one of Indonesia's vital national assets. This designation results in the police, and to a lesser extent, the military, playing a significant role in protecting the area of our operations. The Government of Indonesia is responsible for employing police and military personnel and directing their operations. In 2013, PTFI entered into a revised and updated Memorandum of Understanding (MoU) with the Provincial Commander of the National Police. The MoU covers a 3-year term and details the working relationship between PTFI 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 included



TFM, in coordination with United Nations Organization Stabilization Mission (MONUSCO), conducts human rights training for civil society members, host government security forces, and its workforce. Former TFM President Mike Cricicillo, TFM Human Rights Compliance Officer Nzati Didier-Michel and TFM Community Grievance Manager Cathy Kongola join a group of stakeholders who have completed a full-day human rights training session.

in the MoU. PTFI's share of support costs for the government-provided security was \$25 million for 2013. This supplemental support consists of 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.

From the beginning of 2009 through January 2014, there have been 15 fatalities and 58 injuries to employees, contractor employees, host government security personnel and civilians from shooting incidents within our project area. In 2013, there was one injury and no fatalities. PTFI continues to respond with measures of enhanced security for both personnel and material transport. To date, no persons or entities have claimed responsibility for these incidents, and the Company continues to call for full investigations and justice.

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's operations have not been impacted by this reported activity nor has the activity altered any future operational or expansion plans. TFM and local authorities continue to work in a cooperative manner, including hosting monthly security meetings to proactively address potential civil unrest.

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

and are responsible for maintaining security in mining concessions throughout the DRC. TFM has entered into a MoU with the Mines Police that details 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 are incorporated in 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 less than \$1 million in 2013.

Provision of support is consistent with our obligations under our agreements with the respective governments, our philosophy of responsible corporate citizenship and the Voluntary Principles. We periodically review our support practices to ensure they are appropriate, lawful and properly controlled.

## REPORTING AND ENGAGEMENT MECHANISMS

In 2013, 34 human rights-related allegations were reported to the PTFI Human Rights Compliance Officer compared to 19 in the prior year. The cases did not include any allegations of human rights violations 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 13 cases related to domestic issues reported in 2013.

In 2013, a joint site and corporate assessment was conducted to identify areas for strengthening the current human rights grievance mechanism. 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.

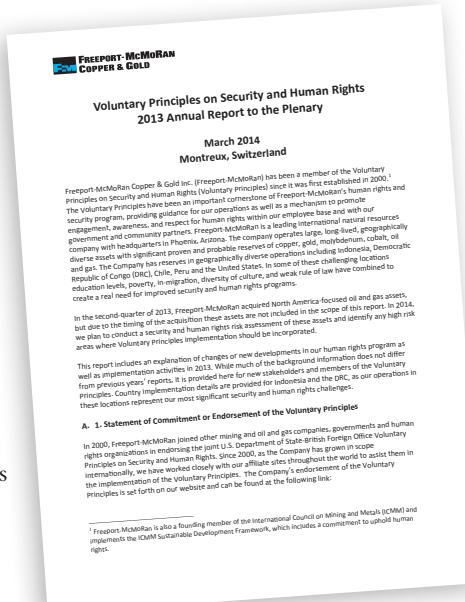
In 2013, 17 human rights allegations were reported to and recorded by the TFM Human Rights Compliance Officer compared to 12 in 2012. Of the cases reported, five were alleged physical assault or injury, four were criminal cases, four were human resource cases, three were verbal harassment cases, and 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 or injury cases at TFM involved allegations made against security contractors and employees or host government security personnel. 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 TFM concession. 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 and one illegal miner was found fatally shot. 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.

For more information on our Human Rights programs, including related stakeholder engagement and our training programs, please see our Voluntary Principles on Security and Human Rights 2013 Report to the Plenary on our website.



We recognize that our operations have economic, social and environmental impacts on local communities throughout a project life cycle. Some of these impacts include land use change and population influx, while others include economic opportunities and development in the areas of infrastructure, health and education. We engage openly and transparently with local stakeholders to facilitate our ability to operate and grow our business. Our Community Policy calls for collaboration with communities to minimize and mitigate adverse impacts and cultivate opportunities to maximize benefits.

Engagement and consultation ensures communities have input into our development and operating projects and promotes a better understanding of our business operations. Dialogue with local stakeholders occurs formally through open houses and regulatory processes, but also through regular interactions with our community development representatives in the field, community partnership panels and community investment funds. During 2013, we considered additional, formalized engagement, assessment and management systems to effectively address social impacts and community development topics near our operations in Chile. Coupled with the Freeport-McMoRan Chile Foundation for social investment, we anticipate significantly increased strategic stakeholder engagement and community development activities in Chile beginning in 2014.

Our Project Development Sustainability Review process allows our project teams to develop mitigation plans to address key social impacts and opportunities prior to the project permitting phase. During permitting processes, such as an Environmental and Social Impact Assessment (ESIA), potential impacts and where appropriate, associated mitigation plans are socialized with local stakeholders and those plans frequently become project commitments. At existing operations, we use the Sustainable Development Risk Register process to review potential economic, social and environmental risks that may directly or indirectly impact local communities. Each operation's 5-year community engagement and development plan is updated annually, and links to the Sustainable Development Risk Register so that engagement methods and development objectives are aligned with identified risks and opportunities for the business. The plans, at varying levels of maturity across our operations, include mechanisms for evaluating our impacts and performance on an annual basis.

Our operations use a community grievance management system for recording, processing and responding to community concerns. We continuously evaluate these systems to ensure their effectiveness. Approximately 485 community grievances were recorded at

worldwide operations during 2013, of which about half were related to resettlement at TFM (described below). TFM maintains an Independent Mediation Committee (IMC) to independently and impartially resolve grievances. Mediation only occurs if the complainant is not satisfied with TFM's resolution to the initial grievance recorded through the grievance system and the complainant requests the grievance be presented to the IMC. In 2013, the IMC received 34 cases, of which 12 were resolved (related to community resettlement, safety and employment) and the remaining 22 are in process.

The grievance systems at our operations are maturing since establishment across operations in 2010, with an increase in grievances reported each year. Excluding grievances related to TFM resettlement, the systems have recorded nearly 200 community grievances in 2013 versus 70 in 2011. Types of grievances processed include those related to employment, blasting, dust emissions and land rights.

