

FREEPORT MCMORAN COPPER & GOLD INC

Form DEF 14A

April 24, 2009

Table of Contents

**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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

TABLE OF CONTENTS

Notice of Annual Meeting of Stockholders
Information about Attending the Annual Meeting
Post-Meeting Report of the Annual Meeting
Questions and Answers about the Proxy Materials, Annual Meeting and Voting
Stockholder Proposals
Corporate Governance
Director Compensation
Election of Directors
Information About Director Nominees
Stock Ownership of Directors and Executive Officers
Section 16(a) Beneficial Ownership Reporting Compliance
Stock Ownership of Certain Beneficial Owners
Executive Officer Compensation
Compensation Discussion and Analysis
Corporate Personnel Committee Report
Executive Compensation Tables
Audit Committee Report
Independent Auditor
Certain Transactions
Proposal to Adopt the 2009 Annual Incentive Plan
Stockholder Proposal
Board of Directors Statement in Opposition to Stockholder Proposal

Table of Contents

Notice of Annual Meeting of Stockholders

June 11, 2009

April 24, 2009

Date: Thursday, June 11, 2009

Time: 10:00 a.m., Eastern Time

Place: Hotel du Pont
11th and Market Streets
Wilmington, Delaware 19801

Purpose: To elect sixteen directors;

To ratify the appointment of our independent auditor;

To adopt the proposed 2009 Annual Incentive Plan;

To vote on a stockholder proposal, if presented at the meeting; and

To transact such other business as may properly come before the meeting.

Record Date: Close of business on April 14, 2009

Your vote is important. Whether or not you plan to attend the meeting, please promptly submit your vote online or complete, sign and date a proxy or voting instruction card and return it promptly. Your cooperation is appreciated.

By Order of the Board of Directors.

DOUGLAS N. CURRAULT II
Secretary

Table of Contents

Information about Attending the Annual Meeting

Only stockholders of record on the record date are entitled to notice of and to vote at our annual meeting. If you plan to attend the meeting in person, please bring the following:

1. Proper identification.
2. Acceptable Proof of Ownership if your shares are held in Street Name.

Street Name means your shares are held of record by brokers, banks or other institutions.

Acceptable Proof of Ownership is (a) a letter from your broker stating that you beneficially owned Freeport-McMoRan Copper & Gold Inc. stock on the record date or (b) an account statement showing that you beneficially owned Freeport-McMoRan Copper & Gold Inc. stock on the record date.

Post-Meeting Report of the Annual Meeting

A post-meeting report summarizing the proceedings of the meeting will be available on our web site at *www.fcx.com* within 10 days following the meeting. A copy of the report will be mailed at no charge to any stockholder requesting it.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON JUNE 11, 2009.

This proxy statement and the 2008 annual report are available at www.proxymaterial.com/fcx.

Table of Contents

FREEPORT-McMoRan COPPER & GOLD INC.

**One North Central Avenue
Phoenix, Arizona 85004**

The 2008 Annual Report to Stockholders, including financial statements, is being made available to stockholders together with these proxy materials on or about April 24, 2009.

Questions and Answers about the Proxy Materials, Annual Meeting and Voting

Why am I receiving these proxy materials?

Our board of directors is soliciting your proxy to vote at our 2009 annual meeting of stockholders because you owned shares of our common stock at the close of business on April 14, 2009, the record date for the annual meeting, which entitles you to vote at the meeting. The proxy statement, along with a proxy card or a voting instruction card, is being made available to stockholders beginning April 24, 2009. We have made these materials available to you on the internet, and in some cases, have delivered printed proxy materials to you. This proxy statement summarizes the information that you need to know in order to cast your vote at the annual meeting. You do not need to attend the annual meeting in person to vote your shares.

Why did I receive a notice of internet availability of proxy materials instead of a full set of proxy materials?

In accordance with rules recently adopted by the Securities and Exchange Commission, we may furnish proxy materials, including this proxy statement and our 2008 Annual Report, to stockholders by providing access to these documents on the internet instead of mailing printed copies. Most stockholders will not receive printed copies of the proxy materials unless requested. Instead, the notice will instruct you as to how you may access and review the proxy materials on the internet. The notice also instructs you as to how you may submit your vote via the internet. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting the materials in the notice.

When and where will the annual meeting be held?

The annual meeting will be held at 10:00 a.m. Eastern time on Thursday, June 11, 2009, at the Hotel du Pont, 11th and Market Streets, Wilmington, Delaware 19801.

Who is soliciting my proxy?

Our board of directors is soliciting your proxy to vote on all matters scheduled to come before the 2009 annual meeting of stockholders, whether or not you attend in person. By completing and returning the proxy card or voting instruction card, or by casting your vote via the internet, you are authorizing the proxy holders to vote your shares at our annual meeting as you have instructed.

On what will I be voting? How does the board of directors recommend that I cast my vote?

At the annual meeting, our stockholders will be asked to elect our director nominees, ratify the appointment of our independent auditor, adopt the 2009 Annual Incentive Plan, consider a stockholder proposal, if presented at the meeting, and consider any other matter that properly comes before the meeting.

The board of directors unanimously recommends that you vote:

FOR all of the director nominees;

FOR the ratification of the appointment of our independent auditor;

FOR the adoption of the proposed 2009 Annual Incentive Plan; and

AGAINST the stockholder proposal, if presented at the meeting.

Table of Contents

We do not expect any matters to be presented for action at the meeting other than the items described in this proxy statement. By signing and returning the enclosed proxy, however, you will give to the persons named as proxies discretionary voting authority with respect to any other matter that may properly come before the annual meeting, and they intend to vote on any such other matter in accordance with their best judgment.

How many votes may I cast?

You have one vote for every share of our common stock that you owned on April 14, 2009, the record date.

How many votes can be cast by all stockholders?

As of the record date, we had 411,751,897 shares of common stock outstanding, each of which is entitled to one vote.

How many shares must be present to hold the annual meeting?

Our by-laws provide that a majority of our outstanding shares of common stock entitled to vote, whether in person or represented by proxy, constitutes a quorum necessary to properly convene a meeting of our stockholders. The inspector of election will determine whether a quorum exists. Shares of our common stock present at the annual meeting that abstain from voting, that are the subject of broker non-votes, or for which voting authority is withheld will be counted as present for purposes of determining the existence of a quorum.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

If your shares are registered directly in your name with BNY Mellon Shareowner Services, our transfer agent, you are considered, with respect to those shares, the stockholder of record. The proxy materials have been made available to you by us.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. The proxy materials have been made available to you by your broker, bank or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or internet.

If my shares are held in street name, what happens if I do not vote? How are broker non-votes counted?

If you hold shares in street name and you do not provide voting instructions to your broker, bank or nominee, your shares will not be voted with respect to any proposal for which your broker does not have discretionary authority to vote.

Rules of the New York Stock Exchange (NYSE) determine whether proposals presented at the stockholder meetings are discretionary or non-discretionary. If a proposal is determined to be discretionary, the NYSE provides brokerage firms with authority to vote on the proposal without receiving voting instructions from their clients. Broker non-votes occur when your shares are represented at the meeting by a broker, bank or other nominee, but with respect to which you have not instructed your broker, bank or nominee on how to vote on a non-discretionary proposal.

Under NYSE rules, brokers generally have discretionary authority to vote without instructions from beneficial owners on the election of directors, the ratification of the appointment of the independent auditor and certain incentive plans, including the 2009 Annual Incentive Plan. Brokers generally do not have discretionary authority to vote without

instructions from beneficial owners on stockholder proposals. Broker non-votes will not be counted as votes for or against and will not be included in calculating the number of votes necessary for approval of the matters to be presented at the meeting. Broker non-votes will be considered present at the annual meeting for purposes of determining the existence of a quorum.

Table of Contents

What vote is required to approve each item?

In uncontested elections, our directors are elected by the affirmative vote of the holders of a majority of the shares voted. In contested elections (where the number of nominees exceeds the number of directors to be elected), the directors will be elected by a plurality of shares voted. Under our by-laws, all other matters require the affirmative vote of the holders of a majority of our common stock present in person or by proxy and entitled to vote on such matters, except as otherwise provided by statute, our certificate of incorporation or our by-laws.

Abstentions as to all such matters to come before the annual meeting will be counted as votes against those matters. Broker non-votes will have no effect on the voting calculations for the election of directors, the ratification of our independent auditor, the adoption of our 2009 Annual Incentive Plan or the stockholder proposal, if presented at the meeting.

How do I vote?

If your shares are *registered in your name* (and not held through a broker, bank or other institution), there are two ways to vote: by internet or by mail. Your vote authorizes each of James R. Moffett, Richard C. Adkerson and Kathleen L. Quirk, as proxies, each with the power to appoint his or her substitute, to represent and vote your shares as you directed.

Vote by Internet <http://www.ivselection.com/freep09>

Use the internet to vote your proxy 24 hours a day, seven days a week until 11:59 p.m. (Eastern time) on June 10, 2009.

Please have your proxy card available and follow the instructions to obtain your records and create an electronic ballot.

Vote by Mail

Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

Only the latest dated proxy received from you, whether by internet or mail, will be voted at the annual meeting. If you vote by internet, please do not mail your proxy card.

If your shares are held in *street name* (through a broker, bank or other institution), you may receive a separate voting instruction form, or you may need to contact your broker, bank or other institution to determine whether you will be able to vote electronically using the internet or the telephone.

If you hold shares of our common stock through our *Employee Capital Accumulation Program (ECAP)*, you may only vote your shares by mail. Mark, sign and date your proxy card and return it in the postage-paid envelope provided to you.

Can I change my vote?

Yes. Your proxy can be revoked or changed at any time before it is voted by notice in writing to our corporate secretary, by our timely receipt of another proxy with a later date or by voting in person at the annual meeting.

What if I don't vote for a proposal?

If you properly execute and return a proxy or voting instruction card, your stock will be voted as you specify. If your shares are *registered in your name* (and not held through a broker, bank or other institution) and you make no specifications on your proxy card, your shares will be voted in accordance with the recommendations of our board of directors, as provided above. If your shares are held in *street name* (through a broker, bank or other institution), and you do not give voting instructions to your broker, bank or nominee, they will be entitled to vote your shares in the manner they choose with respect to the election of directors, the ratification of our independent auditor and the adoption of the 2009 Annual Incentive Plan.

Table of Contents

Who pays for soliciting proxies?

We pay all expenses of soliciting proxies for the annual meeting. In addition to solicitations by mail, arrangements have been made for brokers and nominees to send proxy materials to their principals, and we will reimburse them for their reasonable expenses. We have retained Georgeson Inc., 199 Water Street, 26th Floor, New York, New York, to assist with the solicitation of proxies from brokers and nominees. It is estimated that the fees for Georgeson's services will be \$10,000 plus its reasonable out-of-pocket expenses. We may have our employees or other representatives (who will receive no additional compensation for their services) solicit proxies by telephone, e-mail, personal interview or other means.

Could other matters be considered and voted upon at the annual meeting?

Our board does not expect to bring any other matter before the annual meeting, and it is not aware of any other matter that may be considered at the meeting. In addition, pursuant to our by-laws, the time has elapsed for any stockholder to properly bring a matter before the meeting. However, if any other matter does properly come before the meeting, the proxy holders will vote the proxies in his or her discretion.

What happens if the annual meeting is postponed or adjourned?

Unless a new record date is fixed, your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Stockholder Proposals

If you want us to consider including a proposal in next year's proxy statement, you must deliver it in writing to: Corporate Secretary, Freeport-McMoRan Copper & Gold Inc., One North Central Avenue, Phoenix, Arizona 85004 by December 24, 2009.

