



PT FREEPORT INDONESIA

Affiliate of Freeport-McMoRan

SOCIAL INVESTMENT REPORT



PTFI Social Investment Report
2016

A member of
ICMM
International Council
on Mining & Metals



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To Our Stakeholders,

PT Freeport Indonesia (PTFI) is committed to providing benefits to our host communities through a targeted social investment program. We continue to uphold this commitment amidst increasing operational challenges and expectations of our stakeholders. PTFI strives to conduct meaningful, proactive and respectful engagement with our stakeholders in order to achieve mutual outcomes that address both Company and our community's needs.

In managing PTFI's social investment portfolio, several divisions across the company including Community Affairs, Special Projects and Human Resources work collaboratively with our partners to ensure program activities are efficient, transparent and accountable. A significant portion of our social investment funding is provided through the PTFI Partnership Fund, which is managed by the Amungme and Kamoro Community Development Organization (LPMK). In addition, PTFI provides financial support in the form of a Trust Fund, managed by our customary institutions.

This report highlights the key achievements and challenges of our social investment program for the period January 1 to December 31 2016. This report is one of measures in achieving transparency and accountability in the use of resources in social investment programs. We trust that this report will help our stakeholders to monitor our performance over time and be a reference for other PTFI publications including PTFI's Annual Report, Mine Tour Companion, company website and other publications. We hope that this report encourages positive discussion and feedback from all stakeholders towards PTFI's efforts to help build healthy and dynamic communities where we operate.

On behalf of PTFI management, I would like to thank our dedicated employees who work with our communities through the PTFI social investment program. We value their continued hard work and efforts to achieve positive outcomes for the company and communities.

Warmest regards,



Sonny Prasetyo
*Executive Vice President
of Sustainable Development*





PT Freeport Indonesia (PTFI) is committed to providing benefits to communities located within our area of operations. We provide benefits through various social investment programs which we run with our partners. This social investment is a sustainable commitment so that our operations continues along with the development of communities within our area of operations. This commitment continues to be maintained in the midst of various challenges we face such as: export restriction policies, debate on smelter construction and contract renegotiation. Our commitment is reflected for the achievements for 2016 as highlighted below:

Community Health Program. PTFI invests in health through medical services at Mitra Masyarakat Hospital (RSMM) and Waa Banti Hospital (RSWB) as well as several health clinics that we have built. Both hospitals provide health care for more than 154,000 patient visits. Our health clinics also provide health care for over 64,000 patient visits. Under the malaria control program, we conducted regular malaria examinations for communities and indoor residual spraying to over 30,400 houses as well as distributed over 11,000 mosquito nets to 5,600 houses. More than 2,160 people attended Voluntary Counseling and Inspection as part of HIV/AIDS control. The Amungme and Kamoro Community Development Organization (LPMak) which manages the PTFI Partnership Fund has particularly improved accessibility of public health services through provision of Floating Clinic for communities in coastal areas and Flying Doctor services for those in the highlands of Mimika. This program provides benefits to around 6,200 people. PTFI continues to align the company's programs with the government and other stakeholders to achieve sustainability of these health programs.

Community Education Program. LPMak provided scholarships for 645 Papuan students (52% from Amungme, 24% Kamoro, and 24% from other tribes in Papua). The students pursue their education from junior high schools to university in various educational institutions in Papua, Java, Sulawesi and overseas. In 2016, LPMak did not recruit new scholarship participants as a result of a cost efficiency measure. The dormitories built by LPMak are managed by partner institutions and continue to accommodate 756 students. We also continue to build partnerships with the government by assigning teachers to schools in the highlands of Mimika. The company is also supporting Papuan young generation ready for workforce in mining through the Nemangkawi Mining Institute. Since the beginning of the program, 3,907 students have participated in this program where over 2,900 students have been hired as employees at PTFI and its contractor companies. We also manage the Tomawin Dormitory for the children of the Amungme Tribe in the highlands. In 2016, as many as 57 students lived and studied in the dormitories.

Community Economic Program. We are committed to promoting community self-sufficiency through various economic programs based on local wisdom and potential. We partner with Jayasakti Mandiri Foundation to implement animal husbandry programs. These programs has created employment for 444 people including local farmers. The produce from this farm supplies 20% of chicken meat demand and 40% of egg demand in Mimika Regency. The animal husbandry facilities have also become a training center for students, breeders, and government agencies in Mimika Regency. In 2016, our Micro Small and Medium Enterprise program provided business assistance to 162 Papuan entrepreneurs in which 83% of them come from the indigenous Seven Tribes of Papua. The assisted entrepreneurs created jobs for more than 1,199 people in December 2016 and generated revenue for over IDR 203.6 billion. Since the beginning of the program in 2004, the total revolving fund that has been disbursed to the assisted entrepreneurs is IDR 49.5 billion. This year, we signed a cooperation agreement with Bank Rakyat Indonesia (BRI) in channeling revolving funds as part of the process of assisting entrepreneurs to be eligible for obtaining business credit facilities from banks.

Culture Program. We participate in the preservation and development of indigenous cultures around our area of operations. In 2016, we worked with the Maramowe Weaiku Kamorowe Foundation to develop, preserve and promote the Kamoro art and culture. The foundation also provides assistance to carvers and marketing of carvings and woven products. As many as 692 Kamoro carvings produced by the indigenous Kamoro carvers in Mimika Regency were sold with total revenues of IDR 472.4 million. The entire proceeds were given to the carvers.

Community Relations Program. We build and maintain our relationships with the communities to ensure that our operations and social investments are conducted in accordance with local values and can reduce the social risks to our operations. Levee extension that is required to support our operation for better management of tailings impacts traditional transportation access and livelihood of local communities. We continue to create alternative transportation routes and provide water ways transportation as one of the mitigation measures of the extension project. In 2016, we also managed 66 grievances from the community where 44 of them were successfully resolved in accordance with established procedures. We are increasing our cooperation with the local government and agencies to resolve grievances on customary land rights.

PTFI partners with local organizations to carry out social investment activities and to maintain relationships with the communities around our area of operations. In 2016, the Amungme and Kamoro Community Development Organization (LPMak) managed USD 32.9 million (40% of total PTFI Social Investment) for the development of Papuan communities around our area of operations. Since 1996, we have contributed over USD 690 million to the Partnership Fund. We also continue partnerships with the Amungme Tribal Council (Lemasa), the Kamoro Tribal Council (Lemasko), and the Human Rights and Anti-Violence Foundation (Yahamak) to resolve social issues associated with the company.