### TFM COMMUNITY RESETTLEMENT

Due to the expansion at TFM, access to new land results in impacts to farmland and households, and in many cases economic and/or physical displacement cannot be avoided. TFM maintains a Land Access, Compensation, and Resettlement Policy Framework which is a public document that sets out the principles, procedures, entitlements, eligibility criteria and organizational arrangements governing TFM's compensation for involuntary resettlement impacts. The framework, along with TFM's other commitments to displaced households and communities, was developed in alignment with DRC law and the International Finance Corporation (IFC) Performance Standards.

TFM follows a multi-step participatory and transparent process where all project-affected households are fully engaged and fairly compensated to ensure that the living standards of displaced households are improved or at least restored to pre-project conditions. For each phase of any resettlement, TFM conducts a comprehensive socio-economic baseline and census, and then prepares a Resettlement Action Plan (RAP). Each site-specific RAP identifies all economically and physically impacted households, whose displacement is unavoidable, within a clearly identified footprint. These impacts are then mitigated via cash compensation, and/or replacement of assets, and restoration of livelihoods.

The annual third-party audit of the resettlement program in 2013 indicated that the livelihoods for the Phase I RAP have largely been restored. In order to conduct robust monitoring of household income levels, various data sources were considered such as household surveys, yields and household possessions. For

the majority of households the data shows that people are faring equal or better than prior to resettlement, and for those who are not, monitoring efforts are ongoing. The livelihood monitoring is still ongoing and will continue for a minimum of three years for the Tenke-Fwaulu RAP as communities were moved only one year ago.

Resettlement planning for the Oxide Project expansion advanced in 2013, with a particular focus on the Bloc Mitumba community located near the Fungurume Hills. The Oxide Project ESIA was completed and an area-specific RAP has been drafted. The Mitumba-Fungurume Hills RAP is expected to impact approximately 1,240 surveyed households, through physical and/or economic displacement. Resettlement is scheduled to occur in four phases over two years, starting in 2014. TFM will develop additional area-specific RAPs as the Oxide Project advances. Please visit our website for more information on TFM's community resettlement program.

## INDIGENOUS PEOPLES

Our community engagement and local investment objectives are significantly focused on indigenous Papuans in Papua, Indonesia; Native Americans in the United States; and the communities of Alto El Loa in Chile (Chile's First People). Through community engagement, cultural promotion and preservation projects, and training and development programs, we seek to address the needs, cultures and customs of indigenous peoples near our operations. Engaging with groups focused on indigenous peoples rights at the local, national and international levels is also important for two-way sharing of information about approaches to indigenous peoples topics in varying geographies. For example, in the U.S., we maintain a cooperative engagement with the NGO, First Peoples Worldwide, which in 2013 issued a report titled Indigenous Rights Risk Report for the Extractive Industry (U.S.) Preliminary Findings.



The indigenous Quechua de Kosca community near Calama, Chile, celebrates its patron saint, the Virgin of the Rosary of Andacollo, with a week-long festival. To commemorate the occasion, our El Abra operation presented a company-sponsored book documenting the Quechua de Kosca's history and culture.



PTFI's community program contributes to the development of local industries that create non-mining jobs for indigenous Papuans. The company supports a Papuan-operated animal husbandry business that employs approximately 390 Papuans in the city of Timika. In 2013, the business sold over 12 million eggs and 82,000 chickens, earning approximately \$2 million in revenue.

PTFI's "January Agreement" of 1974 with the Amungme was the first recognition in Indonesia of *hak ulayat*, or the right of traditional people to land used for hunting and gathering. Compensation in the form of recognition (*rekognisi*) is paid to communities for a release of *hak ulayat* rights, as *hak ulayat* is a communal property right. PTFI has paid recognition in several instances over the years through programs mutually agreed to by consultation and guided by the laws of the Government of Indonesia. In addition, land rights trust funds for the Amungme and Kamoro tribes were created in 2001 to provide voluntary special recognition for holders of the *hak ulayat*. PTFI has contributed nearly \$52 million to these funds through 2013.

In 1996, PTFI established the Freeport Partnership Fund for Community Development (the Partnership Fund), through which PTFI has made available funding and technical assistance to support the economic, health, education and social development for the indigenous Papuan community. Through the Partnership Fund, PTFI has committed to provide 1 percent of its annual revenue for the development of the indigenous Papuan community (page 23). The Amungme and Kamoro Community Development Organization (LPMAK) is the Papuan community organization that oversees disbursement of the program funds. LPMAK is governed by a board of commissioners and a board of directors, which are comprised of representatives from the local Amungme and Kamoro tribal communities, local government, Papuan regional leaders, church leaders, and PTFI.

In Chile, our El Abra operation engages regularly with 10 indigenous communities and the operation maintains an Agreement of Cooperation with the Community of Conchi Viejo whose town is

located between the plant and the mine. In 2013, El Abra received a Sustainable Management award from the Association of Industries of Antofagasta for its efforts to protect the heritage, culture and way of life of Alto El Loa indigenous communities.

In the U.S., engagement with Native American tribes continued in 2013. Education has been identified as a priority issue for the partnership, and our Native American University scholarship program awarded 58 college scholarships to members of the Hualapai, San Carlos Apache, and White Mountain Apache tribes during the year. We also contributed, including through the Native American Partnerships Fund, approximately \$250,000 toward initiatives such as training on forest management for carbon sequestration on reservations and supported the San Carlos Apache Women's Conference, a forum for tribal women to share experiences on topics including family health.

In 2013, the ICMM updated its 2008 Position Statement on Indigenous Peoples and Mining, to which we adhere. The statement sets forth an obligation to work to obtain the consent of indigenous peoples for new projects that are located on lands traditionally owned by or under customary use of indigenous peoples. Additional commitments address engaging indigenous peoples, understanding their rights and interests, building cross-cultural understanding, agreeing to appropriate process for consultation and engagement, and participating in decision making.

### COMMUNITY INVESTMENT

Freeport-McMoRan's community investment strategy addresses high-priority needs and facilitates local capacity building to sustain communities post-closure. Our formal Social Investment Criteria is a set of guidelines designed to ensure that resources are used effectively by decreasing community dependencies on our operations and ensuring that we enter into partnerships that support sustainability.

Our community investment totaled \$173 million in 2013, unchanged from the prior year, despite a \$0.30 decrease per pound in the average annual price realization for copper. The variance from our 2013 community investment target of \$193 million was due primarily to deferral of discretionary investments due to market conditions. However, we continuously review our budgets to ensure we maintain an adequate level of local investment.

In addition to direct community investment from operations and the Freeport-McMoRan Foundation, we have established community foundations or social funds in Chile (established in January 2014 with an initial \$10 million), the DRC, Indonesia, Peru, and the United States, which are managed by community members who determine the allocation of funds to priority programs that focus on education, health and economic development. For example, contributions to the PTFI Partnership Fund were over \$41 million in 2013 and over \$600 million since its inception in 1996.

