

SOCIAL INVESTMENT REPORT

2017



PT FREEPORT INDONESIA
Affiliate of Freeport-McMoRan

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To Our Stakeholders,

Preserving a commitment to benefit the community has become a spirit for PT Freeport Indonesia (PTFI) to run its corporate social investment programs. This spirit is manifested in our continuing programs for community amidst great challenges that the company is facing such as divestiture, production restrictions, and employment issues. Some of the efficiency measures that the Company took in 2017 did not dampen the commitment to continue working for the community. This is reflected, among others, from the increase in the total value of social investment from the previous year.

PTFI's social investment program is run and managed by various divisions in the Company and third-party partners. The Community Affairs, Special Project and Human Resources Divisions are involved in the implementation of the social investment programs. PTFI's social investment is also provided through Trust Funds managed by customary institutions and the Amungme and Kamoro Community Development Organization (LPMak) that manages PTFI's Partnership Fund. We continue to encourage engagement and partnership with all stakeholders in finding the best solution to address challenges in PTFI's social investment programs. By doing so, we expect to provide great benefits for the community and promote the sustainability of our programs.

This report highlights achievements and challenges of social investment programs that PTFI has been undertaking in fulfilling its commitment to work towards sustainable development for communities around the Company. This report is also a step towards achieving the efficiency, transparency and accountability of PTFI's use of resources in social investment programs. PTFI hopes that this report will help stakeholders monitor the performance of corporate social investments over time.

PTFI management addresses the highest appreciation for employees and other stakeholders who are dedicated to serving the community in any situation. We value their hard work to achieve the best outcomes for the company, community, and country.

Warmest regards,



Horst D Garz

Executive Vice President

Corporate Planning and Business Strategy



EXECUTIVE SUMMARY

PT Freeport Indonesia (PTFI) is committed to providing benefits to communities around our area of operations. One of the benefits for the communities is through various social investment programs that we run with partners. This social investment is an ongoing commitment to ensure that our operations can go hand in hand with the development of communities around our area of operations. Amidst various challenges the company is facing such as the dynamics of renegotiation with government and employment issues, we invested USD 93.4 million in 2017 corporate social investment programs. This value is eight percent higher than the total of social investment in the previous year. Some highlights of our social investment programs in 2017 are as follows:

Health Program. PTFI invests in health through medical service in four clinics that we built. These clinics provided health care to more than 51,200 patients. In the malaria control program, we conducted routine malaria examination for community, over 36,500 indoor residual spraying and distribution of over 1,000 anti-mosquito bed nets. More than 1,900 people attended voluntary counseling and testing as part of HIV / AIDS control programs.

Our social investment that we implement in cooperation with the Amungme and Kamoro Community Development Organization (LPMak) also provides medical services at Mitra Masyarakat Hospital (RSMM) and Waa Banti Hospital (RSWB). Both hospitals provide health services to over 154,000 patient visits. LPMak also concerns in improving accessibility and affordability of public health services by providing Floating Clinic services for coastal communities and Flying Doctors for highland communities. In this program, 7,000 people received medical assistance and 5,300 received medical treatment. PTFI continues to promote synergy with governments and other stakeholders toward sustainability of health programs.

Education Program. LPMak as a partner that manages PTFI's Partnership Fund provided scholarships for 611 Papuan students (52 percent of Amungme, 24 percent of Kamoro, and 24 percent of other tribes in Papua). They pursue education from junior high schools to universities in various educational institutions in Papua, Java, Sulawesi, even abroad. The dormitories built by LPMak and managed by partner institutions continues to educate 843 students. We manage the Tomawin Dormitory for 60 children of the Amungme Tribe in the Highlands. We also continue to build partnerships with governments through posting teachers to schools in the Highlands. We educate the young generation of Papuans for future mining industry through the Nemangkawi Mining Institute. Since the inception of the program, more than 4,000 students have participated in this program of which over 2,900 students have worked at PTFI and contractor companies.

Economic Program. Social investment in economic sector aims at promoting community resilience through various economic programs that match their local wisdom and potential. Jayasakti Mandiri Foundation has been our partner in running animal husbandry program that creates employment for 442 people including local farmers. Our animal husbandry facilities also serve as a training center for students, farmers and government institutions in Mimika Regency and other regencies in Papua. In 2017, our Small and Medium Micro Business program provided business mentoring to 118 Papuan-assisted entrepreneurs of which 86 percent are entrepreneurs from the indigenous Seven Tribes of Papua. The entrepreneurs provides employment for more than 1,000 people and generated income for more than IDR 165 billion. Since the program inception in 2004, the revolving fund program has disbursed IDR 52.3 billion fund to the assisted entrepreneurs.

Community Infrastructure Program. In 2017, we invested approximately USD 7.9 million to continue our commitments for infrastructure development through Three-Village Project (*Proyek Tiga Desa*), including: Aroanop Airstrip, Banti and Opitawak Bridges as well as Clean Water Network. In 2017, we worked with the Mimika Regency Government to perform flight and landing tests for Aroanop Airstrip. We also completed the construction of a 176 KW micro hydroelectric power in Banti. The project provides electricity for approximately 500 communities in the area. In addition, we have also invested USD 6.4 million in the construction of clean water facilities and its distribution to Timika. By 2017, we have completed the construction of two water treatment plants, one water reservoir, six of seven boreholes, and a supporting office building.

Community Relations Program. We build and maintain our relationships with communities to ensure that our operations and social investment programs are running both to respect local values and to reduce the social risks of our operations. In 2017, we managed 64 grievances from communities of which forty eight were resolved in accordance with established procedures. We are improving our cooperation with the local government and agencies to resolve complaints of customary communal land rights.

Local organizations become our partners in implementing social investment programs as well as maintaining relationships with communities around our area of operations. In 2017, Lembaga Pengembangan Masyarakat Amungme dan Kamoro (LPMAMK) managed USD 44 million (48 percent of total Social Investment) of PTFI's Partnership Fund. Since the beginning of the program in 1996, we have contributed USD 737 million in the Partnership Fund for the development of Papuan communities around our area of operations. We 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.

Culture Program. We participate in the preservation and promotion of indigenous peoples cultures around our area of operations. In 2017, we worked together with the Maramowe Weaiku Kamorowe Foundation to develop, preserve and promote the arts and culture of the Kamoro Tribes. The foundation also provided mentoring to carvers and marketing of the engraving and wicker products. A total of 179 Kamoro carvings produced by 135 indigenous Kamoro carvers from 19 villages in four districts in Mimika Regency were sold. The proceeds were entirely returned to the carvers.

Human Rights Program. We are committed to upholding the enforcement of human rights values within our area of operations. In 2017, PTFI Human Rights Office received 26 reports of alleged human rights violations. Of the total cases, as many as eight cases are household problems not directly related to PTFI. Human rights training and promotion were attended by approximately 12,000 people from employees of PTFI, contractors and the communities including about 2,900 Police and military (TNI) personnel.

We are aware that our social investment challenges will be greater along with the increasing challenges in our operations. The highly dynamic social and government relationships have an impact on our social investment. Nevertheless, we will continue to strive to maintain our commitment to provide benefits from our presence in the community. Through partnerships with local government and agencies, we will continue to contribute to improving the welfare and stability of communities in our area of operations.

HEALTH

Improving the quality of public health around the company's area of operations is one of PT Freeport Indonesia's (PTFI) commitments in community development programs. This improvement is pursued by ensuring the availability of health services. We are partnering with the local government to implement various health programs and to achieve its sustainability. This health program includes primary health services through hospitals and clinics, HIV/AIDS control, malaria control, tuberculosis control, and sanitation and clean water programs. The main beneficiaries of this health program are the indigenous Papuans originating from the Seven Tribes around the company's area of operation.

