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Transparent Extractive Industry Management

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MINERÍA :
**COMPETITIVIDAD
Y SOSTENIBILIDAD**

18 AL 22 DE SETIEMBRE DE 2017
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About Cerro Verde

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Location:

Uchumayo and Yarabamba, Arequipa,
Perú.

Distance from Arequipa (by car):

35 minutes.

Distance from Yarabamba (by car):

1 hour

Altitude:

2700 meters above sea level [8900 ft]



Shareholders



Expansion of operations

- Included the construction of the world largest copper concentrate complex.
- **US\$ 5,300 million** of investment for the construction of the concentrator plant and related projects to our processes.
- Doubles copper and molybdenum concentrate production.
- Adds 278 thousand MT of copper per year.
- Adds 6 thousand MT of molybdenum per year.
- Extends mine life up to 2045

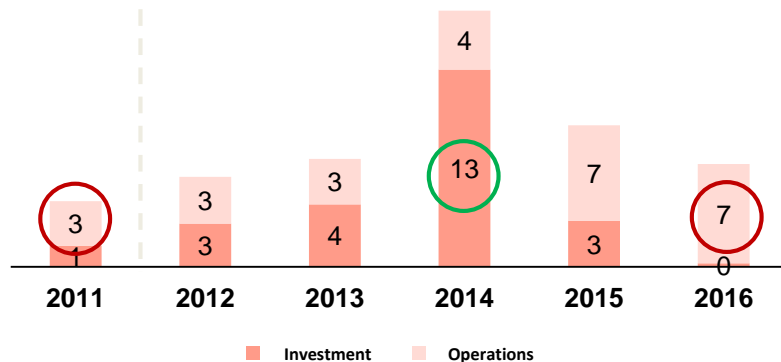


SMCV generates employment through two channels: Investment execution and operation.

DIRECT EMPLOYMENT OF SMCV

Thousand workers 2011-2016

Beginning of
the expansion



- With the expansion, the number of workers in payroll was doubled.
- The expansion increased the hired of temporary contractors (2012-2015)

Workers in 2016



7,012
Direct jobs












4,165 payroll workers



2,847 contractors

Cerro Verde impact on the local and national economy 2005- 2016

	1st	Largest copper producer at the national level in 2016.	SMCV's share on copper extraction accounted for 22% of total production at national level.
	2nd	country with largest copper production at the international level in 2016.	In 2016, Peru was the second largest copper producer worldwide, only after Chile.
	119	thousand of jobs generated by SMCV in 2016, of which 7,012 were generated directly.	These jobs represent 18% of Arequipa's employed labor force, and 1% of the employed labor force nationally.
	2%	impact on Peru's GDP in 2016.	In 2016, Cerro Verde's operations and investments generated an impact of US\$4,094 million.
	23%	impact on Arequipa's GDP in 2016.	In 2016, SMCV's operations and investments generated an impact of US\$2,214 million.
	US\$6,599	million in accumulated investment by SMCV for the period 2005-2016.	SMCV invested US\$5,300 million on the plant expansion, including US\$500 million in the water treatment plant.
	US\$3,312	million paid in taxes by SMCV in the period 2005-2016.	The amount paid in 2016 (US\$180 million) represented 1% of Peru's tax collection and 28% of Arequipa's.
	US\$1,421	million in accumulated contribution to Arequipa taxes for the period 2005-2016.	The contribution on taxes for Arequipa in 2016 was of US\$70 million. In addition, US\$61 million were paid in royalties since 2014.
	US\$184	million of voluntary contribution in the 2007-2016 period.	This includes US\$135 million channeled through Cerro Verde Association and allocated on infrastructure, education, and healthcare projects.