### COMMUNITY INVESTMENT

(in \$ millions)

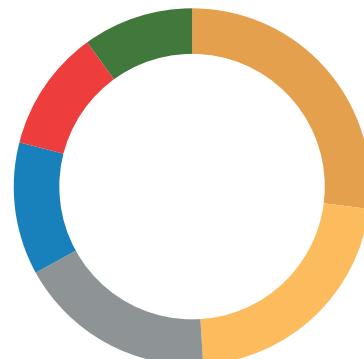


1% Target: Invest (in aggregate) 1% of the average of the previous three years annual mining operations revenue, as reported in Freeport-McMoRan's audited consolidated financial statements, in community programs, including in-kind support and administration.

### 2013 COMMUNITY INVESTMENT

\$173 million

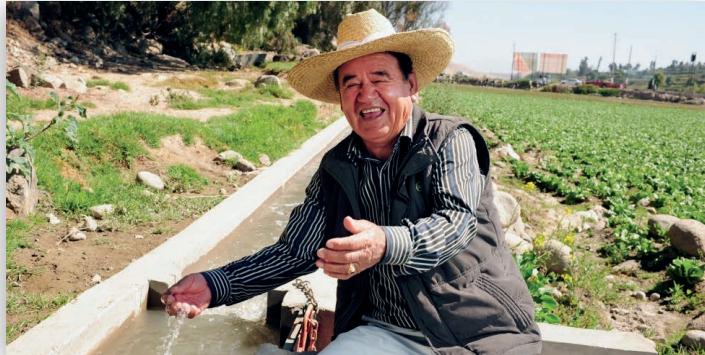
- **27%** Community Trust Funds
- **22%** Education and Training
- **18%** Economic Development and Infrastructure
- **11%** Safety, Health and Environment
- **10%** Administration
- **12%** Other\*



\* Includes arts, culture, heritage, resettlement and employee programs such as Matching Gifts and United Way.

During 2013, we continued our support of science, technology, engineering and math (STEM) education and student performance through teacher development and retention initiatives, deployment of classroom resources, and provision of educational grants. Our focus on STEM is aligned with the long-term technical requirements of our business, as well as environmental education opportunities available at most of our operations. We also have advanced our investments in women's economic empowerment programs, such as "Dreambuilder-Women's Business Creator," an online entrepreneurship skills training program. Other empowerment initiatives include an agricultural training program in the DRC in partnership with Women for Women International, as well as PTFI's assistance of Kamoro women through a cooperative that supports income-generating activities.

Through philanthropy and volunteerism, our employees are dedicated to making communities better places to live and work. Freeport-McMoRan U.S. employees helped raise more than \$2 million during the Company's 2013 United Way campaign and when combined with the Company's Matching Gifts program, a total of more than \$6 million was raised. In April 2013, approximately 800 employees, their families and friends volunteered during the Company's 11th annual Global Volunteer Month, which focused on environmental awareness and stewardship in their local communities.



Our Cerro Verde mining operation in Arequipa, Peru has provided financial and technical support for efficient crop irrigation systems in surrounding communities. More than 130 farmers are benefitting from 7.5 kilometers of new irrigation channels that prevent excess water losses.

## PUBLIC HEALTH

We operate in parts of the world that lack clean water and sanitation, and have populations with low levels of health education, awareness and access to adequate health services. Malaria, HIV/AIDS and tuberculosis (TB) are serious infectious diseases impacting communities near our operations in Indonesia and the DRC, including members of our workforce. In coordination with local governments and NGOs, we dedicate significant resources to helping communities and governments reduce public health risks.

## PT FREEPORT INDONESIA

The PTFI Community Health Department, supported by the company's medical services provider International SOS, implements programs for education, prevention, counseling, diagnosis and treatment of diseases within and around the project area. In addition to the approximate \$7 million invested in community public health programs by PTFI in 2013, LPMAK contributed almost \$20 million to community health care programs. This included the operation of community hospitals in Timika, in the lowlands, and Banti, in the highlands, as well as implementation of a comprehensive public health program addressing HIV/AIDS, TB, malaria, mother and child health, and clean water.

With a prevalence rate much higher (300 per 100,000 people in 2013) than the national prevalence rate in Indonesia, HIV/AIDS is an emerging threat in the Mimika Regency, Papua. The HIV/AIDS epidemic in Papua is predominately characterized by heterosexual transmission, especially impacting the indigenous Papuan population. PTFI implements a number of HIV/AIDS prevention, outreach, and



The Utikini Noken Group began as a group of women volunteering at a local mother and child clinic near our PTFI operations. In 2012, it received initial support from PTFI's Micro, Small & Medium Business Program to open a kiosk to sell traditional bags (*noken*). The women pictured here were sponsored by PTFI to promote and sell their indigenous crafts at the 2013 APEC Women and the Economy Forum in Bali.

treatment programs for employees and community members. In 2013, PTFI conducted HIV/AIDS education and outreach activities reaching over 15,000 community members and 9,500 employees, distributed condoms, and conducted over 630 one-on-one counseling sessions with commercial sex workers. PTFI also increased HIV/AIDS Voluntary Counseling and Testing (VCT) services for employees by offering VCT for anyone receiving a checkup unless they opt out. In 2013, approximately 13,300 employees participated in VCT, an increase of over 3,000 employees from the prior year, and 57 new cases were detected. Antiretroviral therapy is provided for HIV positive cases among PTFI's workforce and community members by the Indonesian government.

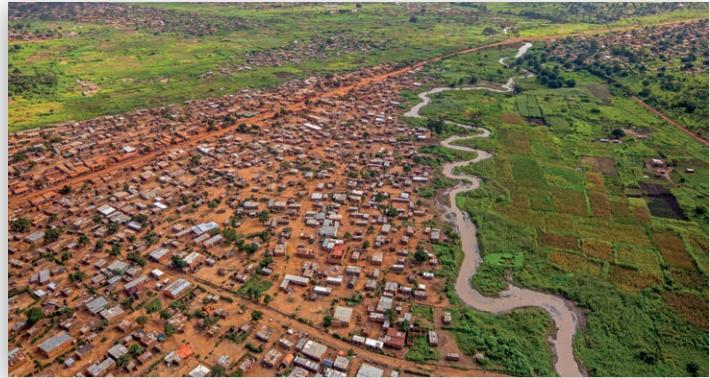
PTFI received a Community Empowerment Program Gold Award from the Government of Indonesia for its efforts in reducing HIV/AIDS, TB, and malaria, and improving maternal health in 2013.

