

FREEPORT MCMORAN COPPER & GOLD INC
Form DEFA14A
June 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Freeport-McMoRan Copper & Gold Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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Explanatory Note - Commencing June 6, 2014, Freeport-McMoRan Copper & Gold Inc. will refer to the attached presentation in discussions with shareholders.

www.fcx.com
www.fcx.com
2014 Shareholder Engagement
June 2014

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Engaged and Responsive Board

Engaged and Responsive Board

Shareholder Feedback from 2013 Engagement

Redesign Executive Compensation Program

Independent Board Leadership

Board Refreshment

Board Actions During Past Year

Established New Executive Compensation Program

Appointed Lead Independent Director

Added Four New Independent Directors

Actions Represent Significant Move Towards Best Practices

In March and April 2014, Our Lead Independent Director Met

with Shareholders Representing Approximately 25% of Our

Outstanding Common Stock to Review Board Actions

Robust Independent Board Leadership

3

Independent Directors Appointed Jerry Ford as Lead Independent Director in Late June 2013 Shortly Before Annual Meeting

Mr. Ford Has Implemented Several Initiatives, Including New Approach to Board Refreshment and Formation of a Fully Independent Executive Committee

Mr. Ford's Role Has Included:

Providing Recommendations on New Directors

Providing Recommendations on Board Committee Memberships and Chairman/Vice Chairman Roles

Working with the Chairman of Compensation Committee to Implement New

Executive Compensation Program and Negotiate Revised Executive Employment Arrangements

Appointment of Five
New Directors in Past Year
Appointment of Five
New Directors in Past Year

4

Former Plains Exploration & Production
Company directors joined the Board in
June 2013,
contributing valuable
backgrounds in oil & gas exploration
and production and banking

Thomas Fry

Independent Director

Jim Flores

Inside Director

Lydia Kennard

Independent Director

Fran Townsend

Independent Director

Alan Buckwalter

Independent Director

The Shift in Composition of Our Board, Including Four New Independent

Directors and New Lead Independent Director Role, Has Introduced

New Perspectives and Reshaped Conversation in the Boardroom

New Independent Directors Appointed

to

Board

in

December

2013,

bringing

diverse professional experience in

executive management roles and deep

expertise as directors at public

companies

Well-Balanced Board

Well-Balanced Board

5

During Past Year, We Reduced Tenure of Our Directors to Average of 8.5 Years and Increased Percentage of Independent Directors

Independent

Directors

81.25%

Other

Directors

18.75%

Board Composition

Board Tenure

5 Directors

5 Directors

6 Directors

Less than 5 Years

5-10 Years

More than 10

Years

Board Has Wealth of
Expertise & Knowledge

Board Has Wealth of
Expertise & Knowledge

6

Invaluable Experience in Leading and
Managing Mining, Oil & Gas Companies,
Including Exploration and Production

In-depth Experience in Geology
and Development of Mines, Milling
Facilities and Infrastructure

Expertise in Legal, Regulatory and
Accounting Matters

Deep Understanding of Both Onshore
and Offshore Oil and Gas Operations
Public and Private Company Board
Service
Former Leadership Positions at
International Accounting Firms
Entrepreneurship and Innovation
Involvement in Trade Associations
and Federal Agencies
Former Leaders of Banking and
Financial Institutions
International Government Relations,
Public Policy, Sustainability and
Environmental Experience
Exceptional Leadership Abilities in
Developing and Executing Financial
Strategies
Strong Management, Administrative
and Operational Skills

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Office of the Chairman
Develop & Execute Operational and Financial Strategy
Office of the Chairman
Develop & Execute Operational and Financial Strategy
James R. Moffett
Chairman of the Board
Richard C. Adkerson
Vice Chairman,
President and CEO
James C. Flores
Vice Chairman,
President and CEO
of Oil & Gas Business
Experienced Leadership
Interests Aligned with Shareholders
Collectively Own Approximately 14 Million FCX Shares

Founder

50+ Years Experience in
Natural Resources Business

Accomplished Geologist

Leads Global Exploration
Program & Guides Strategy

Owns 3.2 Million Shares

40+ Years Experience in
Natural Resources Business

Leads Global Mining Business &
Corporate Functions

Owns 2.7 Million Shares,
Including Vested RSUs

30+ Years Experience in
Energy Business

Leads Oil & Gas Business

Owns 8.0 Million Shares

New Executive Compensation Program

New Executive Compensation Program

8

In Response to the 2013 Shareholder Vote on Executive Compensation, We
Transformed Our Approach to Executive Compensation