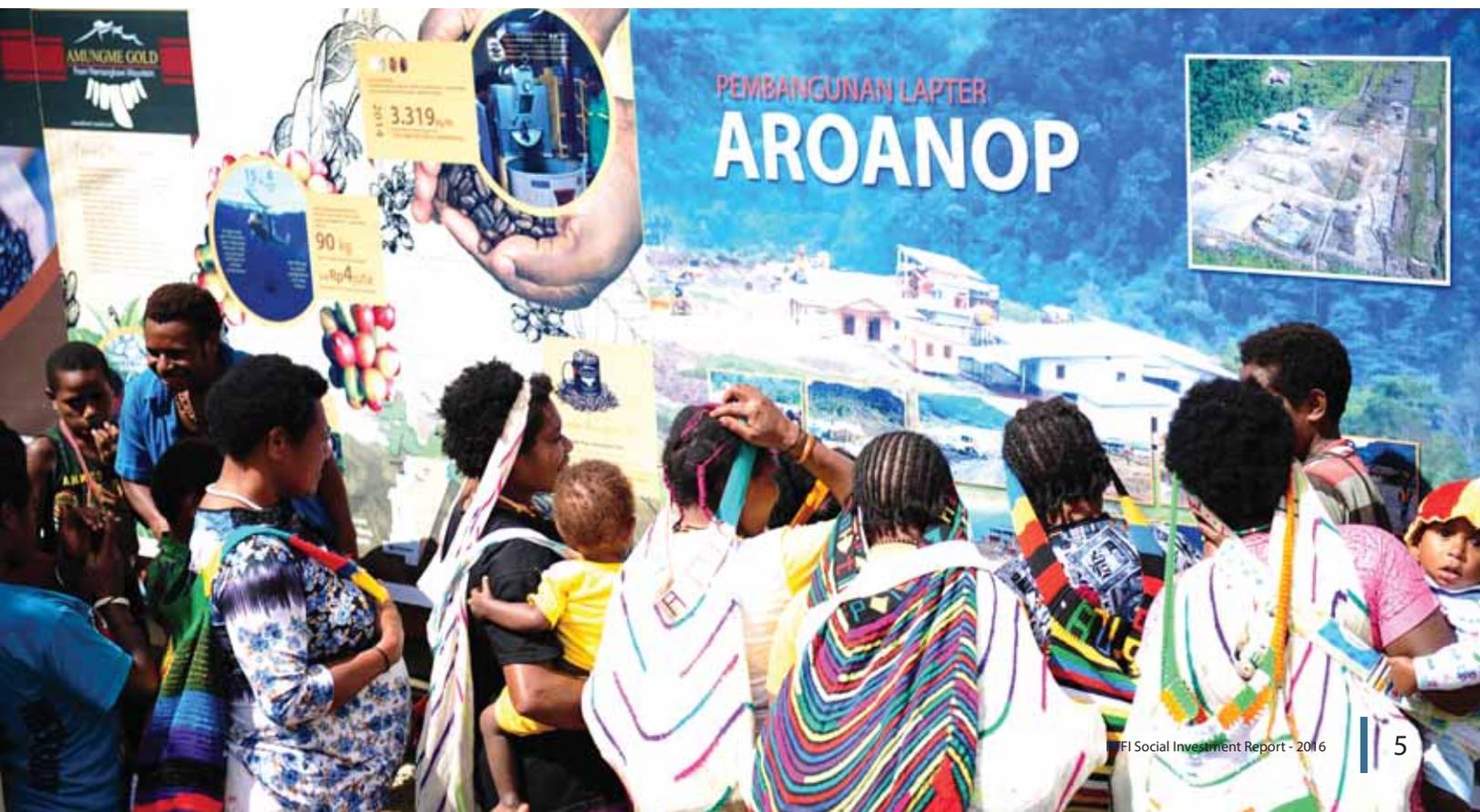


Community Infrastructure Program. In 2016, we invested USD 7 million to complete infrastructure project commitments in Three Amungme Villages in the highlands. Some of these projects include Aroanop Airstrip, the 120 KW Banti Micro Hydro facility, Banti and Opitawak Bridges. We also partnered with the local government and community leaders to conduct surveys and develop further delivery and maintenance plans for these assets. We also completed the construction of a USD 33 million Sports Complex in Timika in support of the Mimika Regency Government in the 2020 National Sports Week (*PON: Pekan Olahraga Nasional*) in Papua. In addition, we have also invested USD 5.4 million in the construction of clean water facilities and its distribution to Timika city. The facilities completed in 2016 include a water treatment plant, one reservoir, five of the seven bore wells, and the supporting office buildings.

Human Rights Program. We are committed to upholding the enforcement of human rights values within our area of operation. In 2016, PTFI Human Rights Office received 32 reports of alleged human rights abuses. There were no reports of such allegations related to security issues or involving security forces. Of the total cases, 16 cases were domestic issues that are not directly related to PTFI. We continue to support and collaborate with the Human Rights and Anti-Violence Foundation (Yahamak) in the handling of domestic related cases, through the Integrated Center for Mothers, Children and the Elderly. Our human rights training and promotion in 2016 were attended by approximately 9,350 people from PTFI employees, contractors and general public including about 1,200 Police and military (TNI) personnel.

Project Management Office. In 2016, we invested USD 86.2 million for social programs in which the amount was 28% lower than the projected budget of USD 119.6 million. The lower expenditure than the budget was due to continued cost efficiency policy in PTFI as a result of a decline in company's financial condition. In the planning and reporting, we have improved a more coordinated planning and reporting system with other departments in PTFI that implement social investments programs. This is one of the steps to increase transparency and accountability of our social investments.

We recognize that the challenges in our social investment will be greater along with the increasing challenges in our operations. The highly dynamic social situation and operational challenges impact on our social investment. Nevertheless, we will continue to strive maintaining our commitment to provide benefits from our presence in the community. Through partnerships with the government and local organizations, we will continue to contribute to improving the welfare and stability of communities residing in our area of operation.





Child health programs reach remote areas from highlands to lowlands around PTFI area of operations.

“Synergy is a key to sustainability of health programs”

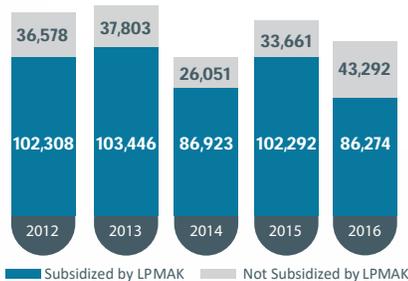
PT Freeport Indonesia (PTFI) is committed to ensuring that the company’s presence benefit surrounding communities. One of the benefits that the company provides is the availability of quality health services for communities. This health program primarily benefits the indigenous Seven Tribes of Papuans around our area of operation. It includes basic health care through hospitals and health clinics, malaria control program, HIV/AIDS control program, tuberculosis control program, and sanitation and clean water program. We partner with the Amungme and Kamoro Community Development Organization (LPMak), Mimika government and other organizations to implement these programs.

Health Clinic and Hospital Services

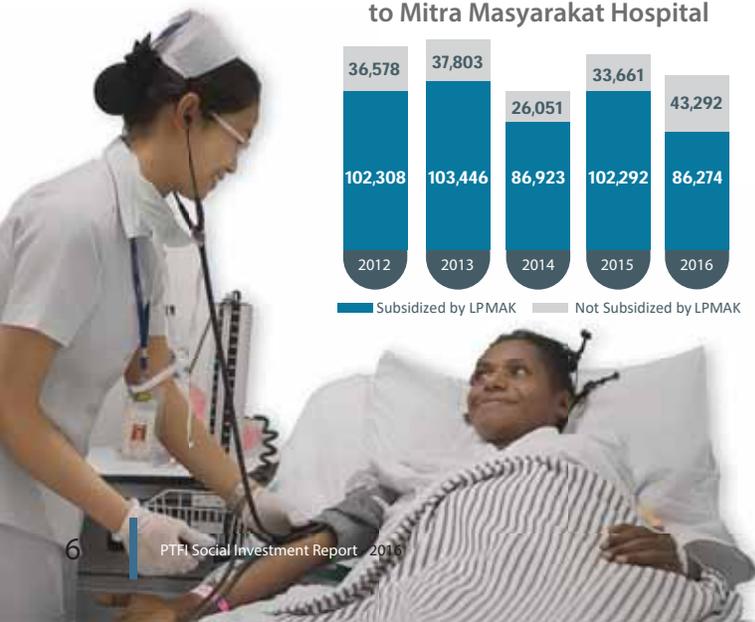
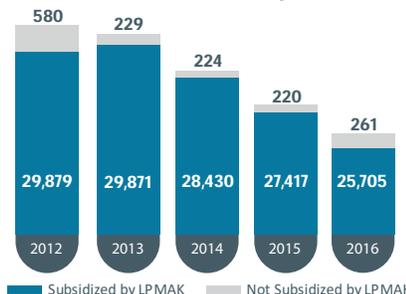
PTFI provides health facilities in Mimika Regency to improve the accessibility of the community to health services. These clinics were built and operated since the 1990s and continue to serve people with limited access to health services. Currently when health facilities are more evenly distributed, PTFI continues to run those clinics while encourages involvement of the government to take over the facilities.

Waa Banti Hospital (RSWB) is a health facility built by PTFI to provide health services for the community in Banti Village in the highlands. Mitra Masyarakat Hospital (RSMM) that was built by LPMak through the PTFI Partnership Fund also provides health services particularly for the indigenous Seven Tribes of Papuan in the lowlands. Both hospitals were the first hospitals built in Mimika Regency. In 2016, RSMM successfully maintained the accreditation of type C hospital and completed construction of a new operating

Patient Visit to Mitra Masyarakat Hospital



Patient Visit to Waa Banti Hospital





room as one of the improvements to providing additional services. The indigenous Seven Tribes of Papuan are eligible to obtain free of charge health services at both hospitals and health clinics.

In 2016, PTFI increased collaboration with the government in managing those health clinics. This has included the provision of health workers and medicines from the government. As part of the efforts to achieve sustainability, these health facilities will be integrated with government health insurance schemes. PTFI will enhance collaboration with the government and other stakeholders so that the programs can continue to provide greater benefits for the community.

Malaria Control

PTFI maintains collaboration with the government and other partners in malaria control in Mimika Regency. The Timika Malaria Control Center is a form of partnership between the company and the government that has been running for more than four years. This center provides promotion of malaria control, distribution of mosquito nets, malaria case examination, and malaria treatment. In 2016, the Timika Malaria Control Center carried out more than 30,400 spraying and distributed more than 11,000 mosquito nets to 5,600 houses. After successfully reducing the number of malaria cases by more than 50% for three consecutive years in targeted program areas, in 2016 the Malaria control program faced a challenge of the recurrence of malaria cases in some of the malaria target areas. However, the Timika Malaria Control Center continues to encourage community behavior change so that malaria cases in Mimika Regency can be managed.



Indoor Residual Spraying 2016

23,168 Houses
to Target Areas of Timika Malaria Control Center

7,277 Houses
to Outside Target Areas of Timika Malaria Control Center

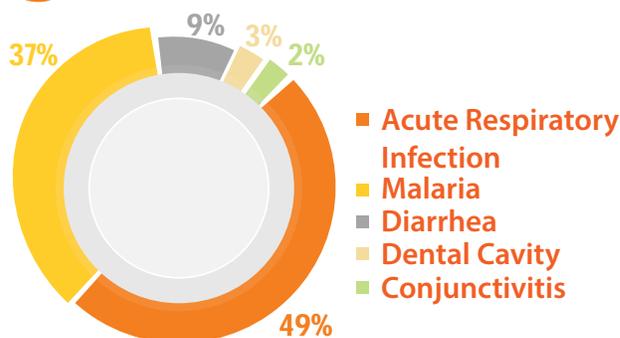
Anti Mosquito Bed Net Distribution 2016

5,621 Houses

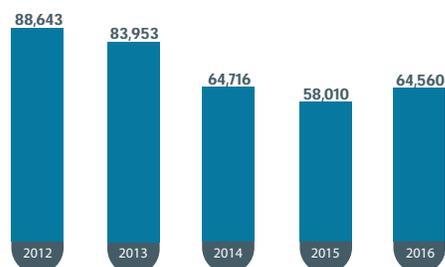
11,827 Bed Nets



5 Top Diseases in PTFI-managed Clinics 2016



Patient Visit to PTFI-managed Clinics



Floating Clinic and Flying Doctor

The Floating Clinic and Flying Doctor Program is a program to address the geographical challenge and unequal population dispersion so that health services can reach more communities. This program is run by LPMK through PTFI Partnership Fund. In 2016, the Floating Clinic was fully operational in providing health services to approximately 6,200 people from four districts in coastal areas of the Mimika Regency. The Flying Doctor Program is one of the solutions to addressing the limited health services in remote areas in the highlands. Helicopter transportation is provided on a scheduled basis for this program. The Floating Clinic and Flying Doctor programs are carried out in cooperation with the health centers and other partners in the health service.