Hospital and Clinic Services

Mitra Masyarakat Hospital (RSMM) was built by the Amungme and Kamoro Community Development Organization (*Lembaga Pengembangan Masyarakat Amungme dan Kamoro - LPMAM*) through Partnership Fund from PTFI to provide services to the people of Papua Seven Tribes in the lowlands. In the highlands, PTFI has built and manages Waa Banti Hospital. Both hospitals are the first hospitals in Mimika Regency and provide quality health services for the community.



Local communities gain better access to health services through clinics built and managed by PTFI.



Malaria examination and health promotion in schools is one type of a proactive measure to detect malaria cases in the community.

In addition to these two hospitals, PTFI also built five health clinics spread across several districts in Mimika Regency.

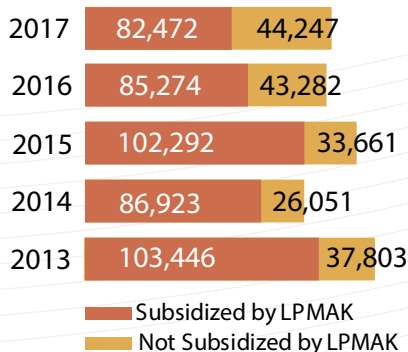
In 2017, PTFI collaborated with local government in the management of health clinics, one of them through the provision of health workers and medicines from the government. As part of the efforts to achieve sustainability, these health facilities are being aligned with government health insurance programs. PTFI will enhance partnerships with the government and other stakeholders to enable these hospitals and clinics to provide greater benefits to the community. By 2017, security disturbances in the highlands interrupted health services in the region, particularly in RSWB. Under these conditions, health services for the community were temporarily transferred to Tembagapura Hospital.

Malaria Control

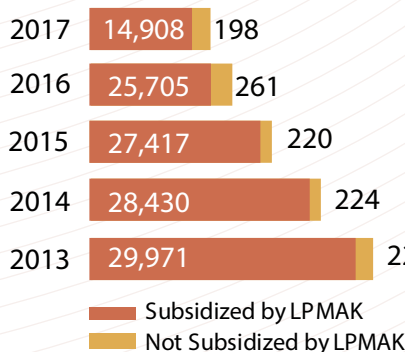
Malaria is one of the endemic diseases of Papua and has a relatively large risk for people around our area of operations. PTFI takes part in malaria control in Mimika Regency through various malaria prevention

Patient Visits to Hospital and Clinics Funded by PTFI

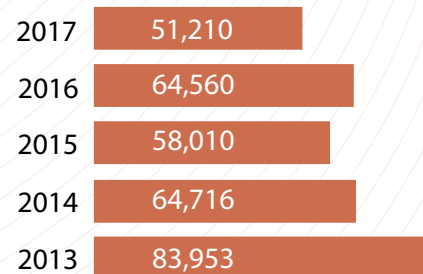
Mitra Masyarakat Hospital



Waa Banti Hospital



Clinics



Malaria Control Program

Indoor Residual Spraying



25,971

Houses

in Target Areas of
Timika Malaria Control Center



11,184

Houses

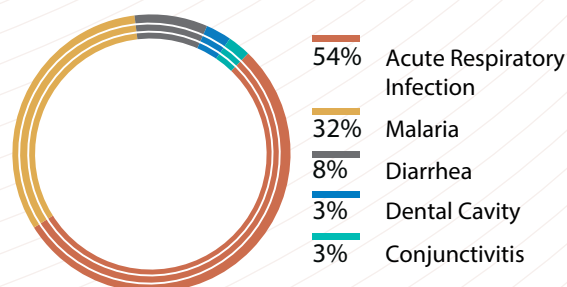
in Outside Target Areas of
Timika Malaria Control Center

Anti Mosquito Bed Net Distribution

1,073

Bed Nets

Top Five Diseases in PTFI-Managed Clinics



and treatment programs together with LPMK and Mimika Regency Government. Through the Malaria Control Center, PTFI and stakeholders run a range of malaria control programs covering malaria counseling and outreach, spraying, distribution of anti-mosquito bed nets, environmental sanitation cleaning, malaria case detection and anti-malaria promotion. By 2017, the Malaria Control Center increased the coverage of targeted areas of community spraying and monitoring areas by 22 percent over the previous year. As a result, the number of malaria incidents detected and treated through our managed clinics decreased by 27 percent to 6,600 cases. Through this program, the community is encouraged to improve the habits of clean and healthy life so as to jointly reduce the rate of malaria disease in Mimika Regency.

Floating Clinic and Flying Doctor Service

Floating Clinic and Flying Doctor Services are provided to serve coastal and highland communities not accessible to health services through hospitals, health centers and clinics. The program run by LPMK and its partners provides general and specialist health services, vaccination/immunization, mother and child and health counseling.

Through a partnership with the Mimika Regency government, by 2017, floating clinics provided health services for more than 19,000 people in four districts of Mimika Regency where about 7,300 of them received malaria examination. The services of flying doctors also provided the same service to communities in highlands.

EDUCATION

Investing in quality human resources is one of the keys to advancing Papua. Through education, PT Freeport Indonesia (PTFI) and the Amungme and Kamoro Community Development Organization (*Lembaga Pengembangan Masyarakat Amungme dan Kamoro - LPMak*) are committed to continuing contribution in achieving and promoting quality human resources in Papua. Some of the educational programs offered as corporate social investment programs include scholarship programs, dormitories and vocational education.

Scholarship

LPMak works together with partners in managing scholarship programs for Papuan youths. LPMak provides scholarships for an average of 650 students per year. The students pursue education from junior high schools to university level in Papua, Java, Sulawesi and abroad. In 2017, the scholarship program was awarded to 611 students consisting of 325 (53 percent) Amungme Tribe, 148 (24 percent) Kamoro Tribe and 138 (23 percent) from other Papuan tribes. During the year, LPMak did not provide new scholarships as part of the operational adjustment of the organization. However, scholarships continue to be provided for students who have already joined the program. Regular monitoring and evaluations are conducted collaboratively with



Dormitories managed by LPMak and partners provide mentoring and assistance in academic and non-academic for Papuan youths.

partners and scholarship recipients to ensure they receive the best benefits from the scholarship program.

LPMak Dormitory

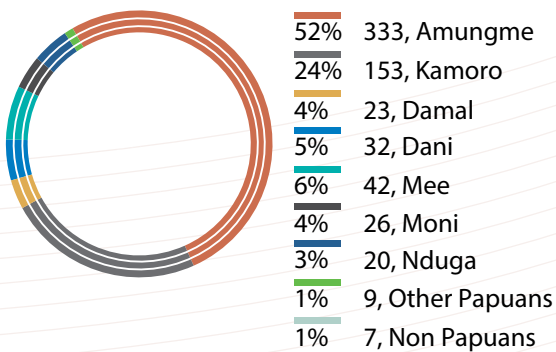
The dormitory program is a program to improve access to education, especially for student from remote areas of Mimika Regency. Through PTFI Partnership Fund, LPMak builds and manages five dormitories for students from Papua. Four dormitories are operated in Mimika Regency area and one dormitory is in Java for students studying in Semarang. The five dormitories accommodated 843 students in 2017. The students in the dormitory obtain not only access for formal education but also assistance in character, arts and culture, as well as other basic skill development.



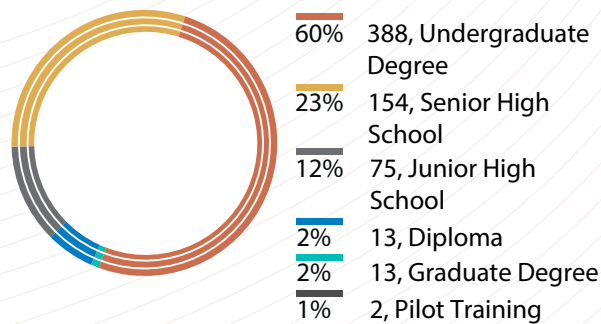
Yunia Bagau, one of the girls living in Taruna Papua Dormitory, was excited to be able to go to school and live in the dormitory. This ninth grade student is interested and talented in painting. Yunia is very proud and grateful for her painting teacher. She wishes to become a painter and continue her education at an art school in Yogyakarta. This student from Moni Tribe wants to prove that children of Papua can compete with children from other regions in many fields, including the arts.

