

FREEPORT MCMORAN COPPER & GOLD INC
Form DEFA14A
May 10, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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 under Rule 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)(4) and 0-11.

Edgar Filing: FREEPORT MCMORAN COPPER & GOLD INC - Form DEFA14A

- (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:
- .. Fee paid previously with preliminary materials.
- .. 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:

Explanatory Note - Commencing May 11, 2012, Freeport-McMoRan Copper & Gold Inc. will refer to the attached presentation in discussions with shareholders.

May/June 2012
May/June 2012
Proxy Discussion
Say-On-Pay
Proxy Discussion
Say-On-Pay

Summary Agenda
FCX Overview and Summary of 2011 Performance
Feedback on 2011 Say-On-Pay Vote
Modifications to Our Executive Compensation Program
Summary of 2011 Executive Compensation
Questions/Discussion
2

FCX Overview

World's Largest Publicly Traded Copper Company

World's Largest Producer of Molybdenum & Significant
Gold Producer

World Class, Long-Lived, Geographically Diverse
Operations

Environmentally and Socially Responsible

Financially Strong

#135 in the 2012 Fortune 500 Rankings

Long Track Record of Providing Shareholder Returns

~30,000 Employees Worldwide

3

2011 Highlights

Excellent Financial Performance

Exceeded 2010 Records

Solid Operating Performance Impacted by Labor Disruptions

New Labor Agreements at Grasberg, Cerro Verde & El Abra

Advanced Growth Projects to Increase Copper Production by ~25%
Over Next Several Years

Significant Exploration Drilling Program for Future Reserve &
Production Growth

Strong Balance Sheet and Financial Returns

Paid \$1.4 Billion in Common Stock Dividends (\$1.50 per share)

Fortune 500 Statistics

-

Net Income

Ranked 40

th
-
Profits
as
Percentage
of
Revenues

Ranked
28
th
-
33.5%
Annual
Growth
in
EPS
from
2001
to
2011

Ranked
12
th
4

Total Shareholder Returns

5

FCX

-36.8%

216.7%

60.0%

Peer Group Median

-33.6%

97.0%

43.2%

Peer Group 75

th

%

-22.2%

176.4%

73.1%

S&P 500

2.1%

48.6%

1.1%

1-Year

3-Year

5-Year

1-Year

3-Year

5-Year

The Peer Group consists of the following companies:

Alcoa Inc.

Anglo American plc

Antofagasta plc

Barrick Gold Corporation

BHP Billiton plc

Newmont Mining Corp.

Rio Tinto plc

Southern Copper Corporation

Teck Resources Limited

United States Steel Corporation

Vale S.A.

Xstrata plc

Feedback on
2011 Say-on-Pay Vote
FCX's Institutional Shareholders

Recognized Strong Performance

Cited Pay Magnitude as Primary Reason for Negative Vote

Commented on 6% Return on Investment (ROI) Measure
in
Annual
Incentive
Plan
(AIP)

Lacked
Rigor

Wanted More Disclosure of Qualitative Factors Considered
6

Feedback on
2011 Say-on-Pay Vote
Proxy Advisory Firms

Recognized Strong Performance

Cited Pay Magnitude as Primary Reason for Negative Vote

Other Factors Noted:

-

AIP Design

6%

ROI

Measure

Lack

of

Rigor

Lack of Reasonable Upper Limit

-
Significant Perquisites

-
No Clawback Policy

7

Goals of Changing
Executive Compensation Program
Maintain Entrepreneurial Culture of the Company
Continue to Align Compensation with Interests of Stockholders
Maintain Strong Pay-for-Performance Link

Emphasize Performance-Based Compensation

Tie to Key Measures Used in Assessing Company Value
Address Pay Magnitude with Caps Based on Salary Multiples

Base Salaries of Executives Not Changed Since 2007

Increase Rigor of Performance Measures

Independent Corporate Personnel Committee to Retain Some

Discretion with Respect to Executive Compensation Awards

Maintain Straightforward Program

8

Modifications to Program

Umbrella

Cap: AIP + Equity-Based = \$20 million per year

Reduced AIP Limits

Reduced Total Cap from 8X to 6X Salary

Reduced Cash Component Cap from 4X to 3X Salary

Performance RSUs

Two-Fold Performance-Based Hurdles

1
st

Performance-Based Hurdle Maintained:

-

Amount Granted

Determined as AIP Award

-

AIP Awards Based on Cash Flow, ROI, Qualitative Performance Measures (see next slide)

2

nd

Performance-Based Hurdle Added:

-

Amount

Ultimately

Vesting

After

Three

Years

Now

Based

on

Total

Shareholder Return Component (TSR)

-

Relative Measure: FCX's TSR Compared to Peer Group

-

20% of Award Subject to Forfeiture if FCX's TSR Below Median

9

AIP Performance Measures

Maintained Incentive Pool Based on Cash Flow

Increased Rigor of the ROI Performance Measure in AIP

-

Maintained Current Five-Year ROI of 6%

-

Added Following Guideline Matrix:

Qualitative Measures

-

Measures Considered: Safety; Environmental & Social;
Operational Metrics; Growth Initiatives; TSR & ROI Compared to
Peers; Exploration Results; Financial Management

-

Added Disclosure of Qualitative Factors Considered (see pages
35-38 of proxy statement)

Modifications to Program (cont d)

10

Average Copper

Price per Pound

2x

3x

4x

5x

6x

Salary Multiples

Annual ROI Thresholds

\$2.51 -

\$3.00

6%

7%

10%

13%

16%

\$3.01 -

\$3.50

9%

10%

13%

16%

19%

\$3.51 -

\$4.00

12%

13%

16%

19%

23%

>\$4.01

15%

17%

20%

23%

27%

Modifications to Program (cont d)
Revised Stock Option Methodology

Option Grants Subject to Umbrella
Cap

Stock Options Valued Under Black-Scholes (Rather than Fixed Share Basis)

