

August 28, 2017

Freeport-McMoRan Inc. and its subsidiaries are dedicated to the recognition, respect and promotion of human rights wherever we do business. We respect the rights of all individuals, including employees, suppliers, community members and others who potentially may be impacted by our business. We do not tolerate human rights abuses.

All labor related actions taken at PT Freeport Indonesia (PTFI) have been carried out responsibly and strictly in accordance with Indonesian Labor Laws and our Collective Labor Agreement (CLA)/Industrial Relations Guidelines 2015- 2017 (IRG).

The level of business uncertainty for PTFI increased significantly in 2017 with the implementation of new regulations under the mining law, which affected the company's ability to export its products. As a result, the company was obliged to take necessary steps to adapt to a fundamentally different business environment by reducing open-pit production, slowing underground development, and consequently, reducing milling rates. In February, PTFI began implementation of a cost-efficiency program and new organizational structure to match the reduced production levels with a goal of ensuring the economic viability of the company.

The program began with the termination of a number of expatriate employees followed by a reduction of approximately 2,500 contractors based on the changes in business requirements and scope. Next, approximately 800 employees were furloughed to meet the reduced personnel requirements. These employees continued to maintain their employee status and receive their base salaries and benefits during furlough. Before implementing the furlough program, multiple efforts were made to engage and inform the unions of these necessary actions. The furlough element of the cost-efficiency program was a strategic business decision by the company. It is the right of an employer to release employees from their work obligation while continuing to pay base salaries and benefits in accordance with prevailing law. As such, there were no legitimate labor matters over which to negotiate as defined by the CLA/IRG.

As part of the cost-efficiency program, all employees were offered a voluntary separation package (VSP). Approximately 2,000 employees accepted a VSP, including approximately 500 of the 800 employees on furlough.

Beginning in April, before any strike notification or intention to strike, PTFI began experiencing a high level of unexcused absenteeism. In accordance with the CLA/IRG, once an employee has (5) five days of consecutive unexcused absences, they are issued a formal summons. The summons instructs the employee to return to a stated location by a specific date or to contact the company. If an employee fails to adhere to the summons, this process is repeated a second time, after which the employee is deemed to have voluntarily resigned for abandonment of work. Employees then receive a third formal letter notifying them of the termination of their employment.

On April 27 and 29, PTFI engaged with the unions at a forum facilitated by the central government (Industrial Relations Directorate General) and Vice Mayor of Mimika to discuss the actions addressing extended unexcused absences and to reiterate that all disciplinary action would be strictly in accordance with Indonesian Labor Law and the CLA/IRG.

Two of the three issues raised by the SPSI Union were resolved – no additional employees would be added to the furlough program (this had been in place since April 23) and those employees remaining on furlough would be reviewed for opportunities based on the new organizational structure. On the third demand of allowing workers who abandoned their work obligation before the strike to return to work without any consequences, the company agreed workers could return but reiterated its commitment to apply appropriate disciplinary action based on Indonesian Labor Law and the CLA/IRG. SPSI management rejected the company’s response.

PTFI campaigned extensively to encourage employees to return to work. On May 3, PTFI opened an Employee Return to Work Center to provide information and assistance and for employees with extended unexcused absences to confirm their eligibility to return to work. This was communicated via interoffice memo, SMS text, posters, flyers, community leaders, churches, radio and newspaper advertisements – each explaining the process for employees to return to work. PTFI also issued eight employee communications to highlight the importance of reporting to work as scheduled and specified the consequences of not doing so, in accordance with Indonesian Labor Law and CLA/IRG. Consequences communicated included the loss of medical benefits and access to PTFI medical facilities, loss of reimbursement for education expenses and loss of company housing – all of which are benefits of employment with PTFI. These consequences have no bearing on access to other available regional educational and health care institutions. This effort resulted in only 176 absent employees returning to work.

Under the provisions of Law 13/2003, Article 168 and the CLA/IRG, 3,271 former employees have resigned from the company. The consequences of their actions are unfortunate, but the results were in accordance with applicable laws and regulations, as well as the CLA/IRG. After their resignations, former employees received statutory final payments from PTFI. The company also encouraged former employees to apply for any additional benefits for which they may be eligible, and opened an information center to assist them with claims for eligible governmental assistance.

PTFI provides accommodation based on business needs at the site, with accommodation assigned based on work location. The mine operations are very isolated and workers are only authorized to live in company-provided housing as eligible working employees. While off shift, workers typically return to Timika or to their individual personal home locations. Therefore, when workers are furloughed or have resigned, they no longer require workplace-based accommodation. We also are cognizant of allowing the workers unaffected by furlough and whom have remained working, to work safely and in a secure environment without distraction.

After exchanging multiple written correspondence, PTFI management met with a delegation representing IndustriALL on August 12 regarding the status of certain former employees and the labor matters that PTFI and the unions have been discussing in recent months. While IndustriALL does not represent our employees, PTFI agreed to the meeting because it is committed to maintaining transparent and open dialogue on employment matters with our workers’ representatives and labor unions. This meeting was not a negotiation or debate, but an opportunity to share information. IndustriALL was able to voice their concerns and look for resolution of the current labor issues with their affiliate union. PTFI was able to provide contextual background and present the facts regarding the workforce situation at the company, specifically how the company strictly follows labor and employment laws and regulations, as well as adheres to the CLA/IRG.

PTFI continues to engage with governmental entities and other stakeholders about this matter, including meeting with the Indonesian Human Rights Commission (KOMNAS HAM) at PTFI operations in July. PTFI places great importance on maintaining an open dialogue on all employment matters and prioritizing our workers' welfare. PTFI continues to communicate with its workers' representatives and labor unions.

PTFI is grateful to the more than 25,000 workers, including 5,500 PTFI union members, who have continued to work safely and productively. Many of these workers have expressed resolute objections to allowing resigned employees with unacceptable behavior to return to work without sanctions.

The company will continue to provide stakeholders with information about important labor related matters.