Source : Apoyo Consultoria

Citizen Participation

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Objectives

- Comply with the standard that regulates Citizen Participation in the Peruvian Mining Sector through Supreme Decree N° 028-2008-EM and Ministerial Resolution N° 304-2008-MEM/DM.
- Comply with the voluntary principles assumed by SMCV-FCX of the World Bank-IFC, ICMM, Ecuador Principles and National Society of Mining, Petrol and Energy (SNMPE).
- Develop strategies that allow greater and more effective citizen participation and transparency in the preparation, evaluation and operation of the Environmental and Social Impact Assessment (ESIA) of Cerro Verde Production Unit Expansion (CVPUE)

Instruments For CVPUE

	Place	Date	Number of participants	Number of questions solved
First Round of participatory workshops	YARABAMBA	14/12/2010	162	66
	UCHUMAYO	15/12/2010	130	
	CERRO JULI	16/12/2010	92	
			384	
Second Round of participatory workshops	YARABAMBA	24/05/2011	114	95
	UCHUMAYO	25/05/2011	251	
	CERRO JULI	26/05/2011	130	
			495	
Third Round of participatory workshops	YARABAMBA	25/01/2012	189	164
	UCHUMAYO	26/01/2012	811	
	CERRO JULI	27/07/2012	298	
			1298	
Public Hearing	YARABAMBA	15/02/2012	246	256
	UCHUMAYO	16/02/2012	1185	
	CERRO JULI	17/02/2012	1326	
			2757	
Technical workshop at Universidad Católica Santa María - Arequipa	Arequipa city	08/03/2012	185	
Fourth Round of participatory workshops	YARABAMBA	09/08/2012	208	
	UCHUMAYO	08/08/2012	752	
	UCSM	10/08/2012	1311	
			2271	
Total Number of Participants			7390	



Instruments

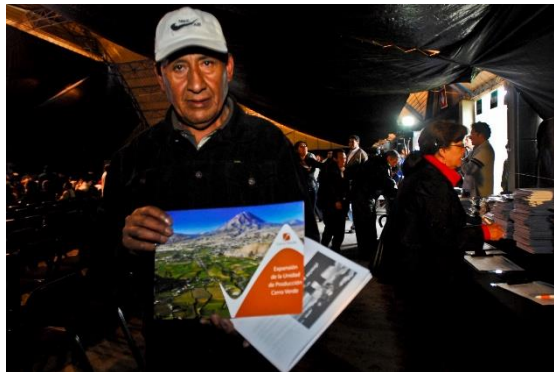
Permanent Information Offices in Arequipa, Yababamba and Uchumayo



11,188 people registered their visit from 2008 to date.

Instruments

Informative material



17,000 printed units approximately distributed in mechanisms of citizen participation.

Instruments

Informational and explanatory videos



We have information videos of Processes, Social Responsibility, Environment and one specifically explaining Cerro Verde Production Unit Expansion.

Instruments

Submittal of the Environmental and Social Impact Assessment (ESIA) of Cerro Verde P. U. Expansion (physical and digital file) to several local and national public institutions and to the MINEM website.



Ministry of Energy and Mines, Regional Government of Arequipa, Regional Management of Energy and Mines, Provincial Municipalities of Arequipa and Islay; District Municipalities of Uchumayo, Yarabamba, Tiabaya, Islay and La Joya.



Instruments

Information posters



200 A2-size posters posted throughout the Citizen Participation process in institutions located in the Areas of Direct and Indirect Influence.

Instruments

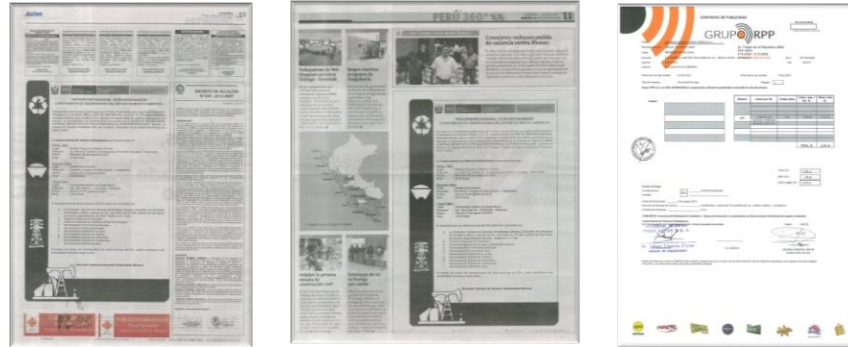
Participatory Environmental Monitoring



18 Participatory Environmental Monitoring conducted since 2008 to date.

Instruments

Radio and newspaper announcements



117 radio announcements were broadcasted with a total of 500 minutes throughout the Citizen Participation Process for CVPUE.