Floating Clinic is equipped with standard health facility for coastal community





School building in Otakwa was built by PTFI in the coastal area of Mimika Regency to improve access to education for young generations of Papua.

“Promoting learning opportunities for young generation of Papua”

PT Freeport Indonesia (PTFI) is actively involved in improving the quality of human resources in the surrounding area of operations. PTFI, along with the Amungme and Kamoro Community Development Organization (LPMK) continues to organize and sponsor various community education programs. The scholarship, dormitory, and vocational education programs are the main programs in assisting the young generation of Papua.

LPMK Scholarships

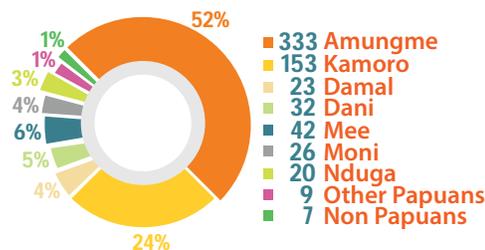
The scholarship program that has been running since 1998 provides benefits to young generations of the indigenous Seven Tribes of Papua to improve their quality of life through education. They pursue their education from junior high school level to university in Papua, Java, Sulawesi and overseas. In 2016, the scholarship program was awarded to 645 students consisting of 333 (52%) from the Amungme Tribe, 153 (24%) from the Kamoro Tribe, and 159 (24%) from other tribes in Papua. In this scholarship program, LPMK

partners with various educational institutions and conducts regular monitoring programs with the institutions. In 2016, LPMK did not support new scholarships due to reduction of operational budget. Nevertheless, the program continues to support students already recipients of the scholarship.

LPMK Dormitories

The boarding school program is a step taken by PTFI and LPMK in increasing participation of young Papuans in formal education. The boarding schools built by LPMK through the PTFI Partnership Fund enables access to education for Papuan children with limited access to education. In 2016, five dormitory complexes accommodated 756 students to undertake formal education and other life skill training. LPMK will develop these dormitories in collaboration with other partners so that the presence of the dormitories benefits more Papuan youths.

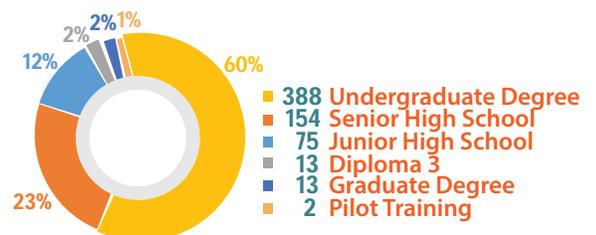
LPMK Scholarship Beneficiaries by Tribes



Total Scholarship Beneficiaries 2016

645 Students

LPMK Scholarship Beneficiaries by Education Level





Total Students in Nemangkawi Mining Institute (Since Program Inception)

3,907 Students

Total Graduates of Nemangkawi Mining Institute Working in PTFI and Contractor Companies

2,928 People

Student of Nemangkawi Mining Institute - 2016 (by Tribes)

	Male	Female
Amungme	15	1
Kamoro	10	3
Five Tribes*	57	5
Other Papuans	29	4
Non Papuans	1	0

Total Active Students

125 Students

*Dani, Damal, Moni, Mee, Nduga



Nemangkawi Mining Institute

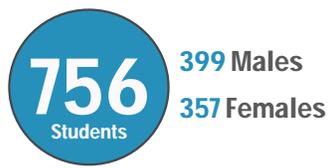
Nemangkawi Mining Institute (NMI) was built by PTFI to prepare the young generation of Papua for the professional world, particularly in the mining sector. The Apprentice and Diploma of Business Administration are two major programs in NMI. Since inception in 2003, these programs have been attended by 3,907 students. As of 2016, a total of 2,928 students have been hired as employees of PTFI or its contractor companies. In 2016, there were 125 active students studying at NMI. This number has declined significantly from previous years as there were no new admissions during 2015-2016 period due to an adjustment to the companies condition.

NMI also organized an Adult Education Program and Papuan Bridge Program. The Adult Education Program focuses on improving literacy and numeracy of Amungme and Kamoro adults while the Papuan Bridge Program aims at preparing selected Papuan students who are at their final year of university, or have graduated from universities to enter workforce. In collaboration with a university in Semarang, NMI aims to improve education standards and quality. Cooperation with the Government of Mimika Regency is also continuously promoted so that graduates from NMI can meet the needs of the required labor force outside PTFI.

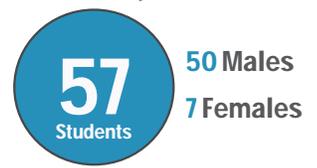
Tomawin Dormitory

Tomawin Dormitory is a dormitory built by PTFI to accommodate students from Seven Tribes in the highlands to receive a quality education. In 2016, a total of 57 students from the Amungme Tribe in the highlands had the opportunity to live in the dormitory and pursue their education. In addition to receiving a formal education, the students who live in this dormitory receive a life skill development program in the arts, culture, and sports to ensure they have self-reliance in daily life in the community.

Students in LPMK Dormitories - 2016



Students in Tomawin Dormitory - 2016





PTFI distributed vegetable seeds, provided training, and assisted farmers with marketing their produce to transfer knowledge and ensure sustainability in farming program.

“Cultivating and promoting local economic potential”

The presence of PT Freeport Indonesia (PTFI) contributes to boosting economic growth in Mimika Regency and thus becomes one of the centers of economic growth in Papua. This economic growth attracts migration from other parts of Papua and other provinces in Indonesia. In addition to these economic impacts, PTFI also encourages the employment opportunities apart from the mining sector through various economic programs based on local potential. These programs include animal husbandry, agriculture, small and medium enterprises and revolving funds in the highlands and lowlands.

Chicken and Pig Farming

Animal husbandry programs in SP 9 and SP 12 in the lowlands of Mimika Regency have encouraged communities to develop local



economic potential. This program has become one of the leading economic programs because of its ability to provide 20% of chicken meat and 40% egg needs in the regency. The program has also created employment for 444 people as farmers and employees. In 2016, animal husbandry sales reached IDR 33.6 billion. For five years, revenues from this program have increased with an average increase of IDR 3.5 billion per year. In addition to providing financial benefits, the animal husbandry program also transfers knowledge and skills through various animal husbandry training for farmers, students, communities and government officials in Mimika Regency. It is expected that the availability of skilled human resources in the animal husbandry sector will lead to future sustainability of this program and gradually reduce dependence on subsidies from PTFI.

The Amungme and Kamoro Community Development Organization (LPMK) also runs economic development program to achieve self-reliance for Mimika communities, particularly for the indigenous Seven Tribes of Papua. LPMK assisted 31 farmers involved in the chicken farming program. LPMK also initiated cattle farming program in Agimuga in the lowlands to empower

Revenue of Animal Husbandry Program and Cocoa Farming*

(in Billion IDR)



*Managed by Jayasakti Mandiri Foundation (YJM)



communities in that area. The community currently breeds 137 cows with the staff and students assistance from Papua State University (Unipa) and Mimika Animal Husbandry Office. Various animal husbandry programs are based on local potential to create income generating economic activities for communities.

Agriculture

The coffee farming program focuses on developing the Arabica coffee potential in four highland villages in Tsinga, Aroanop, Hoesa and Waa. This program provides mentoring, production facility assistance, technical guidance and market accessibility for 81 coffee farmers. During 2016, we continued a mentoring program to improve the technical and managerial skills of the board and members of the Amungme Gold Coffee Cooperative in running coffee farming and business. As a result, there was an increase in coffee sales with an average increase over the last three years of 44%. In 2016, the coffee sales amounted to IDR 983.1 million with a 20% increase from the previous year's sales.

Number of Coffee Farmers and Farm Width



PTFI also conducted food security programs in the highlands through a vegetable farming program. We cooperated with the Mimika Agriculture Office to mentor farmers and housewives in increasing vegetables production around their houses. This program involved distribution of vegetable seeds, training communities, and facilitating marketing of produce. Their produce is marketed through Wabanop Cooperative. We also initiated mushroom and hydroponics farming in the highlands. Communities positively responded to this program as it provides an alternative for income generating activities. This program also becomes a channel for transferring knowledge and skills in farming program.

