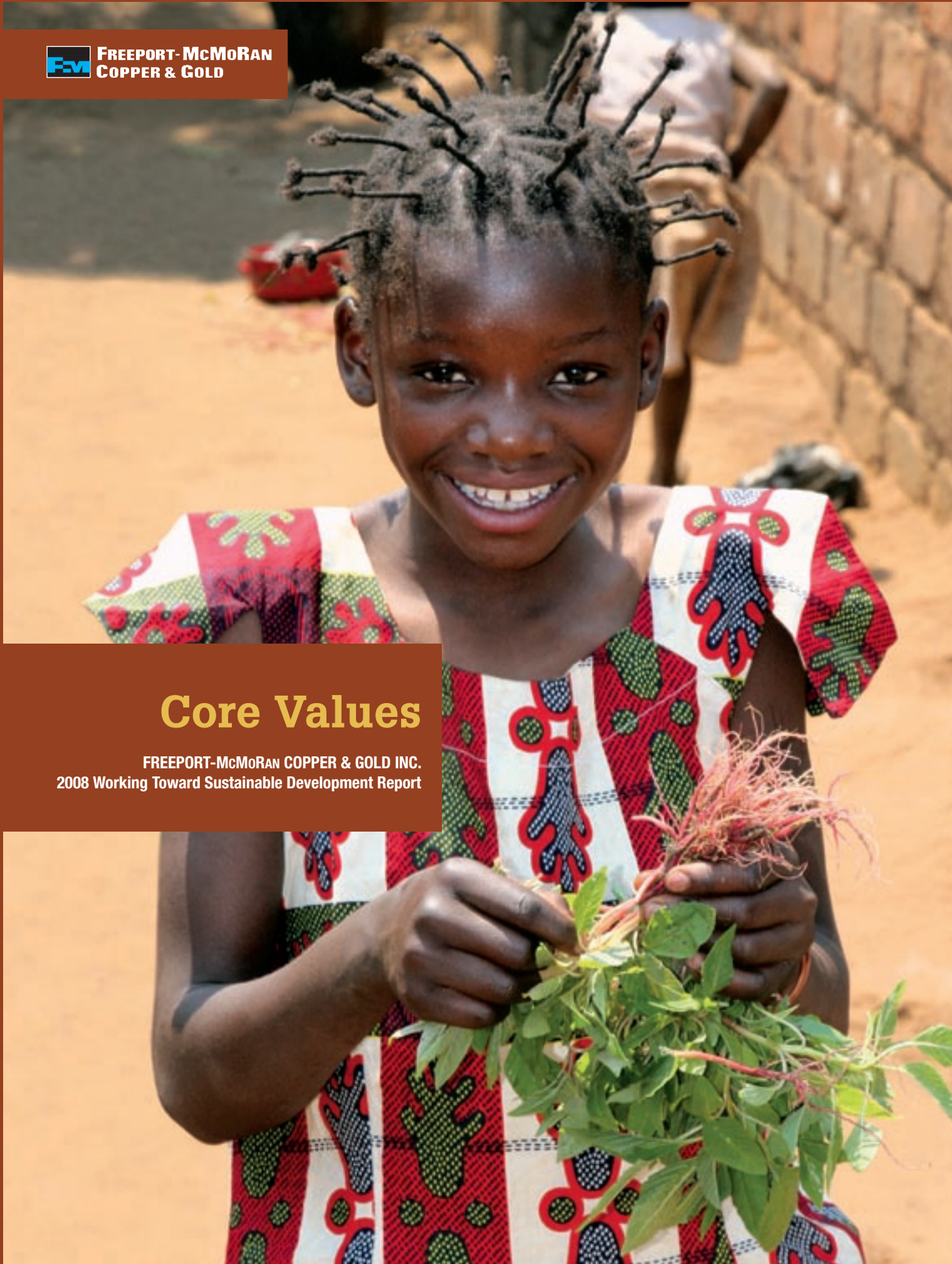




**FREEPORT-McMoRAN  
COPPER & GOLD**

## Core Values

FREEPORT-McMoRAN COPPER & GOLD INC.  
2008 Working Toward Sustainable Development Report



This year's Working Toward Sustainable Development report is our company's summary document that discusses our key sustainability challenges and opportunities. We present data and case studies to illustrate our environmental, social and economic commitments and performance at our operations. Later this year we will report according to the Global Reporting Initiative (GRI) - Sustainability Reporting Guidelines, version 3.0 (G3) for the first time. We have reported under the GRI second edition guidelines since 2005. Our full 2008 GRI G3 report including the Mining and Metals Sector Supplement will be available on our web site at [www.fcx.com](http://www.fcx.com) when it has been completed and undergone third-party assurance. We encourage our stakeholders to use both of these reports, as well as specific sustainability-related information on our web site, for a more comprehensive view of our advances in working toward sustainable development.



This icon is used throughout this report as a reference to the International Council on Mining and Metals 10 Sustainable Development Principles. For a full list of these principles, please see page 4.

Data in this report excludes the Tenke Fungurume Mining development project unless otherwise noted or presented in case studies. The Tenke Fungurume Mining development project began commissioning activities in 2009. We plan to fully cover the Tenke Fungurume Mining development project in our 2009 sustainability reporting.

## What do we mean by “sustainable development”?

The world needs the metals we produce to sustain and expand economies and to build infrastructure in developing nations. Fulfilling this need for our products must be balanced with social and environmental concerns so that, in meeting the needs of the current generation, we do not compromise the ability of future generations to meet their own needs. This is the core concept of “sustainable development” and the underlying premise of our commitments.