LPMak Scholarship Beneficiaries

By Tribe



By Education Level



Total Scholarship Beneficiaries

611

Students in 2017



Nemangkawi Mining Institute (NMI)

By Tribe and Gender - 2017

	Male	Female
Amungme	17	1
Kamoro	6	2
Five Tribes*	60	5
Papua Lainnya	30	4

Total Active Students **125** Students

*Dani, Damal, Moni, Mee, and Nduga

Total Students in NMI Since Program Inception

3,907 Students

2,929 Graduates

Working in PTFI and Contractor Companies

Dormitories

	Male	Female	Total
Tomawin Dormitory	52	8	60
LPMak Dormitories	485	358	843



Students in Tomawin Dormitory have great opportunity to develop their talent in sports.

Tomawin Dormitory and Nemangkawi Mining Institute

PTFI built Tomawin Dormitory to accommodate students from Seven Tribes of Papua in the highlands. In 2017, Tomawin Dormitory assisted 60 students from the Amungme Tribe in pursuing formal basic education. The dormitory also provides mentoring in the spiritual field, character development, ethics and social skills, talents and other interests.

The Nemangkawi Mining Institute (NMI) is an educational institution established by PTFI to train young Papuans to enter the working world particularly

in mining. Since its inception in 2003, the institute has trained over 4,000 students in Apprenticeship and Business Administration Diploma programs. Up to 2017, 2,929 students have been hired as workers at PTFI or contractor companies. In 2017, 125 students continue to study at NMI. NMI also administers Adult Education Program and Papuan Bridge Program. The Adult Education Program is designed to improve the skills of the Amungme and Kamoro communities. NMI also manages Papuan Bridge Program as a development program for selected Papuan students or those who have completed college education in preparation for entering the workforce.

ECONOMY

PT Freeport Indonesia (PTFI) has provided great economic benefits to the communities surrounding its operations. In addition to the benefits of job creation in the mining sector, communities also receive economic benefits from the social investment program. Various economic activities based on local wisdom and potentials continue to be identified and developed to create independence and sustainability of community economic activities. Some of these economic programs include livestock, fishery, plantation and micro, small and medium enterprises.

Chicken Farming and Animal Husbandry

The demand of chicken and eggs in Mimika Regency continues to increase. Partnership with *Yayasan Jayasakti Mandiri (YJM)* in animal husbandry program is trying to provide those needs. The production of this program provides twenty percent of the chicken needs and about forty percent of the egg needs for the community in Mimika Regency. As part of the ensuring market system, YJM conducts regular coordination with the Mimika's Office of Animal Husbandry and the Poultry Breeders Association of Mimika Regency (*Himpunan Pengusaha Unggas Kabupaten Mimika - Hipukami*) to ensure availability of chicken and eggs



The animal husbandry program has provided financial benefits as well as the transfer of knowledge and skills for local communities.



Identification of new economic potentials, such as cocoa farming, in social investment programs opens alternative economic activities for local communities.

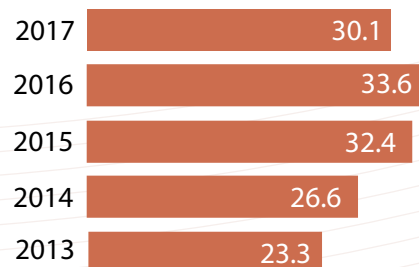
supply in Mimika Regency and to control their market prices.

The animal husbandry program also aims to create employment and empower local communities. Animal husbandry program has provided employment for 442 local community as breeders and employees, of whom 87 percent are from the Seven Tribes of Papua. Through this program, local breeders are equipped with knowledge and skills in animal husbandry so that they can run this economic activity independently and sustainably.

PTFI is aware of the great challenges in this animal husbandry program. The high dependency of breeders on PTFI and YJM in terms of operational costs poses a major challenge in this program. Another challenge in this program is the lack of commitment of the breeders to make it as a profitable economic activity. Both of these have posed great challenges in achieving the sustainability of the social investment program in economics.

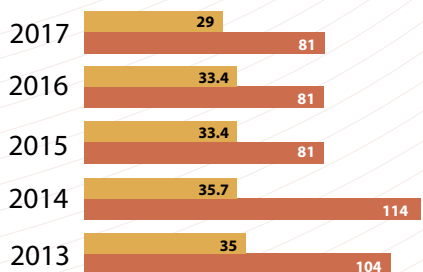
Animal Husbandry and Farming Fact Sheet

Revenue of Animal Husbandry and Cocoa Farming*



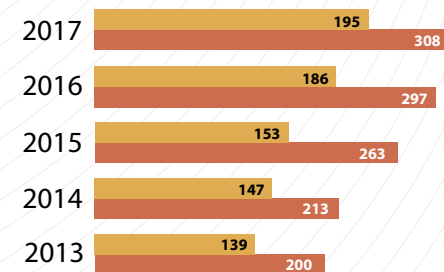
*Managed by Jayasakti Mandiri Foundation
(in Billion IDR)

Coffee Farming Program



■ Farming Area (in hectare) ■ Farmers

Cocoa Farming Program



■ Farming Area (in hectare) ■ Farmers

Above all these challenges, PTFI believes that this program has great potential to be developed in Mimika Regency. Therefore, the animal husbandry farm and its supporting facilities in SP 9 and SP 12 in the lowlands of Mimika Regency are also being added as one of the centers for students, communities and government officials in Mimika Regency. With the availability of skilled human resources in the field of animal husbandry, it is expected the animal husbandry program will continue to grow and develop in the future and gradually reduce dependence on subsidies from PTFI.

LPMak's economic development program aims to increase the community self-reliance and economic prosperity for the people in Mimika Regency, especially for the indigenous Seven Tribes of Papua. In the chicken farm program, LPMak assisted 48 chicken farmers in developing their business. LPMak also pioneered cattle ranching in Agimuga by empowering communities in the area. The local community breeds 111 of the cows, assisted by personnel from the Papua State University (Unipa) and the Mimika Office of Animal Husbandry. Improved partnerships and knowledge transfers are expected to promote community self-reliance.

Fisheries and Mangrove Crab Cultivation

The fishery potential in coastal area of Mimika Regency encourages PTFI to contribute to the fishery

development for community. Through cooperation with Maria Bintang Laut Cooperative (KMBL) of Timika Diocese, PTFI assisted the community in the development of capture fisheries and freshwater fishery cultivation. In the development of capture fisheries, 116 Kamoro tribe fishermen were assisted. In 2017, they received 401 packages of fishing equipment. To assist the distribution and marketing of fish catches from the community, KMBL operates three fish collection points. During the year, PTFI and KMBL also built and operated a mini ice factory to support the capture fisheries program.

As not all Kamoro Tribes have access to the capture fisheries program, PTFI also offers them a freshwater fishery program utilizing the floating cage method. PTFI cooperates with the Mimika's Office of Marine



In 2017, communities had their first harvest of the freshwater fisheries program using the floating cage method.

and Fisheries in the provision of fish seedlings and assistance to fish farmers. In 2017, the freshwater fishery program twice conducted the first harvest. A series of surveys of freshwater fisheries potential was also conducted in Nayaro and Nawaripi Villages as well as West Levee to empower more communities.