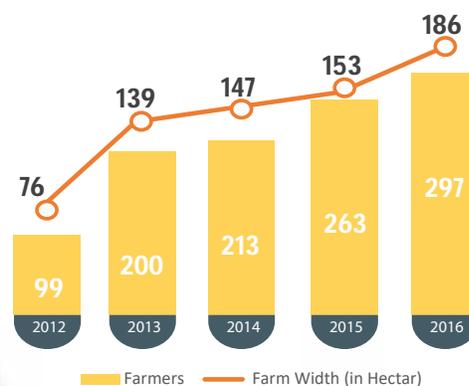
In the lowlands, we support cocoa farming in more than fifteen target villages. In 2016, PTFI partnered with local cooperatives to distribute cocoa seeds and provided training to cocoa farmers. As of December 2016, 297 farmers (50% are Papuans) were involved in this cocoa farming program and they cultivated 186 hectares of



Mushroom farming is introduced to communities in highlands to provide income generating activities and transfer of knowledge and skills.

cocoa farm. In 2016, we sold 720 kg of cocoa beans to Makassar. PTFI also works with the Mimika government to grow high quality coconut seedlings on 30 hectares of land in coastal areas.

Number of Cocoa Farmers and Farm Width



Cocoa Bean Sales

2,200
Kilograms

Cocoa Bean Production

2,111
Kilograms





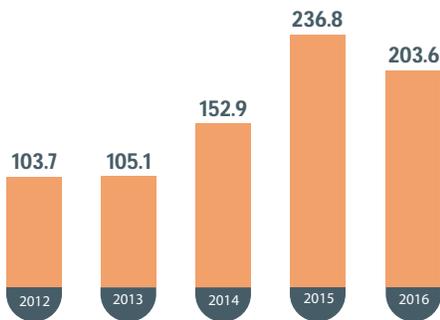
The assisted entrepreneurs attended training to improve their entrepreneurship knowledge and skills.

“Promoting self-reliance and sustainability of Papuan local businesses”

Micro Small and Medium Enterprises & Revolving Funds

We conduct Micro Small and Medium Enterprise (MSME) program to encourage local entrepreneurial growth in the provision of goods and services, enhance the competitiveness of the assisted entrepreneurs, and increase the use of local goods and services for our operations. This program provides assistance to potential Papuan entrepreneurs. In 2016, we provided assistance to 162 entrepreneurs where 83% of them are entrepreneurs from the indigenous Seven Tribes of Papua. This program creates employment opportunities for approximately 1,199 people in Timika by December 2016. Income from these entrepreneurs reached IDR 203.6 billion.

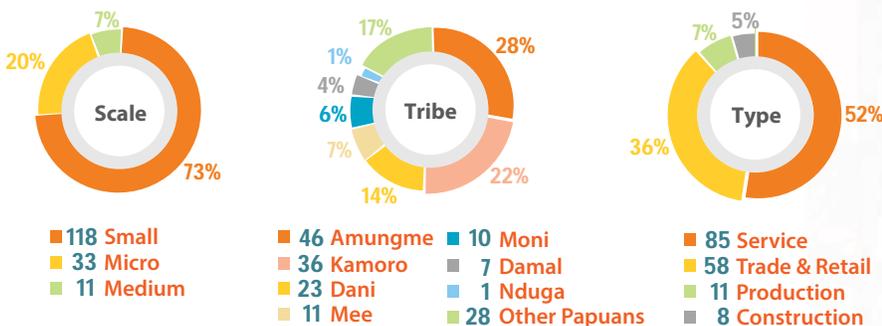
Revenue of Assisted Entrepreneurs
(in Billion IDR)



Employment from Entrepreneurship Program



Assisted Entrepreneurs Profile - 2016



Total Assisted Entrepreneurs 2016

162 Entrepreneurs





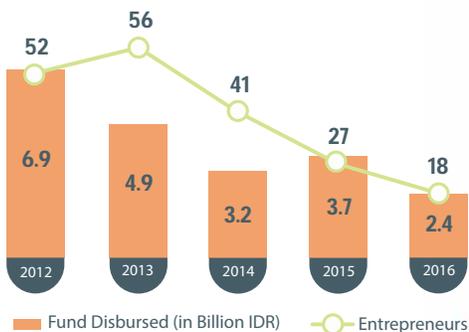
Service and retail businesses are two dominant business types of the MSME program assisted by PTFI.

In 2016, PTFI signed a multi-year agreement with Bank Rakyat Indonesia (BRI) to increase Papuan entrepreneurs' access to financial capital in order to grow their small businesses. BRI will administer the micro-loans and PTFI will underwrite the loans and connect Papuan entrepreneurs from its Micro, Small, and Medium Enterprise Development (MSME) program to the bank. Since 2004, PTFI has made approximately IDR 50 billion of loans to Papuan entrepreneurs through its revolving fund in cooperation with Yayasan Bina Utama Mandiri (YBUM). This new partnership between PTFI and BRI will transition borrowers from YBUM to BRI and, as a result, increase the professional support and access to capital for over 160 Papuan entrepreneurs in PTFI's economic development program. We continue to encourage entrepreneurs to gain more partners and clients from outside of PTFI to achieve business self-reliance and sustainability even though PTFI has no longer in operations.

LPMK revolving fund program also provides business assistance to more than 700 micro entrepreneurs from the indigenous Seven Tribes of Papua. They runs their businesses in service, kiosk/retail, and other home industries. This program creates employment and generates income for local communities so that they can afford education and health care as well as further develop their businesses.



Revolving Fund Disbursement



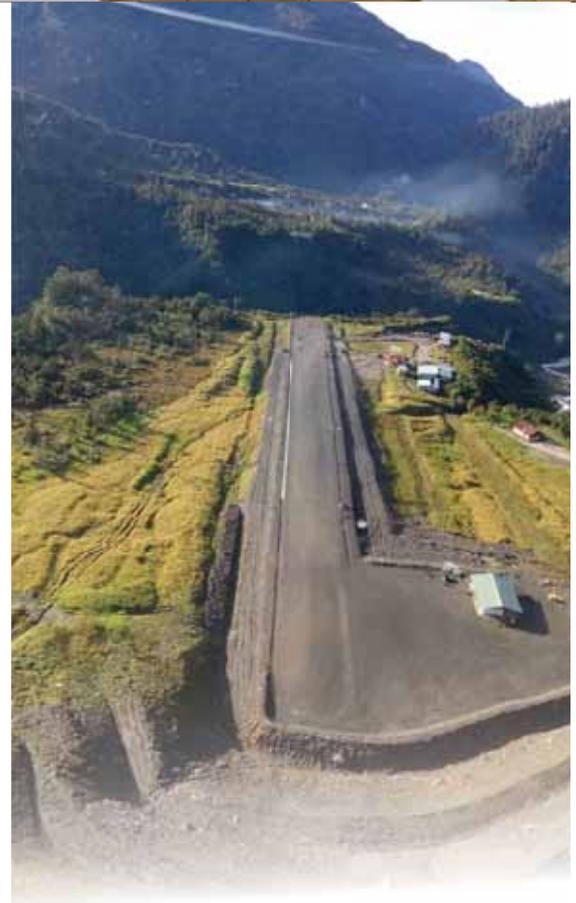


“Investing in infrastructure to contribute to regional development”

PT Freeport Indonesia (PTFI) is working with various partners to invest in investments to support economic, health and education activities for local communities. Our ability in infrastructure development combined with our networking with partners and an understanding of the local context becomes a catalyst for development around our area of operations.

Three-Village Projects in the Highlands

Since the inception of the *Tiga Desa* (Three Villages) Program, PTFI has invested over USD 81.5 million on community infrastructure projects in the highland communities of Aroanop, Banti and Tsinga, which surround the PTFI project area. Through a community consultation process, which started in 2000 and is now formalized in a MoU, PTFI provides funding for equipment, materials, transportation and labor to build a network of infrastructure that includes over 300 houses, three schools, ten teacher houses, three clinics, three markets, 13 churches, 20 bridges, 225KW generators, and two airstrips. PTFI’s contribution in community infrastructure benefit over 1,000 Papuans who live in these remote highlands. In 2016, PTFI spent approximately USD 7 million to progress the outstanding items associated with the Three Villages Infrastructure commitment, including: the Aroanop Airstrip, Banti 120 KW Micro Hydro facility, Banti Bridge and Tegabra and Opitawak clean water project. PTFI partnered with the local government and community leaders to conduct surveys and to further develop a handover and maintenance plan for these assets.



Aroanop Airstrip has become the second airstrip built by PTFI in highlands to improve community accessibility.



Micro-hydro project is one of PTFI contribution in electricity provision for communities in highlands around the company’s area of operation





Mimika Sport Complex

In 2016, PTFI completed construction of a USD 33 million Sports Complex in Timika. PTFI signed an agreement with the local government in 2013 to build a modern sports facility that would enable Papua Province to host the 2020 Indonesian National Sports Week (PON: Pekan Olahraga Nasional), a multi-sport event held every four years for elite athletes from each of Indonesia's provinces. The sports complex includes a national standard size track & field; open stadium with a seating capacity of 3,500; indoor stadium for badminton, volleyball and basketball with a seating capacity of 5,500; two dormitories of 100 capacity for visiting athletes and various supporting facilities.