If you want to present a proposal at next year's annual meeting but do not wish to have it included in our proxy statement, you must submit it in writing to our corporate secretary, at the above address, by February 11, 2010, in accordance with the specific procedural requirements in our by-laws. If you would like a copy of these procedures, please contact our corporate secretary, or access our by-laws on our web site at www.fcx.com under Investor Center Corporate Governance. Failure to comply with our by-law procedures and deadlines may preclude presentation of the matter at the meeting.

Corporate Governance

Corporate Governance Guidelines; Principles of Business Conduct

Our corporate governance guidelines and our principles of business conduct are available at www.fcx.com under Investor Center Corporate Governance. Both are available in print upon request. We intend to post promptly on our web site amendments to or waivers, if any, from our principles of business conduct made with respect to any of our directors and executive officers.

Board Structure and Committee Composition

As of the date of this proxy statement, our board consists of sixteen members. We also have one director emeritus. The director emeritus does not vote. Our board held seven meetings during 2008, consisting of six regularly scheduled meetings and one special meeting. In accordance with our corporate governance guidelines, non-management

directors met in executive session at the end of each regularly scheduled board meeting. The chair of executive session meetings rotates among the chairpersons of the four standing committees (discussed below), except as the non-management directors may otherwise determine for a specific meeting.

Our board has four standing committees: an audit committee, a corporate personnel committee, a nominating and corporate governance committee and a public policy committee. Each committee operates under a written charter adopted by the board. All of the committee charters are available on our web site at

Table of Contents

www.fcx.com under Investor Center Corporate Governance and are available in print upon request. During 2008, each of our directors attended at least 75% of the aggregate number of board and applicable committee meetings. Directors are invited, but not required to attend, annual meetings of our stockholders. Mr. Adkerson attended the last annual meeting of stockholders.

Audit Committee Members	Functions of the Committee	Meetings in 2008
Robert A. Day, Chairman Gerald J. Ford H. Devon Graham, Jr. Jon C. Madonna Stephen H. Siegele	please refer to Audit Committee Report	5
Corporate Personnel Committee Members	Functions of the Committee	Meetings in 2008
H. Devon Graham, Jr., Chairman Robert J. Allison, Jr. Charles C. Krulak Bobby Lee Lackey	determines the compensation of our executive officers administers our annual incentive, long-term incentive, and stock incentive plans please refer to Corporate Personnel Committee Procedures	6
Nominating and Corporate Governance Committee Members	Functions of the Committee	Meetings in 2008
Robert J. Allison, Jr., Chairman Robert A. Day Gerald J. Ford	nominates individuals to stand for election or re-election as directors considers recommendations by our stockholders of potential nominees for election as directors conducts annual board and committee evaluations makes recommendations to our board concerning the structure of our board and corporate governance matters oversees the form and amount of director compensation	2
Public Policy Committee Members	Functions of the Committee	Meetings in 2008
Stephen H. Siegele, Chairman Robert J. Allison, Jr. J. Bennett Johnston Charles C. Krulak Bobby Lee Lackey Dustan E. McCoy Gabrielle K. McDonald	oversees our compliance programs relating to our social, employment and human rights policies oversees our governmental and community relationships and information programs oversees our safety and environmental programs oversees our charitable and philanthropic contributions	3

B. M. Rankin, Jr.
J. Stapleton Roy
J. Taylor Wharton

Corporate Personnel Committee Procedures

The corporate personnel committee has the sole authority to set annual compensation amounts and annual and long-term incentive plan criteria for executive officers, evaluate the performance of the executive officers, and make awards to executive officers under our stock incentive plans. The committee also reviews, approves and recommends to our board of directors any proposed plan or arrangement providing for incentive, retirement or other compensation to our executive officers, as well as any proposed contract under which compensation is awarded to an executive officer. The committee annually recommends to the board the slate of officers for the company, periodically reviews the functions of our executive officers and makes recommendations to the board concerning those functions. The committee also periodically evaluates the performance of our executive officers.

To the extent stock options or other equity awards are granted in a given year, the committee's historical practice has been to grant such awards at its first meeting of that year, which is usually held in

Table of Contents

January or February. Each August, the board establishes a meeting schedule for itself and its committees for the next calendar year. Thus, the first meeting of each year is scheduled approximately five months in advance and is scheduled to fall within the window period following the release of the company's earnings for the fourth quarter of the previous year. The committee has a written policy stating that it will approve all regular annual equity awards at its first or second meeting of each fiscal year, and that to the extent the committee approves any out-of-cycle awards at other times during the year, such awards will be made during an open window period during which our executive officers and directors are permitted to trade.

The terms of our stock incentive plans provide that the exercise price of each stock option cannot be less than the fair market value of a share of our common stock on the grant date. Pursuant to the committee's policies, for purposes of our stock incentive plans the fair market value of our common stock will be determined by reference to the closing sale price on the grant date. In addition, our stock incentive plans permit the committee to delegate to appropriate personnel its authority to make awards to employees other than those subject to Section 16 of the Securities Exchange Act of 1934, as amended. Our current equity grant policy provides that each of the chairman of the board and the chief executive officer of the company has authority to make or modify grants to such employees, subject to the following conditions:

No grant may relate to more than 20,000 shares of common stock;

Such grants must be made during an open window period and must be approved in writing by such officer, the grant date being the date of such written approval;

The exercise price of any options granted may not be less than the fair market value of our common stock on the date of grant; and

The officer must report any such grants to the committee at its next meeting.

Since 2007, the committee engaged an independent executive compensation consultant, Towers Perrin, to advise the committee on matters related to executive compensation. Please refer to "Compensation Discussion and Analysis" for more information. In addition, the board has its own independent legal counsel, with whom the committee consults on an as needed basis.

Compensation Committee Interlocks and Insider Participation

The current members of our corporate personnel committee are Messrs. Allison, Graham, Krulak and Lackey. In 2008, none of our executive officers served as a director or member of the compensation committee of another entity, where an executive officer of the entity served as our director or on our corporate personnel committee.

Board and Committee Independence and Audit Committee Financial Experts

On the basis of information solicited from each director, and upon the advice and recommendation of the nominating and corporate governance committee, the board has affirmatively determined that each of Messrs. Allison, Day, Ford, Graham, Krulak, Lackey, Madonna, McCoy and Siegele has no material relationship with the company and is independent within the meaning of our corporate governance guidelines, which comply with the NYSE director independence standards as currently in effect. In making this determination, the nominating and corporate governance committee, with assistance from the company's legal counsel, evaluated responses to a questionnaire completed annually by each director regarding relationships and possible conflicts of interest between each director, the company and management. In its review of director independence, the committee considered the commercial, industrial, banking, consulting, legal, accounting, charitable, and familial relationships any director may have with the company

or management. The nominating and corporate governance committee made a recommendation to the board that nine directors be considered independent, which the board approved.

Further, the board has determined that each of the members of the audit, corporate personnel, and nominating and corporate governance committees has no material relationship with the company and is

Table of Contents

independent within the meaning of our corporate governance guidelines, which adopt the statutory and NYSE independence standards applicable to audit committee members.

In addition, the board has determined that each of the following members of the audit committee Messrs. Day, Ford, Graham and Madonna qualifies as an audit committee financial expert, as such term is defined by the rules of the Securities and Exchange Commission (the SEC).

Director Stock Ownership Guidelines

In January 2006, the nominating and corporate governance committee adopted stock ownership guidelines applicable to our directors. Under the guidelines, each non-management director is encouraged to maintain ownership of company stock valued at five times his or her annual retainer, determined by reference to either the one-year or five-year trailing average monthly stock price. Shares of common stock currently owned by the directors are counted for purposes of the stock ownership guidelines, as are shares held in individual retirement accounts, shares issuable upon the vesting of outstanding restricted stock units, shares issuable upon conversion of mandatory convertible preferred stock and shares held in certain trusts. As of January 1, 2009, all of our non-management directors had reached or exceeded their target ownership levels.

Consideration of Director Nominees

In evaluating nominees for membership on the board, the nominating and corporate governance committee applies the board membership criteria set forth in our corporate governance guidelines. Under these criteria, the committee will take into account many factors, including personal and professional integrity, general understanding of our industry, corporate finance and other matters relevant to the successful management of a large publicly traded company in today's business environment, educational and professional background, independence, and the ability and willingness to work cooperatively with other members of the board and with senior management. The committee evaluates each individual in the context of the board as a whole, with the objective of recommending nominees who can best perpetuate the success of the business, be an effective director in conjunction with the full board, and represent stockholder interests through the exercise of sound judgment using their diversity of experience in these various areas.

Our nominating and corporate governance committee regularly assesses the appropriate size of the board, and whether any vacancies on the board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the committee will consider various potential candidates who may come to the attention of the committee through current board members, professional search firms, stockholders or other persons. Each candidate brought to the attention of the committee, regardless of who recommended such candidate, is considered on the basis of the criteria set forth in our corporate governance guidelines.

As stated above, the nominating and corporate governance committee will consider candidates proposed for nomination by our stockholders. Stockholders may propose candidates by submitting the names and supporting information to: Corporate Secretary, Freeport-McMoRan Copper & Gold Inc., One North Central Avenue, Phoenix, Arizona 85004. Supporting information should include (a) the name and address of the candidate and the proposing stockholder, (b) a comprehensive biography of the candidate and an explanation of why the candidate is qualified to serve as a director taking into account the criteria identified in our corporate governance guidelines, (c) proof of ownership, the class and number of shares, and the length of time that the shares of our voting securities have been beneficially owned by each of the candidate and the proposing stockholder, and (d) a letter signed by the candidate stating his or her willingness to serve, if elected.

In addition, our by-laws permit stockholders to nominate candidates directly for consideration at next year's annual stockholder meeting. Any nomination must be in writing and received by our corporate secretary at our principal

executive office no later than February 11, 2010. If the date of next year's annual meeting is moved to a date more than 90 days after or 30 days before the anniversary of this year's annual meeting, the nomination must be received no later than 90 days prior to the date of the 2010 annual meeting or 10 days following the public announcement of the date of the 2010 annual meeting. Any stockholder submitting a nomination under our by-law procedures must include (a) all information relating to the nominee that is

Table of Contents

required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), and (b) the name and address (as they appear on the company's books) of the nominating stockholder and the class and number of shares beneficially owned by such stockholder. Nominations should be addressed to: Corporate Secretary, Freeport-McMoRan Copper & Gold Inc., One North Central Avenue, Phoenix, Arizona 85004.

Communications with the Board

Stockholders or other interested parties may communicate directly with one or more members of our board, or the non-management directors as a group, by writing to the director or directors at the following address: Freeport-McMoRan Copper & Gold Inc., Attn: Board of Directors or the name of the individual director or directors, One North Central Avenue, Phoenix, Arizona 85004. The company will forward the communication to the appropriate directors.

Director Compensation

We use a combination of cash and equity-based incentive compensation to attract and retain qualified candidates to serve on the board. In setting director compensation, we consider the significant amount of time directors expend in fulfilling their duties to the company as well as the skill-level required by the company to be an effective member of the board. The form and amount of director compensation is reviewed by the nominating and corporate governance committee, which makes recommendations to the full board.

During 2008, the nominating and corporate governance committee retained an independent consultant to review non-management director compensation. In April 2008, based on the independent consultant's findings, the nominating and corporate governance committee recommended, and the board of directors approved, changes to non-management director compensation, including the directors' retirement plan, as reflected in Cash Compensation and Revised Retirement Plan for Current Non-Management Directors below.