Mangrove crab cultivation is an alternative program offered to the Kamoro people. Mangrove crabs have become part of the Kamoro Tribe's potential. PTFI introduced crab cultivation to maximize this potential. A total of 25 Kamoro youths participated in this initiative program. They obtained equipment for the cultivation of mangrove crabs. This program is expected to be an alternative new economic activity for people in the coastal area of Mimika Regency.

Agriculture

Agricultural programs are conducted in accordance with the economic potential of each region in the highlands and lowlands. In addition to the coffee farming program, PTFI and the community in the highlands pioneered the program of oyster mushroom farming in 2016. In 2017, we continued the development of this program and began selling the mushroom harvest of 793 kilograms. PTFI did this marketing this project in conjunction with vegetable products produced by the communities we



Oyster mushroom farming is developed to expand economic activities for communities in the highlands.

assisting in food security programs in the highlands. The agricultural products are marketed through the Wabanop Community Cooperative to a PTFI partner company. The communities enthusiastically participated in this program as an alternative to obtaining economic benefits from agriculture. In addition to providing economic benefits, this program becomes a channel of transferring knowledge and skills to them.

In the lowlands, we support cocoa farming in more than fifteen target villages. In 2017, PTFI partnered with local cooperatives to distribute cocoa seedlings and provided training to cocoa farmers. As of December 2017, 308 farmers (52 percent of indigenous Papuans involved in this cocoa farming program and they cultivated 195 hectares of cocoa farm. In 2017, we sold 3.5 tons of cocoa beans to a company in Makassar. PTFI also works with the Mimika government to grow high quality coconut seedlings on 30 hectares of land in coastal areas.

Micro, Small and Medium Enterprises & Revolving Funds

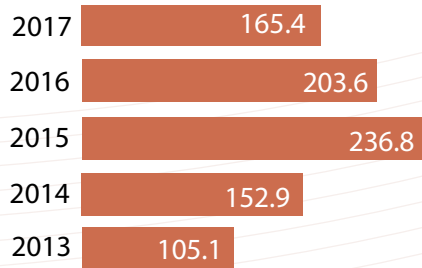
Micro, small and medium enterprise programs encourage the growth and sustainability of local entrepreneurs in the provision of goods and services, enhances the competitiveness of the assisted entrepreneurs, and increases the use of local goods and services for our operations. This program provides assistance to potential Papuan entrepreneurs. In 2017, the UMKM program provided mentoring to 118 entrepreneurs in which 86 percent of them are entrepreneurs from the indigenous Seven Tribes of Papua. This program creates employment opportunities for more than 1,030 people in Timika City. Income from these entrepreneurs reached IDR. 165.4 billion.

PT Freeport Indonesia continues its partnership with Bank Rakyat Indonesia (BRI) to increase the accessibility of Papuan entrepreneurs towards getting capital for their businesses. Through this partnership, BRI will channel the revolving funds and PTFI provides

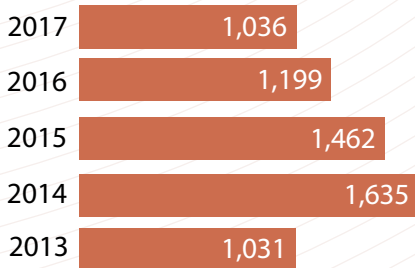
Micro, Small and Medium Enterprises & Revolving Funds Program

Revenue of Assisted Entrepreneurs

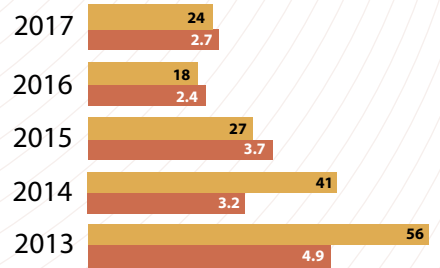
(in Billion IDR)



Employment from Entrepreneurship Program

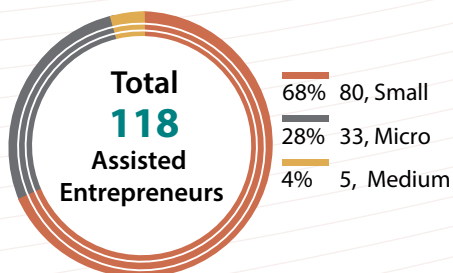


Revolving Fund Disbursement

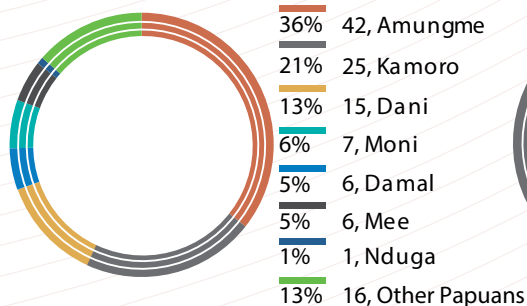


Entrepreneurs Fund Disbursed
(in Billion IDR)

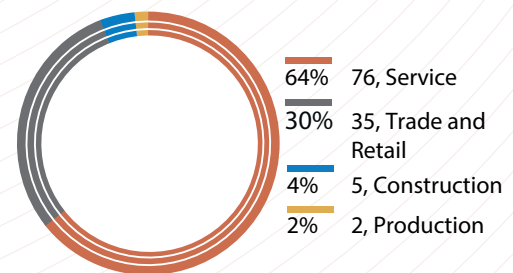
Assisted Entrepreneurs Profile by Business Scale



by Tribe



by Business Type



guarantees for assisted business entrepreneurs. Prior to the existence of partnership with BRI, revolving funds were channeled through *Yayasan Bina Utama Mandiri (YBUM)*. This partnership is a stage to connect local entrepreneurs with financial institutions and improve the professionalism in obtaining and managing business capital. In 2017, revolving funds disbursed amounted to IDR 2.7 billion for 24 local assisted entrepreneurs. Since the inception of the program in 2004, the total revolving funds that have been channeled to the assisted entrepreneurs amounted to IDR 52.3 billion. We encourage entrepreneurs to have more partners and consumers from outside of PTFI to achieve their independence and sustainability.

The LPMak revolving fund program also provides business development facilities for more than 700 micro-scale entrepreneurs from the indigenous Seven Tribes of Papua. They are engaged in services, kiosks/ retail, and various home industries. This program

creates employment and income opportunities for communities so that they can finance their education and health care in addition to growing their businesses.



In 2017, Micro Small and Medium Enterprise Program encouraged four Papuan entrepreneurs in modern retail, including in mini gas station business.

INFRASTRUCTURE

PT Freeport Indonesia (PTFI) supports infrastructure development in Mimika Regency to support the improvement of the quality of life in communities. We work with various partners in infrastructure investments to support economic, health and education activities for local communities. In addition, the infrastructure we build also aims to support the sustainability of our community development programs. We implement the infrastructure development in the highlands and lowlands around our area of operation.

Infrastructure Projects in the Highlands

The *Tiga Desa* (Three Village) Program is an infrastructure program for communities in Aroanop, Banti and Tsinga in the highlands. Since the inception of this program in 2000, we have invested more than USD 89.1 million. Through this project, we provide funding, equipment, materials, transportation and labor to build an infrastructure network covering over 300 houses, 400 sanitation networks, three school buildings, ten houses for teachers, three clinics, three markets, thirteen churches, twenty bridges, 225 KW generator, and 2 airstrips. Investment in community infrastructure has benefited approximately 1,000 Papuans living in this remote highland area.



Aroanop airstrip is targeted to begin operating in 2018 to expand community access to other regions and support logistic distribution.

In 2017, we invested approximately USD 7.9 million to complete commitments in the *Tiga Desa* Program Project, including: Aroanop airstrip, 176 KW micro hydro plant in Banti, Banti and Opitawak bridges and clean water network. In 2017, PTFI and the Mimika's Office of Transportation conducted flight and landing tests at Aroanop airstrip. The airstrip is targeted to begin operating in 2018 in accordance with the government permit. Aroanop airstrip is the second airstrip built by PTFI to improve community's access in the region. In 2017, we also completed the construction of the 176 KW micro hydro plant in Banti. The project provides electricity to communities in the area. We continue to coordinate with local government and community leaders to conduct surveys and develop plans for the handover and maintenance of these assets.