### TENKE FUNGURUME MINING

In 2008, TFM conducted a baseline health assessment and identified serious diseases that impact the local community, including malaria, HIV/AIDS and other sexually transmitted infections (STIs), TB, onchocerciasis and diarrhea. Rapid influx into the urban center of Fungurume by people seeking economic opportunities linked to the mine has created strains on the provision of limited public health services.

Before TFM began operations, malaria was the largest cause of morbidity and placed a significant social and economic burden on the wider community. TFM implements an integrated malaria control program to protect the workforce, as well as the community residing within the concession – the first of its kind in the DRC. The integrated program consists of targeting vectors and parasites, as well as an indoor residual spraying program for accessible villages in the core concession, including more than 220,000 rooms (approximately 70,000 houses). In 2013, 273 malaria cases among employees were diagnosed and treated, representing an overall reduction in total workforce malaria incidence of 76 percent since the start of the program in 2008.

Improving access to clean water is critical to improving local health and living standards. Since 2007, 113 water wells have been constructed in and around TFM's concession, including 19 in 2013. The TFM Social Community Fund facilitated training for 20 artisanal repairmen during the year and continues to monitor water quality and conduct capacity building of local water management committees to sustain the water wells through a usage fee system. GBCHealth awarded TFM's clean water and sanitation program



With TFM Social Community Fund financial assistance, the Agronomy Department of the University of Lubumbashi has completed bank cleaning along the Kelangile River (pictured right of the town of Fungurume above). Removal of excess debris and organic matter along the river promotes flow and drainage while helping reduce waterborne illnesses by reducing mosquito breeding habitat.

as first-place in the category of Health & Beyond: Tackling Root Causes in 2013.

In 2013, an interim referral hospital was built as a joint partnership between TFM and the Fungurume Health Zone and is co-located with the TFM employee health facilities. Operating the two facilities in the same compound creates an opportunity for shared capacity building and joint use of medical space and health care equipment. This partnership model to provide improved health facilities with the local government is the first of its kind at Freeport-McMoRan's mining operations.

### ARTISANAL MINING

Illegal artisanal and small-scale miners have limited equipment and expertise at operating in hazardous conditions and can create social conflict and environmental impacts, as well as placing their own health and safety at risk.

### PT FREEPORT INDONESIA

PTFI uses controlled riverine tailings management to transport the tailings to a designated area in the lowlands and coastal zone, called the Modified Deposition Area (ModADA). Thousands of illegal artisanal and small-scale miners pan for gold in the Otomona river system (downstream of the mill) within the project area. The artisanal miners include local community members, but the majority are from outside the region.

One of the greatest risks from illegal gold panning is the potential use of mercury. PTFI monitors regularly for mercury use via routine environmental monitoring programs, and mercury has not been detected above natural background levels in the river ecosystem. PTFI also maintains a continuous air mercury

monitoring system in the town of Timika, and since 2010, mercury has been detected at elevated levels in parts of the town where gold shops are present. Due to these monitoring systems and outreach, PTFI believes the risk of mercury use in the river system has been significantly reduced. Community Liaison Officers (CLOs) are routinely in the field to socialize the health and safety risks of artisanal gold panning.

PTFI focused on reducing the security risk of illegal gold panners interrupting operations in 2013, particularly in the highlands. A dedicated liaison officer was appointed to coordinate between PTFI's Security and Community Affairs Departments regarding operational changes that may impact the activities of gold panners. In addition, enhanced security surveillance systems and fencing have been added at the mill to minimize risk of potential human harm and damage to assets. The concentrate pipeline system to port also has been protected with concrete and a leak detection system was installed.

PTFI's long-term strategy for reducing illegal gold panning is the development of alternative livelihoods. Village-based economic development programs including coffee and cocoa cooperatives are current areas of work, and the introduction of vegetables and other fast-growing crops through intercropping methods to boost income is another near-term opportunity. Coordination with government authorities and local communities are ongoing and will be key to the long-term success of these initiatives.

In 2012, Atma Jaya Catholic University completed a comprehensive social baseline study of the illegal artisanal mining community and its supporting networks. PTFI researched qualified third parties in 2013 to help support a stakeholder engagement program with the gold panners. Due to the number of risk issues related to illegal artisanal mining (safety, health, environmental, security, community) and the fact that the activity in the PTFI river system is illegal under the laws of the Government of Indonesia and thus sensitive, PTFI realizes the role a neutral third party can provide in helping to establish better information gathering and communication.

A third-party firm was subsequently retained in 2014 to continue the baseline survey of illegal mining activities and the associated stakeholder network. PTFI expects the continued daily data gathering and communication to be critical to the understanding of potential risks to operations and community relations.

## TENKE FUNGURUME MINING

Artisanal mining is widespread throughout the DRC and occurs on the TFM concession, where such activities are illegal under DRC law. The greatest risks arising from artisanal mining remain the safety and security of our employees and the local population, including illegal miners (see Security and Human Rights section). Near-surface high grade ore is present throughout the concession and artisanal miners dig underground adits and tunnels to access ore deposits without using protective gear. With an influx of outsiders to the area for illegal mining activities, social ills such as increased crime rates have been observed.

In 2013, three illegal miners were killed due to tunnel collapses within the 1,600-square-kilometer TFM mining concession. During the year, TFM experienced a significant increase in overt illegal mining activity at night near heavy excavation equipment pursuant to mining of new pits near Tenke. TFM also witnessed an increase in the number of women, and sometimes children, involved in illegal mining activity. Illegal miners are at risk of injury or death as they move around heavy excavation equipment without proper protection. TFM has reached out to international NGOs and aid agencies to determine what support third parties may be able to provide to help raise awareness about this issue with the community, authorities and local civil society.

As TFM expands operations to additional deposits within its concession, the chance of encountering illegal mining activity will increase. TFM continues to engage with the DRC authorities to operate control measures at the entry and exit points of the concession to interdict shipments of illegal ore, and to implement mobile security monitoring. TFM CLOs conduct awareness campaigns to educate the community on the risks associated with illegal artisanal mining activity. TFM's long-term strategy continues to be support for economic development and job creation in the region to provide communities with alternative opportunities for income generation. TFM welcomes all members of the community to participate in skills training, small business and agriculture development.

The Freeport-McMoRan Environmental Policy is based on our objective to be compliant with laws and regulations and to minimize environmental impacts using risk management strategies based on valid data and sound science. It requires that we review and take account of the environmental effects of each activity, whether exploration, mining or processing; and that we plan and conduct the design, development, operation and closure of each facility in a manner that optimizes the economic use of resources while reducing adverse environmental effects.