Stock Options and RSUs Would Vest Following a Change of Control Only
If Employee Terminated from Employment Within One Year

Only Applies to Future Equity Awards
Adopted Clawback Policy

FCX May Recover Incentive Awards Paid Based on Restated Financial
Statements Under Certain Circumstances

To Be Adjusted as Needed to Comply with New SEC Rules

11

Implemented Double Trigger
Vesting of Equity Awards

Total Direct Compensation

2010 and 2011

12

(\$ millions)

Chairman

CEO

\$30.6

\$18.5

\$30.6

\$18.5

40%

Reduction

40%

Reduction

2010

2011

2010

2011

Stock Options

AIP -

RSUs

AIP -

Cash

Salary

Overview of Executive Compensation

Awarded for 2011

2011 Was an Outstanding Year for FCX Resulting in the Best
Financial Results in Company's History

In Awarding 2011 Incentive Compensation (AIP Awards and Stock
Options), Our Corporate Personnel Committee Considered:

Strong Company Performance in 2011, Including the Quantitative and Qualitative
Measures Cited in CD&A

Newly Implemented Caps

Grant Date Value of Stock Options

FCX's TSR, Including the Negative TSR in 2011

Shareholders

Concern with Pay Magnitude for 2010

Compensation Significantly Reduced from 2010

Each of the Chairman and the CEO Awarded Over 40% Less Incentive
Compensation for 2011 Than Awarded for 2010

-

Incentive Amount Awarded

20% Less Than New Umbrella Cap

2011 Total Direct Compensation (Salary, AIP Awards, Stock Options) for All
Named Executive Officers Down 38% From 2010

13

2011 Component Mix of
Total Direct Compensation
Equity-Based
Salary
AIP
Cash
14
Components of Compensation
Performance-Based/Fixed Compensation
Equity/Cash Compensation

Cash

AIP RSUs

Fixed

13%

32%

27%

28%

Options

13%

87%

45%

55%

Performance-based

Total Black-Scholes Value of
Options Granted to NEOs

15

(\$ millions)

2.54MM

Options

as

Adjusted

for Stock

Split

2.54MM

Options

as

Adjusted
for Stock
Split
1.27MM
Options
1.27MM
Options
0.87MM
Options
0.87MM
Options
50%
Reduction
\$39.2
\$26.2
\$13.1
\$0
\$10
\$20
\$30
\$40
2009
2010
2011

Executive Compensation

Last Two Years

16

1

Reflects the year of performance for which the RSUs and stock options were awarded even though granted in February of the following year (see Note 12 to the consolidated financial statements for the year ended December 31, 2012, and Note 12 to the consolidated financial statements for the year ended December 31, 2011, amounts reflected in the Summary Compensation Table on page 48); for 2011, values reflect preliminary estimates reviewed by the Compensation Committee.

2

Reflects

the

amounts

from

the

Change

in

Pension

Value

column

and

the

amounts

of

Plan

Contributions

included

in

All

Other

Compensation

column

of

the Summary Compensation Table on page 48

Total Direct Compensation and Total Compensation

(in millions)

Moffett

2011

\$2.50

\$ 6.000

\$5.000

\$4.95

\$18.45

\$2.60

\$0.92

\$21.97

2010

2.50

10.000

7.768

10.30

30.57

2.24

0.77

33.58

Adkerson

2011

2.50

6.000

5.000

4.95

18.45

3.44

0.62

22.51

2010

2.50

10.000

7.768

10.30

30.57

5.21

0.58

36.36

Quirk

2011

0.65

1.625

1.625

1.65

5.55

0.16

0.04

5.75

2010

0.65
2.600
2.290
3.09
8.63
0.11
0.04
8.78
Arnold
2011
0.55
1.375
1.375
1.50
4.80
0.13
0.05
4.98
2010
0.55
2.200
1.800
2.47
7.02
0.09
0.05
7.16
Year
Salary
Cash
RSUs¹
Stock
Options¹
Total
Direct
Retirement
Benefits²
All Other
Total
AIP Awards

Performance-Based Compensation vs
Stock Performance

17

Options

RSUs

Cash

\$19.2

\$79.3

\$70.6

\$41.1

\$0

\$15

\$30

\$45
\$60
\$75
\$0
\$20
\$40
\$60
\$80
\$100
2008
2009
2010
2011
Stock Price

Questions/
Discussion
Questions/
Discussion

19

Additional Disclosure

Additional Disclosure

This information is being provided to certain shareholders in addition to Freeport-McMoRan Copper & Gold Inc.'s proxy statement dated April 27, 2012, that has been available since such date. Please read the complete proxy statement and accompanying materials carefully before you make a voting decision. Even if voting instructions for your proxy have already been given, you can change your vote at any time before the annual meeting by giving new voting instructions as described in more detail in the proxy statement. The proxy statement, and any other documents filed by Freeport-McMoRan Copper & Gold Inc. with the Securities and Exchange Commission (SEC), may be obtained free of charge at the SEC web site at www.sec.gov and from the Company's web site at www.fcx.com.

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

of proxies from Freeport-McMoRan Copper & Gold Inc.'s shareholders in connection with the upcoming annual meeting of shareholders. Information about Freeport-McMoRan Copper & Gold Inc.'s directors and executive officers and their ownership of Freeport-McMoRan Copper & Gold Inc. stock is set forth in the proxy statement for Freeport-McMoRan Copper & Gold Inc.'s 2012 annual meeting of shareholders.