Infrastructure Projects in the Lowlands

PTFI signed an agreement with local government in 2013 to build a world-class sports facility that would enable Papua Province to host the 2020 Indonesian National Sports Week (*Pekan Olahraga Nasional - PON*). It is a multi-sport event held every four years for elite athletes from each of Indonesia's provinces. The USD 33 million project was completed in 2016. Some facilities in this complex includes an open stadium with a seating capacity of 3,500; an indoor stadium for badminton, volleyball and basketball with seating capacity of 5,500; an athletic field, two athlete dormitories with



The renovation of a Catholic Church for Nayaro communities was completed in 2017.



Mimika Sports Complex built by PTFI will be one of the venues for National Sport Week (Pekan Olahraga Nasional - PON) and will be pride for Mimika and Papua.

capacity of 100 capacity for visiting athletes and various supporting facilities. PTFI subcontracted the construction work to local contractors providing employment for over 300 people, of which more than 100 are indigenous Papuans. As part of the MoU, PTFI will continue to manage this facility for one year while working with the local government to find third-party professionals for facility management.

In 2013, PTFI partnered with the Mimika Regency Government to improve the distribution of clean water to Timika City, a growing urban area close to the PTFI project area. As part of the planning process, PTFI sponsored a feasibility study and environmental impact study to determine the optimal design for water treatment facilities to meet the growing needs of Timika. As a result of the study, PTFI has contributed its engineering expertise and investments worth USD 6.4 million (out of a total commitment of USD 10 million) to build two water treatment plants, water supply pipelines and seven bore wells. The local government is responsible for upgrading and expanding the pipeline network to the city in a phased approach that will connect thousands of Timika residents to drinking water from the water treatment plants.

In 2017, PTFI completed the construction of two water treatment plants, one water reservoir, six of seven boreholes, and a supporting office building. Phase II construction of pipeline and water distribution is still

under construction and is targeted to be completed by 2019. To build this facility, PTFI is partnering with local contractors and providing jobs to more than 70 people of which 20 are indigenous Papuans. This facility is targeted to be completed and inaugurated in 2019.

PTFI also improved clean water access for Kamoro Tribe communities in the Five Villages in lowlands. The clean water installation that had been built sin early 2000 was maintained and increased for its quality. This project also involved local communities for its construction and maintenance as an effort to promote sustainability of this clean water project.



*Communities in Timika City and its surrounding areas will receive increased access to clean water through the facility built by PTFI and Mimika Government.
Inset: Water tank and clean water network for Kamoro Tribe in Ayuka*

COMMUNITY AND INSTITUTIONAL RELATIONS

The presence of PT Freeport Indonesia (PTFI) has impacted social and economic activities of communities surrounding the area of operation. The dynamics that occur in company and the dynamics within the community affect each other. We recognize that building and maintaining good relationships with communities is one of the keys to the success of our operations. Good relationships with the community will also maximize the benefits that the community might receive from our programs. Some of the measures in 2017 to maintain good relationships with communities include mitigation of the levee extension project, management of artisanal mining, management of grievances, and assistance and capacity building for local institutions.

Mitigation of Levee Extension

PTFI carried out the levee extension project as part of its efforts to ensure that tailings from our mining



Traditional ceremony of Kamoro Tribe to indicate approval to resume levee extension project.



Bus services assist economic activities for communities in Timika City around the levees.

operations remain within the approved deposition areas in the Environmental Impact Assessment (AMDAL). The levee extension project impacted Minajerwi Channel which is the local community transportation route. We consulted with local communities and government to take measures to mitigate the impact to communities nearby.

Through a series of studies and discussions with potentially affected communities, we set up alternative transportation routes as well as alternative economic activities for communities to reduce the impact for communities in Nayaro and Manasari. In this transportation program, PTFI provides boats for communities in the affected coastal villages. In 2017, we also built a neutral dock in Otakwa to support this transportation service. If the boat service cannot operate due to inclement weather, bus service is provided to serve transportation for communities. PTFI also introduced alternative economic programs for local communities as a mitigation measure of the levee extension project. This economic program includes vegetable and coconut farming programs as well as fisheries and crab cultivation programs. Details on economic programs can be found in the economic section of this report.

Management of Artisanal Mining

PTFI uses controlled riverine tailings management to transport tailings and other sediments from mining operations to a designated area in the lowlands area and coastal zone, called the Modified Deposition Area (ModADA). This tailings stream raises artisanal activities undertaken by the community and the increasing number of artisanal miners is a challenge to the company in building relationships with the community.

Artisanal mining activities in the highlands and lowlands within our area of operations have both safety and security risks for panners as well as for employees working along the river. The risk of this panning activity includes the disruption of the company's operations as the panners block heavy equipment and company employees working on the project. The panning activities carried out around heavy equipment also increase the safety risks for the panners.

Production restrictions in connection with the adjustment to government regulations and operational changes in 2017 impacted the amount of recoverable gold for artisanal miners. Community Liaison Officers in the field therefore proactively socialized these operational changes with artisanal gold panners to help reset their expectations. Security disturbances in the highlands also have an impact on the decrease

of artisanal mining activities. In connection with these events, PTFI noted an increase in the number of artisanal miners in the lowlands. This presented challenges with levee maintenance and other earthworks associated with managing the modified deposition area known as ModADA. PTFI's lowlands operations and community teams regularly coordinate to determine strategies for effective engagement with artisanal miners based on location and timing of operational plans.

We took necessary steps to reduce the risk of panning activities in 2017. Monitoring of panners and safety socialization are routine activities aimed at reducing risks for panners and employees. PTFI also contracted 35 former artisanal miners to work as pedestrian safety guards around the ModADA. They are responsible to inform artisanal miners about the movement of heavy equipment in the ModADA and to educate them about the need to keep a safe distance from the equipment. This coordination has also helped address potential conflicts associated with illegal settlements and the operational footprint needed for maintenance of the lowland system. PTFI continued to work with a third party in 2017 to support stakeholder engagement efforts with artisanal miners. PTFI recognizes the importance of a neutral third party in helping to establish better information gathering and two-way communication as well as to construct a more effective strategy in the management of artisanal mining activity around the company's area of operations.

Community Grievance Management

PTFI receives and handles community grievances through its Community Grievance Management System. In 2017, PTFI handled 64 complaints from communities where 48 of them were successfully resolved in accordance with established procedures. The grievances were related to the demands for compensation of traditional land rights (*hak ulayat*), environment grievances, and compensation of services (merit compensation).



Security and safety socialization is necessary to reduce risks of artisanal mining activity.

In 2017, PTFI recorded nine formal land rights grievances from indigenous Papuan communities. We coordinate with the National Land Agency of Mimika Regency to investigate claims regarding communal land rights and work with all parties to reach an agreement within the applicable legal framework. The study on the identification of traditional land rights of the Three Amungme Villages by Cendrawasih University was completed in 2015 and continued to be socialized in 2017 to the Amungme Tribal Council and Amungme figures. We also continued the socialization of traditional land rights and the positive law with the Land Office of Mimika Regency in order to provide the community with a better understanding on the traditional land rights. In 2017, a land rights task force consisting of cross-functional units at PTFI was established as part of the mitigation on land rights issues. The task force coordinates with the government and other stakeholders in the mitigation of land rights claims. As a result, eight land rights grievances were resolved in accordance with the applicable procedures. PTFI is committed to managing grievances from the community in accordance with the procedures and providing the best solutions for companies and communities.