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***On the cover:** Among our “Core Values” is a commitment to help build healthy communities wherever we work. The young girl pictured is Chancel Kapapa, a resident of Fungurume, in the Katanga province of the Democratic Republic of Congo. Fungurume is one of the host communities for our newest development project, the Tenke Fungurume copper and cobalt mine. We are building and managing this project in a way that benefits communities, promotes good governance, respects local culture, minimizes disruption to the environment and supports the evolution of the country toward sound mineral development.*

## To Our Stakeholders

### Letter from the Chairman of the Board and the President and Chief Executive Officer



The theme of our 2008 Working Toward Sustainable Development Report, “Core Values,” reflects our company’s pledge to improve continuously in meeting our commitment to work in the most safe, inclusive, environmentally and socially responsible manner practicable. Freeport-McMoRan Copper & Gold Inc. has a long-standing history of addressing complex social, economic and environmental challenges proactively, yet past accomplishments will not determine future success. Beginning with our sustainable development team, and through programs integrated throughout our operations under Board of Directors oversight, we manage safety, social, environmental and economic development programs in partnership with our stakeholders and neighbors, set performance targets to gauge their effectiveness and seek external assurance to align our programs with international best practices.

These are challenging times, given the sudden downturn our industry experienced beginning in late 2008, as weakening global economic conditions resulted in a dramatic decline in commodity prices. We began the year focused on internal expansion projects as the world was demanding more copper, gold and molybdenum. By year end, we were responding to significant reductions in demand by deferring most of our expansion projects, reducing costs and curtailing production in some operations.

Freeport-McMoRan Copper & Gold Inc. is well positioned to supply copper and molybdenum to a world that continues to seek quality-of-life improvements. Our company has geographically diverse, significant proven and probable reserves of copper, gold and molybdenum. Despite our abundant resources and opportunities for growth, we will be ineffective unless we meet our commitments to our shareholders, employees, customers and the communities in which we operate.

As an international mining company, we face considerable challenges in mitigating environmental impacts, managing health and safety risks, and addressing difficult social and economic issues across our operations. We have set company-wide performance targets to address material sustainability issues identified by internal and external stakeholders. These performance targets will be available in our 2008 Global Reporting Initiative G3 report on our web site at [www.fcx.com](http://www.fcx.com).

Freeport-McMoRan Copper & Gold Inc. is transitioning to a risk-based approach for the identification and management of key sustainability challenges and opportunities across its operating portfolio. As we implement the International Council on Mining and Metals (ICMM) Sustainable Development Framework, applying risk-based processes will provide improved consistency in our progress in working toward sustainable development. Through this approach, we expect to identify opportunities for more focused management of key issues, including setting relevant performance targets and ensuring appropriate systems for monitoring progress.

The necessary responses to weak market conditions in late 2008 required a reduction of workforce at certain of our operations, along with the implementation of cost reduction initiatives across our organization. We received high participation in voluntary retirement and resignation programs; however, we recognize that job losses can have adverse impacts on employees, their families and the communities near our operations. We are taking steps to mitigate the adverse impacts including reassigning affected workforce to other areas of our operations when practicable.

We regret to report five fatalities at our operations during 2008. The occurrence of any workplace fatality is unacceptable. The company has worked to identify and understand the root causes of these fatalities and has executed action plans to prevent recurrence.



Our current and future operations span complicated and challenging natural and social environments. Our stakeholders are essential partners in our quest toward sustainable development. When we provide transparent information about our business, communities and host governments can better understand and anticipate the effects of our operating plans. In 2008, we spent approximately \$190 million on community investments and more than \$460 million on environmental protection, reclamation and remediation. We are continuing our efforts to make lasting contributions to society, long after our operations have ceased. We will maintain the highest standards of integrity and transparency in our social and economic development programs.

We appreciate the response and engagement by our employees and stakeholders as we have executed significantly revised operating plans without compromising our environmental, economic and social performance. It is this spirit of dedication and cooperation that will support our sustainable development efforts now and long into the future.

Respectfully yours,



**James R. Moffett**

Chairman  
of the Board



**Richard C. Adkerson**

President and Chief  
Executive Officer

April 22, 2009



*Freeport-McMoRan Copper & Gold Inc. President and Chief Executive Officer Richard C. Adkerson, with students at the Mkombozi School in Fungurume, one of the host communities for the Tenke Fungurume copper and cobalt mine development project in the Democratic Republic of Congo. As part of our commitment to education in the region, we have constructed two new schools and renovated another.*

# About Freeport-McMoRan Copper & Gold Inc.

Freeport-McMoRan Copper & Gold Inc. is a leading international mining company with headquarters in Phoenix, Arizona. We operate large, long-lived, geographically diverse assets on four continents, with significant proven and probable reserves of copper, gold and molybdenum. From the equatorial mountains of Papua, Indonesia, the southwestern deserts of the United States, the majestic volcanoes of Peru, the traditional copper-producing regions of Chile and the exciting emerging opportunities in the Democratic Republic of Congo, we are at the forefront of supplying the world with essential metals.

We are the world's largest publicly traded copper company, the world's leading producer of molybdenum – a metal used in high-strength steel alloys, chemical products and the production of lubricants – and a significant producer of gold. As an industry leader, we demonstrate proven expertise in both technology and production methods to produce copper, gold and molybdenum.