In 2016, PTFI spent over USD 3.2 million to complete this sports complex. PTFI subcontracted the construction work to local businesses that provided jobs to over 300 people, of which over 100 were Papuans. As part of the MoU, PTFI will manage the facility for one year while it works with the local government to find a professional third party to manage the sports facility. PTFI and the local government plan to inaugurate the Mimika Sports Complex in 2017.



Mimika Sport Complex was built by PTFI to support Mimika Government to host the 2020 Indonesian National Sports Week (PON: Pekan Olahraga Nasional).

Clean Water Facilities

In 2013 PTFI partnered with the local government to improve the distribution of clean water to Timika, the growing urban area that is home to approximately 200,000 people and is adjacent to the PTFI project area. As part of the planning process, PTFI sponsored a feasibility study and environmental impact study to determine the best design of a water treatment facility to meet the growing needs of Timika. As a result of that study, PTFI is contributing its engineering expertise and USD 10 million to build two water treatment plants, water intake pipeline and seven bore wells. The local government is responsible for upgrading and expanding the network of municipal pipes in a phased approach that will connect thousands of Timika residents to potable water from the water treatment plants.

In 2016, PTFI spent over USD 2.4 million to complete one water treatment plant, one reservoir, five of the seven bore wells, and the supporting office buildings. To build the water treatment facility and supporting infrastructure, PTFI partnered with local contractors that provided jobs to over 70 nationals, of which 20 were Papuan. Since the start of the project in 2013, PTFI has spent over USD 5.4 million. The goal is to complete construction by the end of 2017. PTFI will maintain the operation for the first year, until the local government identifies a third party to manage the on going maintenance permanently.



PTFI and Mimika Government agreed to construct drinking water facilities for distribution to Timika



Stakeholder engagement and communication are of the key component for achieving company success for out operation and social investment programs.

“To be part of communities and acknowledging their cultural values”

The communities surrounding our area of operation have become part of PT. Freeport Indonesia’s (PTFI) journey to date. Being connected with our community helps foster mutual benefit between the company and communities. We recognize that the relationship between PTFI and the community is dynamic. Community dissatisfaction with the company affects the company and communities themselves. Some of the measures undertaken in 2016 to maintain good relations with communities include mitigating levee extension project, managing artisanal mining, maintaining grievance management, enhancing relationship with local institutions, and providing donations and contributions to support targeted communities.



PTFI takes various measures to mitigate risks of artisanal mining within our area of operations.

Mitigation of Levee Extension Project

In 2016, PTFI continued to work with communities to mitigate the impacts of the West Levee Extension project via the water transportation program. The purpose of the West Levee Extension project is to contain the projected increase in tailings as PTFI transitions from an open pit to a fully underground operation. The extension project, which was approved through the AMDAL, temporarily closed the Yamaima channel, where local communities have historically accessed. Several years ago, PTFI conducted a study on an alternative community transportation access and alternative economic activities for the impacted communities in Ayuka and Tipuka. As a result of the study and engagement with the impacted communities, PTFI excavated an alternative channel for the community’s use in 2016 to mitigate the impact of the closure of the Yamaima channel. In addition, the boat service that PTFI had launched in 2014 was not optimally used by the community. PTFI consulted with the village members and identified an option to use smaller-sized fiberglass boats, re-route the service, and revise the schedule of boat service. As a result of this community feedback, PTFI is now operating passenger boats to provide regular water transportation services between coastal villages to the east of the tailings deposition area and the healthcare, education and economic trade facilities available in the Timika region to the west. In addition, new boat docks, jetties, and bus service to supplement the water transportation services were constructed and made available in 2016.

Artisanal Mining

Artisanal mining activities within our area of operations is another challenge in building strong relations with broader communities. PTFI continued to note an increase in the number of panner camps in the lowlands, which has presented challenges with levee maintenance and other earthworks associated with managing the ModADA. PTFI’s lowlands operations and community teams regularly coordinate to



determine strategies for effective engagement with panners based on location and timing of operational plans. This coordination is important to help reduce the potential for pedestrian safety incidents. As part of this effort, PTFI has contracted approximately 30 former artisanal miners to work as safety guards around the deposition area (ModADA). They are responsible to educate artisanal miners about the movement of heavy equipment in the ModADA and to identify other areas to mine safely. This coordination has also helped address potential conflicts associated with illegal settlements and the footprint needed for maintenance of the lowland system. PTFI also works with the local government and relevant institutions to find alternative livelihoods such as coffee and cocoa farming for artisanal miners.

Management of Community Grievance

PTFI receives and handles community grievances through its Community Grievance Management System. In 2016, PTFI managed 66 grievances from communities where 44 of them were successfully resolved in accordance with the established procedures. The grievances related to the demands for compensation of customary land rights, environmental complaints, and compensation of services. Although the number of customary land rights grievances were not as high as it was in previous years, we consider this as one of our top social risks and record it in our risk register. In 2016, we coordinated with the National Land Agency of Mimika Regency to investigate such claims and worked with all parties to reach agreement within the existing legal framework. Land rights identification for Three Amungme Villages in highlands by Cendrawasih University was completed in 2015 and was socialized in 2016 to the Amungme Tribal Council (Lemasa) and the Amungme key leaders. We also initiated a plan to socialize communal rights and customary land rights with the National Land Agency of Mimika Regency in order to provide recent information to communities regarding customary land rights. PTFI is committed to managing grievances from the communities in accordance with company procedures and finding the best solutions for company and communities.

Relationship with Local Organizations

In implementing the company's social commitment, PT. Freeport Indonesia (PTFI) needs to obtain support from local organizations so that the program can run in accordance with local values. Some of the major local organizations that we are working with are the Amungme Tribal Council (Lemasa), the Kamoro Tribal Council (Lemasko), the Human Rights and Anti-Violence Foundation (Yahamak), The Amungme and Kamoro Community Development Organization (LPMK) and Forum MoU (a tripartite communication forum between representatives of Amungme and Kamoro communities and PTFI). One form of cooperation is a routine communication forum, mentoring and providing operational support to the institutions.

LPMK is our partner institution that manages the PTFI Partnership Fund. Since the establishment of LPMK, we have provided assistance for managing the Partnership Fund in order to achieve greater accountability and transparency in the management of the fund. In 2016, PTFI contributed to this Partnership Fund of USD 32.9 million (40% of total Social Investment). The LPMK program

is collaboratively managed by representatives of the Amungme and Kamoro Tribes, Mimika Government, Church Representatives, and PTFI who sit on the Board of Commissioners (BM) and Board of Directors (BP). The funds are used for health, education, economic, and infrastructure development in the Mimika Regency. LPMK has also undertaken succession of the organizational leadership which includes Executive Secretary and several members of Board and Directors and Board of Commissioners. In 2016, PTFI and LPMK signed an agreement that extends the funding arrangement between the two organizations until December 2018 and outlines how the two organizations will strengthen the management and positive impact of the Partnership Fund. PTFI dan LPMK also agreed to be involved in an independent public consultation process on the management of the social investment, including Partnership Fund. This consultation is commencing in 2017

PT Freeport Indonesia also continues to build capacity and grant funds to customary organizations (Lemasa and Lemasko) and local foundations (Yahamak). PTFI is assisting the organizations and foundations in program planning and budget management Leadership dualism becomes one of the challenges in optimizing the performance of these organizations. In 2016, Lemasa held a Customary Consultation Meeting to elect a new head of the customary organization. With the election of a mutually-approved chairman, it is expected that customary organizations and local foundations can contribute to the company's operations and community development activities.

Donations and Contributions

We also provide support in the form of donations and contributions through various activities undertaken by third parties, not only in Papua but also throughout Indonesia. In 2016, we provided support and sponsorship on approximately 102 activities in the areas of social, education, health, sports, arts and culture and the environment. Donations and sponsors we provided include assistance to earthquakes victims in Aceh and other disaster responses, blood donations, and activities held or attended by Papuan students in Indonesia.



Communication forum among customary institutions and PTFI to align the company operations with local cultural values

LOCAL INSTITUTION PARTNERS



LPSMAK

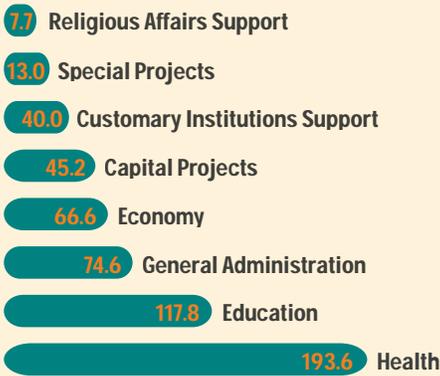
The Amungme and Kamoro Community Development Organization (*Lembaga Pengembangan Masyarakat Amungme dan Kamoro – LPSMAK*) is an institution that manages the PTFI Partnership Fund since 1996. The Partnership Fund is allocated for community development in health, education, economy, culture, religion, and infrastructure through close partnerships with government, customary institutions, churches, and other partners.

The main beneficiaries of LPSMAK programs are communities from the Two Tribes (Amungme and Kamoro Tribes), and Five kinship Tribes (Dani, Damal, Nduga, Moni, and Mee Tribes). In running its programs, LPSMAK is committed to empowering indigenous communities in the Mimika Regency in a sustainable way and in accordance with local wisdom.