All of our mining and mineral processing operations maintain Environmental Management Systems (EMS) certified to ISO 14001, which are independently audited on an annual basis. Key environmental risks and opportunities also are prioritized in operations Sustainable Development Risk Registers and projects undergo environmental reviews in early stages via the Project Development Sustainability Review process. During 2013, we completed internal environmental audits at 10 operations in accordance with our Environmental Auditing Policy, and our facilities are routinely inspected by regulatory agencies. Since 1996, an independent environmental audit has been conducted at PTFI every three years, and the 2014 audit's executive summary and responses to audit recommendations will be posted on our website when complete. All operations have corrective action programs associated with the overarching EMS.

When operations receive an environmental violation from a regulatory agency such as shown in the table below, the citations typically relate to brief and minor exceedances of air or water permit conditions or other distinct events that may not have permit authorization. Notices of violation may also follow offsite spills or releases related to tailings, tailings dust or impacted water. Where our operations have been assessed for penalties, they typically are below \$100,000.

## ENERGY MANAGEMENT

Our copper mining operations require significant energy inputs, principally diesel, purchased power, coal and natural gas, most of which is obtained from third parties under long-term contracts. For the year 2013, energy represented approximately 20 percent of our consolidated copper production costs. From a medium and long-term perspective, we may experience increased costs relating to our greenhouse gas (GHG) emissions as a result of regulatory initiatives in the U.S. and other countries where we operate. In addition, the cost of electricity and other inputs that we purchase may increase if our suppliers incur increased costs from the regulation of their GHG emissions. Although our mining operations are currently not located in jurisdictions where there is a direct cost associated with our GHG emissions, we have modeled different carbon tax scenarios to understand the potential operating cost impacts. We cannot predict the magnitude of increased costs with any certainty given the wide scope of potential regulatory changes in the many countries where we operate.



Tyrone mine diagnostic mechanic, Royce Parra, conducts real-time performance monitoring of heavy mining equipment using Remote Access Monitoring Process (RAMP) technology. Implementation of RAMP has resulted in improved fleet reliability through detection and prevention of premature equipment failure, as well as the promotion of operating behaviors that safely increase the efficiency of material movement.

## ENVIRONMENTAL COMPLIANCE INDICATORS

|   | 2009      | 2010     | 2011     | 2012     | 2013     |
|---|-----------|----------|----------|----------|----------|
| Reportable spills or releases of hazardous or toxic chemicals                                     | 26        | 10       | 11       | 12       | 16       |
| Notices of Violations related to permit exceedences, spills, releases or other compliance matters | 6         | 6        | 6        | 4        | 10       |
| Environmental penalties*  | \$493,039 | \$83,420 | \$75,000 | \$47,369 | \$80,362 |

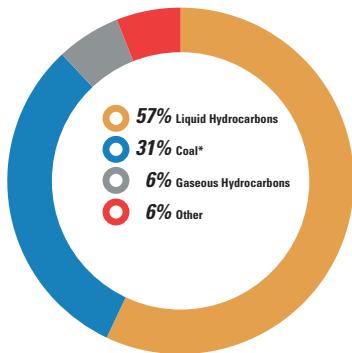
\* Penalties are typically paid in periods subsequent to the year of the environmental event and/or enforcement action.

In 2013, our worldwide total GHG emissions, measured as carbon dioxide equivalent emissions, were relatively unchanged from 2012 at approximately 10 million metric tons divided between direct (58 percent) and indirect (42 percent) emissions. Year-to-year our direct emissions are primarily from fuel combustion in haul trucks, followed by the combustion of fuels to provide energy for roasting, smelting and other processes. The majority of our mining activity occurs in open pits. As an open pit matures, haul road length increases and haul trucks are required to move ore additional distances to the processing facility. While the amount of waste material moved fluctuates year-to-year, the haul distances are also increasing. When market conditions necessitate the mining and processing of lower grade ore, haul trucks end up moving more material per pound of processed metal. Our current plan to produce over 5 billion pounds of copper by 2015 indicates increasing direct emissions (both absolute and intensity-based) over that time period.

Indirect emissions are generally the emissions of providers from whom we purchase electricity for use in our operations. In 2013, approximately 63 percent of our purchased power was from low carbon or renewable sources (we generate all of our power at PTFI). Crushing, milling, pumping and electrowinning are the most significant power-consuming processes at our facilities. Coupled with our expansion projects, purchased power consumption is expected to increase as we construct and operate new water supply and distribution systems such as our desalination plant in Chile and a municipal wastewater treatment plant in Peru. However, we achieve significant improvements in energy efficiency with our new processing facilities, including new mills at Morenci and Cerro Verde. Nevertheless, the efficiency gains do not warrant

### **2013 DIRECT CARBON DIOXIDE EQUIVALENT EMISSIONS**

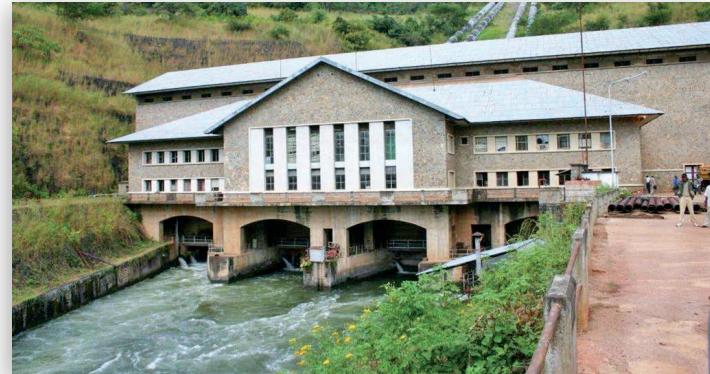
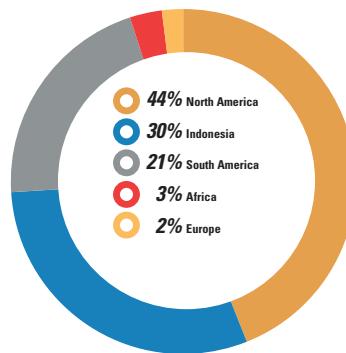
By Fuel Type



\* Associated with the self-generating coal-fired power facility at PTFI.

### **2013 TOTAL CARBON DIOXIDE EQUIVALENT EMISSIONS**

By Region Type



TFM has invested over \$215 million to renovate this hydro-electric power station in the DRC, including refurbishment of four turbines. The investment will promote more reliable renewable electricity for the region and for TFM operations.

replacing currently operating equipment because that option cannot be economically justified.