We operate through our principal subsidiaries, PT Freeport Indonesia, Freeport-McMoRan Corporation and Atlantic Copper.

## Major Active Mine Operations & Development Projects

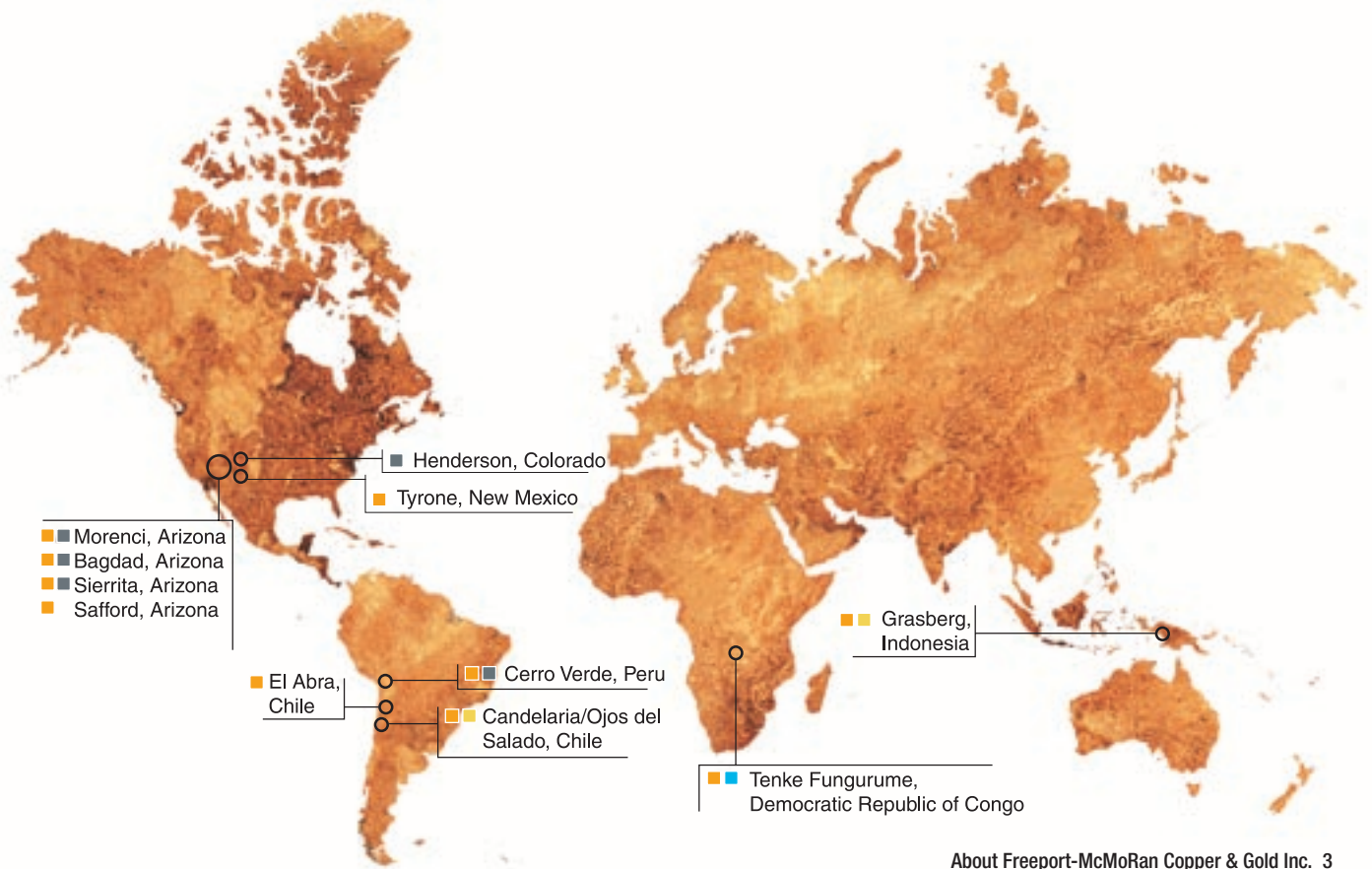
*All major assets majority-owned and operated*

### Key

- Locations
- Copper (Cu)
- Gold (Au)
- Molybdenum (Mo)
- Cobalt (Co)

### Sales from Our Mines in 2008

- 4.1 billion pounds of copper
- 1.3 million ounces of gold
- 71 million pounds of molybdenum



## ICMM Sustainable Development Framework

Freeport-McMoRan Copper & Gold Inc., as a member of the International Council on Mining and Metals (ICMM), has adopted the ICMM Sustainable Development Framework and this commitment underpins our efforts in identifying and managing challenges and opportunities across our operations. The framework ([www.icmm.com](http://www.icmm.com)) comprises three elements that are mandatory for corporate members to meet: 1) implement the ICMM 10 Sustainable Development Principles throughout the business, 2) report in line with the GRI G3 guidelines and the Mining and Metals Sector Supplement and 3) provide independent assurance that our commitments have been fulfilled.

