

**PT Freeport Indonesia**  
**An affiliate of Freeport-McMoRan Copper & Gold**  
**November 19, 2013**

We appreciate the Business & Human Rights Resource Centre granting Freeport-McMoRan the opportunity to provide comments regarding First Peoples Worldwide's INDIGENOUS RIGHTS RISK REPORT for the Extractive Industry (U.S.) PRELIMINARY FINDINGS dated October 28, 2013. Freeport-McMoRan maintains a cooperative engagement with First Peoples Worldwide and we look forward to further collaboration regarding the report's preliminary findings. Below we provide information regarding Freeport-McMoRan's longstanding commitment toward indigenous peoples, as well as an overview of relevant community and human rights programs.

Freeport-McMoRan has long been committed to the engagement and cultural respect of indigenous peoples. This commitment is defined in the Company's policies, embedded in our sustainable development management programs at the operating level and strengthened by our active participation in the International Council on Mining and Metals (ICMM). More discussion on Freeport-McMoRan's policies and commitments is presented below.

**Our Work with Indigenous Communities – PT Freeport Indonesia and Indigenous Papuans**

Our community development programs and investment 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 formal agreements, community engagement, cultural promotion and preservation projects, and training and development programs, we specifically seek to address the needs, cultures and customs of indigenous peoples near our operations.

*Land Rights and Recognition*

PT Freeport Indonesia (PTFI), in particular, has long supported programs to preserve and promote local indigenous Papuans and to maintain the rich and unique indigenous cultures alongside mineral development. The land being used by PTFI has been legally and formally released for use by the Company in accordance to the prevailing laws and regulations of the Government of Indonesia. PTFI has provided land rights compensation for the original inhabitants of the impacted areas through a number of formal agreements and programs with the local community. As part of its policies and practices to manage impacts, PTFI has an AMDAL (environmental impact assessment) approved by the Government of Indonesia regarding its management plan for environmental and social impacts. PTFI also has agreed to a number of Memoranda of Understanding (MoUs) with various community stakeholders that recognize the Company's impacts and make commitments to mitigate those impacts, and as a result has formed partnerships to enhance community welfare and local development.

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. Subsequent to that agreement, the Government of Indonesia formally recognized the right to compensation for *hak ulayat* land rights. 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. Such payments are made in the form of mutually agreed projects or programs benefiting the community. PTFI has paid recognition in several instances over the years through programs mutually agreed by consultation and guided by the laws of the Government of Indonesia.

Two multi-year recognition programs are currently ongoing in the highland and lowland areas of PTFI's operations. These two programs are providing infrastructure, social and economic development projects including housing, school buildings and student dormitories, medical clinics, places of worship, community buildings, roads, bridges, water tanks, electrical power, motorboats, sports facilities and feasibility studies for business opportunities. Both programs were the result of consultation with impacted communities and formalized in MoUs.

In addition, land rights trust funds for the Amungme and Kamoro tribes were created in 2001 to provide voluntary special recognition for the holders of the *hak ulayat*. The Company has contributed \$50.9 million to these funds through 2012 and will continue to make contributions of \$1 million annually. These agreements also were formalized via an MoU, and stemmed from the creation of the Forum MoU 2000, which is a stakeholder body focusing on socio-economic resources, human rights, land rights and environmental issues. The forum consists of representatives of the Amungme and Kamoro tribal councils and PTFI, and it engages with community leaders including YAHAMAK, a nonprofit human rights advocacy group for Papuan women and children, and the local government.



Kamoro Tribe

### *Community Development*

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 one percent of its annual revenue for the development of the Papuan Indigenous community. Total contributions to the Partnership Fund in 2012 totaled over \$39 million and approximately \$560 million since inception. The Amungme and Kamoro Community Development Organization (LPMMAK) is the local Papuan community organization that oversees disbursement of the program funds. LPMMAK 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, government leaders and church leaders. One PTFI representative serves on each board.

PTFI supports programs to preserve and promote local indigenous Papuan culture and to maintain the rich and unique indigenous cultures alongside development. In 2012 PTFI supported programs both within Papua and wider Indonesia promoting local Papuan tribal culture. Activities included sponsoring Kamoro Cultural Exhibitions promoting traditional dances, food and art. During the year, the best quality carvings are collected from Kamoro coastal villages and auctioned at the exhibitions. The program not

only provides some economic benefits to the local carvers, but also encourages the community to preserve their culture and keep the tradition of carving alive.

#### *Training and Development*

PTFI also has established regional technical training programs that prepare local community members for careers in mining, even though trainees have no obligation to join our Company. Our Nemangkawi Mining Institute in Papua, Indonesia continued its success in 2012, having placed over 2,100 apprentices into permanent positions to date at PTFI, 90 percent of whom are indigenous Papuans. Our policy is to prioritize the hiring of indigenous Papuans. At year-end 2012, 99 percent of PTFI employees were Indonesian and of that total, 34 percent were indigenous Papuans.



Karolina Rumaropen, an indigenous Papuan, is a Nemangkawi Mining Institute graduate. She began her career as an apprentice and is currently working as a haul truck operator with the Grasberg team at PTFI.