We continue to engage with energy management experts, industry peers and suppliers to discuss the potential for new mining system practices that could be employed to economically reduce the energy and GHG intensity of future projects. We also participate in utility demand side efficiency programs and support renewable energy standards when feasible, such as providing mining-related property for solar power generation.

Our specific focus is energy efficiency at our current operations and the deployment of new mining and processing technologies at our brownfield expansion projects. The Life Cycle Program within our Americas mining operations is designed using a similar approach that has been successful at PTFI for many years. The program

has proven that larger equipment can be rebuilt for a second life, resulting in like-new productivity and cost performance with the benefit of significant capital avoidance and overall lower life-cycle environmental (energy and GHG) impact when compared to the purchase of new equipment. Since 2008, we have built our Americas mining CAT 793 fleet to 417 by purchasing 117 used trucks from 10 different sources from around the globe. Most were at the end of their economic life, requiring a full rebuild before being placed into operation. We also have rebuilt 34 large shovels. All of this equipment maintains superior physical availability when placed into operation.

We have received independent verification of our GHG emissions inventory for years 2007-2013, and the verification statement is available on our website.

## WATER SUPPLY AND MANAGEMENT\*

Our mining operations require significant quantities of water for mining and ore processing, and most of our operations in North and South America are in water scarce regions. We used approximately 690 million cubic meters of water in our operating processes in 2013, of which approximately 69 percent was recycled water. Our overall water use, including recycled water, has remained relatively constant during the past five years, although we expect our absolute water use to increase in the future as we advance brownfield growth projects.

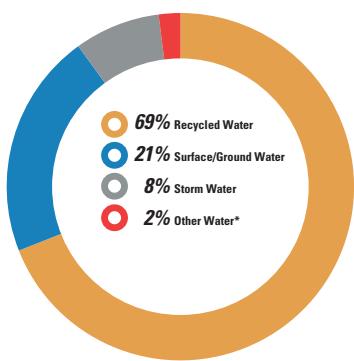
Mining sites in water-stressed regions maintain water balance models to better understand water uses and to identify system losses (such as evaporation losses) within the operation. Although the potential physical impacts of climate change on our operations are highly uncertain, operations in water-stressed regions also conduct annual scenario planning to evaluate hypothetical reductions of total water availability and hypothetical extreme precipitation events. This program aims to help us plan to adapt operations to possible water shortages or surpluses. We also have conducted a retrospective evaluation of production impacts associated with above-normal precipitation events during 2013. These impacts to production are temporary as the in-process metals are available when improved operational conditions exist.

Access to clean water is a critical concern of many users, from communities to agricultural and industrial interests. In addition to

evaluating opportunities to improve site water management, we explore mutual opportunities with stakeholders as we continue to make long-term investments in water supply projects to support our operating and growth plans. We also are participating in efforts such as ICMM's Water Working Group to share ideas and experiences associated with water management and stakeholder engagement within the mining sector.

### 2013 WATER USE BY SOURCE

690 Million Cubic Meters



\* Includes desalination water, municipal water, municipal waste water and water imported from any other industrial or mining facility.



In 2013, the Bagdad mine in Arizona completed construction of the world's largest elevated tailings thickener. The thickener will allow higher volumes of water to be recovered, as well as minimization of seepage and evaporation losses from the tailings storage facility.

Water for our Cerro Verde mining operation in Peru, which is in a water stressed region, comes from renewable sources through a series of storage reservoirs on the Rio Chili watershed that collect water primarily from seasonal precipitation. Its existing tailings storage facility is among the world's best in terms of water recovery. The operation is constructing a wastewater treatment plant for the city of Arequipa, Peru, as it progresses its large-scale expansion, and has obtained authorization to reuse an annual average of one cubic meter per second of the treated water. The plant is expected to improve regional water quality, reduce waterborne illnesses and enhance the value of local agricultural products while providing water for an economically important project for the region.

Mining and metals processing can create impacts to water quality. We use technologies and other management methods like geochemical characterizations to identify design and management opportunities that will minimize these impacts. Where impacts cannot be avoided, our operations use containment strategies to ensure we do not affect offsite water resources. All operations maintain systems to monitor water quality for compliance with applicable regulations and permit requirements. We also maintain spill control and response procedures to prevent or minimize potential impacts to water.

---

\* Water-related data in this section exclude amounts associated with all facilities located in Arizona due to ongoing water rights litigation.

## TAILINGS AND WASTE ROCK

The waste rock (including overburden) and tailings that we produce represent our largest volume waste. Managing the volume of waste rock and tailings produced in our mining operations presents significant environmental, safety and engineering challenges. In 2013, we produced approximately 480 million and 210 million metric tons of waste rock and tailings, respectively. The primary risks associated with managing waste rock stockpiles and tailings relate to structural stability, geochemistry and subsequent water quality (acid rock drainage) as well as dust generation. Management of this waste is regulated in the jurisdictions where we operate, and our programs are designed to be in compliance with applicable national, state and local laws, permits and approved Environmental Impact Studies.

Freeport-McMoRan currently operates 16 tailings storage facilities (TSFs) and manages 60 TSFs that are inactive or have been fully reclaimed. At Cerro Verde, we have commenced construction on an expansion expected to increase annual copper production by 600 million pounds and annual molybdenum production by 15 million pounds beginning in 2016. The project will triple the capacity of the concentrator facilities to 360,000 metric tons of ore per day. The associated increased quantity of ore processed will require construction of one of the largest TSFs in the global mining sector, with a targeted capacity to retain approximately two billion metric tons of material. We also have advanced a project to increase annual copper production by 225 million pounds at our Morenci operation in Arizona. As a result of the Morenci mill expansion and additional ore processing, we plan to increase the operation's TSF capacity by approximately 568 million metric tons.

At TSFs located in arid areas, the tailings management program includes measures to reduce fugitive dust emissions from the surface of tailings impoundments, and increase reclaimed water capture to reduce freshwater consumption. Our efforts to limit dust generation, such as the application of magnesium chloride, polymers, watering and wind fencing have resulted in a reduction in reportable air permit exceedances related to windblown dust from TSFs; four events in 2013 compared to five in the prior year. The reportable dust events in 2013, all related to unfavorable weather, were at the approximate 3,000 acre TSF at our Sierrita mine in Arizona in spite of the significant dust prevention program we implement using multiple techniques and technologies.