Restructured

the

Direct

Compensation

of

Members

of
Office

of
the
Chairman

with Each Being Paid at Same Level

Reduced by 50% the Base Salaries to \$1.25 Million from \$2.5 Million

Evaluated the Median Aggregate Compensation of Top Three Executives at Peer
Companies and Set Total Target Direct Compensation at \$7.5 Million for Each of
Our Top Three Executives

Total Target Direct Compensation of \$7.5 Million = Bottom 25th Percentile
for Peer Companies and CEOs at S&P 100 Companies

Of the \$7.5 Million Target Compensation, \$6.25 Million is at Risk

New Annual Incentive Program (AIP) and New Long-Term Incentive Program
Performance-Based Elements Tied to Enterprise Level Goals and Shareholder
Return Align Focus on Positive Outcomes that Deliver Value to Shareholders

New Executive Compensation Framework

Office of the Chairman

New Executive Compensation Framework

Office of the Chairman

9

Compensation Structure for Office of Chairman with Total Target Direct

Compensation of \$7.5 Million (in millions):

AIP Awards are Earned Based on Performance vs. Defined Goals Established

Each Year

AIP 2014 Performance Metrics:

Performance Category

Performance Metric

Weighting

Financial

Operating Cash Flow Excluding Working

Capital Changes

50.0%

Operational

Copper Production Volumes

17.5%

Oil Equivalents Production Volumes

7.5%

Safety and

Environmental/Social

Responsibility

Safety (Reportable Rate)

15.0%

Environmental/SR (Score)

10.0%

Base Salary

\$1.25

Annual Incentive

\$1.25 (Min 0%; Max 2x Target)

Stock Options

\$2.50 (No Value Unless Share Price > Strike Price When Vested)

Performance Shares

\$2.50 (Min 0%; Max 2x Target)

Established New Performance Shares
Established New Performance Shares
FCX's Total Shareholder Return (TSR) Will Be Compared to Peer
Group Companies After Three Years in Order to Determine FCX's
Rank Within the Peer Group
Earned Awards Will Be Determined According to TSR Rank as
Specified in the Following Table:
FCX Rank
FCX TSR >0%
FCX TSR </=0%

Performance Share Payout %

Performance Share Payout %

1-2 (>87

th

percentile)

200%

100%

3

180%

100%

4

160%

100%

5

140%

100%

6

120%

100%

7

8 (50

th

56

th

percentile)

100%

100%

9

80%

80%

10

60%

60%

11

40%

40%

12-16 (< 25

th

percentile)

0%

0%

10

Restricted Stock Unit Grant to CEO

11

New Executive Management Structure Potentially Triggered Termination Provisions in

Mr. Adkerson's Employment Agreement

Resulted

in

a

Potential

Claim

by

Mr.

Adkerson

of

a

Good

Reason
Termination
under
Employment Agreement and Right to Receive a \$46M Cash Severance Payment
The
Board
Firmly
Believed
Retaining
Mr.
Adkerson,
an
Experienced
and
Skilled
CEO,
Was
in
the Best Interests of Our Shareholders
Board
Negotiated
with
Mr.
Adkerson
to
Reach
a
Mutually
Agreeable
Solution
and
Retain
Him
as CEO
Board Structured New Severance Arrangement as Restricted Stock Units to Ensure
Strong Link Between Pay and Corporate Performance
Agreed to a One-time Restricted Stock Unit Grant Valued at Less than 80% of the Prescribed
Payout, An Immediate Savings of \$11M
Restricted
Stock
Units
Cannot
Be
Paid
Out
Until
Six
Months
After
Retirement

to

Avoid

Unintended Incentive for Short-Term Actions

Terminated Mr. Adkerson's Employment Agreement; No Future Obligations for the Company

We Believe this Action Served the Best Interests of our Shareholders by Terminating the More Expensive Payout Set Forth in the Employment Agreement while Retaining an Experienced and Skilled CEO at a Time of Significant Transformation at the Company

Employment Agreement Changes

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Terminated Mr. Adkerson's Employment Agreement

Amended Mr. Flores

Employment Agreement

Eliminated All Tax Gross-ups and Provision Providing for a Payout of Three Times the Sum of Salary and Target Annual Bonus Upon Death or Disability, and Reduced Base Salary

Removed

Daily
Automatic
Renewal
Provision
Resulting
in
Mr.
Flores
Agreement
Now

Having a Five-year Term Ending in February 2019, Subject to One-year Extensions Unless
the Company Provides Prior Notice that it Does Not Wish to Extend the Term

Amended Mr. Moffett's Employment Agreement

Reduced Base Salary by 50%

Changes in Base Salary and Annual Bonus Reduced Potential Severance Payments

As of December 31, 2013

As of March 1, 2014

Lump Sum Payment (in millions)

