August 6, 2013

We appreciate the Business & Human Rights Resource Centre granting us the opportunity to respond to the July 2013 report entitled “Private Gain – Public Loss: Mailbox companies, tax avoidance and human rights” published by the Centre for Research on Multinational Corporations (SOMO).

Freeport-McMoRan is a leading international natural resources company with headquarters in Phoenix, Arizona. We operate large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold, molybdenum, cobalt, oil and gas. Freeport-McMoRan’s portfolio of metals assets includes the Grasberg minerals district in Indonesia, the world’s largest copper and gold mine in terms of recoverable reserves; significant mining operations in the Americas, including the large-scale Morenci minerals district in North America and the Cerro Verde and El Abra operations in South America; and the Tenke Fungurume minerals district in the Democratic Republic of Congo (DRC). Freeport-McMoRan’s oil and gas assets include strong oil production facilities in California, a growing production profile in the onshore Eagle Ford trend in Texas, significant production facilities and growth potential in the Deepwater Gulf of Mexico and large onshore resources in the Haynesville natural gas trend in Louisiana. In addition, Freeport-McMoRan is an industry leader in the emerging ultra-deep gas trend with sizeable potential, located offshore in the shallow waters of the Gulf of Mexico and onshore in South Louisiana.

Respect for human rights is a core principle in our operations and our relations with local communities in the areas where we operate. Freeport-McMoRan does not tolerate human rights transgressions, and our corporate Human Rights Policy requires that we conduct business in a manner consistent with the Universal Declaration of Human Rights, educate and train our employees 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, and the Voluntary Principles on Security and Human Rights. 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.

Security risks near our Grasberg operation in Papua, Indonesia, stem primarily from three factors: the presence of separatist activists and advocates in the region; the 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. Consistent with our Contract of Work in Indonesia and the requirement to protect our employees and property, we have taken appropriate steps to provide a safe and secure working environment. As part of its security program, our PT Freeport Indonesia (PTFI) operation maintains its own internal security department, which is unarmed and performs functions such as protecting company facilities, monitoring the shipment of company 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.
From the outset of PTFI’s operations, the Indonesian government has looked to PTFI to provide logistical and infrastructure support and assistance for these necessary services because of the limited resources of the Indonesian government and the remote location of and lack of development in Papua. PTFI’s share of support costs for the government-provided security was $22 million for 2012. 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. The provision of humanitarian support for government security personnel assigned to our project area is also designed to encourage professional behavior. In 2012, PTFI also conducted training on the Voluntary Principles on Security and Human Rights to over 1,240 police and military personnel. When feasible, military and police contingents receive a presentation on human rights two times before beginning their rotation with PTFI; once at their home base and again within two days upon arrival in Papua.

In 2011, PTFI experienced its first significant labor dispute, which resulted in an approximate three-month strike. During the strike there was increased tension and aggression in the community and area of operations, which included intimidation of employees who attempted to report to work and other criminal acts resulting in significant damage to personal and company property.

On October 10, 2011 a disturbance occurred in Timika at the location (Gorong Gorong) where the company arranges bus transportation for workers. A group of striking employees marched from the union office in Timika to the bus terminal intending to disrupt bus loading for PTFI employees returning to work. The group attempted to enter the bus terminal and police responded to block the unauthorized entry and the group responded aggressively by throwing rocks. The company was deeply saddened to learn that during the incident, a contract worker was killed and a number of PTFI employees and police officers were injured. The injured employees and officers were treated at local clinics and hospital facilities. Several days later, an employee, who was released from the hospital with minor injuries, passed away from unknown causes (cause of death officially unknown). Immediately following this incident, PTFI called for and cooperated with several investigations into this action, including those conducted by the Police, Komnas HAM (Indonesian Human Rights Commission) and the Coordinating Ministry of Law, Politics and Security.

In response to the reference to “replacement workers”, PTFI continued to operate to the extent feasible during the strike. Most of the workers, who were running operations during the illegal strike, were staff employees from other PTFI departments, employees who continued or returned to work choosing to disregard the union’s call to participate in the illegal strike, or existing contractor companies who are engaged in PTFI operation activities. The company continued to recruit workers for vacant positions that existed prior to the illegal strike and expanded the roles of certain contractors during the illegal work stoppage. PTFI routinely hires 100-200 workers per month to fill vacancies from attrition, resignation, etc. The workforce is also in a steady state of expansion due to the Underground Mine development that is critical to future operations. These actions were accomplished in accordance with Indonesian laws and regulations, and we obtained appropriate government approvals where required.

In response to the reference to worker wages, the actual monthly wages earned by employees are considerably higher than the base wage because of the manner in which hours are calculated, including factors such as breaks and shift schedules, as well as the complex manner in which overtime is calculated under the Collective Labor Agreement and Indonesian laws and regulations. PTFI’s compensation practices are highly competitive in Indonesia, and PTFI’s wages and benefits are at the top of the market for similar jobs in the country. In addition to pay, PTFI employees receive comprehensive medical benefits, as well as benefits that are not generally available at other operations in the country or globally, such as free transport, accommodation and meals to and at our work site.
In December 2011, PTFI reached an agreement with union officials to end the three month strike that commenced on September 15, 2011. Pursuant to the terms, PTFI agreed to increase base wages by 24 percent in the first year and by 13 percent in the second year (equivalent to a 40 percent increase over two years on a compounded basis). PTFI also paid a bonus equivalent to three months of base wages and agreed to provide other benefits, including enhancements to housing allowances, educational assistance and retirement savings plans. The parties also agreed that future wage negotiations would be based on living costs and the competitiveness of wages within Indonesia.

At PTFI, a number of shooting incidents by unknown assailants occurred along the road leading to the project area resulting in a disturbing 15 fatalities and 57 injuries from shooting incidents within our project area between July 2009 and early 2013. Those killed and injured have included employees, contractors, community members and host government security personnel. A review of risks, engagement strategies, security strategies and a call for full investigations and justice continue to be a high priority for our management and employees as well as the local community. As a private company, our continued commitment is to report all severe human rights incidents to the government authorities and support to the greatest extent feasible an impartial and independent investigation.

For additional information on our security and human rights programs, please access http://www.fcx.com/sd/security/index.htm which includes our 2012 Voluntary Principles on Security and Human Rights Report to the Plenary.

In closing, our team of more than 34,000 employees takes great pride in working toward sustainable development, including implementation of our human rights programs. Our company has implemented the International Council on Mining & Metals Sustainable Development Framework, including public reporting at the A+ level of the Global Reporting Initiative and receiving external assurance. We see our approach to sustainable development as a process of continual improvement and welcome ongoing engagement and dialogue with all stakeholders, such as SOMO. Please access our 2012 Working Toward Sustainable Development Report at http://www.fcx.com/sd/sustain/index.htm.