TSF stability is managed by qualified internal and external engineers at our operations, utilizing instrumentation with



The Upper Mammoth Tailing Dam in Bagdad, Arizona is an expansion to the original dam built in 1985. The dam, constructed using the centerline method, will provide for up to 18 years of tailings storage before reaching its maximum capacity.

manual and automated data acquisition systems and established operations, maintenance and communication protocols. We monitor phreatic level trends, deposition plans, hydrologic controls, seepage management, decant systems, structural integrity and other stability components. Oversight of TSF stability takes place under the direction of Company management, which has established a Tailing Stewardship Program that includes an interdisciplinary group of internal and external experts to evaluate and confirm that TSFs are designed, operated and maintained using good stewardship practices. In 2013, our Tailing Stewardship Program conducted annual field inspections at 13 active and 37 inactive TSFs. We have also established a Tailing Review Board, by which we retain internationally-recognized experts to provide independent expertise and verify that our approach to dam stability is consistent with current state-of-the-practice.

In February 2013, a spill of approximately 1,000 metric tons of tailing from a pipeline near the Ojos del Salado operation in Chile impacted an irrigation channel in the community of Tierra Amarilla. Regulatory agencies and affected community members were promptly notified. Restoration of local impacts to farmland, which commenced after spill containment, has been completed.

At PTFI we use riverine transport of material from the concentrating complex in the mountains to a designated engineered and managed deposition zone in the lowlands and coastal zone as approved by the Government of Indonesia. PTFI's tailings management review board meets to assess operational and other monitoring data to make specific operational recommendations for improving levee designs and construction and system-wide performance. We frequently engage with stakeholders ranging from the SRI community to academia and local communities on our

controlled riverine tailings management system. Our stakeholder engagement frequently includes dialogue regarding the predicted environmental impacts in the Ajkwa estuary and the multiple lines of evidence demonstrating reversibility of the impacts. A multi-year bird monitoring study (see page 31) is one indicator of estuary health during current mining operations. More information on controlled riverine tailings management at PTFI is available on our website.

Waste rock and overburden are managed in stockpiles for possible future mineral recovery, reclamation or other projects. Overburden and waste rock stockpiles are evaluated for structural stability and local seismic design criteria and are monitored regularly.

### RECLAMATION

Mine reclamation is the process of taking land once used by the operation and converting it into alternate land uses. Reclamation takes into account surface and ground water and air quality, erosion concerns from storm water, revegetation of suitable plant species and rehabilitation of wildlife habitats. Alternate land uses in mine reclamation include open space, wildlife habitat, grazing habitat, recreation and educational areas, renewable energy sites, industrial land and other economically or ecologically productive land uses.

We monitor reclaimed lands to ensure they are developing consistent with post-mining land use. Landscape Function Analysis (LFA) monitoring is used to assess how well certain reclamation areas are functioning as a natural system. Data generated allows for comparisons between reclaimed lands and native surrounding areas (reference sites) which represent mature native functional landscapes, and provide target values for the final reclaimed landscape. In 2013, we completed LFAs on three reclamation units, bringing the total to 10 since inception of the monitoring program.

Large-scale reclamation projects continued during 2013 at our Miami mine in Arizona, where more than 1,000 acres are being reclaimed. Renewed mining at Miami has produced an effective operational synergy between mining and reclamation activities. The non-mineralized overburden material being mined to develop the remaining ore body has been utilized as cover material for stockpile and tailings reclamation. At the historic Bisbee mining district in Arizona, reclamation crews and environmental experts continue work on major voluntary reclamation projects encompassing approximately 1,100 acres, including stockpiles and tailings impoundments. We advanced large-scale tailings reclamation efforts during the year at the Chino mine in New Mexico, where, in coordination with the oversight of state agencies, we are nearing completion of reclaiming approximately 2,000 acres of tailings and a former smelter-related area, which are no longer needed for our operations.



The Maurujaya MP21 Reclamation and Biodiversity Research Center is a tailings reclamation research facility where PTFI conducts comprehensive scientific studies to determine optimum plant species and planting techniques to maximize reclamation success. The center also functions as an educational study and observation area for agriculture, fishery and forestry, as well as biodiversity within the PTFI project area.

The Company voluntarily initiated a project near our Climax molybdenum mine to remove and reclaim historic waste rock piles in the Tenmile Mining District near Leadville, Colorado even though we have no liability for the sites. As of 2013, 41 historic mine sites have been cleaned-up and 37 have been completely reclaimed. Nearly 230,000 cubic yards of waste rock and soils were removed and 50 acres of land restored.

In 2013, we continued our 5-year, \$2.5 million commitment to assist the Colorado Inactive Mine Reclamation program. The financial commitment will help the state seek additional funding from government agencies and non-profit environmental organizations for work on abandoned mine lands that are not associated with our current or prior operations.

### BIODIVERSITY

We are committed to identifying the impacts of our operations and, where practicable, implementing actions that conserve and enhance biodiversity. All operating mines have developed Biodiversity Action Plans (BAPs) and Land Management Plans (LMPs), with the assistance of our corporate Biodiversity Task Force (BTF). BAPs identify potential biodiversity projects through a process that includes landscape-scale habitat inventory, assessment of biodiversity risks (linked with the operation's Environmental Management System), identification of biodiversity opportunities, and prioritization of projects. BAPs generally consist of voluntary projects conducted in partnership with stakeholder groups, including government agencies, academic institutions and NGOs. LMPs provide the mechanism through which biodiversity considerations are incorporated into the site-specific planning process to minimize adverse impacts to biodiversity where practicable. LMPs consist of data overlays that illustrate the location

and extent of significant biodiversity resources within and adjacent to mine sites. In 2014, the BTF is initiating a review to evaluate and identify improvement opportunities for site implementation of BAPs and LMPs.

In 2013, all North American sites developed and began implementing site-specific Wildlife Protection Plans (WPPs) in accordance with the Corporate Wildlife Protection Plan, which formalizes the corporate commitment to protecting biodiversity. The WPPs establish a process through which sites assess potential risks to wildlife associated with operational activities and develop measures and strategies to minimize any risks that are identified. In conjunction with the BAPs and LMPs, the WPPs represent an important component of the Freeport-McMoRan biodiversity program.

As of December 2013, 11 Freeport-McMoRan sites were certified by the Wildlife Habitat Council (WHC) *Wildlife at Work* program, which recognizes activities that create, conserve and restore wildlife habitat on corporate lands, and five sites were certified by the WHC *Corporate Lands for Learning* program, which recognizes activities to promote environmental education and outreach initiatives in local communities. Cerro Verde was also nominated for the 2013 Corporate Habitat of the Year Award. In Colorado, we are working with Trout Unlimited and the Colorado Division of Reclamation, Mining and Safety to restore historic abandoned mines that are impacting fish habitats, even though we have no liability for the sites.