### ICMM 10 Sustainable Development Principles

- 1**  
ICMM Implement and maintain ethical business practices and sound systems of corporate governance
- 2**  
ICMM Integrate sustainable development considerations within the corporate decision-making process
- 3**  
ICMM Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities
- 4**  
ICMM Implement risk management strategies based on valid data and sound science
- 5**  
ICMM Seek continual improvement of our health and safety performance
- 6**  
ICMM Seek continual improvement of our environmental performance
- 7**  
ICMM Contribute to conservation of biodiversity and integrated approaches to land use planning
- 8**  
ICMM Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products
- 9**  
ICMM Contribute to the social, economic and institutional development of the communities in which we operate
- 10**  
ICMM Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders

We are developing and implementing a risk-based approach for our entire operating portfolio to further define, manage and monitor sustainable development challenges and opportunities most material to our stakeholders and to our business. We will also meet the assurance commitment by reporting on the following:

- The alignment of our sustainability policies to the ICMM 10 Sustainable Development Principles and mandatory requirements set out in ICMM position statements;
- Our material sustainable development risks and opportunities based on our review of the business and information provided from our stakeholders;
- The existence and status of systems and approaches used to manage our material sustainable development risks and opportunities;
- Our performance with respect to identified material sustainable development risks and opportunities; and
- The required disclosures for application level of A+ of the GRI G3 Sustainability Reporting Guidelines.

## Summary of Material Risks and Opportunities

This report addresses a wide variety of topics of interest to our stakeholders. In our view, the most material issues for Freeport-McMoRan Copper & Gold Inc. are those raised by multiple stakeholder groups, both internal and external to the company, and that pose the greatest risk to our business success if not managed responsibly.

In 2008, concurrent with transitioning to a risk-based approach for working toward sustainable development, we began a comprehensive, multi-disciplined exercise to identify the company's sustainable development risks and opportunities. Freeport-McMoRan Copper & Gold Inc.'s external stakeholders are diverse and their perspectives on material sustainable development issues can range from site-specific to global in nature. A challenge we face in this transition period is the development and implementation of a process to amalgamate the internal and external perspectives on sustainability risks.

We have taken a balanced approach to the identification of material risks and opportunities presented in this report. Key sustainability topics of interest to our stakeholders are identified through evaluating data and assessments from a cross-section of company representatives who interact regularly with local communities, governments, employees, business executives, investors, non-governmental organizations and other groups. The results of our internal materiality surveys and stakeholder communications allow us to prioritize key material issues.

**The table on the facing page outlines significant sustainability challenges for our company** (the listed order is not intended to suggest the relative importance of each issue).



Look for this icon throughout this report to identify discussions of material risks and opportunities.



## Material Risks and Opportunities

### ENVIRONMENT

<b>Environmental Impacts</b>	<b>6</b> ICMM	Mining operations can have adverse effects on land, air and water. Our largest impacts, as defined by footprint, are associated with the management of solid materials – tailings, waste rock stockpiles and leach stockpiles. If we do not properly identify, control, minimize and mitigate the environmental impacts of our operations, our risks include non-compliance with regulatory obligations, the potential for costly closure activities and broad public disapproval.	10-19
<b>Energy Use, Climate Change and Greenhouse Gases</b>	<b>6</b> ICMM	Our mining operations require significant amounts of energy, and energy costs approximated 25 percent of our consolidated copper production costs in 2008. Our principal energy sources are electricity, purchased petroleum products, natural gas and coal.	11-13
<b>Water</b>	<b>6</b> ICMM	Our mining operations require significant quantities of water, and shortages of adequate water supplies could require us to curtail or cease certain operations. In areas where water is scarce and competition among users for continuing access to water is significant, we must address our operational needs in balance with the needs of local communities, while recognizing potential impacts on sensitive ecosystems.	14
<b>Legacy Liabilities</b>	<b>6</b> ICMM	Many of the subsidiary companies we now own are responsible for a wide variety of environmental remediation projects throughout the U.S. We will have significant expenditures on remediation efforts for the next several years.	18

### SOCIAL

<b>Safety and Health</b>	<b>5</b> ICMM	Safety is a “Core Value” of our company. We believe that all injuries and occupational illnesses are preventable. Our focus on “Safe Production” captures the essence of our philosophy that safety and health considerations are integral to, and compatible with, all other management functions in the organization. The occurrence of any workplace injury is unacceptable, and we regret that five fatalities occurred at our operations in 2008.	24-27
<b>Community</b>	<b>9</b> ICMM <b>10</b> ICMM	Our local community partners are concerned with impacts and opportunities associated with mining operations, including community development benefits derived from mining while avoiding community dependence on the mining operation. Consistent and transparent engagement with community members, throughout the project life cycle, is critical to our operational success, as well as to establishing partnerships with local communities and governments that will lead to positive, long-term sustainable development.	28-34
<b>Security and Human Rights</b>	<b>3</b> ICMM	Certain of our operations are situated in remote locations or in developing countries with histories of conflict, poverty, substandard educational opportunities, high unemployment and political instability. Our challenge is to promote and protect human rights and provide a mechanism for grievances to be reported, reviewed and processed. Through this approach we aim to ensure professional and respectful relationships between government security personnel, our company employees and the local communities where we work.	35-37
<b>Political Risks</b>	<b>1</b> ICMM	Our operations in certain developing nations could be adversely affected by uncertainties, including political instability, changing laws and regulations, forced changes to contracts and civil unrest. We must promote positive relationships with host governments and maintain the highest ethical standards as a corporate citizen wherever we do business.	37

### ECONOMIC

<b>Economic Impacts</b>	<b>9</b> ICMM	We recognize that our operations have significant direct and indirect economic impacts for many of our stakeholders, particularly on communities near our operations. We must remain a partner in assisting communities in diversifying and building capacity to reduce economic dependency on mining.	38
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## Corporate Governance

*Strong policies guide our commitment to ethical corporate behavior and respect for local communities.*

*Our Cerro Verde mine in Peru works in partnership with communities and non-governmental organizations to implement health, education and economic development in the Arequipa province.*

*Photo: A couple in the village of Sogay, where Cerro Verde supports a tourism development initiative, which included painting all historic homes and buildings such as this one.*







The Public Policy Committee of our Board of Directors assists in fulfilling the Board's oversight responsibilities with respect to the company's 1) environmental programs; 2) governmental and community relations programs; 3) social, employment and human rights policies and practices; 4) health and safety programs; and 5) charitable and philanthropic contributions.