Cash Compensation

Effective May 1, 2008, each non-management director receives an annual fee of \$70,000. Committee chairs receive an additional annual fee as follows: audit committee, \$20,000; corporate personnel committee, \$15,000; and public policy committee and nominating and corporate governance committee, \$10,000. Committee members, excluding the committee chairman, receive an additional annual fee as follows: audit committee, \$10,000; corporate personnel committee, \$7,500; and public policy committee and nominating and corporate governance committee, \$5,000. Each non-management director receives a fee of \$1,500 for attending each board and committee meeting (for which he or she is a member) and is reimbursed for reasonable out-of-pocket expenses incurred in attending such meetings. In addition, until May 2009, each management director also received a fee of \$1,500 for attending each board meeting. The compensation of each of Messrs. Moffett and Adkerson is reflected in the Summary Compensation Table below.

Equity-Based Compensation

Non-management directors also receive equity-based compensation under the 2004 Director Compensation Plan (the 2004 Plan). Pursuant to the 2004 Plan, on June 1st of each year, each non-management director receives a grant of options to acquire 10,000 shares of our common stock and 2,000 restricted stock units. The options are granted at fair market value on the grant date, vest ratably over the first four anniversaries of the grant date and expire on the tenth anniversary of the grant date. The restricted stock units also vest ratably over the first four anniversaries of the grant date. Each restricted stock unit entitles the director to receive one share of our common stock upon vesting. Dividend

equivalents are accrued on the restricted stock units on the same basis as dividends are paid on our common stock and include market rate interest. The dividend equivalents are only paid upon vesting of the shares of our common stock. The 2004 Plan also provides for a pro rata grant of options and restricted stock units to a director upon his initial election to the board other than at an annual meeting. In accordance with the 2004 Plan, each of

Table of Contents

Messrs. Graham, Johnston, Krulak, Lackey, Madonna, McCoy and Roy elected to defer 100% of his 2008 grant of restricted stock units to be paid out in one or more installments after separation from service on our board.

The 2004 Plan provides that participants may elect to exchange all or a portion of their annual fee for an equivalent number of shares of our common stock on the payment date, based on the fair market value of our common stock on the date preceding the payment date. The 2004 Plan further provides that participants may elect to defer all or a portion of their annual fee and meeting fees, and that such deferred amounts will accrue interest at a rate equal to the prime commercial lending rate announced from time to time by JPMorgan Chase (compounded quarterly), and shall be paid out at such time or times as directed by the participant. See footnote (1) to the Director Compensation table for details regarding participation in this program by our directors.

On June 1, 2008, each non-management director was granted an option to purchase 10,000 shares of our common stock at a grant price of \$115.71, and 2,000 restricted stock units under the 2004 Plan.

Revised Retirement Plan for Current Non-Management Directors

In April 2008, as part of our review of director compensation, we revised our retirement plan for non-management directors who reach age 65 and are entitled to a retirement benefit based on the annual director fees. We froze the benefit under this plan for our existing directors and terminated the plan for any future directors. Under the plan, as revised, an eligible current director is entitled to an annual benefit up to a maximum of \$40,000 (the prior level of annual director fees), depending on the number of years the retiree served as a non-management director for us or our predecessors. The percentage of the maximum annual benefit, which is at least 50% but not greater than 100%, will depend on the number of years the retiree served as a non-management director for us or our predecessors. The benefit is payable from the date of retirement until the retiree's death. Each eligible director who was also a director of Freeport-McMoRan Inc., our former parent, and who did not retire from that board of directors, will receive upon retirement from our board an additional annual benefit of \$20,000, which is also payable from the date of retirement until the retiree's death.

The chart below identifies the current non-management directors who would have been eligible to participate in the retirement plan as of December 31, 2008, and summarizes the projected benefit to each assuming the director had retired from our board of directors on such date:

Name of Eligible Director	Percent of Annual Benefit (Maximum \$40,000) to be Paid Annually Following Retirement	Eligible for Additional \$20,000 Benefit
Robert J. Allison, Jr.	70%	No
Robert A. Day	100%	Yes
H. Devon Graham, Jr.	80%	No
J. Bennett Johnston	100%	No
Charles C. Krulak	50%	No
Bobby Lee Lackey	100%	Yes
Jon C. Madonna	50%	No
Gabrielle K. McDonald	100%	Yes
B. M. Rankin, Jr.	100%	No(1)
J. Stapleton Roy	70%	No

J. Taylor Wharton

100%

Yes

(1) Mr. Rankin previously retired from the company's former parent and is currently receiving the additional \$20,000 retirement benefit from a successor entity.

Matching Gifts Program

Our foundation (the Foundation) administers a matching gifts program, which is available to our directors, officers, employees, full-time consultants and certain retirees. Under the program, the Foundation

Table of Contents

will match a participant's gifts to eligible institutions, including educational institutions, educational associations, educational funds, cultural institutions, social service community organizations, hospital organizations and environmental organizations. The Foundation provides the gifts directly to the institution. For directors, the Foundation double matches the first \$1,000 of donations per year per eligible institution. Donations above \$1,000 are single matched. The annual amount of our matching gifts for any director may not exceed \$40,000.

2008 Director Compensation

The table below summarizes the total compensation paid to or earned by our non-management directors during 2008. The amounts represented in the Stock Awards and Option Awards columns reflect the expense recorded by the company pursuant to FAS 123(R), and do not necessarily reflect the income that will ultimately be realized by the director for these awards.

Director Compensation

Name of Director	Fees Earned or Paid in Cash (1)	Stock Awards (2)	Option Awards (2)	Change in Pension Value and Nonqualified		Total
				Deferred Compensation Earnings (3)	All Other Compensation (4)	
Robert J. Allison, Jr.	\$ 103,667	\$ 256,250	\$ 322,374	\$ 31,937	\$ 42,677	\$ 756,905
Robert A. Day	101,167	399,078	(1,886,131)	45,795	41,018	(1,299,073)
Gerald J. Ford	91,000	248,520	(1,045,497)	59,911	41,018	(605,048)
H. Devon Graham, Jr.	107,000	256,250	322,374	25,096	3,908	714,628
J. Bennett Johnston	15,000(5)	256,250	322,374	242	291,396	885,262
Charles C. Krulak	84,833	231,420	262,716		14,042	593,011
Bobby Lee Lackey	92,333	256,250	309,811		8,318	666,712
Jon C. Madonna	84,667	307,739	324,391		3,099	719,896
Dustan E. McCoy	76,833	89,109	151,016	12,222	489	329,669
Gabrielle K. McDonald	15,000(5)	256,250	62,765		289,351	623,366
B. M. Rankin, Jr.	78,333	256,250	65,849		918,689	1,319,121
J. Stapleton Roy	76,833	256,250	324,540	26,507	39,954(6)	724,084
Stephen H. Siegele	96,667	100,642	163,589	8,142	10,486	379,526
J. Taylor Wharton	80,833	256,250	(118,104)		403,908	622,887

- (1) In accordance with our 2004 Plan, (a) each of Messrs. Allison, Ford, Johnston and Siegele elected to receive an equivalent number of shares of our common stock in lieu of 100% of his annual fee, and Mr. Roy elected to receive an equivalent number of shares of our common stock in lieu of 50% of his annual fee; and (b) Mr. Johnston elected to defer 100% of his meeting fees and Mr. Roy elected to defer 50% of his annual fee and 100% of his meeting fees to be paid out in installments after separation from service. The amounts reflected

include the fees used to purchase shares of our common stock and fees deferred by the directors.

- (2) Amounts reflect the compensation cost recognized for stock awards (restricted stock units or RSUs) and option awards (options and stock appreciation rights) in accordance with FAS 123(R). For 2008, and in accordance with FAS 123(R), previously expensed portions of stock appreciation rights granted to our directors that were outstanding for part or all of 2008 were reversed as a result of the decrease in our stock price during 2008. In accordance with SEC guidance, the reversals, which related to expenses previously included in each of our 2006 and 2007 Director Summary Compensation Tables, reduced the numbers in the table above and in some cases resulted in negative amounts for 2008. Stock awards are valued on the date of grant at the closing sale price per share of our common stock. For additional

Table of Contents

information relating to the assumptions made by us in valuing the option awards made to our directors in fiscal years 2004 through 2008, refer to Notes 1 and 13 of our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008 and Note 1 of our financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006.

On June 1, 2008, each non-management director was granted an option to purchase 10,000 shares of our common stock with a grant date fair value of \$44.68 per option and 2,000 restricted stock units with a grant date fair value of \$115.71 per unit. The following table sets forth, for each non-management director, the total number of outstanding restricted stock units (RSUs), stock options and stock appreciation rights (SARs) as of December 31, 2008:

Name of Director	RSUs	Options	SARs^()
Robert J. Allison, Jr.	8,500	59,400	
Robert A. Day	5,000	100,000	32,780
Gerald J. Ford	5,000	90,000	26,224
H. Devon Graham, Jr.	8,000	37,500	
J. Bennett Johnston	10,000	35,000	
Charles C. Krulak	4,250	25,000	
Bobby Lee Lackey	5,000	25,000	
Jon C. Madonna	4,250	25,000	
Dustan E. McCoy	4,250	25,000	
Gabrielle K. McDonald	5,000	42,500	4,917
B. M. Rankin, Jr.	5,000	47,500	
J. Stapleton Roy	10,000	42,500	417
Stephen H. Siegele	4,500	30,000	
J. Taylor Wharton	8,000	62,500	8,195

() Reflects SARs awarded under our former director compensation program.

(3) Amounts reflect the aggregate change in the actuarial present value of each director's accumulated benefit under the revised retirement plan as calculated in accordance with Item 402 of Regulation S-K. A negative change in actuarial present value of the pension benefit occurred in 2008 due to changes in the discount rate and/or decreasing life expectancies when the director continues to provide services past the normal retirement date age of 65. The following directors had a negative change in the actuarial present value of the pension benefit as follows: Messrs. Johnston \$(9,572), Krulak \$(2,596), Lackey \$(10,956), Madonna \$(2,368), Rankin \$(9,920), Wharton \$(10,956) and Ms. McDonald \$(5,004). As noted above, the directors retirement plan has been terminated for any future directors.

For Messrs. Johnston and Roy, amounts also include above-market or preferential nonqualified deferred compensation earnings accrued during 2008 on retainer and meeting fee deferrals as follows: Mr. Johnston \$242 and Mr. Roy \$543. For more information about the deferrals see footnote (1) to the Director Compensation table.