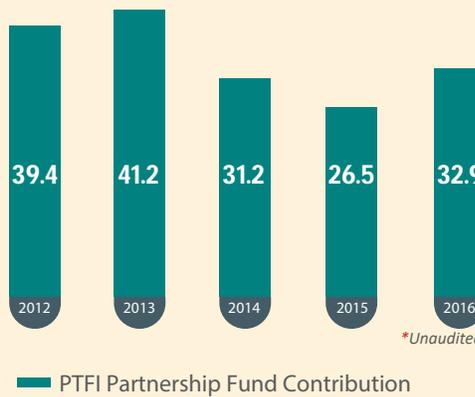
\$ PTFI Contribution to LPSMAK 2016
USD 32.9 MILLION
(IDR 434.8 billion)

\$ PTFI Contribution to LPSMAK 1996-2016
USD 693.9 MILLION
(IDR 9.1 trillion)

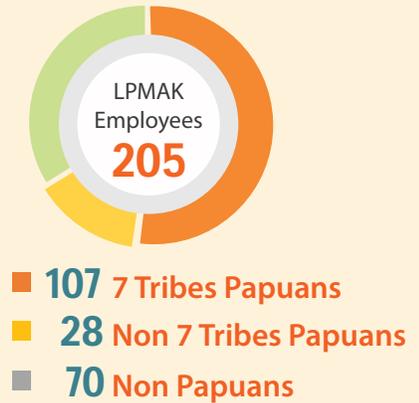
LPSMAK Expenditure - 2016
by Programs
(in Billion IDR)



PTFI Partnership Fund Contribution
Accrual Basis
(in Million USD)



LPSMAK Employees
by Tribe



LEMASA

The Amungme Tribal Council (*Lembaga Musyawarah Adat Suku Amungme – Lemasa*) was established on June 21, 1994, based on the customary deliberation of the Amungme Tribe. Lemasa was established to support the Amungme community in and around PTFI's area of operation in the fields of education, economy, infrastructure and health. The organization also serves as a communication channel among the Amungme communities, Government and PTFI.

PTFI Assistance to Lemasa

- Supporting institutional capacity building
- Supporting capacity building of the Board
- Supporting the customary land rights identification of the Amungme in PTFI's area of operations

\$ PTFI and LPSMAK Contribution 2016
USD 1,5 MILLION
(IDR 20.1 billion)

\$ PTFI and LPSMAK Contribution 2000-2016
USD 15,5 MILLION
(IDR 154.8 billion)

LEMASKO

The Kamoro Tribal Council (*Lembaga Masyarakat Adat Suku Kamoro – Lemasko*) was established on June 25, 1996. It is a customary organization to support the Kamoro community in and around PTFI's area of operation in the field of education, economy, infrastructure and health. The organization also serves as a communication channel among the Kamoro community, Government and PTFI.

PTFI Assistance to Lemasko

- Supporting institutional capacity building
- Supporting capacity building of the Board

\$ PTFI and LPSMAK Contribution 2016
USD 1.5 MILLION
(IDR 20.1 billion)

\$ PTFI and LPSMAK Contribution 2000-2016
USD 12.7 MILLION
(IDR 12.7 billion)



Waartsing & Yu Amako Foundations

The Waartsing Foundation was established on October 30, 2001 as an organization that manages a Trust Fund from PTFI for the Amungme Tribe. The Yu Amako Foundation was established on August 22, 2001 as an organization that manages a Trust Fund from PTFI for the Kamoro Tribe. The Trust Fund is one of PTFI's recognition programs to the Amungme Tribe in the highlands and Kamoro Tribe in the lowlands as the customary land rights owners of the area where PTFI operates. The fund is managed by both foundations to improve welfare of the Amungme community, particularly in Three Amungme Village in the highlands (Waa Banti, Aroanop, and Tsinga) and the Kamoro community, particularly in the Five Villages (Koperapoka, Nawaripi, Nayaro, Tipuka, and Ayuka) through the development of social and religious affairs. PTFI assisted those foundations through capacity building of the board to manage the Trust Funds professionally, independently and transparently.

<p>\$ PTFI Contribution to Waartsing 2016</p> <p>USD 503 THOUSAND (IDR 6.6 billion)</p>	<p>PTFI Contribution to Waartsing 2001- 2016</p> <p>USD 28 MILLION (IDR 279.8 billion)</p>	<p>\$ PTFI Contribution to Yu Amako 2016</p> <p>USD 503 THOUSAND (IDR 6.6 billion)</p>	<p>PTFI Contribution to Yu Amako 2001- 2016</p> <p>USD 26.9 MILLION (IDR 269.2 billion)</p>
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YAHAMAK

The Foundation for Human Rights and Anti Violence (*Yayasan Hak Asasi Manusia Anti Kekerasan - Yahamak*) was established on January 21, 2001 to uphold human rights values focusing on women and children. Yahamak's programs are designed to improve quality of life for women and children particularly through education and health.

PTFI Assistance to Yahamak:

- Assisting the foundation in program planning and implementation
- Assisting the foundation to ensure that Yahamak's programs align with programs of other institutions, such as LPMK
- Improving transparency and accountability of Yahamak

\$ PTFI and LPMK Contribution **2016**

USD 457.8 THOUSAND
(IDR 6.0 billion)

\$ PTFI and LPMK Contribution **2001-2016**

USD 6.0 MILLION
(IDR 60.0 billion)

Forum MoU 2000

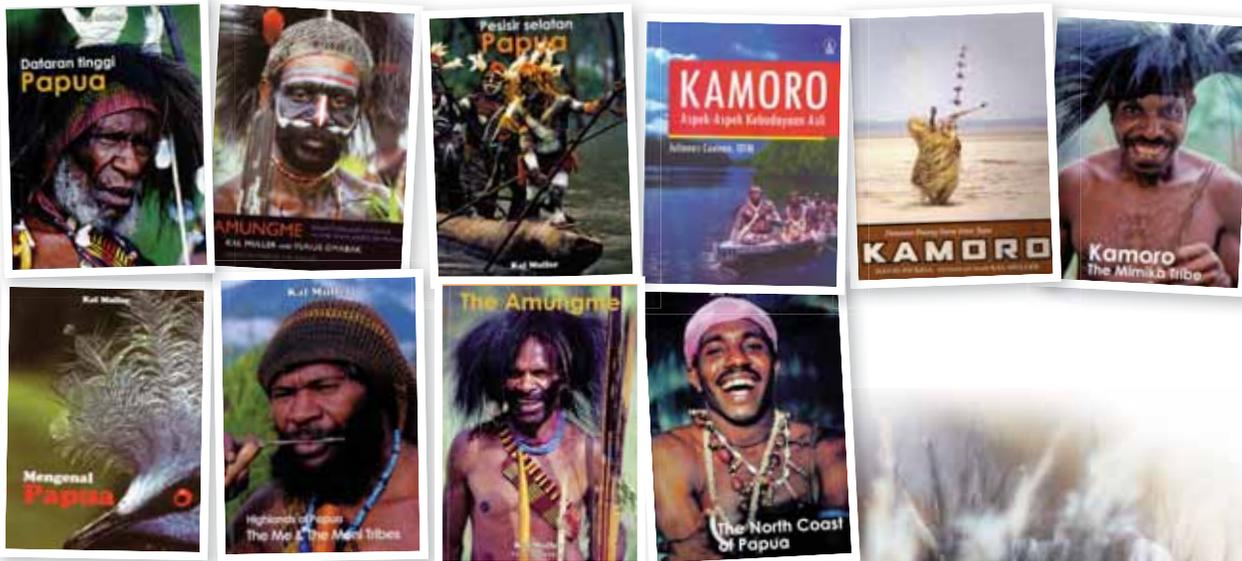
Forum MoU 2000 is a discussion forum among delegations from the Amungme Tribe, Kamoro Tribe and PTFI to discuss issues related to PTFI's operations and indigenous communities. Decisions made through this forum serve as recommendations for Amungme Tribal Council (Lemasa), Kamoro Tribal Council (Lemasko) and PTFI to seek the collaborative agreements.

\$ PTFI and LPMK Contribution **2016**

USD 178.6 THOUSAND
(IDR 2.4 billion)

\$ PTFI and LPMK Contribution **2005 - 2016**

USD 1.8 MILLION
(IDR 18 billion)



Books on Papuan culture published and sponsored by PTFI and LPMK

“Preserving traditions and culture along with local development”

PT Freeport Indonesia runs its business activities by observing local wisdom and preserving the culture of the community around the company's area of operations. On the other hand, the high rate of migration to Mimika, both from within and outside the territory of Papua, has had an impact on local socio-economic and cultural aspects. Culture, modern economic and technological systems can change the way local people view their indigenous culture. We realize the importance of local culture as the indigenous identity of Papua and this value needs to be preserved and maintained alongside modernization. Therefore, we support the efforts for preservation and development of indigenous culture. Various cultural promotional activities are conducted so that local communities, especially young people can still understand their culture although they live in a multicultural environment with various cultures from outside their indigenous communities.

In 2015, we continued our commitment towards cultural preservation through the promotion of the Kamoro culture. We worked together with Maramowe Weaiku Kamorowe Foundation to promote and preserve Kamoro arts and culture. The foundation also educates the carvers in improving the quality of art products and marketing them. The promotional activities were conducted through art exhibitions, sales of art products such as carvings and woven products and cultural tours to several coastal villages for guests. Kamoro's cultural development includes selection, collection and sales of Kamoro ethnic carvings to be promoted through exhibitions and galleries in Timika City. The proceeds of the carving sales are returned entirely to the carvers. By 2016, as many as 692 Kamoro carvings selected from 300 carvers/weavers were successfully sold through various cultural exhibitions held in Mimika Regency and other regions throughout Indonesia.