Instruments

- Visits to operations
 - 13,181 people visited the operations in the framework of the ESIA, in a total of 361 visits of Stakeholders and Institutions since 2008 to date.
- We have suggestion boxes in the Permanent Information Offices, and to date we have received 103 comments, observations or suggestions.
- Invitation letters
 - 326 invitation letters for information workshops and work meetings were sent to institutions located in the Areas of Direct and Indirect Influence.

Hours spent in this communication tools (social team)

12 informative workshops & 3 public hearings	7,205 participants	517 hours
Technical Workshop at Universidad Catolica Santa María	185 participants	18 hours
Permanent Information Offices	11,188 visits	6,240 hours
Informational Material	17,000 copies	240 hours
Informational and Explanatory Videos	3 videos	720 hours
ESIA Submittal (Also executive summaries)	14 copies	24 hours
Radio Announcements	117 announcements	8 hours
Informational Posters	200 posters	20 hours
Invitation Letters to workshops/ public hearings	326 letters	80 hours
Interviews to leaders at DIA and IIA	140 interviews	280 hours
Surveys at DIA's households	2,206 households	6,618 hours
Participatory Environmental Monitoring (air/water)	18 monitoring	600 hours
Visit to current operations	13,181 people	2,527 hours
Suggestion boxes	103 suggestions	25 hours
Presentation to Stakeholders	223 participants	120 hours
TOTAL hours		18,037 hours

Presentation to Stakeholders (face to face meetings)

Institutions	Date	N° of Participants
• Ombudsmen	09-Ene-2012	8
• Uchumayo District Municipality	09-Ene-2012	15
• Tiabaya District Municipality	10-Ene-2012	7
• Cono Norte Defense Front	11-Ene-2012	4
• Regional Management of Energy & Mines	12-Ene-2012	4
• Cerro Verde Neighborhood Councils	12-Ene-2012	23
• Congata Neighborhood Councils	12-Ene-2012	28
• Pueblo Tradicional de Uchumayo Neighborhood Councils	12-Ene-2012	9
• Islay District Municipality	13-Ene-2012	12
• Yarabamba District Municipality	16-Ene-2012	4
• Environmental Enforcement Agency	17-Ene-2012	5
• Regional Government of Arequipa	18-Ene-2012	46
• Professional Association of Engineers of Perú	18-Ene-2012	19
• Regional Council of Deans CONREDE	19-Ene-2012	26
• La Joya District Municipality, La Joya Nueva and Antigua Irrigation Committee	23-Ene-2012	13
TOTAL		223



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Principles, Communities

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As a subsidiary of Freeport McMoRan Inc., Cerro Verde is aligned to the International Council of Mining and Metals (ICMM) principles.



Community –ICMM Principles

Principle 9 : Contribute to the social, economic and institutional development in areas of operations.

COMMUNITY RELATIONS PLAN

- Communications program
- Community Relations program
- Workers Codes of Conduct

SOCIAL CONCERTATION PROGRAM

- Social impact mitigation program
- Social Contingency Program

COMMUNITY DEVELOPMENT PLAN

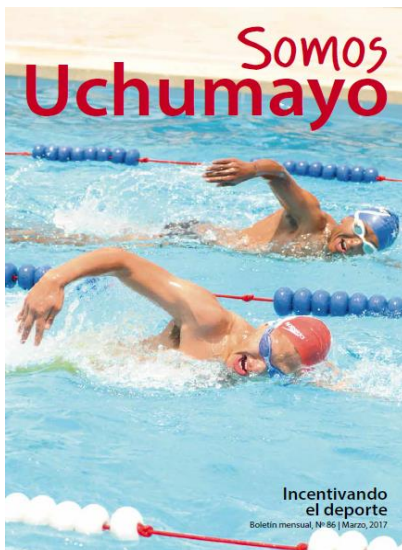
- Health, nutrition, education and public services.
- Agricultural, fishing and tourist development.
- Culture and recreation.
- Technical job training.
- Democratic Governance
- Citizen security
- Risks prevention
- Development of SMEs
- Environmental management

