

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

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Freeport-McMoRan Copper & Gold Inc.**

(Name of Registrant as Specified In Its Charter)

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

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**Explanatory Note** - Commencing June 6, 2014, Freeport-McMoRan Copper & Gold Inc. will refer to the attached presentation in discussions with shareholders.

[www.fcx.com](http://www.fcx.com)  
[www.fcx.com](http://www.fcx.com)  
2014 Shareholder Engagement  
June 2014

2

Engaged and Responsive Board  
Engaged and Responsive Board  
Shareholder Feedback from 2013 Engagement  
Redesign Executive Compensation Program  
Independent Board Leadership  
Board Refreshment  
Board Actions During Past Year  
Established New Executive Compensation Program  
Appointed Lead Independent Director  
Added Four New Independent Directors  
Actions Represent Significant Move Towards Best Practices  
In March and April 2014, Our Lead Independent Director Met  
with Shareholders Representing Approximately 25% of Our  
Outstanding Common Stock to Review Board Actions

Robust Independent Board Leadership

3

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

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

Mr. Ford's Role Has Included:

Providing Recommendations on New Directors

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

Working with the Chairman of Compensation Committee to Implement New

Executive Compensation Program and Negotiate Revised Executive Employment Arrangements

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

4

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

Thomas Fry

Independent Director

Jim Flores

Inside Director

Lydia Kennard

Independent Director

Fran Townsend

Independent Director

Alan Buckwalter

Independent Director

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

Directors and New Lead Independent Director Role, Has Introduced

New Perspectives and Reshaped Conversation in the Boardroom

New Independent Directors Appointed

to

Board

in

December

2013,

bringing

diverse professional experience in

executive management roles and deep

expertise as directors at public

companies

Well-Balanced Board

Well-Balanced Board

5

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

Independent

Directors

81.25%

Other

Directors

18.75%

Board Composition

Board Tenure

5 Directors

5 Directors

6 Directors

Less than 5 Years

5-10 Years

More than 10

Years

Board Has Wealth of  
Expertise & Knowledge

Board Has Wealth of  
Expertise & Knowledge

6

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

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

Expertise in Legal, Regulatory and  
Accounting Matters

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

7

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

Founder

50+ Years Experience in  
Natural Resources Business

Accomplished Geologist

Leads Global Exploration  
Program & Guides Strategy

Owns 3.2 Million Shares

40+ Years Experience in  
Natural Resources Business

Leads Global Mining Business &  
Corporate Functions

Owns 2.7 Million Shares,  
Including Vested RSUs

30+ Years Experience in  
Energy Business

Leads Oil & Gas Business

Owns 8.0 Million Shares

New Executive Compensation Program

New Executive Compensation Program

8

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

Restructured

the

Direct

Compensation

of

Members

of  
Office

of  
the  
Chairman

with Each Being Paid at Same Level

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

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

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

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

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

New Executive Compensation Framework

Office of the Chairman

New Executive Compensation Framework

Office of the Chairman

9

Compensation Structure for Office of Chairman with Total Target Direct

Compensation of \$7.5 Million (in millions):

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

Each Year

AIP 2014 Performance Metrics:

Performance Category

Performance Metric

Weighting

Financial

Operating Cash Flow Excluding Working

Capital Changes

50.0%

Operational

Copper Production Volumes

17.5%

Oil Equivalents Production Volumes

7.5%

Safety and

Environmental/Social

Responsibility

Safety (Reportable Rate)

15.0%

Environmental/SR (Score)

10.0%

Base Salary

\$1.25

Annual Incentive

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

Stock Options

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

Performance Shares

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

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

Performance Share Payout %

Performance Share Payout %

1-2 (>87

th

percentile)

200%

100%

3

180%

100%

4

160%

100%

5

140%

100%

6

120%

100%

7

8 (50

th

56

th

percentile)

100%

100%

9

80%

80%

10

60%

60%

11

40%

40%

12-16 (< 25

th

percentile)

0%

0%

10

Restricted Stock Unit Grant to CEO

11

New Executive Management Structure Potentially Triggered Termination Provisions in

Mr. Adkerson's Employment Agreement

Resulted

in

a

Potential

Claim

by

Mr.

Adkerson

of

a

Good

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

to

Avoid

Unintended Incentive for Short-Term Actions

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

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

Employment Agreement Changes

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Terminated Mr. Adkerson's Employment Agreement

Amended Mr. Flores

Employment Agreement

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

Removed

Daily  
Automatic  
Renewal  
Provision  
Resulting  
in  
Mr.  
Flores  
Agreement  
Now

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

Amended Mr. Moffett's Employment Agreement

Reduced Base Salary by 50%

Changes in Base Salary and Annual Bonus Reduced Potential Severance Payments

As of December 31, 2013

As of March 1, 2014

Lump Sum Payment (in millions)

James C. Flores

Retirement

None

None

Death/Disability

\$15.0

None

Termination

Good

Reason/No

Cause

\$15.0

\$7.5

Termination

After

Change

of

Control

\$15.0

\$7.5

James R. Moffett

Retirement/Death/Disability

None

None

Termination

Good

Reason/No

Cause

\$45.9

\$25.6  
Termination

After  
Change  
of  
Control  
\$60.8  
\$36.0

No Equity Grants for 2013 Performance

13

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

Proxy

Disclosure

Rules

Require

Reporting

of

Equity

Awards

in

the

Year  
of  
Grant

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

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

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

Compensation

Awarded

for

2013

Performance

(a)

Name

Salary

Stock

Awards

Option

Awards

Non-Equity

Incentive Plan

Compensation

Change in Pension

Value and

Nonqualified

Deferred

Compensation

Earnings

All Other

Compensation

Total

James R. Moffett

\$2,500,000

\$1,250,000

\$1,644,729

\$1,644,603

\$7,039,332

Richard C. Adkerson

2,500,000

1,250,000

5,269,323

James

C.

Flores

1,461,795

1,250,000

353,190

3,064,985

Kathleen L. Quirk

650,000

1,100,000

159,822

1,909,822

Michael J. Arnold

550,000

1,000,000

156,706

1,706,706

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

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

1,519,323

(b)

(c)

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

(c

)

#### Oversight of Environmental Risk

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

Expert on Environmental Matters

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

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

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

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

All

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

Additional Disclosure

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

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

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