During 2008, Freeport-McMoRan Copper & Gold Inc. created a department of Environmental Services and Sustainable Development to address more clearly and directly the social, economic and environmental challenges and opportunities we face every day. This department spans traditional management structures, taking an integrated approach to addressing material sustainability issues.

Freeport-McMoRan Copper & Gold Inc. is a signatory to the U.S. State Department-British Foreign Office Voluntary Principles on Security and Human Rights. We are committed to ensuring that we conduct our operations in a manner consistent with the U.N. Universal Declaration on Human Rights, the laws and regulations of the host countries in which we operate and the culture of the people who are indigenous to the company's operational areas. We endorse the Extractive Industries Transparency Initiative (EITI), making an international commitment to disclose revenues and payments to governments. Freeport-McMoRan Copper & Gold Inc. subscribes to the U.N. Millennium Development Goals, which we are now evaluating for alignment with our risk-based approach to sustainable development. At the Tenke Fungurume project in the Democratic Republic of Congo, our commitments and policies are also aligned with International Finance Corporation performance standards on social and environmental sustainability and the Equator Principles.

### **Principles of Business Conduct**

The cornerstone of our commitment to integrity is our Principles of Business Conduct. They are designed to reinforce what is important in our everyday work life – hard work, honesty, treating people fairly and working safely. Our commitment to these principles is the bond that binds us all in pursuing our common vision, from senior management to entry-level employees.

### **Environmental Policy**

This policy outlines our guidelines to minimize and mitigate environmental impacts, to protect and enhance the quality of the environment wherever we operate, to comply with all applicable regulations and to seek continuous improvement in environmental performance. The policy also includes commitments to achieve ISO 14001 certification at all operating facilities, which we have accomplished; to recognize and protect biodiversity; and to protect and remediate sites for which we are responsible. The policy adopts the ICMM Sustainable Development Principles.

### **Environmental Auditing Policy**

An effective corporate environmental auditing program increases environmental management effectiveness and our confidence that we are addressing the risks of potential exposure to adverse environmental issues. Our Environmental Auditing Policy requires all major properties worldwide to be internally audited at least every two years and provides additional details on auditing procedures.

### **Safety & Health Policy**

This policy lays out our objective of zero workplace fatalities, injuries and occupational illnesses, and provides for the establishment of benchmarks to evaluate our performance in achieving that objective. The policy also strengthens and emphasizes the implementation of safety and industrial health audits at all facilities.

### **Human Rights Policy**

Recently updated to address our more global footprint, this policy outlines our dedication to recognizing and promoting human rights wherever we do business. We are committed to conducting our worldwide operations in a manner that ensures all employees treat everyone in and around our operations with dignity and respect.

### **Community Policy**

We conduct our activities in a manner that promotes positive and open relationships with community, government and other stakeholders to support sustainable benefits where we operate, throughout the life cycle of a project. We recently updated this policy, in part to explicitly recognize our commitment to the ICMM Sustainable Development Principles and the vital role that stakeholder engagement plays as we align our operations with those principles.

At the Tenke Fungurume Mining project in the Democratic Republic of Congo, Freeport-McMoRan Copper & Gold Inc. is embarking on a large-scale development project to mine copper and cobalt from the rich resources present in a 394,000-acre concession. The Democratic Republic of Congo is a nation that has undergone significant challenges, including war and financial crisis. We believe that our investment in the region will help to provide stability. We are committed to building this project in a way that benefits the local community, promotes good governance, respects local culture, minimizes disruption to the existing ecosystem and supports the evolution of the country toward sound mineral development.

### **New Villages Take Shape as Part of Resettlement Action Plan**

For members of approximately 350 households in the Tenke Fungurume Mining concession, 2008 was a year of transition. Community members from the villages of Kiboko, Amoni and Mulumbu saw a Resettlement Action Plan move from concept to reality as a result of consultation and planning with international experts, non-governmental organizations and members of the Tenke Fungurume Mining community development team over several years.

The plan is being implemented in accordance with both national law and international best practice as outlined in the International Finance Corporation's "Performance Standard No. 5." Community members, including local leaders, were directly involved in selection of new village locations, housing designs and other village facilities. Tenke Fungurume Mining conducted more than 100 public consultation meetings, using translators to make information available in multiple local languages.

Many of the families are settled into new homes in the villages they helped design. The new villages include common infrastructure, access to clean water and sanitary facilities, and will also include access to health and education facilities. We provide compensation to villagers for any farm lands that were directly impacted by the project, while also providing access to new farmland, cash payments for the preparation of new fields, improved seeds, fertilizers and technical assistance to improve crop yields.