Social Management Plan

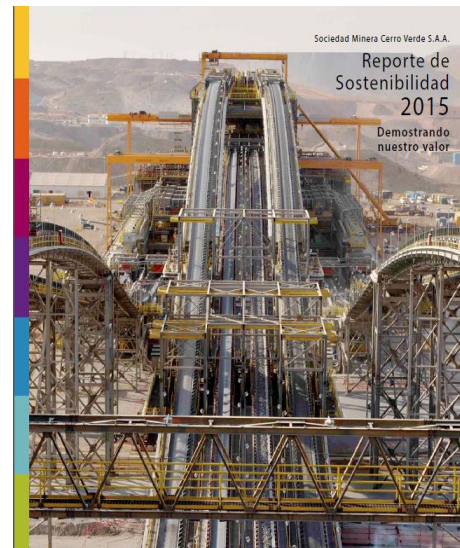
Community – ICMM Principles

Principle 10 : Implement with the stakeholders, effective, transparent and independent information mechanisms, communication and engagement

Community
Newsletters
where we
report about
our Social
Responsibility
projects



Sustainability
Reports



Extractive Industries Transparency Initiative (EITI)

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What is EITI?

- It is a global standard for the good governance of oil, gas and mineral resources.
- It is a global strategic alliance that brings together governments, extractive companies and civil society groups to develop and implement transparency criteria for payments from the extractive industries.
- It started in 2003 during a conference in London where the "Twelve Principles for Transparency of EITI" were presented; including the importance of extractive industries in a country's economy and the sustainable use of its resources. At present, the head office is in Oslo, Norway. Thirteen years after its creation the EITI initiative has 51 implementing countries.

History

- A group of countries, companies and civil society met in London in 2003 and endorsed 12 principles, setting out the general commitments of all the stakeholders, with the aim of making the revenue obtained from the extractive industries transparent, to reduce corruption and to transform economies, to reduce poverty and to improve the standard of living of the populations of countries with extractive resources.

Peru as part of EITI

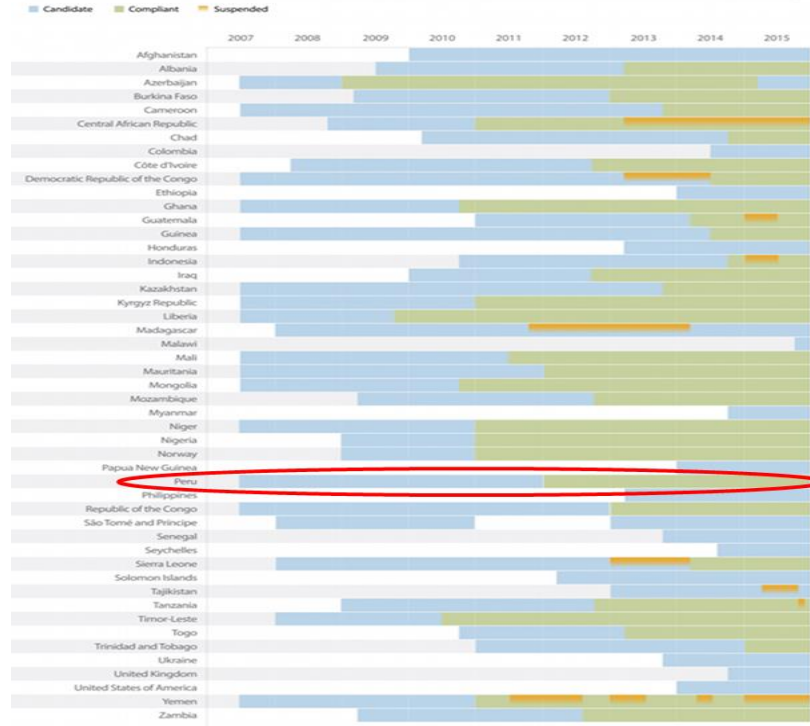
- Peru has been a member of the EITI since 2007 and is currently at a satisfactory level, which means that the significant aspects of each requirement have been implemented and the objectives are being met. This year Peru is submitting its tenth report.
- Two regions have already submitted their EITI reports for the period 2012-2013.
- In 2017, the Arequipa Region was added and it will submit a report for the 2014-2015-2016 period in 2018. More regions are expected to be added in the following years.