Table of Contents

- (4) Includes (a) the company's match pursuant to the matching gifts program, (b) consulting fees received in connection with the consulting arrangements described under "Certain Transactions" below, (c) interest credited on dividend equivalents on unvested RSUs during 2008 and (d) the dollar value of life insurance premiums paid by the company pursuant to an arrangement assumed by the company in connection with its acquisition of Phelps Dodge Corporation and the related tax reimbursement, as follows:

Name of Director	Matching Gifts	Consulting Fees	Interest Credited on Dividend Equivalents	Life Insurance Premium and Tax Paid
Robert J. Allison, Jr.	\$ 40,000	\$	\$ 2,677	\$
Robert A. Day	40,000		1,018	
Gerald J. Ford	40,000		1,018	
H. Devon Graham, Jr.	2,000		1,908	
J. Bennett Johnston		288,333	3,063	
Charles C. Krulak	13,000		229	813
Bobby Lee Lackey	7,300		1,018	
Jon C. Madonna	2,000		229	870
Dustan E. McCoy			229	260
Gabrielle K. McDonald		288,333	1,018	
B. M. Rankin, Jr.	26,670	891,001	1,018	
J. Stapleton Roy	37,000		2,954	
Stephen H. Siegele	10,000		486	
J. Taylor Wharton	2,000	400,000	1,908	

- (5) For Mr. Johnston and Ms. McDonald, the \$75,000 annual fee for serving on our board and for serving as a member of our public policy committee is included in the consulting fees paid to each of Mr. Johnston and Ms. McDonald, which are reflected in the "All Other Compensation" column.
- (6) As described under "Certain Transactions," Mr. Roy is Vice Chairman of Kissinger Associates, Inc., which received \$200,000 in 2008 from FM Services Company (the Services Company), one of our wholly owned subsidiaries, for the provision of consulting services. Because these fees are not paid directly to Mr. Roy, we have not included them in the table.

Election of Directors

Our board of directors has fixed the number of directors at sixteen. The terms of all of our directors expire at the 2009 annual meeting of stockholders. Our board has nominated each of Messrs. Adkerson, Allison, Day, Ford, Graham, Johnston, Krulak, Lackey, Madonna, McCoy, Moffett, Rankin, Roy, Siegele and Wharton and Ms. McDonald to serve a one-year term. The persons named as proxies on the proxy card intend to vote your proxy for the election of each such director, unless otherwise directed. If, contrary to our expectations, a nominee should become unavailable for any reason, your proxy will be voted for a substitute nominee designated by our board, unless otherwise directed.

Under our by-laws, in uncontested elections, directors are elected by a majority of the votes cast. In contested elections where the number of nominees exceeds the number of directors to be elected, directors are elected by a plurality vote, with the sixteen director nominees who receive the most votes being elected.

In an uncontested election, any nominee for director who has a majority of votes cast withheld from his or her election will be required to promptly tender his or her resignation to the board. The nominating and corporate governance committee will recommend to the board whether to accept or reject the tendered resignation. The board will act on the committee's recommendation and publicly disclose its decision within 90 days from the date of the annual meeting of stockholders. Any director who tenders his or her resignation will not participate in the committee's recommendation or the board action regarding whether to accept or reject the tendered resignation.

Table of Contents

In addition, if each member of the nominating and corporate governance committee fails to be elected at the same election, the independent directors who were elected will appoint a committee to consider the tendered resignations and recommend to the board whether to accept or reject them. Any vacancies in the board may be filled by a majority of the directors then in office. Each director elected in this manner will hold office until his or her successor is elected and duly qualified.

Information About Director Nominees

The table below provides certain information as of April 14, 2009, with respect to each director nominee. Unless otherwise indicated, each person has been engaged in the principal occupation shown for the past five years.

Name of Director	Age	Principal Occupations, Other Public Directorships and Positions with the Company	Year First Elected a Director
Richard C. Adkerson	62	Chief Executive Officer of the Company since December 2003. President of the Company since January 2008 and from April 1997 to March 2007. Chief Financial Officer of the Company from October 2000 to December 2003. Director and Executive Vice President of PT Freeport Indonesia, Chairman of the Board of Directors of Atlantic Copper, and Co-Chairman of the Board of McMoRan Exploration Co. (McMoRan). President and Chief Executive Officer of McMoRan from 1998 to 2004.	2006
Robert J. Allison, Jr.	70	Director and Chairman Emeritus of Anadarko Petroleum Corporation. Chairman of the Board of Anadarko Petroleum Corporation from 1986 to 2005. President and Chief Executive Officer of Anadarko Petroleum Corporation from 1979 to 2002 and March 2003 to December 2003.	2001
Robert A. Day	65	Chairman of the Board and Chief Executive Officer of Trust Company of the West, an investment management company. Chairman of the Board of TCW Group, a registered investment management company. Chairman of Oakmont Corporation, a registered investment advisor. Chairman, President and Chief Executive Officer of W. M. Keck Foundation, a national philanthropic organization. Director of Société Générale and McMoRan.	1995
Gerald J. Ford	64	Chairman of the Board of Diamond-A Ford Corp. General Partner of Flexpoint-Ford Fund II, a private equity firm. Former Chairman of the Board and Chief Executive Officer of California Federal Bank, a Federal Savings Bank, which merged with Citigroup Inc. in 2002. Director of McMoRan, First Acceptance Corporation, Hilltop Holdings Inc. and Scientific Games Corporation.	2000

H. Devon Graham, Jr.	74	President of R.E. Smith Interests, an asset management company. Director of McMoRan.	2000
J. Bennett Johnston	76	Chairman of Johnston & Associates, LLC, a business consulting firm. Chairman of Johnston Development Co. LLC, a project development firm. United States Senator from 1972 until 1997.	1997

Table of Contents

Name of Director	Age	Principal Occupations, Other Public Directorships and Positions with the Company	Year First Elected a Director
Charles C. Krulak	67	Former Commandant, United States Marine Corps, the Marine Corps highest-ranking officer. Retired from United States Marine Corps in 1999 after serving 35 years. Executive Vice Chairman and Chief Administration Officer of MBNA Corp., a financial services company, from March 2004 to June 2005. Chief Executive Officer of MBNA Europe from January 2001 to March 2004, and Senior Vice Chairman of MBNA America from 1999 to 2001. Director of Union Pacific Corporation.	2007
Bobby Lee Lackey	71	Consultant. President and Chief Executive Officer of McManus-Wyatt-Hidalgo Produce Marketing Co., shipper of fruits and vegetables, until 2000.	1995
Jon C. Madonna	65	Retired Chairman and Chief Executive Officer of KPMG, an international accounting and consulting firm. Retired from KPMG in 1996 having held numerous senior leadership positions throughout his 28-year career. Chairman of DigitalThink, Inc. from April 2002 to May 2004 and Chief Executive Officer of DigitalThink, Inc. from 2001 to 2002. President and Chief Executive Officer of Carlson Wagonlit Corporate Travel, Inc. from 1999 to 2000 and Vice Chairman of Travelers Group, Inc. from 1997 to 1998. Director of AT&T Inc. and Tidewater Inc.	2007
Dustan E. McCoy	59	Chairman and Chief Executive Officer of Brunswick Corporation, a recreation products company, since December 2005. President of the Brunswick Boat Group from 2000 until 2005. Joined Brunswick in 1999 as Vice President, General Counsel and Corporate Secretary. Director of Louisiana-Pacific Corporation.	2007
Gabrielle K. McDonald	67	Judge, Iran-United States Claims Tribunal, The Hague, The Netherlands since November 2001. Special Counsel on Human Rights to the Company since 1999. Judge, International Criminal Tribunal for the Former Yugoslavia from 1993 until 1999. Advisory Director of McMoRan.	1995
James R. Moffett	70	Chairman of the Board of the Company, and President Commissioner of PT Freeport Indonesia. Chief Executive Officer of the Company until 2003. Co-Chairman of the Board of McMoRan.	1992
B. M. Rankin, Jr.	79		1995

Private investor. Vice Chairman of the Board of the Company since 2001. Vice President Commissioner of PT Freeport Indonesia since 2001. Vice Chairman of the Board of McMoRan since 2001.

J. Stapleton Roy	73	Director of the Kissinger Institute on China and the United States at the Woodrow Wilson International Center for Scholars. Senior Adviser and previously Vice Chairman and Managing Director of Kissinger Associates, Inc., international consultants and consultants to the Company, having joined Kissinger Associates, Inc. in 2001. Assistant Secretary of State for Intelligence and Research from November 1999 until December 2000. United States Ambassador to Indonesia from 1996 until 1999.	2001
------------------	----	---	------

Table of Contents

Name of Director	Age	Principal Occupations, Other Public Directorships and Positions with the Company	Year First Elected a Director
Stephen H. Siegele	49	Private investor since 2000. Founder and Chief Executive of Advanced Delivery and Chemical Systems, Inc. from 1988 to 1997. Senior Executive and Vice Chairman of the Board of Advanced Technology Materials, Inc. from 1997 to 2000.	2006
J. Taylor Wharton	71	Retired Special Assistant to the President for Patient Affairs and Professor, Gynecologic Oncology, The University of Texas M. D. Anderson Cancer Center. Advisory Director of McMoRan.	1995

Stock Ownership of Directors and Executive Officers

The company believes that it is important for its directors and executive officers to align their interests with the long-term interests of stockholders. We encourage stock accumulation through the grant of equity incentives to our directors and executive officers and through our stock ownership guidelines applicable to our directors and executive officers.

Except as otherwise indicated below, the table below shows the amount of our common stock each of our directors and named executive officers owned as of April 14, 2009. Unless otherwise indicated, (a) the persons shown below do not beneficially own any of our preferred stock, and (b) all shares shown are held with sole voting and investment power and include, if applicable, shares held in our Employee Capital Accumulation Program (ECAP).

Name of Beneficial Owner	Number of Shares Not Subject to Options	Number of Shares Subject to Exercisable Options(1)	Total Number of Shares Beneficially Owned(2)	Percent of Class(3)
Richard C. Adkerson(4)	694,552	1,000,000	1,694,552	*
Robert J. Allison, Jr.(5)	62,691	44,400	107,091	*
Michael J. Arnold	56,415	231,250	287,665	*
Robert A. Day(6)	621,000	85,000	706,000	*
Gerald J. Ford	20,040	75,000	95,040	*
H. Devon Graham, Jr.	4,000	22,500	26,500	*
J. Bennett Johnston	64,543	20,000	84,543	*
Charles C. Krulak	1,000	10,000	11,000	*
Bobby Lee Lackey	5,421	10,000	15,421	*
Jon C. Madonna	4,340	10,000	14,340	*
Dustan E. McCoy	1,000	10,000	11,000	*
Gabrielle K. McDonald	7,513	27,500	35,013	*
James R. Moffett(7)	1,448,308	750,000	2,198,308	*
Kathleen L. Quirk	68,863	480,750	549,613	*

Edgar Filing: FREEPORT MCMORAN COPPER & GOLD INC - Form DEF 14A

B. M. Rankin, Jr.(8)	517,000	32,500	549,500	*
J. Stapleton Roy	21,390	27,500	48,890	*
Stephen H. Siegele(9)	105,425	12,500	117,925	*
J. Taylor Wharton(10)	45,234	47,500	92,734	*
Directors, named executive officers and executive officers as a group (18 persons)	3,748,735	2,896,400	6,645,135	1.6%

* Ownership is less than 1%

Table of Contents

- (1) Our common stock that could be acquired within sixty days of the record date upon the exercise of options granted pursuant to our stock incentive plans.
- (2) Total number of shares beneficially owned does not include RSUs for the following:

Name of Beneficial Owner	Number of RSUs
Richard C. Adkerson	633,270()
Robert J. Allison, Jr.	8,500
Michael J. Arnold	25,258
Robert A. Day	5,000
Gerald J. Ford	5,000
H. Devon Graham, Jr.	8,000
J. Bennett Johnston	10,000
Charles C. Krulak	4,000
Bobby Lee Lackey	5,000
Jon C. Madonna	4,000
Dustan E. McCoy	4,000
Gabrielle K. McDonald	5,000
James R. Moffett	115,670
Kathleen L. Quirk	82,232
B. M. Rankin, Jr.	5,000
J. Stapleton Roy	10,000
Stephen H. Siegele	4,500
J. Taylor Wharton	8,000

() Mr. Adkerson previously transferred to his former spouse the right to receive the underlying shares due upon vesting of 47,173 of these RSUs, net of shares used to pay any taxes due. Mr. Adkerson disclaims beneficial ownership of such RSUs.

