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**ICCA Issues a Report on Freeport McMoRan' Mining Operations in Papua, Indonesia
Audit Report Finds Improvements in some areas but also identifies significant non-compliance issues pertaining to temporary (contract) workers.
ICCA also disagrees with Freeport's Response With Regard to Progress Achieved and Compliance Shortfalls.**

NEW YORK, December 3, 2007, 2007-- In a public report on corporate social responsibility that is unique in the mining industry, the New York-based International Center for Corporate Accountability (ICCA), a non-profit monitoring group, today released audit results of its second round of intensive examination of Freeport McMoRan's mining operations in Indonesia (PTFI). The ICCA reports were commissioned by Freeport [NYSE: FCX].

The audit process was designed by ICCA to evaluate Freeport's performance in the areas of human rights, hiring and employment opportunities for the Papuan people, and social and economic development of the Papuan community. Freeport's commitments to these areas are described in detail in the company's Guiding Principles of Operations in Indonesia and its Social, Employment and Human Rights Policy (SEHR), developed in close conjunction with ICCA.

After granting ICCA permission to observe its Indonesian operations for a historic first audit in 2004, the follow-up visit, which was aimed to track Freeport's response to the first-round recommendations, took place in August 2006. A full-scale Phase II Audit was conducted in November and December 2006. The primary focus of the Phase II Audit was twofold:

- a) to review the operations of privatized companies that provide dedicated services to PTFI in such areas as catering, housing and hospitality services, mining equipment, drilling, port services, road maintenance, truck and bus maintenance and a labor supplier owned and operated by Papuans; and,
- b) to examine the adequacy of public health and medical services provided to the Papuan community with financial and technical support by PTFI.

ICCA has completed its Phase I follow-up and Phase II audits. ICCA found that PTFI has done much to improve its corporate social performance and to aid the development of the local communities. Equally, ICCA found that there are areas in which PTFI has work to do to fulfill its commitment to workers—Papuan and non-Papuan Indonesians—and to PTFI's SEHR and to Indonesian labor law. ICCA has spent much time and money to confirm its findings with regard Indonesian labor law and practice. ICCA stands by its findings in this matter.

Freeport has responded to the ICCA report and the response is included, unedited, with the ICCA audit report. In reviewing Freeport's response, ICCA believes that Freeport has exaggerated its achievements and glossed over its lack of implementation in other areas, most notably in the case of hiring and payment of wages to contract (temporary) workers. Freeport has challenged some of ICCA's findings as to fact and legal interpretation of the conditions applicable to this issue.

ICCA unequivocally stands behind its report and its findings of conduct which violates both Freeport's SEHR policies as well as Indonesian employment laws. ICCA also firmly believes that its recommendations for corrective action are both reasonable and fair to all parties involved. ICCA believes that Freeport has responded with vague statements of making continuous efforts toward improvement, which are not subject to further investigation and compliance verification. ICCA has neither the resources nor the intent to engage in long-drawn debate with Freeport. Instead it has provided both reports in the court of public opinion which would ultimately render its judgment. ICCA has informed Freeport that the submission of this audit would end its relationship with Freeport

Phase I Follow-up Audit Findings

The audit team found that in general PTFI responded rapidly and effectively to most of the recommendations from the Phase I Audit. This included enhanced training programs for all employees in prevention of human rights violations, the end of the practice of PTFI's security personnel driving vehicles for the Indonesian police and military, training for Papuans in the PTFI workforce and reforms within the Education Bureau of the Freeport-financed community outreach program. Freeport's commitment to Papuan employment through positive hiring practices, on-the-job training and special remedial education was found to be strong. However, ICCA urged Freeport to remain committed to the advancement of Papuans who already work for Freeport and to assure that non-staff Papuans have opportunity to become staff employees and managers.

The Phase I Follow-up Audit also revealed that there are still a substantial number of temporary contract workers that continue to work for Freeport doing work that is the same or similar to work done by Freeport employees for compensation that is below that paid to Freeport employees. In addition, although Freeport has substantially lowered the number of temporary contract workers who have been employed for more than three years (the maximum length of temporary contract labor permitted by

Indonesian labor law), at the time of the follow-up audit there were still 300 workers in that category. Freeport has established programs to evaluate the jobs done by temporary contract workers and to determine which of the contract workers were qualified to join the Freeport workforce. However, ICCA has recommended that Freeport re-double its efforts to end the use of temporary workers except where the practice is specifically permitted by Indonesian law.

Phase II Audit Findings

ICCA evaluated the medical programs for the benefit of the local Papuan communities that are supported financially and with medical personnel and expertise by Freeport. Freeport has no contractual responsibility to provide medical care to local communities. Nevertheless, Freeport has provided more than \$100 million for the medical care of the Papuan people over the past ten years. ICCA found that in health care programs (centered on two hospitals) and the public health initiatives were well designed, staffed by committed medical professionals and competently run. ICCA recommends, however, that resources be moved from curative care to primary and preventative public health education and wellness initiatives. ICCA believes that such a change of focus will benefit the local communities and will allow the proceeds of the Freeport Partnership Fund to be used more effectively.

The second area that ICCA audited was the companies that provide services to Freeport. Freeport calls these firms 'privatized companies.' ICCA found that these companies were less knowledgeable about and committed to Freeport's *Social, Employment and Human Rights Policy* than were Freeport's management and employees. This was apparent in responses of the privatized companies' management and employees' to questions about human rights training, human rights reporting, Papuan employment and community social and economic development. ICCA has urged Freeport to take positive steps to support privatized companies in becoming full supporters of Freeport's *Social, Employment and Human Rights Policy*.

ICCA also found that the privatized companies, in much the same way as Freeport, were using temporary contract labor workers for periods in excess of three years, the maximum period permitted by Indonesian labor law. In addition, some temporary contract labor workers reported that they did the same or similar work to regular privatized company employees but at a reduced rate of pay. ICCA believes this is also contrary to Indonesian labor law. and Freeport's *Social, Employment and Human Rights Policy*. ICCA has made recommendations to the privatized companies about ways to rectify this labor situation.

About ICCA

Directed by Dr. S. Prakash Sethi, the International Center for Corporate Accountability (ICCA) is a not-for-profit, independently incorporated organization comprised of a council of experts in labor issues worldwide. ICCA encourages and assists multinational corporations in creating, implementing and arranging independent monitoring of codes

of conduct. As an academically-affiliated organization, associated with the Zicklin School of Business of Baruch College-The City University of New York, ICCA also undertakes independent field research on aspects of corporate governance and accountability that normally fall outside the purview of corporate boards of directors, and engages in dialogue with a wide range of stakeholders.

About Freeport

Freeport (FCX-NYSE) is a publicly owned company, headquartered in Phoenix, United States. It is an integrated mining company and its affiliate, P.T. Freeport Indonesia (PT-FI). It operates the world's largest gold mine and one of the world's largest copper mines in Papua (Irian Jaya), Indonesia. PT-FI is the largest single taxpayer in Indonesia.

For Further Information

A complete copy of the ICCA report and Freeport's response can be viewed on ICCA's Web site at www.ICCA-corporateaccountability.org.