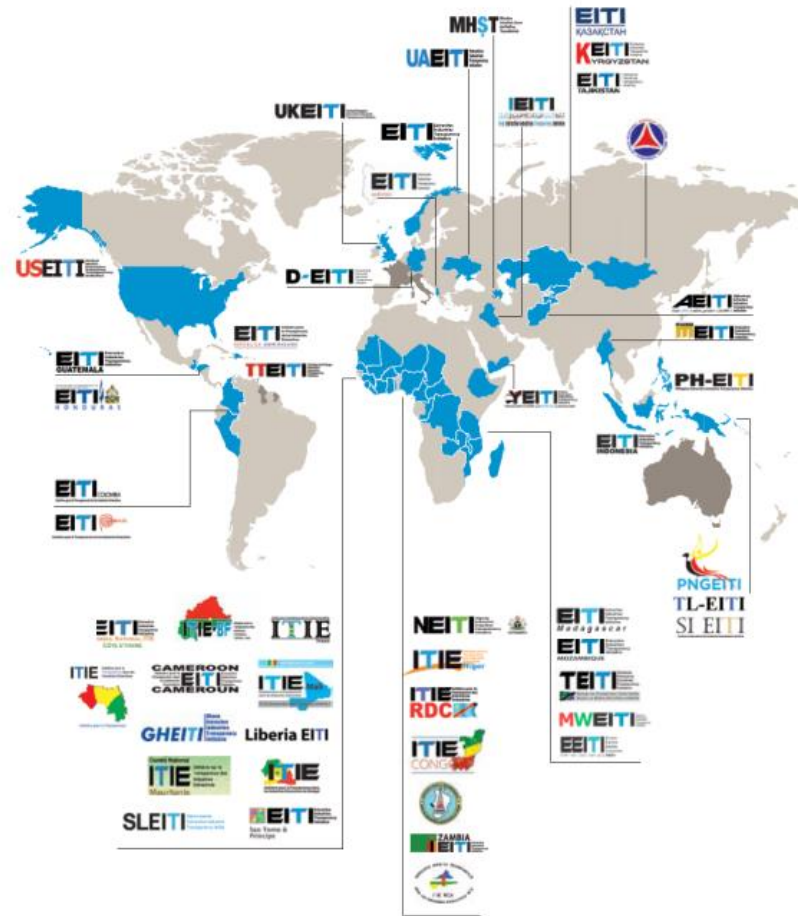
EITI in the world

EITI country status 2007-2015

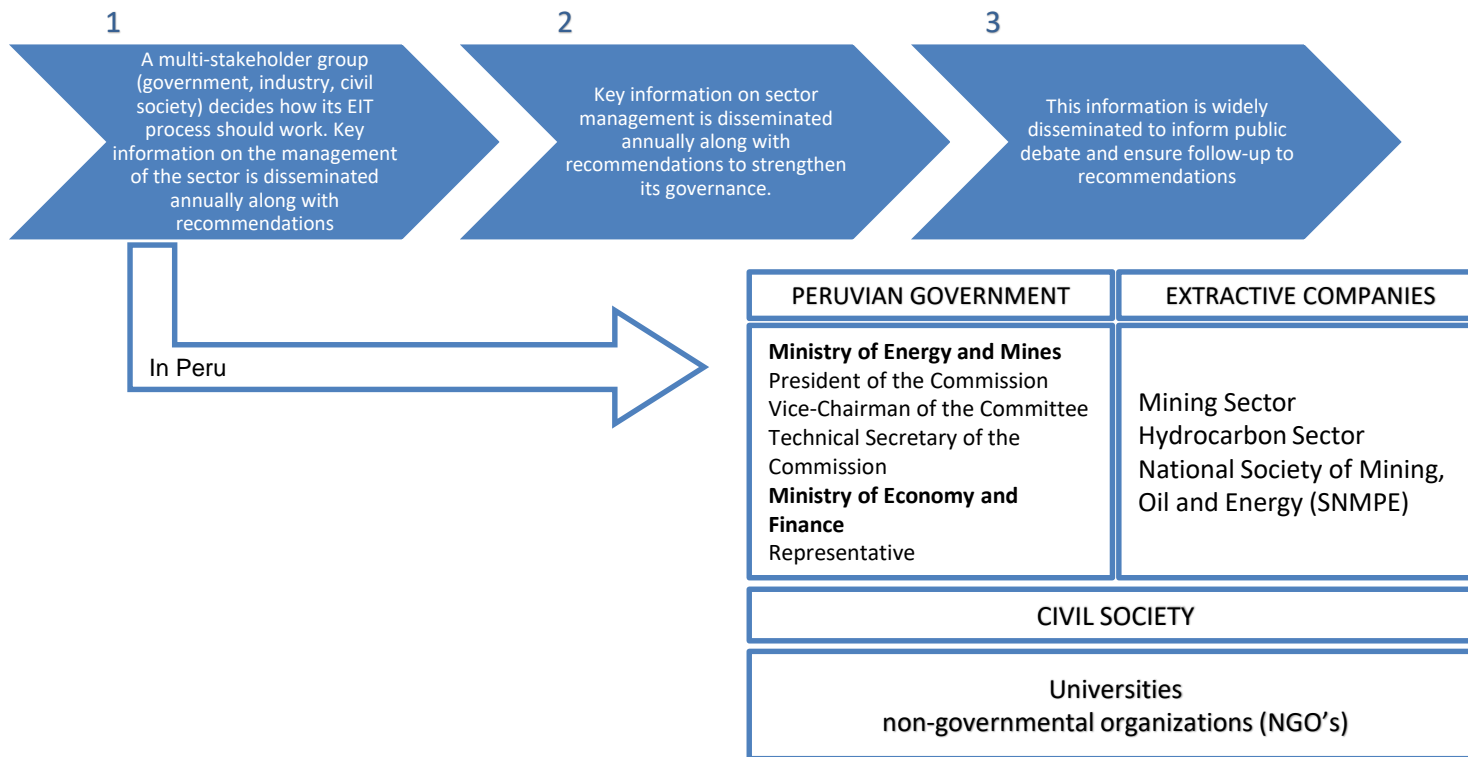
31 countries are EITI compliant*



* with the 2011 Rules



Process to be part of EITI



Requirements to be part of EITI

- Requirements for a country to be part or apply to EITI
- Commitment of the Government
- Commitment of Companies
- Commitment of Civil Society
- Establish work groups
- Definition of the EITI work plan

Good practices with local and national authorities and social leaders

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Social Management Plan: We have invested in our communities from 2005 to 2016:

Social Management Plan 2005-2016													
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	US\$
Education	21,226	375,117	59,316	160,200	148,348	124,426	236,913	137,392	207,073	369,442	493,923	292,195	2,625,572
Health and Safety	67,224	22,434	106,293	133,872	82,374	54,143	96,831	128,602	209,314	520,250	2,983,551	852,058	5,256,946
Environment	22,860	60,020	87,759	116,307	98,539	51,185	131,223	121,323	103,634	197,310	232,128	149,311	1,371,599
Art and Culture	124,361	251,377	73,270	143,863	132,936	159,281	202,652	59,343	456,458	503,370	2,382,047	1,345,144	5,834,102
Sustainable Development	757,470	10,291,725	1,587,796	1,825,459	778,981	582,846	459,725	821,630	609,737	771,947	530,422	6,201,840	25,219,579
Donations	22,738	12,586	121,772	61,609	227,810	779,566	1,390,733	161,137	718,417	681,550	739,165	74,554	4,991,638
Impacts Mitigacion	-	-	-	-	-	-	-	-	-	1,202,858	1,980,286	560,703	3,743,847
TOTAL	1,017,884.72	11,015,265.00	2,038,213.00	2,443,318.00	1,470,996.63	1,753,457.47	2,520,089.03	1,431,440.13	2,306,646.00	4,248,740.89	9,343,537.00	9,477,821.17	49,043,283