Tenke Fungurume Mining has prioritized the use of local labor and supplies whenever possible. The Resettlement Action Plan project has faced some delays due to issues involving coordination of numerous local contractors and difficulties facilitating delivery of building materials. To help assess our performance, we have selected an external expert to audit the village resettlement in accordance with the Resettlement Action Plan. This audit is a critical part of our continual improvement plan.



*Women from one of the Tenke Fungurume resettlement villages participate in an empowerment program. Read more on page 34.*

## Providing Clean Water and Sanitation, Fighting Malaria Take Precedence in Public Health Program



Children utilize a water well at Fungurume, Katanga Province, Democratic Republic of Congo.

Tenke Fungurume Mining's public health team is putting into action the recommendations from a comprehensive baseline community health survey to develop a Community Health Action Plan. Working together with local and provincial government health authorities, the Lubumbashi School of Public Health and a partner organization (Pact), the health services provider International SOS assisted in developing and implementing the health assessment to understand better the current health standards of the community and to provide a baseline for monitoring changes and improvements in community health over time. The survey covered 419 households (2,725 individuals) within our project concession. The assessment included the evaluation of community demographics, general health knowledge and practices, environmental health conditions (water and sanitation), mother and child health and disease prevalence.

The resulting Community Health Action Plan includes a strategy for improving access to, and the quality of, health services; developing programs to improve basic health standards, including clean water and sanitation; and reducing the incidence of malaria. By prioritizing programs to provide these basic needs, the company strives to contribute to reducing preventable diseases and saving lives.

Lack of sanitation is a major public health concern in many developing countries and can easily create an environment suitable for the spread of diarrheal diseases, which are often leading causes of deaths. Access to a safe and adequate water supply is essential to preventing disease. The baseline health survey showed that more than 50 percent of the local community was accessing water from unprotected wells, springs, rivers and ponds. As a result, our program will target

the provision of clean water wells in all 43 villages in the mining concession. More than 30 wells were constructed during 2008, and programs have been established in cooperation with Pact to provide education to village-based water committees to care for and maintain the wells.

In the sampled population, the prevalence of malaria in children under the age of five was 55 percent. In addition, community understanding of malaria was poor. As part of our community malaria control program being implemented in cooperation with International SOS, local government and community partners, Tenke Fungurume Mining has begun indoor residual spraying for mosquitoes, distribution of insecticide-treated bed nets and comprehensive community education programs.

## Lines of Defense in Wastewater Treatment



Tenke Fungurume Mining is investing approximately \$40 million for environmental protection in the form of impermeable liners on its tailings storage and wastewater treatment facilities. A layer of high-density polyethylene was installed in the structure to be used for storing the material that remains after copper and cobalt-bearing minerals are extracted in the process plant. A separate environmental protection project will capture all water runoff – including rainwater – from the mine and process plant facility and channel it into a separate return water basin, which is also lined with impermeable polyethylene. The captured water runoff will be reused in the process plant.





## Environmental Performance

*Our challenge is to provide metals that support economic and social development while protecting natural resources for future generations.*

*Our El Abra mine in Chile supports environmental education programs, such as this school garden in the indigenous community of Lasana, to teach sustainable farming and animal husbandry concepts.*

## Management Approach



Freeport-McMoRan Copper & Gold Inc.'s Environmental Policy commits us to minimize the impact of our operations on the environment using risk management strategies based on valid data and sound science.

We routinely undergo internal and external environmental audits to assess our environmental compliance, management systems and practices. Employees at each site take personal responsibility for environmental stewardship and develop action plans based on audit results.

Our Safford, Arizona, operations were recommended for ISO 14001 certification in 2008 and subsequently received the certification in the first quarter of 2009. All of our operating locations are now certified to this international standard, which signifies that a facility or company has systems in place to monitor and minimize environmental impacts and to drive continuous improvement in protecting the environment. All operations are subject to regular surveillance audits to ensure ISO 14001 standards continue to be met.

Our aggregate environmental expenditures including reclamation and remediation costs totaled \$468 million in 2008.

For 2008, we reported our environmental performance against the GRI G3 indicators. We adjusted some 2007 indicators reported under the prior GRI guidelines to compare indicators on the same basis. As part of our 2008/2009 transition in implementing the ICMM Sustainable Development Framework, we also developed a process for identifying our material risks and opportunities. In early 2009, we established performance goals and targets that we will report against next year. These will be available in our 2008 GRI G3 report, which will be posted on our web site at [www.fcx.com](http://www.fcx.com).

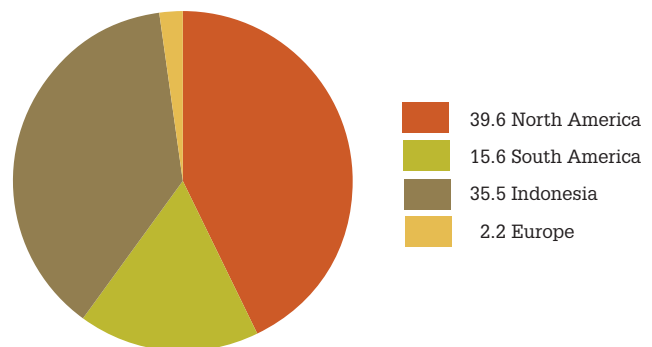
## Energy Use



Energy is a significant input to our mining and processing operations. Our principal energy sources are electricity, purchased petroleum products, natural gas and coal. Our worldwide cost of energy represented 25 percent of our operating costs during 2008, compared to 20 percent in 2007.