Assistance and Capacity Building of Local Organizations

In implementing the company's social commitment, PTFI needs to obtain support from local organizations so the programs can run in accordance with local values. Some of the major local organizations we work 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 (LPMak) and a tripartite Communication Forum between representatives of Amungme, Kamoro and PTFI communities called Forum MoU. One form of cooperation is a routine communication forum, mentoring and operational support to the organizations.

LPMak is our partner organization that manages Partnership Fund from PTFI. From the establishment of LPMak, we have provided assistance for managing the Partnership Fund to achieve greater accountability and transparency. PTFI's contributions to the Partnership Fund were approximately USD 44 million (48% from total social investment) in 2017 and over USD 735



Socialization regarding current condition of the company to community figures and local leaders to promote trust and openness between PTFI and local stakeholders.



Forum MoU serves as a discussion forum between PTFI and representatives of customary institutions to find the best solutions to address challenges faced by both the company and the communities.

million since its inception in 1996. LPMak is governed by a Board of Commissioners (*Badan Musyawarah - BM*) and Board of Directors (*Badan Pengurus - BP*) which are comprised of representatives from the local Amungme and Kamoro tribal communities, local government, Papuan regional leaders, church leaders, and PTFI. The Partnership Fund is used for health, education, economic and infrastructure development in Mimika Regency.

In 2017, LPMak began the process of examining the option to change the legal platform of the organization from “institution” to “foundation”. This change is one of the measures to improve institutional performance in order to be more professional, accountable, efficient and transparent. Changes in the status of this legal entity are also expected to encourage the organization to achieve sustainability and independence in the future. This process is planned to begin in 2018. In 2017, LPMak also revised the budget by 24 percent and manpower by 30 percent. The budget and manpower revision was successfully done without disrupting the main programs planned for the community.

PTFI 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’ program preparation and budget management for the benefit of indigenous people. Various trainings were also conducted to encourage these organizations to perform their functions better.

In 2017, Forum MoU facilitated the reconciliation process regarding leadership dualism in Lemasa. The process is expected to conclude in 2018 so that the organization can perform its role again and contribute to the company’s operations and community development programs.

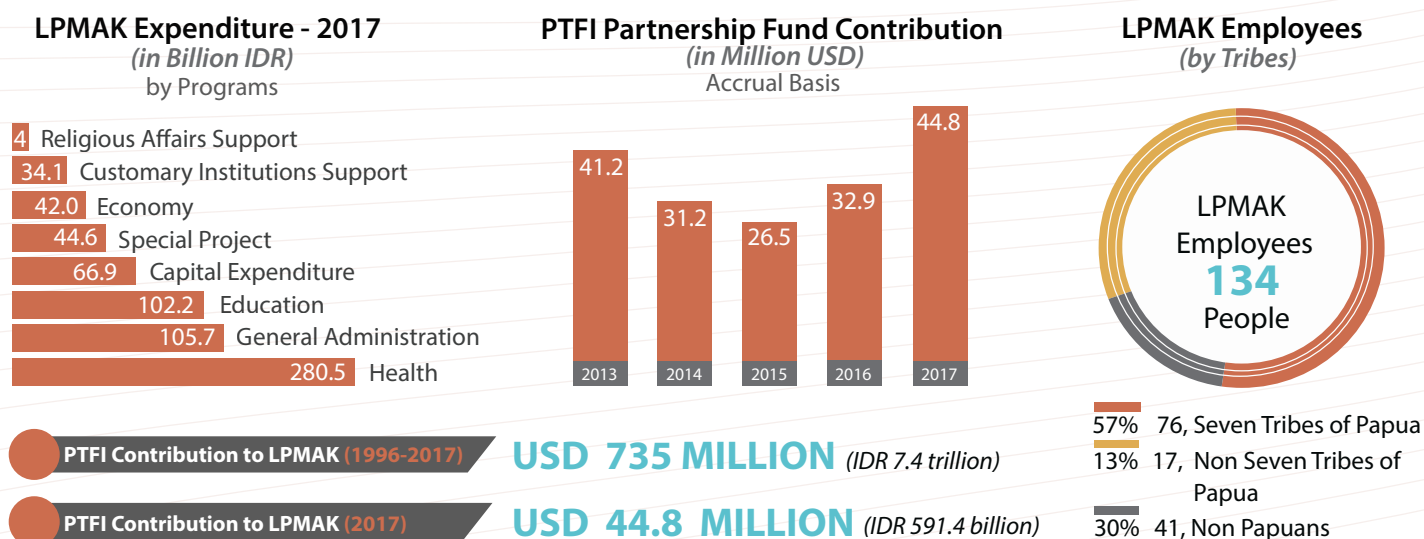
In addition to maintaining good relations with these organizations, we also strive to increase capacity building activities of the younger generations of Papua. One of these activities is through the Basic Leadership Training and Advanced Leadership Training for Papuan students from Mimika. This training aims to build solid relationships with students and encourage them to be trusting people who can build synergy with others and become good agents of change in the community.

LOCAL INSTITUTIONAL PARTNERS

LPSMAK

The Amungme and Kamoro Community Development Organization (*Lembaga Pengembangan Masyarakat Amungme dan Kamoro – LPSMAK*) is an institution that has managed Partnership Fund from PTFI since 1996. The Partnership Fund is allocated for the community development in health, education, economy, culture, religion, and infrastructure through close partnership 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 empower indigenous communities in the Mimika Regency in a sustainable way and in accordance with local wisdom.



LEMASA

The Amungme Tribal Council (*Lembaga Musyawarah Adat Suku Amungme – Lemasa*) was established in June 21, 1994, based on the decision in customary deliberation of the Amungme Tribe. Lemasa was established to support the Amungme community in and around PTFI's area of operation in the field of education, economy, 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 reconciliation of the institution leadership issue

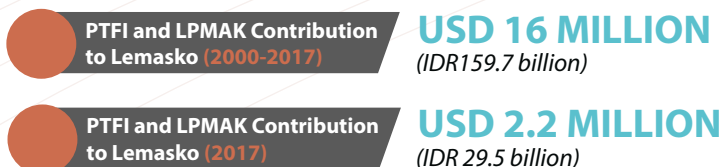


LEMASKO

The Kamoro Tribal Council (*Lembaga Masyarakat Adat Suku Kamoro – Lemasko*) was established in 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



LOCAL INSTITUTIONAL PARTNERS

■ WAARTSING AND YU AMAKO FOUNDATIONS

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

PTFI Assistance to Waartsing dan Yu Amako Foundations:

- Supporting capacity building of the board to manage the Trust Funds professionally, independently, transparently
- Assisting foundations in changing the bank that manages Trust Funds

PTFI Contribution to Waartsing (2001-2017) **USD 28.5 MILLION**
(IDR 284.8 billion)

PTFI Contribution to Waartsing (2017) **USD 500 THOUSAND**
(IDR 6.6 billion)

PTFI Contribution to Yu Amako (2001-2017) **USD 27.4 MILLION**
(IDR 274.3 billion)

PTFI Contribution to Yu Amako (2017) **USD 500 THOUSAND**
(IDR 6.6 billion)

■ YAHAMAK

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

PTFI Assistance to Yahamak:

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

PTFI and LPMK Contribution to Yahamak (2001-2017) **USD 6.5 MILLION**
(IDR 65.3 billion)

PTFI and LPMK Contribution to Yahamak (2017) **USD 516 THOUSAND**
(IDR 6.8 billion)

■ FORUM MOU 2000

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

PTFI and LPMK Contribution to Forum MoU (2005-2017) **USD 1.9 MILLION**
(IDR 19.2 billion)

PTFI and LPMK Contribution to Forum MoU (2017) **USD 101 THOUSAND**
(IDR 1.3 billion)

**Financial data in this fact sheet apply conversion rate of IDR 10,000 for multi-year contribution and currency date of IDR 13,200 for 2017 contribution.*

CULTURE

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. The high rate of migration in Mimika, both from within and outside Papua, has impacted socio-economic and cultural aspects of communities. Culture, modern economics and technology can change the way local communities view their indigenous culture. We realize the importance of local culture as the indigenous identity of Papua and value to be preserved and maintained alongside modernization. Therefore, we support the efforts for preservation and development of indigenous cultures. Various cultural promotion activities are conducted in order that local communities, especially young people can still understand the culture in spite of living and interacting with various cultures from outside their indigenous communities.