Carvings and woven arts are two of Kamoro arts products





Human rights awareness training is mandatory for all employees of PTFI and contractor companies as well as security personnel within our area of operations to ensure that all of our operations complies with human rights values.

PT. Freeport Indonesia (PTFI) has been operating in Papua, Indonesia since 1973 and implementing the Voluntary Principles on Security and Human Rights since it became a signatory in 2000. We take various steps to receive, document and follow up reports of alleged human rights abuses and provide training and promotion of human rights enforcement to employees and the public. We respect the rights of every individual including employees, communities, partners, and anyone else who may be affected by our activities.

In 2016, a total of 32 grievances were reported to the PTFI Human Rights Compliance Office related to domestic issues, human resources, verbal harassment and discrimination. There were no reports of such allegations related to security issues or involving security forces. Of the total cases, sixteen cases were household problems not directly related to PTFI. We continue to work closely with the Human Rights and Anti-Violence Foundation (Yahamak), which is a local agency that engages in the enforcement of the rights of children and women, in the handling of allegations relating to domestic issues, one of which is through establishment of the Integrated Center for Mothers, Children and Elderly in 2016. The human rights grievance system is communicated and known not only by employees and contractors, but also by families and others within the project area. Regardless of the type and credibility of these allegations, all reported cases are documented, reviewed and closed, or in the process followed up by the PTFI Human Rights Office.

We continue to engage with a number of stakeholders at the international, national and local level regarding the implementation of the Voluntary Principles and respect for human rights. During 2016, the PTFI Human Rights team held meetings with key national-level human rights NGOs, including the Indonesia Center for Ethics (ICE), the Commission for the Disappeared and Victims of Violence

(KONTRAS), and the Institute of Human Rights Studies and Advocacy (ELSHAM). PTFI met with the Indonesian Human Rights Commission (KOMNAS HAM) on multiple occasions, both in Jakarta and in Papua Province. These meetings included both proactive engagement, as well as meetings to discuss the UN Guiding Principles, the Voluntary Principles and human rights related risks and issues at PTFI, such as industrial disputes, employee strikes, customary rights, the transition from open pit to underground mining and levee extension. PTFI also communicates with community leaders, partner institutions, and local governments through the presentation of PTFI's human rights program and the implementation of the Voluntary Principles. In 2016, PTFI updated a Memorandum of Understanding (MoU) with the National Police, which was last revised and signed in 2013. The MoU covers a three-year term and details the working relationship between the company and the public security personnel assigned to it. This MoU covers the areas of support, coordination and commitment to PTFI policies and procedures, including business ethics and human rights.

Human Rights Training 2016

1,600
PTFI Employees

3,350
Community Members

3,200
Contractor and Privatization Employees

1,200
Police and Military Employees



Evacuation drill in Banti, a village in the highlands located within PTFI area of operations, is one of measures to mitigate risk for disasters that may occur around community resident area.

“Managing project accountably, transparently and effectively for our community”

The Project Management Office of the Community Affairs (CA) Division plays a role in coordinating the various parts of the CA Division and ensuring that our programs are transparent, efficient, and accountable and comply with occupational safety and health standards.

In 2016, PTFI managed USD 86.2 million for social investment programs. This investment was 36% below the 2016 budget due to the cost efficiency program implemented across departments at PTFI as a result of the declining financial condition of the company. PTFI's social investment portfolio managed by the CA Division and through the Partnership Fund was 78%, while the remainder was managed by other divisions in PTFI (Nemangkawi Mining Institute, Special Projects, and Contribution Committee). As a follow up to Deloitte's internal audit findings in 2014, we were working with PTFI's Accounting Department in the preparation of the new social program financial report as part of improving transparency and accountability of budget utilization and compliance with reporting standards of the Global Reporting Initiative.

To achieve the success of our programs, CA Division undertakes joint planning and coordination with all the different parts of the CA Division as well as with other departments at PTFI. In 2016, CA launched a community development program strategy document. PTFI continues to increase the use of a risk-based framework to manage its key business risks, including social, environmental, safety, security and labor aspects. The CA team uses the FCX Environmental, Social

and Economic risk matrix to identify and prioritize risks and social opportunities that impact on the sustainability of the company's operations. The CA team performs this risk analysis at least once a year. These risks and social opportunities are documented in the PTFI Risk Register. A proactive analysis of changes in the company that impact on society and vice versa will help PTFI in reducing social risks before they become a threat to PTFI operations.

We proactively disseminate information on our community development programs that we jointly implement with our partners. We carry out proactive steps through various exhibitions and presentations to external and internal parties. In 2016, CA held

PTFI Social Investment - 2016 (in Million USD)



PTFI Social Investment
2016

USD 86.2 Million



Exhibitions of social investment programs to disseminate accountable information about positive impacts of our programs for local communities.

two exhibitions to give people the complete information about our programs and marketed some products from the communities we assisted. We received visits from various local and national media as well as government agencies from both local and national governments including legislative bodies. In addition to getting information about our programs, key stakeholders also conducted visits to locations of community development programs as well as interacted with beneficiary communities. PTFI received positive stakeholder's feedback to our programs and encouragement to continue with positive social and economic impacts for communities. We are committed to improving transparency through providing quality and accurate information about our social investment programs.

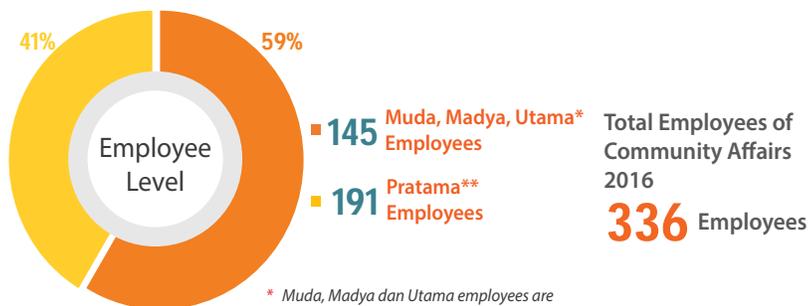
CA complies with safety standards set by the company as well as national and international safety standards in carrying out our

social investment activities. In 2016, we managed to achieve a Safety Accountability Performance level of 99% that exceeded the company's target of 95%. To ensure every employee complies with safety standards, CA Division employees attend various safety training such as fire fighting, incident investigation, personal protective equipment, and fatalities prevention.

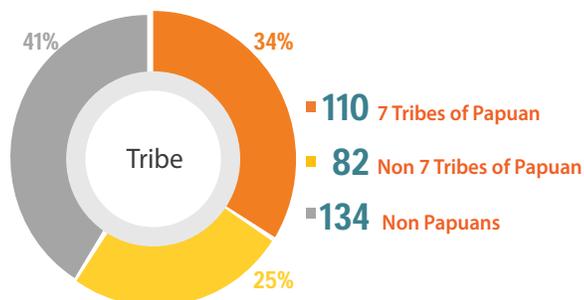
Safety Accountability Performance Community Affairs - 2016