In 2008, we purchased approximately 8 million megawatt-hours of electricity and consumed approximately 250 million gallons of diesel fuel to run our mining and processing operations. Our total direct energy use in 2008 was 64.4 petajoules, which is a standard unit of electrical, mechanical, and thermal energy. This was a 14 percent increase over 2007. Our total indirect energy use (purchased grid electricity) in 2008 was 28.5 petajoules, which is 5 percent more than in 2007.

**2008 Total Energy Consumption by Region**  
*in petajoules*



We are actively pursuing the development, implementation and transfer of cleaner, more efficient, cost-effective technologies and seeking to expand the role of alternative energy sources through initiatives at our mining operations and local communities. We continue to conduct research and mining and processing technology development programs at our technology centers in Safford and Sahuarita, Arizona. Expenditures for research and development programs, together with contributions to industry and government-supported research programs, totaled \$44 million in 2008 and \$33 million in 2007.



## Action Steps to Improve Energy Efficiency



- The use of alternative anode technology is one of our energy efficiency initiatives. At the El Abra mine in Chile and at the Chino mine in New Mexico, we have installed alternate anode and ferrous-ferric electrolyte reaction technology and observed a 3.2 percent and a 10.5 percent reduction in electricity use during electrowinning at the two sites, respectively.
- At the El Abra mine in Chile, a limited amount of electrical energy is generated on site from a conveyor system that moves ore from a higher to lower elevation. This energy is used to offset purchased electrical power.
- At the Grasberg mine in Indonesia, we have recently changed the ventilation fan system in the underground mine, which has resulted in energy savings.
- Freeport-McMoRan Copper & Gold Inc. is implementing milling and mineral processing changes that will conserve energy. These efforts focus on energy reduction through process redesign and process technology improvements. At the Cerro Verde mine in Peru and at the Grasberg mine in Indonesia, we have installed high pressure grinding rollers resulting in approximately a 13 percent energy savings for this process.
- Our company has installed a concentrate leaching plant at the Bagdad mine in Arizona with the expectation of a 17 to 19 percent energy savings over traditional smelting and refining processes.

## Climate Change and Greenhouse Gases

In 2008, our worldwide total carbon dioxide equivalent emissions were 9.6 million metric tonnes.

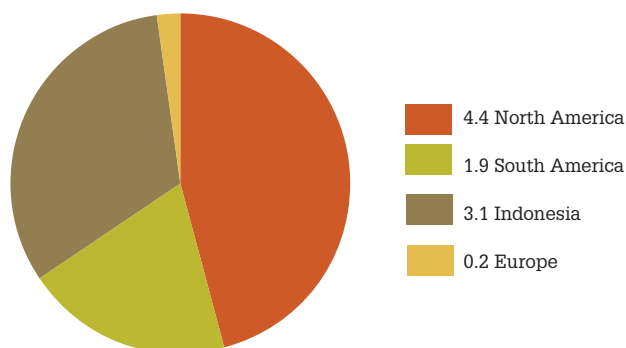
On a worldwide basis, our greenhouse gas (GHG) emissions, measured as carbon dioxide equivalent emissions, are nearly equally divided between direct and indirect emissions. In 2008, this amounted to approximately 5.1 million metric tonnes of direct carbon dioxide equivalent emissions and approximately 4.5 million metric tonnes of indirect carbon dioxide equivalent emissions. Our direct emissions were up approximately 13 percent from 2007 because of expansions of our operations. Most of the direct emissions are from fuel combustion in haul trucks, followed by the combustion of fuels to provide energy for roasting, smelting and other processes.

Indirect emissions of GHGs are a function of the generation portfolios of our power providers and our electricity use to meet production demands. As the providers increasingly expand their capabilities to generate electricity using alternative and renewable fuels, our indirect GHG emissions will decrease. Overall, however, the upward or downward change of total GHG emissions is predominantly a function of changes in the scope of our operations in response to the market demand for our products.

A number of governments have introduced or are contemplating regulatory changes in response to the impacts of climate change. From a medium and long-term perspective, we are likely to see an increase in operating costs relating to our GHG emissions as a result of regulatory initiatives in the U.S. and other countries in which we operate.

Besides the GHG emissions associated with energy use, other air pollutants are associated with our mining and processing operations. We report air emissions from our operations as part of our regulatory obligations. We also participate in the Carbon Disclosure Project, which is a voluntary initiative that promotes standardized reporting of GHG emissions and reduction efforts.

**2008 Total Carbon Dioxide Equivalent Emissions by Region**  
in million metric tonnes







The Carstensz glacier in Papua, Indonesia

## Supporting Climate Change Research within Indonesia's Glaciers

Many of the world's glaciers are rapidly receding. Locked within these mountains of ice is a history of the world's climate changes and other environmental events. Climate scientists are working to extract as much data as possible from these glaciers. PT Freeport Indonesia has sponsored and supported a number of scientific glacier expeditions in the past and has now committed to supporting a significant research expedition at the glaciers near Puncak Jaya in Papua Province, Indonesia, in 2010. Conducted in collaboration with the Indonesian National Bureau for Meteorology and Geophysics, the expedition will include leading international scientists in the fields of glacier and climate studies from Ohio State University and Columbia University. The purpose of the research is to extract ice cores that can provide valuable scientific information before evidence is lost.



Support of this research expedition is part of our long-standing commitment to funding environmental research in Papua, which has significantly contributed to the knowledge of natural science through the discovery of new species, the creation of reference collections and the publication of papers, books and posters.