For more information regarding the RSUs, see the sections titled Director Compensation, Compensation Discussion and Analysis and Executive Officer Compensation Grants of Plan Based Awards.

- (3) Based on 411,751,897 shares of our common stock outstanding as of April 14, 2009.
- (4) Includes 8,248 shares of our common stock held in his individual retirement account (IRA).
- (5) Includes 29,622 shares of our common stock held by Mr. Allison through a Grantor Retained Annuity Trust (GRAT) and 29,622 shares of our common stock held by Mr. Allison's spouse through a GRAT.
- (6) Includes 21,000 shares of our common stock held by his spouse, as to which he disclaims beneficial ownership.
- (7) Includes (a) 1,414,671 shares of our common stock held by a limited liability company with respect to which Mr. Moffett, as a member, shares voting and investment power and (b) 7,552 shares of our common stock held by his spouse, as to which he disclaims beneficial ownership. The limited liability company through which Mr. Moffett owns his shares entered into five forward sale contracts with a securities broker pursuant to which

the limited liability company agreed to sell 300,000 shares of common stock on October 26, 2009, 150,000 shares of common stock on August 11, 2010, 300,000 shares on February 15, 2011, 300,000 shares of common stock on September 5, 2012, and 85,799 shares of common stock on March 15, 2013, with the sale price to be determined and paid on the respective maturity date. Under all five contracts, the limited liability company may elect to settle the contract in cash and retain ownership of the shares. The limited liability company has pledged a total of 1,135,799 shares to secure its obligations under these contracts but continues to hold beneficial ownership, voting power and the right to receive quarterly dividend payments of \$0.25 per share with

Table of Contents

respect to 750,000 of the shares, and quarterly dividend payments of \$0.3125 per share with respect to 385,799 of the shares.

- (8) Of the shares shown, 500,000 are held by a limited partnership in which Mr. Rankin is the sole shareholder of the sole general partner. The limited partnership through which Mr. Rankin owns his shares entered into a prepaid forward sale contract with a securities broker relating to 200,000 shares pursuant to which the limited partnership received a payment of \$6,157,595 upon execution of the agreement. The exact number of shares to be delivered on the settlement date, August 11, 2010, will be determined by the closing price on such date. The limited partnership has pledged a total of 200,000 shares to secure its obligations under this contract but continues to hold beneficial ownership, voting power and the right to receive quarterly dividend payments and certain special dividends with respect to the 200,000 shares.
- (9) Includes 40,815 shares issuable upon conversion of 30,000 shares of our 63/4% Mandatory Convertible Preferred Stock.
- (10) Includes (a) 26,937 shares of our common stock held by Mr. Wharton's spouse, (b) 160 shares of our common stock held in an IRA for Mr. Wharton's spouse, (c) 420 shares of our common stock held in his IRA, and (d) 5,089 shares of our common stock held by Mr. Wharton as custodian for his daughter.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors and executive officers and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership with the SEC. Based solely upon our review of the Forms 3, 4 and 5 filed during 2008, and written representations from certain reporting persons that no Forms 5 were required, we believe that all required reports were timely filed.

Stock Ownership of Certain Beneficial Owners

This table shows the owner of more than 5% of our outstanding common stock as of December 31, 2008 based on filings with the SEC. Unless otherwise indicated, all information is presented as of December 31, 2008, and all shares beneficially owned are held with sole voting and investment power.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Outstanding Shares(1)
FMR LLC Edward C. Johnson, III 82 Devonshire Street Boston, MA 02109	22,452,758(2)	6.2%

(1) Based on 384,445,945 shares of our common stock outstanding as of December 31, 2008.

- (2) Based on Amendment No. 1 to Schedule 13G jointly filed with the SEC on February 17, 2009 by FMR LLC (FMR) and Edward C. Johnson, III, Chairman of FMR (Johnson). According to the Schedule 13G, (a) Fidelity Management & Research Company, a wholly owned subsidiary of FMR (Fidelity), is the beneficial owner of 22,452,758 shares, including 4,847,307 shares of our common stock resulting from the assumed conversion of 3,550,100 shares of our 6.75% mandatory convertible preferred stock and 462,303 shares of our common stock resulting from the assumed conversion of 21,472 shares of our 5 1/2% convertible perpetual preferred stock, and Johnson and FMR each have sole investment power with respect to all of the shares beneficially owned by Fidelity and voting power with respect to none of the shares beneficially owned by Fidelity, (b) Strategic Advisors, Inc., a wholly owned subsidiary of FMR (Strategic), is the beneficial owner of 28,991 shares, and Johnson and FMR each have sole voting and investment power with respect to all of the shares beneficially owned by Strategic, (c) Pyramis Global Advisors, LLC, an indirect wholly owned subsidiary of FMR (PGA), is the beneficial owner of 136,724 shares, and Johnson and FMR each have sole voting and investment power with respect to all of the shares beneficially owned by PGA, and (d) Pyramis Global Advisors Trust Company, an indirect

Table of Contents

wholly owned subsidiary of FMR (PGATC), is the beneficial owner of 551,357 shares, and Johnson and FMR each have sole voting power with respect to 507,517 of the shares beneficially owned by PGATC and sole investment power with respect to all of the shares beneficially owned by PGATC.

Executive Officer Compensation

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis is designed to provide our stockholders with an understanding of our compensation philosophy and objectives, as well as the analysis that we performed in setting executive compensation. It discusses the corporate personnel committee's (the committee's) determination of how and why, in addition to what, compensation actions were taken for the executive officers who are identified in the Summary Compensation Table below (the named executive officers).

The committee determines the compensation of our executive officers and administers our annual incentive, long-term incentive and stock incentive plans. Our company's executive compensation philosophy is to:

pay for performance by emphasizing performance-based compensation that balances rewards for both short- and long-term results and provides our executives with high reward opportunities for high corporate performance,

tie compensation to the interests of stockholders, and

provide a competitive level of compensation that will attract and retain talented executives.

Since August 2007, the committee has retained Towers Perrin as its executive compensation consultant. As a condition of its engagement, Towers Perrin agreed that it will not provide any services to the company's management. Since its initial engagement, Towers Perrin has performed three significant projects at the request of the committee. First, Towers Perrin provided information and advice to the committee in connection with the preparation and execution of new employment agreements with Mr. Adkerson and Ms. Quirk executed in January 2008. Second, Towers Perrin provided information and advice in connection with the committee's determination of the award pool under our annual incentive plan for 2007 to account for the impact of the Phelps Dodge acquisition. Third, during 2008 and continuing into 2009, Towers Perrin has provided information and advice regarding the restructuring of the company's executive compensation program as discussed below.

The committee also consults with the executive chairman and our chief executive officer regarding compensation decisions affecting our other executive officers.

Overview of 2008 Compensation

The total compensation for our executive officers for 2008 decreased significantly compared to compensation attributable to 2007 as a result of the global economic downturn and the drastic fall of commodity prices. As discussed in more detail below, this reduction in compensation is primarily because (1) our executive chairman and our chief executive officer declined to receive any payments under our annual incentive plan (AIP) for 2008, (2) there were no payouts on performance units granted under our long-term performance incentive plan (LTPIP) for 2008, and (3) our other executive officers received lower payments under the AIP for 2008. The committee did not grant the executive officers any stock options or other stock-based incentives in 2008, other than (a) the restricted stock units, or RSUs,

granted in connection with the awards under the AIP for 2007, and (b) the special grants of RSUs to two of our executives in connection with their execution of employment agreements in January 2008. These awards are reflected in the Grants of Plan-Based Awards table. As part of our restructured executive compensation program, the committee granted stock options to our executive officers in February 2009, which are discussed below.

Table of Contents

The committee believes that our senior management performed well in executing the company's strategy into the third quarter of 2008, increasing production volumes and pursuing expansion opportunities. Subsequently, our executives responded quickly and effectively to the economic downturn that occurred in the fourth quarter of 2008, positioning our company to weather the adverse economic environment and to preserve our mineral resources and growth opportunities for what we expect to be a long-term positive market for commodities. In light of these efforts, the committee believes that the total compensation packages for 2008 of our executive officers are appropriate.

For 2008, the components of our executive officer compensation program were base salary, the AIP, the LTPIP and various perquisites and post-employment benefits. As noted above, the committee also made a special grant of RSUs to Mr. Adkerson and Ms. Quirk in January 2008 in connection with the execution of their employment agreements. The committee views total direct compensation for a given year as the sum of the executive's base salary, payments under the AIP, payouts under the LTPIP, and the value of long-term incentives granted. Our executive officers also receive additional compensation in the form of certain perquisites and personal benefits, as well as commitments for post-employment compensation, which the committee considers separately from total direct compensation. Accordingly, the committee views our executive officer total direct compensation for 2008 as follows:

2008 Total Direct Compensation(1)

Executive	Base Salary	AIP Payments	LTPIP Payout(2)	Value of Long-Term Incentives Granted(3)
James R. Moffett	\$ 2,500,000	\$ 0	\$ 0	\$ 0
Richard C. Adkerson	2,500,000	0	0	0
Kathleen L. Quirk	650,000	1,000,000	0	0
Michael J. Arnold	550,000	1,000,000	0	0

- (1) Does not include the value of perquisites and personal benefits, as well as commitments for post-employment compensation, which amounts are included in the Summary Compensation Table and supplementary tables below.
- (2) As discussed in more detail below, in January 2008 the committee granted each executive officer performance units under the LTPIP. However, following the end of 2008, all outstanding performance units, including the January 2008 grants, had no value and, accordingly, there were no payouts for 2008. The LTPIP was terminated in February 2009.
- (3) Except for the special grants described below, all RSUs received by our executives in 2008 related to our 2007 AIP and are viewed as 2007 compensation by the committee. In January 2008, each of Mr. Adkerson and Ms. Quirk received a special grant of performance-based restricted stock units in connection with execution of employment agreements. Mr. Adkerson received 200,000 RSUs, with a grant date value of \$17,250,000, and Ms. Quirk received 75,000 RSUs, with a grant date value of \$6,468,750, with the value determined by reference to the closing price of our common stock. At December 31, 2008, the value of Mr. Adkerson's award was \$4,888,000 and Ms. Quirk's award was \$1,833,000. See the description of these restricted stock units under Executive Compensation Program Long-Term Incentive Awards. No stock options were granted to our executive officers in 2008, although the executives did receive stock option grants in February 2009. See Executive Compensation Program Long-Term Incentive Awards Stock Options.

The values of base salary and non-equity incentive plan compensation for 2008 in the Summary Compensation Table are equivalent to the amounts reflected above for base salary and the AIP payments. However, whereas the table above does not include any value for long-term incentives granted in 2008, the Summary Compensation Table includes significant values for stock and option awards during 2008 to each officer. This is primarily because the Summary Compensation Table, prepared in accordance with SEC regulations, includes equity awarded in prior years and values those equity awards for 2008 based on the amount of the related compensation expense in the company's 2008 income statement in accordance with FAS 123(R).