Community Affairs Employees 2016

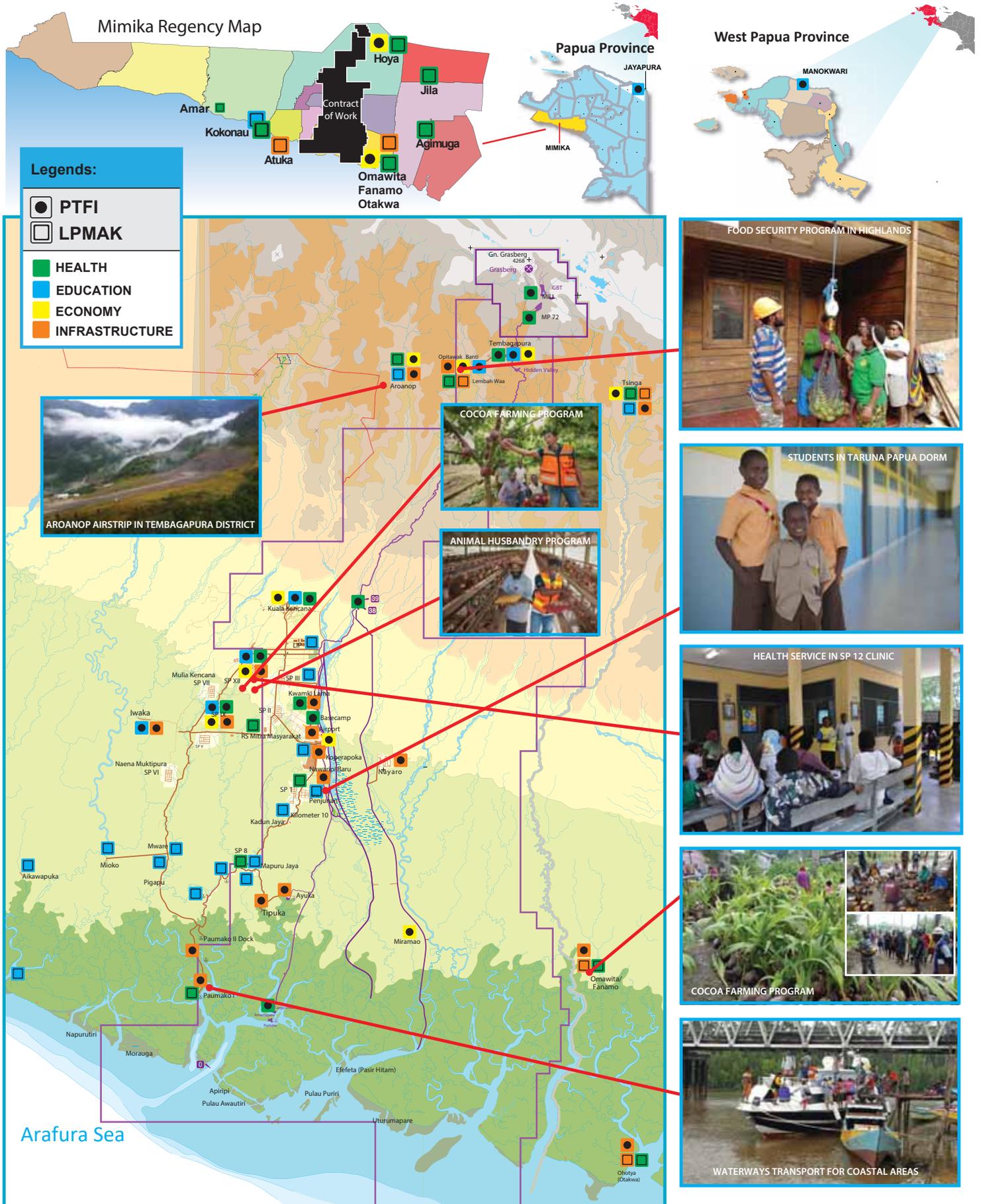


* Muda, Madya dan Utama employees are employees with level 1 to level 5
** Pratama employees are employees with level F to level A



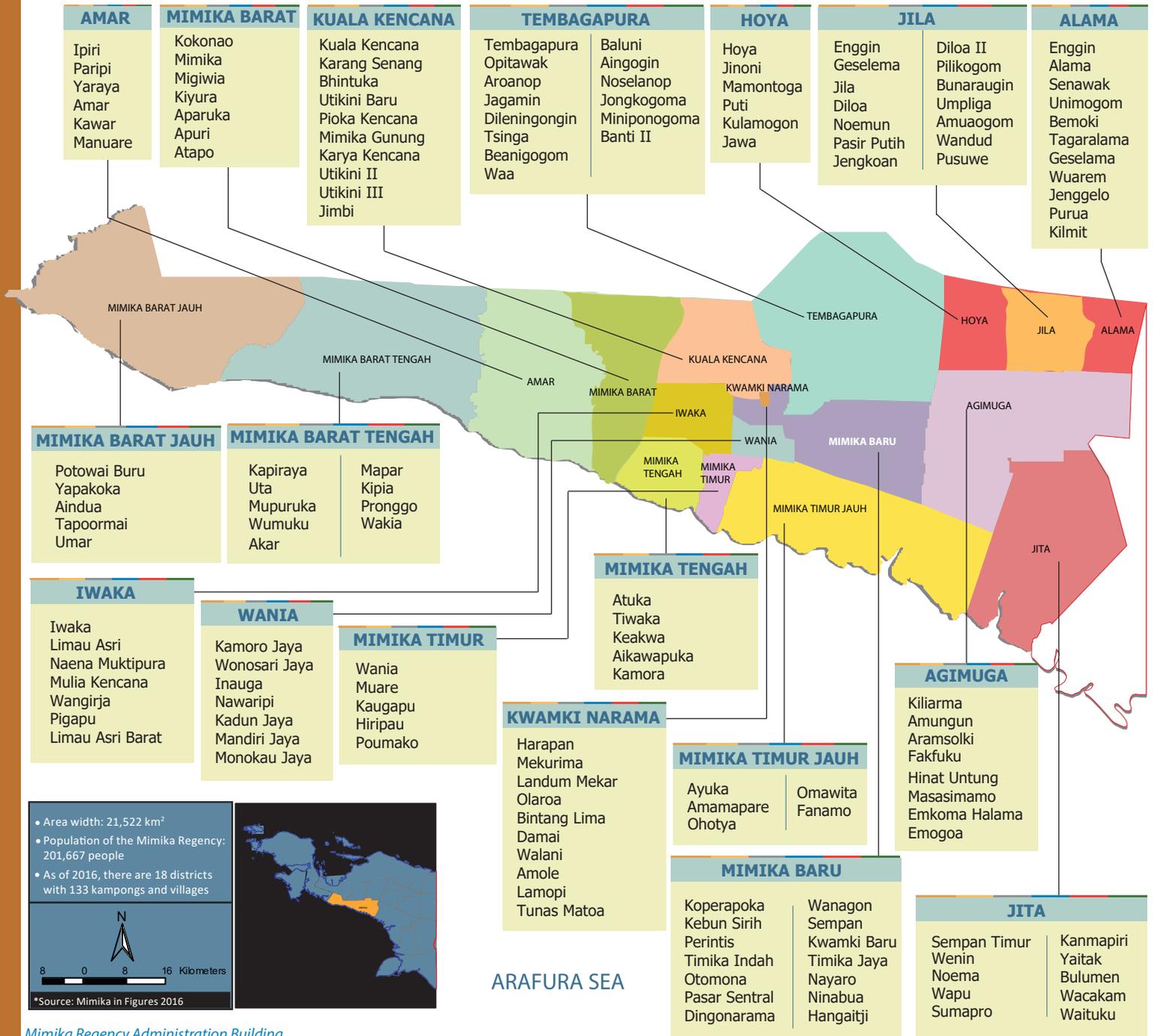
APPENDICES

Appendix 1: PTFI Community Development Map



Appendix 2: Mimika Regency Map

The Mimika Regency consists of 18 districts with 113 kampongs and villages. With an area of 21,522 km² (4.75% of total width of Papua Province), the regency is occupied by 201,667 people.

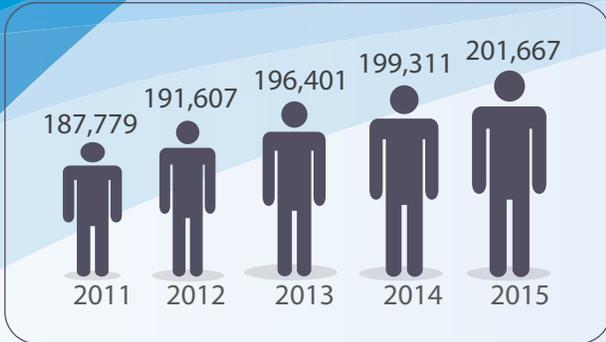


Mimika Regency Administration Building

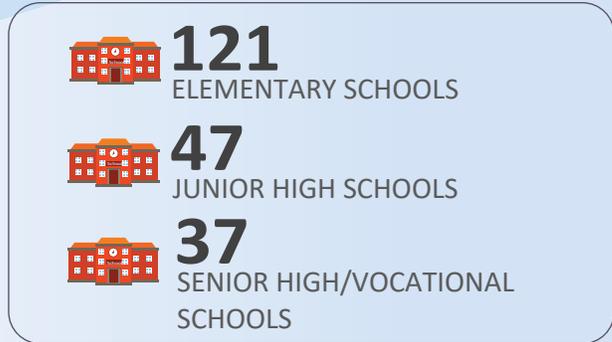




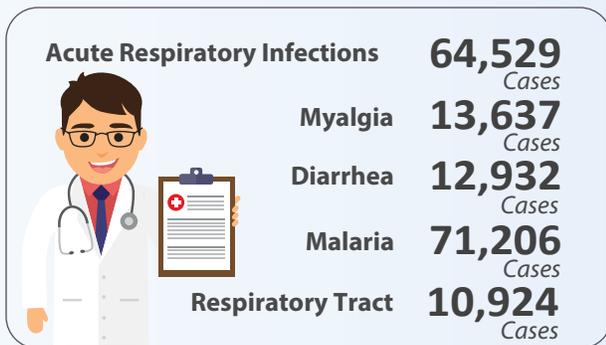
POPULATION



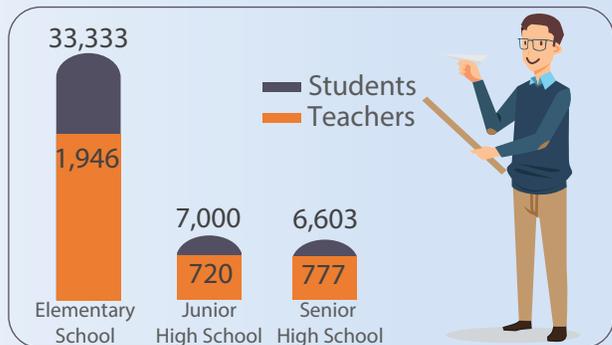
SCHOOL FACILITIES



TOP FIVE DISEASES



TEACHERS & STUDENTS



HEALTH FACILITIES



BUSINESS PROFILE



HIV/AIDS



HUMAN DEVELOPMENT INDEX



Source: Mimika in Figures 2016, Central Statistical Agency (BPS) of Mimika Regency





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