James C. Flores

Retirement

None

None

Death/Disability

\$15.0

None

Termination

Good

Reason/No

Cause

\$15.0

\$7.5

Termination

After

Change

of

Control

\$15.0

\$7.5

James R. Moffett

Retirement/Death/Disability

None

None

Termination

Good

Reason/No

Cause

\$45.9

\$25.6
Termination

After
Change
of
Control
\$60.8
\$36.0

No Equity Grants for 2013 Performance

13

No Long-Term Incentive Awards Were Granted for 2013 Performance, But

Proxy

Disclosure

Rules

Require

Reporting

of

Equity

Awards

in

the

Year
of
Grant

We
Historically
Granted
Equity
in
January
for
Performance
in
the
Prior
Year

The Summary Compensation Table in our 2014 Proxy Statement Therefore Reflects Equity Awards Granted for 2012 Performance in February 2013 (prior to Annual Meeting)

Starting in 2014, Long-Term Incentive Awards will be Granted at the Beginning of the Applicable Year, which will Align the Performance Period with Proxy Disclosure

Compensation
Awarded
for
2013
Performance
(a)
Name
Salary
Stock
Awards
Option
Awards
Non-Equity
Incentive Plan
Compensation
Change in Pension
Value and
Nonqualified
Deferred
Compensation
Earnings
All Other
Compensation
Total
James R. Moffett
\$2,500,000
\$1,250,000
\$1,644,729

\$1,644,603

\$7,039,332

Richard C. Adkerson

2,500,000

1,250,000

5,269,323

James

C.

Flores

1,461,795

1,250,000

353,190

3,064,985

Kathleen L. Quirk

650,000

1,100,000

159,822

1,909,822

Michael J. Arnold

550,000

1,000,000

156,706

1,706,706

(a) Please see page 38 of the 2014 FCX Proxy Statement for the 2013 Summary Compensation Table; this is not a substitute for

(b) Excludes \$35,190,000 aggregate grant date value of RSUs awarded in connection with the termination of Mr. Adkerson's

1,519,323

(b)

(c)

Amounts reflect compensation to Mr. Flores from May 31, 2013 (date FCX acquired Plains Exploration) through December 31,

(c

)

Oversight of Environmental Risk

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A Stockholder Has Proposed that the Board Appoint a Director Who is a Recognized

Expert on Environmental Matters

The Restrictive Proposal Would Limit the Board's Ability to Identify and Recruit the Most Qualified Director Candidates

The Board Has a Strong Commitment to Environmental Management and Minimizing the Environmental Impact of Our Operations

Two of Our Recently Appointed Directors, Mr. Fry and Ms. Kennard, Have Experience in Environmental Management and Are Members of Our Corporate Responsibility Committee

The Nominating and Corporate Governance Committee Seeks to Maintain a Board with the Right Mix of Skills and Experience; This Proposal Does Not Advance That Goal

All

Mining
Operations
Maintain
ISO
14001
Certified
Environmental
Management
Systems,
Independently
Audited
Annually
Grasberg Operation has Undergone Triennial Independent Environmental Audits by Recognized Industry Experts
Annual
External
Assurance
of
Our
Continued
Implementation
of
the
ICMM
Sustainable
Development
Framework,
Including Visits at Six Operations in 2013
Long Track Record of Independent Reviews of Our Environmental Management Systems
Mr. Fry is a Former Director of the Department of the Interior's Bureau of Land Management
Ms. Kennard Served for Seven Years on the California Air Resources Board

Additional Disclosure

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This information is being provided to certain shareholders in addition to Freeport-McMoRan Copper & Gold Inc.'s proxy statement dated April 29, 2014, that has been available since such date. Please read the complete proxy statement and accompanying materials carefully before you make a voting decision. Even if voting instructions for your proxy have already been given, you can change your vote at any time before the annual meeting by giving new voting instructions as described in more detail in the proxy statement. The proxy statement, and any other documents filed by Freeport-McMoRan Copper & Gold Inc. with the Securities and Exchange Commission (SEC), may be obtained free of charge at the SEC web site at www.sec.gov and from the Company's web site at www.fcx.com.

Freeport-McMoRan Copper & Gold Inc. and its directors and officers may be deemed to be

participants in the solicitation of proxies from Freeport-McMoRan Copper & Gold Inc.'s shareholders in connection with the upcoming annual meeting of shareholders. Information about Freeport-McMoRan Copper & Gold Inc.'s directors and executive officers and their ownership of Freeport-McMoRan Copper & Gold Inc. stock is set forth in the proxy statement for Freeport-McMoRan Copper & Gold Inc.'s 2014 annual meeting of shareholders.