Table of Contents

Redesign of Executive Compensation Program

Throughout 2008 and continuing into 2009, the committee worked extensively with Towers Perrin to evaluate our executive compensation program in light of internal and external developments. Our acquisition of Phelps Dodge in March 2007 expanded our company in scope and size and transformed our company into a global leader in the copper industry. The committee recognized that the company's increased production capabilities following the transaction could result in significantly larger funding pools under our AIP. As a result, the committee decided to revise the AIP as part of the company's restructured executive compensation program. In addition to these internal changes, the weak global economic conditions and the sharp decline in commodity prices during the second half of 2008 have caused our company to undertake a series of actions designed to be responsive to the weak economic environment while preserving resources and growth opportunities for the longer term. These actions included the following:

Significant reductions in capital spending;

Adjustments to operating plans to reduce production of marginal high cost volumes resulting in lower unit costs;

Significant reductions in operating, exploration and administrative costs; and

Revisions to our financial policy to conserve cash and protect liquidity through suspension of our common stock dividend and our share repurchase program, raising proceeds through the sale of common stock and effectively managing working capital.

In response to these internal and external developments, during 2008 and early 2009, the committee took the following actions in restructuring the company's executive compensation program:

Proposed a redesigned annual incentive plan, which was approved by the board and is being presented to stockholders for approval at this meeting (see Proposal to Adopt the 2009 Annual Incentive Plan for a more detailed description of this new plan). Following are the most significant aspects of this new plan:

Establishes a plan pool of 0.625% of operating cash flow, compared to 2.5% of operating cash flow under our current plan;

Includes a cap on payments under the plan equal to eight times the executive's base salary, compared to no cap under our current plan; and

Provides an equity component under which any payments over four times the executive's base salary will be made in restricted stock units having an equivalent value, the vesting of which will be subject to our continued achievement of the 6% return on investment threshold.

Eliminated the elective restricted stock unit program.

Revised our option grant policy for executives to provide smaller, annual grants at the committee's discretion rather than larger, three-year option grants.

Terminated our long-term performance incentive plan (LTPIP).

Adopted a policy whereby the company will no longer provide excise tax gross-up protections in change of control arrangements adopted, renewed or extended after December 2, 2008. This policy does not affect the

excise tax gross-up protections currently included in the employment agreements with Mr. Adkerson and Ms. Quirk; however, in accordance with this policy, the agreements with Mr. Adkerson and Ms. Quirk will not be extended, renewed or continued beyond January 1, 2012, with these gross-up protections in place.

Revised its executive perquisite program to eliminate club dues and all tax gross-ups on perquisites. In addition, the company will no longer pay director fees to executive officers serving on the board effective May 1, 2009.

Table of Contents

Compensation Philosophy

Although objective criteria are reviewed, the committee does not apply hard metrics to decisions regarding executive compensation. We have a small group of executive officers, and the committee's decisions regarding salary levels and grant amounts (in the form of stock options and percentage allocations under the annual incentive plan) reflect the committee's views as to the broad scope of responsibilities of our executive officers and the committee's subjective assessment of their individual impact on the company's overall success.

Executive Chairman and Chief Executive Officer. We recognize that the level of compensation paid to our chairman and our chief executive officer is significantly greater than that paid to our other executive officers. The compensation levels of Messrs. Moffett and Adkerson reflect our view that their management of the organization provides the basis for the company to achieve success and reflects the value that we place on the quality of their leadership and capabilities. This disparity also has some basis in seniority. Messrs. Moffett and Adkerson each impart extraordinary value to our company, each bringing to their partnership a set of complementary skills. We believe their respective compensation arrangements recognize those skills and their contributions to the success of our company.

Mr. Moffett has been at the helm of our company since its formation and has guided our growth through significant discoveries of metal reserves using his skill as a geologist. He also led the development of our Grasberg mine, milling facilities and infrastructure. As executive chairman, Mr. Moffett continues to further our business strategy by applying his exceptional talents, which has created substantial value for our company. He directs our exploration programs and also continues to be instrumental in fostering our relationship with the government of Indonesia, the location of our Grasberg mine.

Mr. Adkerson, as president and chief executive officer, is responsible for the executive management of our company. Mr. Adkerson has demonstrated considerable leadership abilities in developing and executing a business and financial strategy that is positive for our stockholders, and in building an operational, financial and administrative organization that efficiently supports our business through various economic cycles. Mr. Adkerson has provided strong leadership and sound judgment in our efforts to respond aggressively to the economic downturn.

Stock Ownership. We believe that it is important for our executive officers to align their interests with the long-term interests of our stockholders. With that philosophy in mind, we have structured our current and past compensation programs to ensure that a portion of our executive officers' compensation is delivered in a form of equity, such as stock options and restricted stock units. In January 2008, all of our executive officers received restricted stock units in connection with their 2007 annual incentive awards, and our chief executive officer elected to receive all of his annual incentive award in restricted stock units, which he has done for the last five years. By the end of the year, these awards had lost over 70% of their value, which mirrored the decline in our stock price over the year. As reflected in *Stock Ownership of Directors and Executive Officers*, each of Messrs. Moffett and Adkerson currently holds a significant ownership stake in the company, which provides an incentive to maximize the value of our stock over the long term.

In 2006, the committee adopted stock ownership guidelines applicable to our executive officers. For purposes of the guidelines, the stock value is calculated annually, determined by reference to either the one-year or five-year trailing average monthly stock price. Shares of common stock currently owned by the executive officers are counted for purposes of the stock ownership guidelines, as are shares held in employee benefit plans, individual retirement accounts, shares issuable upon the vesting of outstanding restricted stock units, shares issuable upon conversion of mandatory convertible preferred stock and shares held in certain trusts. Under the guidelines, each of Messrs. Moffett and Adkerson is required to maintain ownership of company stock valued at five times his base salary, and our other executive officers are required to maintain ownership of company stock valued at three times their base salaries. As of December 31, 2008, all of our executive officers had exceeded their target ownership level. In particular,

Messrs. Moffett and Adkerson each owned shares valued at more than 35 times his base salary, or more than seven times his target ownership level, reflecting their individual commitments to aligning their interests with those of the stockholders. For

Table of Contents

more information regarding the current stock holdings of our executive officers, please see *Stock Ownership of Directors and Executive Officers*.

Consideration of Stock Option Exercises and RSU Vestings. The committee does not factor into its decisions regarding executive compensation the gains received by our executive officers in connection with the vesting of restricted stock units or the exercise of stock options. The committee believes that to do so would be double counting compensation (i.e., first, when issued and second, when vested or exercised). For example, many of Mr. Adkerson's outstanding restricted stock units were voluntarily received in lieu of cash compensation previously earned in connection with our former elective restricted stock program. Because he undertook a risk when electing to participate in the program, we believe it would be inappropriate to allow the value of the award at vesting to impact future compensation decisions. With respect to the stock option grants, the committee's position has been similar. The value of the stock options upon exercise is directly related to the appreciation in value of our common stock, which in turn is directly impacted by the efforts of our executive officers in managing our company. Further, a key purpose behind granting stock options to executives is to provide an incentive for them to increase stockholder value over time. Accordingly, the committee has not taken realized option gains into account when making decisions regarding future compensation, nor did it revise its compensation or grant practices during years when our executives did not exercise any stock options.

Overview of Components of Executive Compensation

Executive officer compensation for 2008 included base salaries, annual incentive awards, long-term incentive awards, and personal benefits and perquisites. The following chart summarizes our reasons for paying each element of compensation:

Component of Compensation

Summary and Purpose of the Component

Base Salaries

Base salaries provide fixed compensation to our executives. Each executive officer's base salary is based on his or her level of responsibility. Pursuant to their employment agreements, the base salary of Mr. Moffett is contractually set through December 31, 2009, and the base salaries of Mr. Adkerson and Ms. Quirk are contractually set through January 1, 2012.

Annual Incentive Awards

Annual cash incentives payable under our annual incentive plan (AIP) are a variable component of compensation designed to reward our executives for maximizing annual operating performance, including safety performance. The aggregate plan funding amount for the annual cash awards is based on our net cash provided by operating activities, which we believe is a significant measure of our company's success. As noted below, Messrs. Moffett and Adkerson recommended to the committee that they not receive any annual cash incentive payment for 2008.

Table of Contents

Component of Compensation

Summary and Purpose of the Component

Long-Term Incentive Awards

Long-term incentives are also a variable component of compensation intended to reward our executives for the company's success in achieving sustained, long-term profitability and increases in stock value. Through 2008, we provided long-term incentive awards in the form of:

stock options, which through 2008 were granted every three years and which provide a focus on stock price performance and encourage executive ownership of our stock; and

performance units granted under our long-term performance incentive plan (LTPIP), which, until the LTPIP was terminated in 2009, were granted annually and provided a focus on sustained profit performance.

The number of stock options and performance units granted to each executive officer has historically been based on the executive officer's responsibilities. These programs were substantially altered in 2009 in connection with the committee's redesign of the executive compensation program and are further described below. In addition, each of Mr. Adkerson and Ms. Quirk received performance-based restricted stock units in January 2008 in connection with the execution of their employment agreements.

Personal Benefits and Perquisites

Our purpose in providing personal benefits and perquisites to our executive officers is to aid in the retention of executive talent and to recognize the high degree of integration between the personal and professional lives of our executive officers. This program was also revised in 2009 and is further described below.

Executive Compensation Program

Set forth below is an explanation of each component of our executive compensation program. The discussion includes both a description of the committee's compensation decisions for 2008 and a description of changes under our redesigned executive compensation program.

Base Salaries

Our philosophy is that base salaries should meet the objective of attracting and retaining the executive officers needed to manage our business successfully. Actual individual salary amounts reflect the committee's judgment with respect to each executive officer's responsibility, performance, work experience and the individual's historical salary level. Our goal is to allocate more compensation to the performance-dependent elements of the total compensation package, and we do not routinely provide base salary increases. Consequently, we have not increased the base salaries of our executive officers since May 2007, when increases to the base salaries of certain executive officers were approved to address the increased responsibilities of these executives following our acquisition of Phelps Dodge. The base salaries of Messrs. Moffett and Adkerson and Ms. Quirk are contractually set pursuant to their employment agreements.

Annual Incentive Awards

Our annual incentive plan, or AIP, is designed to provide performance-based awards to our executive officers, each of whose performance has a significant impact on our financial stability, profitability and future growth. All of our named executive officers were eligible to receive awards under the AIP for 2008. As discussed further below, Mr. Moffett and Mr. Adkerson recommended that they not receive any award under the AIP for 2008.

2008 Awards under Current AIP. Under the current AIP, if our five-year return on investment is 6% or greater, our executive officers share in a plan funding amount equal to 2.5% of our operating cash flow, subject to adjustment based on our safety performance. The terms of the AIP permit the committee to exercise discretion to determine the award pool, provided that the aggregate awards do not exceed the plan funding

Table of Contents

amount. The committee exercised this discretion in establishing the award pool for 2007, and also exercised this discretion in awarding payments for 2008, as described below.

In January 2008, we assigned 45% of the aggregate plan funding amount to each of Messrs. Moffett and Adkerson, and 5% to each of Ms. Quirk and Mr. Arnold. During the five-year period ending in 2008, the average return on investment was 16.2%. For 2008, the level of operating cash flow produced a maximum plan funding amount of \$84.3 million based on the formula above. After evaluating the applicable safety performance measures in connection with the proposed 2008 awards, the committee determined that no adjustment to this amount was warranted. The company achieved a number of important objectives during 2008, including record copper production and significant reserve additions. The stock price reached an all time high of over \$125 in May 2008. However, because of the significant downturn in economic conditions that occurred in late 2008 and the impact on the company's cash flows and share price, Messrs. Moffett and Adkerson recommended that the committee not grant them any award under the AIP for 2008, and the committee accepted that recommendation. With respect to Ms. Quirk and Mr. Arnold, the committee considered the significant efforts of these officers throughout 2008, and the recommendation of Messrs. Moffett and Adkerson. The committee concluded that these officers deserved recognition and approved a payment of \$1 million for each of Ms. Quirk and Mr. Arnold, an amount significantly lower than the maximum each could have received under the plan formula.