In 2013, the Arizona Game and Fish Commission awarded the Company its Award of Excellence for environmental stewardship and wildlife management, specifically noting the Mexican free-tail bat habitat conservation efforts at Morenci. During the year,

the U.S. Mine Safety Health Administration—Arizona State Mine Inspector also awarded Morenci the Best Reclamation Project award for closing over 300 mine opening and adits around the historic mining district. The project not only promotes public safety, but bat gates installed at larger openings promote bat conservation efforts in the region. Cerro Verde also hosted a workshop involving a number of international experts to promote management of the Peruvian long-snouted bat. In addition, 14 of our operations have created pollinator gardens not only to increase the diversity of nectar and pollen sources but also to provide communities with a setting to promote concepts of STEM education.

We continue to closely monitor the developing concepts around ecosystem services. In 2013, we participated in Business for Social Responsibility workshops and initiatives related to ecosystem services assessment tools and, along with several other large multinational corporations, worked to address definitions, indicators, and disclosures used to define and understand ecosystem service risks and opportunities. We also participate in the ICMM Biodiversity Working Group. As this field evolves, we will continue to enhance communications on our biodiversity systems and initiatives.

PTFI maintains a comprehensive environmental monitoring program throughout its project area, including the estuary downstream of the Modified Ajkwa Deposition Area (ModADA). Independent lines of evidence continue to indicate the reversible nature of impacts at the end of mining (with the exception of topographical changes) as predicted during the AMDAL (Environmental and Social Impact Assessment) process.

During operation of the active controlled riverine tailings management system, new lands are forming in the estuary. Ajkwa Island, for example, was formed out of a sedimentation process consisting largely of fine tailings escaping the ModADA into the Ajkwa River estuary. The island became vegetated by native species through natural succession processes beginning in 1996 and plant species composition and maturity have since increased. Since PTFI began quarterly monitoring of bird species utilizing the island in 2009, the number of species observed annually has increased from 42 to 77 in 2013. Since 2012, 50 new bird species have been recorded on the island, and in total the monitoring program has identified 93 species. This positive trend demonstrates the health of the estuary and its ability to support the ecosystem requirements of these avian species.



The Salar de Ascotán springs are a biologically diverse wetland habitat. Environmental engineers regularly monitor the water quality and quantity to ensure the springs remain a thriving habitat. Pictured above, Andean flamingos (foreground) and a vicuña (background).

Since 2011, Freeport-McMoRan employees have participated in the Company's annual biodiversity photo contest. Winning photos from the popular contest are showcased within the Wildlife Habitat Council's Corporate Homes for Wildlife calendar, which is distributed internationally. The calendar showcases efforts by member companies to enhance and conserve wildlife habitat on corporate lands. Winning photos selected by the Company's Biodiversity Task Force are presented below.

**2011 Winning Photos**

(left) Female White-belted Ringtail dragonfly at the Morenci mine



(right) Group of Andean flamingos standing in a salt lake in the Atacama Desert in Chile, near El Abra

**2012 Winning Photos**

(left) Female Oasis Hummingbird near the Cerro Verde mine



(right) Green Tree Python at PTFI

**2013 Winning Photos**

(left) Young African Flap-necked Chameleon balanced on a flower near Tenke Fungurume Mining



(right) Female Black Sunbird perched on a Heliconia flower in Kuala Kencana near PTFI



## TREND DATA

|   | 2009     | 2010     | 2011     | 2012     | 2013                    |
|---|----------|----------|----------|----------|-------------------------|
| <b>Workforce<sup>(a)</sup></b>  |          |          |          |          |                         |
| Employees   | 28,400   | 29,700   | 31,800   | 34,000   | 36,100                  |
| Contractors   | 16,600   | 22,300   | 27,800   | 27,100   | 38,400                  |
| Percent Employees Under Collective Bargaining Agreements  | 45%      | 44%      | 49%      | 48%      | 49%                     |
| <b>Safety &amp; Health<sup>(a)</sup></b>  |          |          |          |          |                         |
| Fatalities  | 3        | 2        | 5        | 6        | 35                      |
| Total Recordable Incident Rate <sup>(b)</sup>   | 0.74     | 0.65     | 0.61     | 0.58     | 0.74                    |
| Occupational Illness Cases  | 9        | 6        | 16       | 25       | 41                      |
| <b>Environment</b>  |          |          |          |          |                         |
| Direct Greenhouse Gas Emissions (million metric tons)   | 5.2      | 5.6      | 5.4      | 5.7      | 5.9                     |
| Indirect Greenhouse Gas Emissions (million metric tons)   | 4.4      | 4.4      | 4.6      | 4.0      | 4.3                     |
| Total Water Consumption <sup>(c)</sup> (million cubic meters)                                     | 620      | 630      | 600      | 665      | 690                     |
| Percent Recycled Water  | 66%      | 66%      | 66%      | 71%      | 69%                     |
| Reportable spills or releases of hazardous or toxic chemicals                                     | 26       | 10       | 11       | 12       | 16                      |
| Notices of Violations related to permit exceedances, spills, releases or other compliance matters | 6        | 6        | 6        | 4        | 10                      |
| Environmental Penalties <sup>(d)</sup> (\$ thousands)   | \$ 493   | \$ 83    | \$ 75    | \$ 47    | \$ 80                   |
| <b>Social</b>   |          |          |          |          |                         |
| Community Investments (\$ millions)   | \$ 180   | \$ 189   | \$ 191   | \$ 173   | \$ 173                  |
| Cash Payments to Governments <sup>(e)</sup> (\$ millions)   | \$ 2,432 | \$ 3,744 | \$ 4,838 | \$ 2,984 | \$ 2,814 <sup>(a)</sup> |
| Direct Economic Contributions <sup>(e)</sup> (\$ millions)  | \$15,040 | \$13,902 | \$16,559 | \$14,470 | \$17,283 <sup>(a)</sup> |

(a) Includes FM O&amp;G for period June 1, 2013, through December 31, 2013.

(b) TRIR = [(Fatalities + Lost Time Incidents + Restricted Duty Incidents + Medical Treatment) x 200,000] / Total Hours Worked.

(c) Excludes all facilities located in Arizona due to ongoing water rights litigation.

(d) Penalties are typically paid in periods subsequent to the year of the environmental event and/or enforcement action.

(e) Please see detailed information in our WTSD reports published on [www.fcx.com/sd](http://www.fcx.com/sd).