In 2017, we continued our commitment to cultural preservation through the promotion of Kamoro culture. The promotion was conducted through art exhibitions, dance performances and sales of art products such as carvings as well as cultural tours to several coastal villages for visitors. Kamoro's cultural development



Traditional dance of Kamoro Tribes telling stories about their ancestors and daily activities always attracts visitors.

includes the selection, collection and sale of Kamoro Tribal community carvings to be promoted through exhibitions and galleries in Timika City. The carvers received all profits from the sales. By 2017, as many as 179 Kamoro carvings were selected from 135 carvers in 19 villages in four districts. A wood carving competition for Kamoro youth was organized as a part of culture preservation. The new generation of carvers is expected to preserve and promote indigenous culture.



Introducing Kamoro weaving art to children at school to promote appreciation of local culture.



Wood carving competition for Kamoro youth as a part of cultural preservation.

HUMAN RIGHTS

PT. Freeport Indonesia (PTFI) has been operating in Papua, Indonesia since 1973 and has applied the Voluntary Principles on Security and Human Rights since 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 communities. We respect the rights of every individual including employees, communities, partners, and anyone else who may be affected by our activities.

In 2017, we received 26 grievances regarding human rights allegations covering domestic issues, employment, verbal harassment and discrimination. One of the alleged reports was related to security issues where a company security officer was allegedly attacked by one of the guests who entered the company area. This allegation was reported to the police and we were internally reviewing access controls to the company area to prevent recurrence. Of the total cases, eight cases were household problems not directly related to PTFI. We continue to work closely with the Human Rights and Anti-Violence Foundation (Yahamak), a local foundation engaging in the enforcement of the rights of children and women, in the handling of allegations relating to domestic issues. The human rights complaint system is communicated and acknowledged 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 under the process of follow up by the PTFI Human Rights Office.

We continue to engage with a number of national and local stakeholders on the implementation of the Voluntary Principles and respect for human rights. In 2017, the Human Rights Office of PTFI held meetings with national-level non government organizations working on human rights such as ICE, KONTRAS and ELSHAM. PTFI met with the Indonesian Human Rights



Observing Human Rights Day has been a great event to promote awareness of human rights value for communities.

Commission (Komnas HAM) both in Jakarta and in the Papua Province. The meeting was conducted proactively to discuss human rights-related risks and issues at PTFI such as industrial conflicts, shooting incidents, and customary rights. With the high dynamics of labor issues in 2017, we build communications with the International Workers Union and Industrial as a form of transparency and information disclosure of the workforce. PTFI also communicates with community leaders, partner institutions, and local government through the presentation of PTFI's human rights program and the implementation of the Voluntary Principles.

In 2017, approximately 1.100 PTFI employees, 6,200 contractor employees, 4,700 local communities, partner organizations, students, local contractors, and personnel of police and military attended human rights training. PTFI's Human Rights Office provided human rights training and Voluntary Principles for 2,900 police and military personnel. The PTFI Security Department also provided training on professional behavior and protocols in the PTFI project area to private security personnel. PTFI has required all new employees to attend human rights trainings.

PROJECT MANAGEMENT OFFICE

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

In 2017, our social investment was USD 93.4 million. The investment was eight percent higher than the 2016 budget despite the growing challenges facing the company in 2017. The social investment managed by the CA Division and through the Partnership Fund was 87 percent, while the remainder was managed by other divisions at PTFI (Nemangkawi Mining Institute, Special Projects, and Corporate Communications).

To achieve the success of its programs, the CA Division undertakes joint planning and coordination with all different parts of the CA Division as well as with other departments at PTFI. PTFI continues to increase the use of a risk-based framework to manage key business risks that includes the identification and prioritization of risks and social opportunities that impact the sustainability of the company's operations.



Exhibition on community development to promote products of the communities that are mentored through PTFI's social investment programs.

This analysis is documented in the PTFI Corporate Risk Register. Proactive analysis to the changes in the company that impact communities and vice versa will help us in reducing social risks before they develop into a threat to the sustainability of the company's operations.

In 2017, we organized workshops on the alignment of our social investment program with the Ministerial Regulation on community development and empowerment programs and the Presidential Decree on Sustainable Development Goals. The workshop was attended by various divisions at PTFI that contributed to our corporate social investment program as well as our external partners such as local organizations and the Mimika Regency Government. In committing to social investment, we follow and harmonize with the latest regulations as a form of compliance and contribution to national development plans.

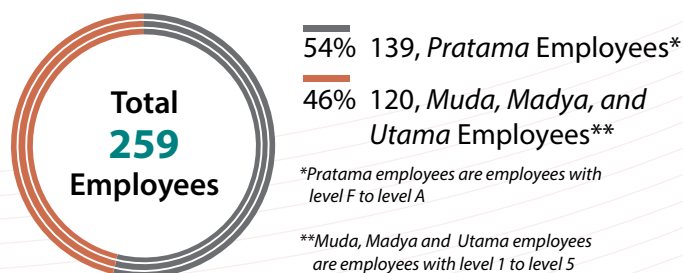
We proactively disseminate information on our community development programs with our partners. We do this through various exhibitions and information dissemination to external and internal parties. In 2017, we conducted seven exhibitions to give people the correct information about our programs and to market some products from the communities we assisted. We received visits from various local and national media outlets as well as government agencies from both the



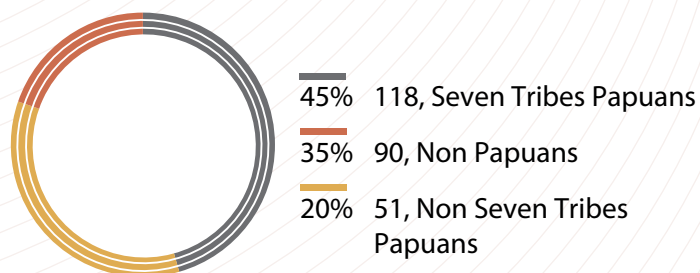
A series of workshops on community development and empowerment regulation was organized for relevant stakeholders of the company

Community Affairs Employees - 2017

By Employee Level



By Tribe



PT Freeport Indonesia Social Investment - 2017



(in Million USD)

PT Freeport Indonesia Social Investment 2017

USD 93.4 MILLION

local and central governments. In addition to receiving information about our programs, they also conducted visits to locations of community development programs and interacted with beneficiary communities. They provided a positive feedback of our programs and hope that PTFI's presence will always have positive social and economic impacts on the community. We are committed to improving transparency by providing quality and factual information about our social investment programs.