Elective Restricted Stock Unit Program. In 1999, as part of our efforts to align the interests of the executives with those of the stockholders, the committee approved a program that gave executive officers and certain other officers the ability to elect to receive a grant of restricted stock units (RSUs) with respect to shares of our common stock in lieu of all or part of their cash incentive bonus for a given year. To encourage participation, given the additional risk of forfeiture of the award, these elective RSUs were granted at a 50% premium to the market value on the grant date. The RSUs granted under this program vest ratably over a three-year period, and are paid in an equivalent number of shares of common stock upon vesting. For the RSUs granted to our executive officers, the units will not vest and are forfeited unless the average return on investment for the five calendar years prior to the year of vesting is at least 6%.

As part of our review of our executive compensation program, we reviewed this program with the committee's executive compensation consultant. Although the program has historically been received positively by employees and investors, the committee believed the premium should be re-evaluated based in part on advice from the committee's compensation consultant. The committee considered modifying the program but concluded that a reduced premium would not be attractive to participants. Accordingly, in December 2008, the committee terminated this program, and all elections applicable to the incentive awards payable for 2008 incentive payouts were rendered null. The RSUs granted to our executives under this program in January 2008 in connection with the 2007 annual incentive plan payments, however, are reflected in the "Grants of Plan-Based Awards" table.

Proposed 2009 Annual Incentive Plan. Our stockholders approved the current AIP in 2005. We acquired Phelps Dodge in 2007, which resulted in additional operating cash flow for our company. Following the acquisition, the committee re-evaluated the design of the AIP in light of our substantial growth, and concluded that the overall design of the AIP is appropriate for the following reasons:

its design supports the entrepreneurial spirit of the organization;

focusing on operating cash flow, the underlying metric of the plan, reflects our goal to maximize cash flows and long-term values for our stockholders; and

our view that the variability of cash flows associated with commodity prices, changes in production volumes, cost management and other changes in business conditions closely aligns management and stockholder interests.

The committee recognized, however, that the current design could generate large funding pools and corresponding large payouts to our executives because of the company's increased production capabilities, especially during years when commodity prices are high, as was the case in 2007. To address these concerns,

Table of Contents

the committee, working with its compensation consultant, proposed a new annual incentive plan, which is being presented to our stockholders for approval at this meeting.

A key objective of restructuring the executive compensation program, including revising the AIP, was to establish compensation opportunities that reflect the performance of the business, which may vary significantly from year to year, and that are consistent with observed market pay levels. In developing the proposed AIP, the committee retained the use of operating cash flow as the financial measure used to fund the AIP pool. This decision reflects our belief that operating cash flow is a meaningful indicator of overall company performance. In establishing the funding level for the restructured AIP, the committee considered the reported 25th and 90th percentile statistics from Towers Perrin's general industry compensation survey as indicative of the observed range of market pay levels for total direct compensation (salary + target annual incentives + grant value of long-term incentives). This information was a consideration in determining the proposed AIP funding level but was not the sole factor used to determine that level. Instead, the committee applied its judgment in evaluating the proposed AIP funding level by considering various operating cash flow scenarios and comparing potential payouts to the observed range of market practice. In conjunction with evaluating the proposed AIP funding level, the committee also considered the level and forms of long-term incentives that would be used in our restructured executive compensation program, and established a new philosophy regarding stock option grants. See [Long-Term Incentive Awards](#) [Stock Options](#) below.

The new AIP is similar in design to the current AIP, but contains the following provisions designed to limit potential payments under the plan in order to ensure that the compensation opportunities are consistent with observed market practice:

the plan funding pool will be 0.625% of operating cash flow instead of 2.5%;

payments to executives under the plan may not exceed eight times the executive's base salary; and

any payments over four times the executive's base salary will be made in restricted stock units having an equivalent value, the vesting of which will be subject to our continued achievement of the 6% return on investment threshold, thus converting a portion of the annual award to a long-term incentive dependent upon the company's continued performance.

As with the current plan, the new plan is designed to meet the requirements of Section 162(m) of the Internal Revenue Code by setting an objective performance target and a maximum funding amount. Under the AIP, once the performance target has been achieved, the committee retains the discretion to reduce or eliminate the award pool and the awards to specific officers. Accordingly, this plan design preserves the company's tax treatment of these awards as performance-based under Section 162(m), but gives the committee flexibility in operating the plan.

Unlike the current plan, however, the new plan specifically enumerates qualitative factors that the committee may consider in exercising this discretion, including total shareholder return and safety performance. The committee intends to continue to exercise its discretion under the new plan to reduce awards paid under the plan if it determines that awarding the entire plan funding amount would not be appropriate in a given year, as it did in 2007 and 2008. See [Proposal to Adopt the 2009 Annual Incentive Plan](#) for more information regarding the proposed plan.

Long-Term Incentive Awards

Through 2008, long-term incentives granted by the company included performance units under our long-term performance incentive plan (the LTPIP) and stock options (which were granted to executives every three years). In 2008, the committee also awarded special grants of restricted stock units described below. In early 2009, as part of the redesign of our executive compensation program, we substantially revised our long-term incentive programs as

described below.

Long-Term Performance Incentive Plan. In the past, the committee also compensated officers for long-term performance with annual grants of performance units under the LTPIP. Performance units were designed to link a portion of executive compensation to cumulative adjusted earnings per share over a four-

Table of Contents

year performance period. The LTPIP was approved by our stockholders in 1999. In January 2008, each of our executive officers received a grant of performance units under the LTPIP, the amount of which was based on historical grant levels for his or her level of responsibility. These grants are reflected in the Grants of Plan-Based Awards table.

Under the LTPIP, the performance units were valued over a four-year performance period based on the cumulative earnings (or loss) per share, and that value was paid in cash after the end of the four-year period. The payout value was determined by multiplying the cumulative earnings per share or net loss per share (as those terms were defined in the plan) for the period by the number of performance units granted for that period. After the end of each year, the committee certified the adjusted annual earnings (or loss) per share for that year and the payout amount was determined for performance units vesting at the end of that year.

In the fourth quarter of 2008, we were required to record significant impairment charges in connection with certain long-lived assets, including goodwill. As a result of these impairment charges, we had a net loss per share for 2008, which eliminated all earnings (approximately \$50 million) that had accumulated on outstanding performance units through 2007 and would have been paid out over the next four years. Of this \$50 million, approximately \$32 million represented amounts accumulated on outstanding units held by our executive officers. The committee considered adjusting or otherwise modifying the LTPIP to exclude or reduce the effect of the impairment charges, but decided against any modification. After confirming that the performance units vesting on December 31, 2008 had no value and concluding that the outstanding performance units would likely have no value in future years, the committee recommended, and the board of directors approved, termination of the plan in February 2009.

Stock Options. Stock options are intended to reinforce the importance of creating stockholder value. Beginning in 1996 for Messrs. Moffett and Adkerson, and in 2005 for our other executive officers, the committee's practice was to grant larger, multi-year stock option awards rather than smaller, annual awards. The recent economic crisis and significant drop in commodity prices have resulted in a significant decrease in our company's stock price, which went from an all-time high of over \$125 in May 2008 to \$24.44 at year-end. As a result of this decline, all of the outstanding stock options held by our executives at the end of 2008 were out-of-the-money, some significantly so. We have a longstanding commitment not to reprice stock options and do not intend to amend or exchange any of our outstanding options. In light of the termination of the LTPIP, the lack of current value in the outstanding option awards has substantially reduced the value of the long-term incentives currently held by our executives.

The committee continues to believe that stock options are an effective and appropriate long-term incentive for our executives in that their value is dependent on an increase in our share price and aligns the executives' interests with those of our stockholders. In an effort to lessen the impact of significant price variations from year to year, the committee determined that going forward it would grant annual, smaller equity-based awards to the executives in the form of stock options, but may also grant RSUs. These annual awards will have grant date Black-Scholes values targeted between one and three times (as determined by the committee) the executive's base salary, with a long-term average grant level targeted at two times each executive's base salary. This approach regarding equity-based incentives is one component of total direct compensation, which includes base salary, the annual incentive plan and long-term incentives (stock options or RSUs), in our restructured executive compensation program. See Annual Incentive Awards Proposed 2009 Annual Incentive Plan.

Pursuant to this new philosophy regarding annual equity-based grants, the committee granted the executive officers stock options in February 2009. The number of options awarded to each of our executive officers is set forth below and was determined based on grant date Black-Scholes values of approximately three times the executive's base salary. These stock options have an exercise price of \$24.59.

Table of Contents

Executive	Number of Options Granted in February 2009
James R. Moffett	500,000
Richard C. Adkerson	500,000
Kathleen L. Quirk	150,000
Michael J. Arnold	120,000

Special Grant of Restricted Stock Units. In January 2008, in connection with the execution of new employment agreements, the committee made a special grant of restricted stock units to each of Mr. Adkerson (200,000 RSUs) and Ms. Quirk (75,000 RSUs), which units are paid in an equivalent number of shares of common stock upon vesting. One-fifth of the units vested immediately upon grant, and the remainder will vest in equal annual increments beginning January 1, 2009, to correspond with the term of each executive's employment agreement. These units will not vest, however, and are forfeited unless the average return on investment for the five calendar years prior to the year of vesting is at least 6%. In addition, any unvested restricted stock units will be forfeited in the event of the executive's retirement.

Personal Benefits and Perquisites

We provide certain personal benefits and perquisites to our executive officers. In early 2009, as part of the restructuring of our executive compensation program, the committee evaluated the personal benefits and perquisites that we provide to our executives, and revised this program. Accordingly, for fiscal year 2009 and beyond, we will provide the following benefits for the reasons noted below:

Personal use of company aircraft this benefit is only provided to our chairman of the board and our chief executive officer and is designed to provide an added level of security to these executives and increase travel efficiencies, thus ensuring the executives' ready availability on short notice and enabling the executives to focus more time and energy on company matters. Our provision of this benefit also recognizes the high degree of integration between the personal and professional lives of these executive officers, and ensures the security of the company's proprietary information by enabling our officers to conduct business while traveling without concern that company information will be compromised.

Personal use of company vehicles, and the provision of security services and personnel these benefits are also designed to provide added levels of security to our executives and increase travel efficiencies, thus ensuring the executives' ready availability on short notice and enabling the executives to focus more time and energy on company matters.

Financial and tax advice and personal use of company facilities and personnel these benefits are in place to provide executives with increased efficiencies in handling personal matters, which we believe also promotes the executives' focus on company business. These benefits also recognize the high degree of integration between the personal and professional lives of our executive officers.

Charitable matching contributions this program is part of our overall contribution program, and is designed to encourage all employees, including our executives, to contribute to hospitals, community, educational and cultural institutions, and social service and environmental organizations, by providing that we will match such contributions up to certain limits.

Certain benefits will no longer be provided to our executive officers, although these benefits were provided during 2008 and are reflected in the Summary Compensation Table below. These include dues for certain club memberships, tax gross-up payments on perquisites, and the payment of meeting fees to management members of our board of directors.