Cerro Verde Association : We manage funds of the Mining Program of Solidarity with the People through sustainable projects.

<u>Projects Developed to April 2017</u>		
CONCEPT	SOLES	US\$
Water and Sewage	122,236,258	37,611,156
Culture	1,836,365	565,035
Development and Strengthening Capacities	54,307,044	16,709,860
Education	37,144,902	11,429,201
Infraestructure	151,666,880	46,666,732
Nutrition and Alimentation	14,843,168	4,567,129
Projects and Productive Chains	29,948,638	9,214,966
Health	22,616,784	6,959,010
Others	4,460,663	1,372,512
TOTAL	439,060,702	135,095,601

2017 support to the Regional Government of Arequipa : through social projects for the benefit of region.

CONCEPT	SOLES	US\$
EDUCATION	S/. 5,465,000.00	\$1,656,060.61
HEALTH	S/. 9,847,185.04	\$2,983,995.47
INFRAESTRUCTURE	S/. 8,576,721.52	\$2,599,006.52
TOTAL BUDGET	S/. 23,888,906.56	\$7,239,062.59

Virtuous Circle of Water: support in sustainable projects of water infrastructure benefiting people and agriculture.

Dams:

Pillones



US\$ 23 million
Co-financed with EGASA.
80 mlls. m3 of water. Inaugurated in 2006.

Bamputañe



US\$ 11.4 million
Built with EGASA.
40 mlls. m3 of water. Inaugurated in 2010

Virtuous Circle of Water: support in sustainable projects of water infrastructure benefiting people and agriculture

Water Treatment Plant – La Tomilla II



US\$ 120 million in the plant and
US\$ 30 in distribution lines.
Currently benefits 300,000 people and
will benefit 750,000 in the future.
Inaugurated in 2012

La Enlozada Waste Water Treatment Plant



US\$ 500 million
Inaugurated in 2015
Operating since 2016

Benefits of the Waste Water Treatment Plant

As Arequipa is a city with water shortage and with a river without treatment, Cerro Verde saw the need to build a Wastewater Collection System to prevent the Chili River from continuing to receive drains from the city. Our mining company decided to invest 500 million dollars in a plant whose benefits were:

- Reduce high rates of gastrointestinal diseases in the population.
- Clean water for our farmers' crops and obtain better quality produce, facilitating agricultural exports.
- Recover the living conditions for the flora and fauna of the Chili River.
- Obtain an annual average of 1m³/s of treated wastewater for Cerro Verde Operations.
- Improve conditions for tourism, recovering the river banks for commercial activities, such as restaurants, hotels and recreational areas.

Award for Corporate Excellence (ACE) in Transparent Operations

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The Secretary of State has awarded the ACE each year since 1999, in order to recognize U.S. companies that uphold high standards of business conduct and have worked responsibly in the countries in which they operate. This time Freeport-McMoRan with our La Enlozada Wastewater Treatment Plant, obtained this recognition thanks to the commitment and teamwork in Cerro Verde before, during and after the project.

The 2016 ACE was awarded to six companies in the following four categories:

1. Inclusive Hiring Practices: **General Electric - Saudi Arabia and McDonald's - Germany.**
2. Transparent Operations: **Sociedad Minera Cerro Verde S.A.A - Peru.**
3. Sustainable Oceans Management: **Bureo, Inc. - Chile and Interface Inc. - Philippines.**
4. Small or Medium Enterprises: **Andela in Lagos - Nigeria.**





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