For more information on our work with indigenous peoples, we encourage readers to access the **community section of our sustainability web page**<sup>1</sup>.

#### **Human Rights Program – PT Freeport Indonesia**

Freeport-McMoRan has been a member of the Voluntary Principles on Security and Human Rights since it was first established in 2000. The Voluntary Principles have been an important cornerstone of our human rights and security program, providing guidance for our operations as well as a mechanism to promote engagement, awareness, and respect for human rights within our employee base as well as with our government and community partners. Our Human Rights Policy requires that the Voluntary Principles on Security and Human Rights serve as guidelines for our security programs, including interactions with government police and military personnel.

#### *Security Structure and Support to Host Government*

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.

PTFI also 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.

#### *Shootings in the PTFI Project Area*

In 2009, a series of shooting incidents targeting company personnel, contractors and host government security personnel occurred within the PTFI project area, primarily along our remote access road and east levee; these shooting incidents have continued on a sporadic basis with the last shooting incident occurring on April 8, 2013. From the beginning of 2009 through 2012, there have been a disturbing 15 fatalities and 57 injuries from shooting incidents within our project area.

The Company has responded 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.

#### *Human Rights Training and Promotion*

Due to the heightened security situation at PTFI, approximately 1,500 host country security personnel (police and military) were assigned to the PTFI project during 2012. In addition to the public security presence, PTFI employs approximately 750 unarmed security personnel and 325 unarmed private security contractors and transportation/logistics consultants. This increased security presence has been necessary to enhance protection of company employees, contractors and assets, especially considering the remote and challenging terrain found in the PTFI project area.

PTFI provides training on its human rights program and the Voluntary Principles to its employees, contractors and community members as well as police and military personnel. In 2012, PTFI 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.

For additional information on our human rights programs we invite you to access our **2012 Voluntary Principles on Security and Human Rights Report to the Plenary**<sup>2</sup> and the **security and human rights section of our sustainability web page**<sup>3</sup>.

#### **Policies and Commitments**

Freeport-McMoRan's **Principles of Business Conduct**<sup>4</sup>, the overarching policy document that describes how we work, explicitly addresses our commitment to respect cultures of indigenous peoples. Our **Human Rights Policy**<sup>5</sup> also commits us to conducting our worldwide operations in a manner consistent with the Universal Declaration of Human Rights (UDHR) and to recognize and respect human rights as they pertain to local communities around our areas of operation. Furthermore our **Community Policy**<sup>6</sup> requires we actively engage with our stakeholders and strive to maximize the positive impacts of our operations, and to continuous improvement to prevent, mitigate and ameliorate the environmental and social impacts of our operations. Our operating-level Sustainable Development Risk Register process assists in addressing environmental, social and economic challenges or opportunities based on our views

of the business and the views of stakeholders. Indigenous people's engagement, where geographically applicable, is a specific consideration in this process.

As a founding and active member of the International Council on Mining and Metals (ICMM), Freeport-McMoRan is implementing the **ICMM Sustainable Development Framework**<sup>7</sup>, which includes 10 Sustainable Development Principles and mandatory requirements of Position Statements. Principle Three within this framework requires that we "Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities." This principle includes the requirement to respect the culture and heritage of local communities, including indigenous peoples. Furthermore, we will abide by the **ICMM Indigenous Peoples and Mining Position Statement**<sup>8</sup> updated in May 2013. We undergo annual **external assurance**<sup>9</sup> of our implementation of these commitments as an ICMM member and site-level assurance has occurred at all major mining operations at least one time. We are continuing site-level external assurance at major operations at least once every three years.

We encourage interested parties to contact us at [sustainability@fmi.com](mailto:sustainability@fmi.com) with any questions regarding the information within or referenced.

- 1) <http://www.fcx.com/sd/community/index.htm>
- 2) [http://www.fcx.com/sd/pdfs/FCX\\_Volun\\_Princi\\_Plen\\_Report\\_2012\\_final.pdf](http://www.fcx.com/sd/pdfs/FCX_Volun_Princi_Plen_Report_2012_final.pdf)
- 3) <http://www.fcx.com/sd/security/index.htm>
- 4) [http://www.fcx.com/ir/corp%20gov/Principles\\_Business\\_Conduct-english.pdf](http://www.fcx.com/ir/corp%20gov/Principles_Business_Conduct-english.pdf)
- 5) [http://www.fcx.com/sd/pdfs/HumanRightsPolicyBoard%20\\_3Feb09.pdf](http://www.fcx.com/sd/pdfs/HumanRightsPolicyBoard%20_3Feb09.pdf)
- 6) [http://www.fcx.com/sd/pdfs/FCX%20CommunityPolicy\\_3Feb09.pdf](http://www.fcx.com/sd/pdfs/FCX%20CommunityPolicy_3Feb09.pdf)
- 7) <http://www.icmm.com/our-work/sustainable-development-framework>
- 8) <http://www.icmm.com/publications/icmm-position-statement-on-indigenous-peoples-and-mining>
- 9) <http://www.fcx.com/sd/external.htm>