The amounts reflected in the Summary Compensation Table represent our incremental cost of providing the benefit, and not the value of the benefit to the recipient. With respect to personal use of fractionally owned company aircraft, the aggregate incremental cost includes the hourly operating rate, fuel costs, and excise taxes. With respect to personal use of vehicles and the provision of security services, the

Table of Contents

aggregate cost of providing a car and driver is determined on an annual basis and includes annual driver compensation and annual car lease and insurance costs. Although the cars and drivers are available for both business and personal use, the amounts reflected in the Summary Compensation Table reflect the aggregate cost to us without deducting costs attributable to business use.

Post-Termination Compensation

In addition to the compensation received by the executive officers during 2008 and benefits under the company's 401(k) plan, which we provide to all qualified employees, we also provide certain post-employment benefits to our executive officers, including a nonqualified defined contribution plan, a supplemental executive retirement plan, a defined benefit program (although this program has been discontinued), as well as certain severance and change of control benefits.

Nonqualified Defined Contribution Plan This plan was put in place in 1996 and permits those employees who are considered highly compensated under applicable IRS rules, including our executive officers, to defer up to 20% of their base salary. A participant may only defer under this plan after the participant defers the maximum amount permitted under the qualified plan in accordance with Internal Revenue Code limits. The company makes a contribution equal to 5% of the participant's base salary above the qualified plan limit, and an additional contribution as described below. We do not take into account income associated with option exercises or the vesting of restricted stock units when determining the company's contributions. The 5% company contribution to the nonqualified plan noted above is based on the company's contributions to its 401(k) plan (the qualified plan), which provides that participants will receive a company contribution equal to 100% of the participant's contributions to the plan not to exceed 5% of the participant's basic compensation. The purpose of the 5% company contribution in our nonqualified plan is to continue the 5% contribution found in the 401(k) plan on a participant's basic compensation in excess of the qualified plan limits. The nonqualified defined contribution plan is unfunded.

We had a defined benefit program in place until June 30, 2000. To compensate for the discontinuance of benefit accruals under the defined benefit plan, we decided that we prospectively would make an additional company contribution to our 401(k) plan participants equal to 4% of each participant's pensionable compensation up to the applicable IRS limits, and also an additional company contribution of 4% of compensation in excess of such limits to participants in our nonqualified plan. Further, because participants in a pension plan accrue most of their benefits in the last 10 years of service, we decided that employees who met certain age and service requirements as of June 30, 2000, would receive an additional 6% company contribution, for a total of 10%, to both the qualified and nonqualified plans. As of June 30, 2000, the only two named executive officers who met the applicable age and service requirements were Messrs. Moffett and Adkerson, thus resulting in the 10% contribution for each. The purpose of the nonqualified plan is to make total retirement benefits for our employees who earn over the qualified plan limits commensurate with those available to other employees as a percentage of pay.

Supplemental Executive Retirement Plan We established an unfunded supplemental executive retirement plan (SERP) for Messrs. Moffett and Adkerson in February 2004. The committee, advised by Mercer, its independent compensation consultant at the time, approved the SERP, which was then recommended to and approved by our board. The SERP provides for benefits payable in the form of a 100% joint and survivor annuity or an equivalent lump sum. The annuity will equal a percentage of the executive's highest base pay for any three of the five years immediately preceding the executive's retirement, plus his average bonus for those years, provided that the average bonus cannot exceed 200% of average base pay. The percentage used in this calculation is equal to 2% for each year of credited service up to 25 years, or a maximum of 50%. Income associated with option exercises or the vesting of restricted stock units is not a factor in determining the benefits payable under the SERP.

The SERP benefit will be reduced by the value of all benefits received under the cash-balance program and all other retirement plans (qualified and nonqualified), sponsored by the company, by FM Services Company, one of our wholly owned subsidiaries, or by any predecessor employer (including our former parent company, Freeport-McMoRan Inc.), except for benefits produced by accounts funded exclusively by

Table of Contents

deductions from the participant's pay. In addition, the SERP benefit will be reduced by 3% per year if retirement precedes age 65. Messrs. Moffett and Adkerson are both 100% vested under the SERP.

Change of Control and Severance Benefits In January 2008, we entered into a new employment agreement with Mr. Adkerson, which replaced his prior employment and change of control agreements, and entered into an employment agreement with Ms. Quirk, which replaced her change of control agreement. In December 2008, we amended and restated these agreements as well as Mr. Moffett's employment and change of control agreements and entered into a new change of control agreement with Mr. Arnold. The committee, advised by Towers Perrin, established the terms of these new agreements and the amendments thereto, which were then approved by our board. Under these agreements, all of our named executive officers are entitled to certain benefits in the event of a change of control of the company and Messrs. Moffett and Adkerson and Ms. Quirk are also entitled to certain severance benefits under their employment agreements. We believe that severance protections, particularly in the context of a change of control transaction, can play a valuable role in attracting and retaining key executive officers by providing protections commonly provided in the market. In addition, we believe these benefits also serve the company's interest by promoting a continuity of management in the context of an actual or threatened change of control transaction. The existence of these arrangements does not impact our decisions regarding other components of our executive compensation program, although we consider these severance protections an important part of our executives' compensation packages.

We also believe that the occurrence, or potential occurrence, of a change of control transaction will create uncertainty regarding the continued employment of our executive officers. This uncertainty results from the fact that many change of control transactions result in significant organizational changes, particularly at the senior executive level. In order to encourage certain of our executive officers to remain employed with the company during an important time when their prospects for continued employment following the transaction are often uncertain, we provide our executive officers with enhanced severance benefits if their employment is terminated by the company without cause or, in certain cases, by the executive in connection with a change of control. Because we believe that a termination by the executive for good reason may be conceptually the same as a termination by the company without cause, and because we believe that in the context of a change of control, potential acquirors would otherwise have an incentive to constructively terminate the executive's employment to avoid paying severance, we believe it is appropriate to provide severance benefits in these circumstances. In December 2008, the committee adopted a policy whereby the company will no longer provide excise tax gross-up protections in change of control arrangements adopted, renewed or extended after December 2, 2008. This policy does not affect the excise tax gross-up protections currently included in the employment agreements with Mr. Adkerson and Ms. Quirk; however, in accordance with this policy, the agreements with Mr. Adkerson and Ms. Quirk will not be extended, renewed or continued beyond January 1, 2012, with these gross-up protections in place.

We do not believe that our executive officers should be entitled to receive cash severance benefits merely because a change of control transaction occurs. The payment of cash severance benefits is only triggered by an actual or constructive termination of employment following a change of control (*i.e.* a "double trigger"). Under their respective incentive agreements, however, our executive officers would be entitled to accelerated vesting of their outstanding equity awards automatically upon a change of control of the company, whether or not the officer's employment is terminated. This treatment of the equity awards in connection with a change of control applies to all award recipients.

As described in more detail below under "Potential Payments Upon Termination or Change in Control," Messrs. Moffett and Adkerson and Ms. Quirk would also be entitled under their employment agreements to severance benefits in the event of a termination of employment by the company without cause or by the executive for good reason. The committee has determined that it is appropriate to provide these executives with severance benefits under these circumstances in light of their positions with the company and as part of their overall compensation package.

Table of Contents

Tax Considerations

Section 162(m). Section 162(m) of the Internal Revenue Code (the Code) limits to \$1 million a public company's annual tax deduction for compensation paid to each of its most highly compensated executive officers. Qualified performance-based compensation is excluded from this deduction limitation if certain requirements are met. The committee's policy is to structure compensation awards that will be deductible where doing so will further the purposes of our executive compensation programs. The committee also considers it important to retain flexibility to design compensation programs that recognize a full range of criteria important to our success, even where compensation payable under the programs may not be fully deductible. As such, the committee may implement revised or additional compensation programs in the future as it deems appropriate or necessary to adequately compensate our executive team.

The committee believes that the stock options, a portion of the performance-based restricted stock units, and awards under our AIP qualify for the exclusion from the deduction limitation under Section 162(m). With the exception of a portion of the salary paid to our executive chairman and our chief executive officer, the committee anticipates that the remaining components of individual executive compensation that do not qualify for an exclusion from Section 162(m) should not exceed \$1 million in any given year and therefore will qualify for deductibility.

Sections 280G and 4999. Code Section 4999 imposes a 20% excise tax on the recipient of an excess parachute payment and Code Section 280G disallows the tax deduction to the payor of any amount of an excess parachute payment that is contingent on a change of control. In order to be subject to the excise tax, payments as a result of a change of control must exceed three times the executive's base amount as determined under Section 280G, but once this threshold is achieved the excise tax is imposed on the payments that exceed one time the executive's base amount. Pursuant to the employment agreements with Mr. Adkerson and Ms. Quirk, we have agreed to provide each of them with a gross-up payment to reimburse the executive for the excise tax under Code Section 4999 as well as any additional income and excise taxes resulting from such reimbursement, but such payment will only be triggered if their change of control benefits exceed 110% of the Section 280G limit. The intent of the tax gross-up is to provide a benefit without a tax penalty to those executives who are displaced in the event of a change of control, and to avoid disparate treatment of individuals as a result of imposition of the tax, which can have arbitrary results in application. As noted above, in December 2008, the committee adopted a policy whereby the company will no longer provide excise tax gross-up protections in change of control arrangements adopted, renewed or extended after December 2, 2008. This policy does not affect the excise tax gross-up protections currently included in the employment agreements with Mr. Adkerson and Ms. Quirk; however, in accordance with this policy, the agreements with Mr. Adkerson and Ms. Quirk will not be extended, renewed or continued beyond January 1, 2012, with these gross-up protections in place.

Corporate Personnel Committee Report

The corporate personnel committee of our board of directors has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and based on such review and discussion, the corporate personnel committee recommended to the board that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by the Corporate Personnel Committee as of April 20, 2009:

H. Devon Graham, Jr., Chairman
Robert J. Allison, Jr.
Charles C. Krulak
Bobby Lee Lackey

Executive Compensation Tables

The table below summarizes the total compensation paid to or earned by our chief executive officer, our chief financial officer, and our executive officers other than the chief executive officer and chief financial

Table of Contents

officer (collectively, the named executive officers). The amounts represented in the Stock Awards and Option Awards columns reflect the expense recorded by the company pursuant to FAS 123(R), and do not necessarily reflect the income that will ultimately be realized by the named executive officers for these awards. For a description of the employment agreements between the company and each of Messrs. Moffett and Adkerson and Ms. Quirk, see Compensation Discussion and Analysis above and Potential Payments upon Termination or Change of Control below.

2008 Summary Compensation Table

Executive Name and Principal Position	Year	Salary (1)	Stock Awards (2)	Option Awards (3)	Non-Equity Incentive Plan Compensation (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (5)	All Other Compensation (6)	Total
Mr. R. Moffett President and Chief Executive Officer	2008	\$ 2,500,000	\$ 4,111,105	\$ 13,698,681	\$	\$ 1,489,324	\$ 3,633,719	\$ 25,432,829
	2007	2,500,000	9,044,430	18,761,139	29,790,000	1,266,517	2,734,907	64,096,000
	2006	2,500,000		5,460,418	27,740,000	1,095,525	2,331,292	39,127,245
Mr. D. Adkerson Vice President & Chief Financial Officer	2008	2,500,000	10,723,605	11,946,928		5,011,710	3,203,774	33,386,017
	2007	2,083,333	44,228,430	17,002,160	5,432,000	2,623,389	2,688,390	74,057,702
	2006	1,250,000	21,690,000	3,598,169	3,532,000	322,896	1,717,583	32,110,648
Ms. L. Quirk Vice President	2008	650,000	3,282,439	3,629,384				7,561,823