We comply with the safety standards set by the company as well as national and international safety

Safety Performance Community Affairs

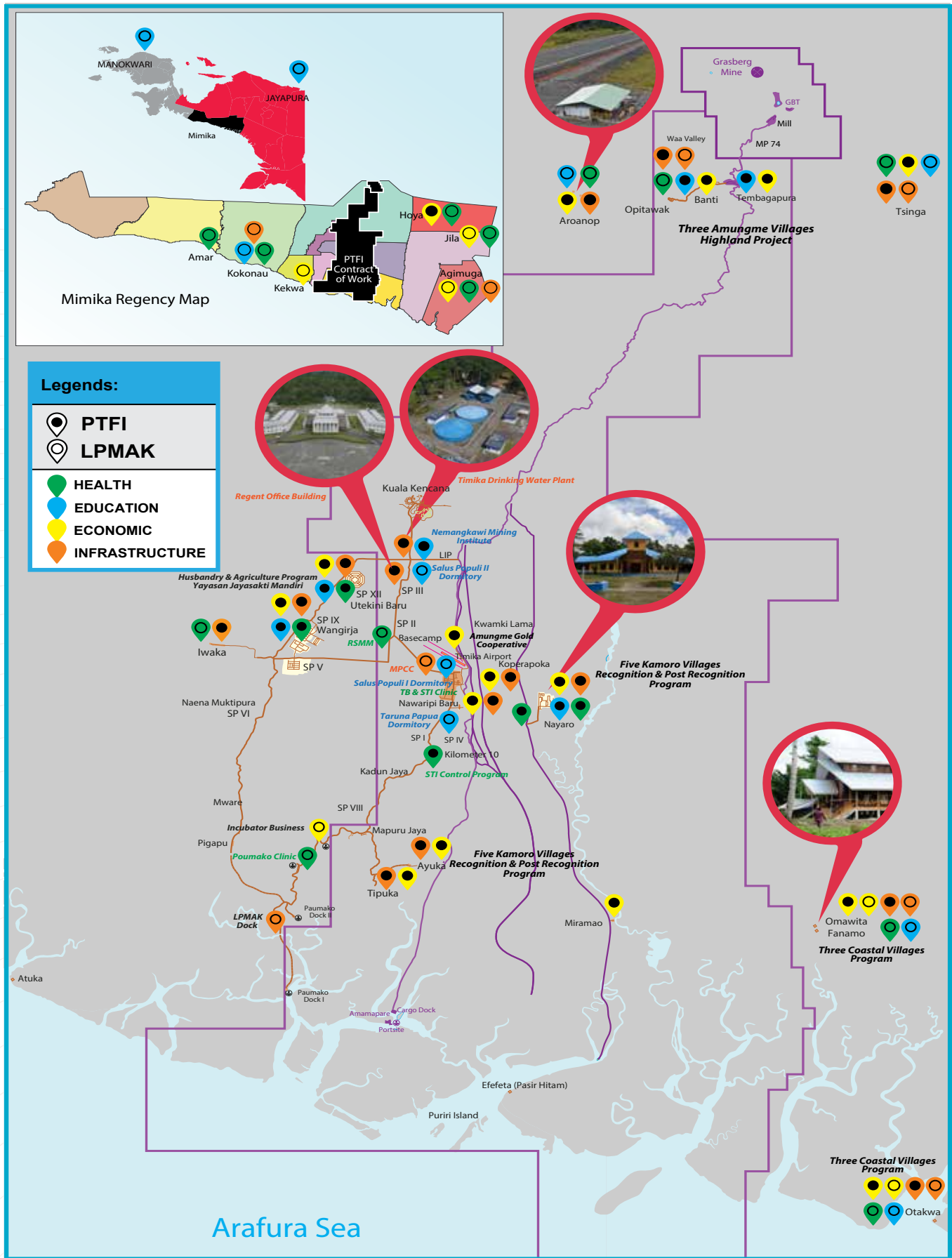
Safety Accountability **99%**

Light Vehicle Incident **8 Cases**

Working Hours Without Accident **601,742 Hours**

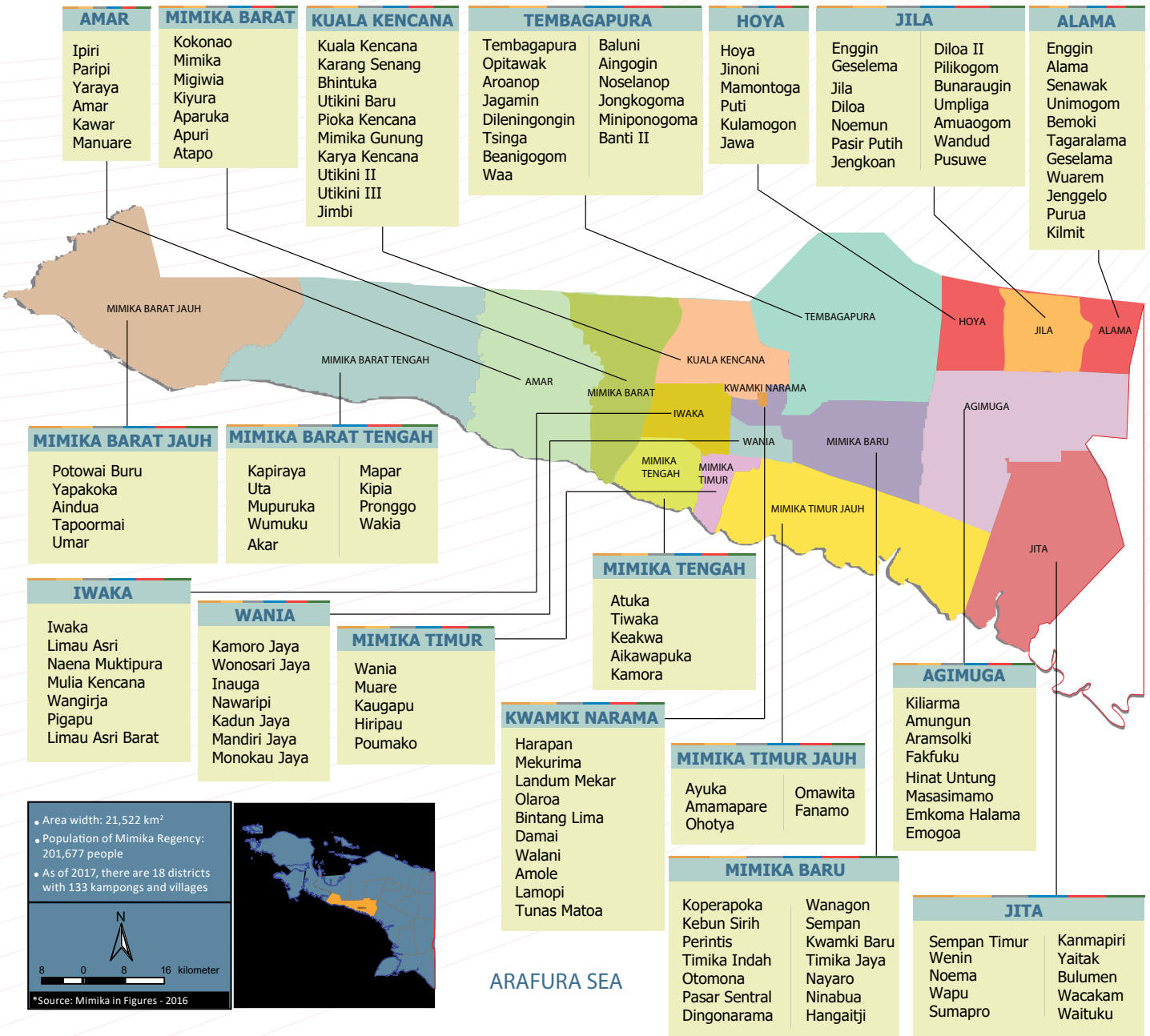
standards in carrying out our social investment activities. In 2017, we managed to achieve the Safety Accountability Performance level of 98 percent that exceeded the company's target of 95 percent. During the year, we decreased light vehicle incidents by 62 percent compared to 2016 incident. Reduction in workforce also affect the number of working hours without accident in 2017. To ensure every employee complies with safety standards, CA Division employees attended various safety trainings such as firefighting, incident investigation, personal protective equipment, and fatalities prevention.

Appendix 1: PTFI Community Development Map



Appendix 2: Mimika Regency Map

Mimika Regency consists of 18 districts with 133 kampongs and villages. With an area of 21.522 km² (4.75 percent of total width of Papua Province), the regency is occupied by 201,677 people.



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