Professor Lonnie G. Thompson (pictured left, holding ice core) is team leader for the Ice Core Paleoclimate Research Group at Ohio State University's Byrd Polar Research Center. He says of the expedition, "Puncak Jaya is the highest point between the Himalayas and the Andes and home to the only glaciers situated in the Equatorial Pacific Ocean region. Locked in these glaciers may be an incredible wealth of information on climatic and environmental changes in the Austral-Asian monsoon region for at least the last several hundred years and possibly much longer. The research team will seek to develop a history of temperature and precipitation variations, along with a record of vegetation changes provided by pollen and a fire history recorded by plant fragments and organic substances in the ice."

## Minimizing Emissions at Atlantic Copper



In 2008, our smelter operations at Atlantic Copper in Spain installed major capital improvements to reduce diffuse gases that were previously discharged as fugitive emissions. A new system equipped to the flash furnace collects diffuse gas emissions produced during matte and slag tapping operations. After the initial installation, Atlantic Copper further improved the system by recycling the fugitive gases back into the furnace at various points as combustion or process air. The system is successfully recycling 95 percent or more of the fugitive emissions, thus minimizing the facility's overall emissions of sulfur dioxide and particulate matter. This innovative solution was developed by the Atlantic Copper technical staff.

*Emissions control systems at the Atlantic Copper smelter in Huelva, Spain*



## Water Use

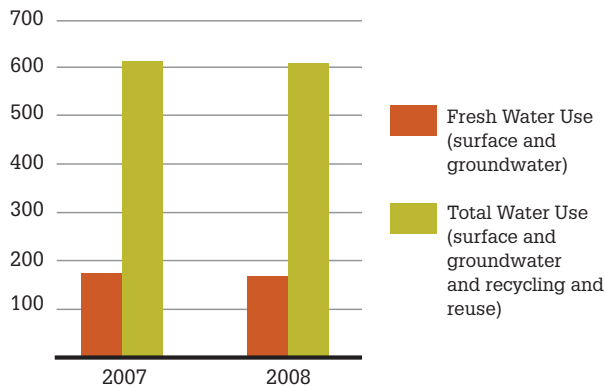


A key operational risk is the availability of sufficient water supply to support our mining operations. Our mining operations in North and South America are located in areas where water is scarce and competition among users for continuing access to water is significant. Continuous production at our mines is dependent on our ability to maintain access to sources of water. We address our operational needs in balance with the needs of local communities, while recognizing potential impacts on sensitive ecosystems.

Our fresh water use was 178.7 million cubic meters in 2008, which is approximately three percent less than our fresh water use in 2007. Site-specific conditions determine requirements for water.

In South America we significantly increased recycled water use at our Candelaria operation in Chile which consequently reduced fresh water use. The Candelaria mine has been recognized by Chilean authorities and the mining industry for efficiency of water use at its operations.

### Water Use in million cubic meters



*Note: Water use data presented in this section excludes quantities for certain sites in North America due to ongoing litigation concerning water rights.*

## Compliance

Freeport-McMoRan Copper & Gold Inc. conducted internal environmental audits at 14 major facilities and five other sites in 2008. In each case, action plans were prepared to address audit findings, including schedules for completing the identified actions.

PT Freeport Indonesia participates in the environmental management performance rating program, known as PROPER, which is administered by the Indonesian Ministry of Environment. The rating evaluation is mainly based on the performance of companies in managing effluent discharges, air emissions and hazardous wastes. The most recent PROPER audit was conducted during 2008, but results have not yet been released. Additionally, the PT Freeport Indonesia operations underwent a fifth triennial independent external environmental audit at the year end.

During 2008, our U.S. operations received four Notices of Violation regarding reported incidents of permit exceedances and/or releases to the environment. Although we strive for zero Notices of Violation, this was an improvement over 2007, when we received 13 Notices of Violation. In each case, corrective actions were taken to address root causes and prevent future recurrence of any violations.

During 2008, we experienced 85 significant reported spills worldwide, an improvement of 18 percent from our 2007 performance. There was a 38 percent decrease in the volume of significant reported spilled materials between 2007 and 2008 (7,100 cubic meters of material was spilled in 2008 in comparison to 11,200 cubic meters in 2007).

Our most significant environmental release in 2008 was a spill of an acidic solution at Morenci, Arizona, resulting from an accidental cross-connection in a piping system. Staff at the site detected the spill and mobilized a major response effort very quickly. Through the use of spill barriers at multiple locations, we prevented any of the released solution from reaching sensitive surface waters, and there were no impacts on aquatic life. In December 2008, we submitted a detailed report to the Arizona Department of Environmental Quality on this incident, including documentation of our cleanup efforts. As part of our corrective actions, we reviewed and revised our internal procedures on pipeline system modifications to prevent recurrence of this type of incident.

During 2008, we paid a total of \$191,000 in penalties to various U.S. state environmental regulatory agencies.

## Biodiversity



Our worldwide operational footprint within or adjacent to protected and unprotected areas of high biodiversity value includes six operating locations totaling approximately 3,400 square kilometers, the majority of which is our Grasberg operation in Indonesia.

During 2008, we continued to work with local communities, world experts and government organizations to protect flora and fauna. Additionally, we have supported scientific biodiversity studies in coordination with international non-governmental organizations, leading universities and government agencies. To meet regulatory obligations, our El Abra, Chile, facility prepared an updated water and ecological management plan in 2008 for the sensitive Salar de Ascotan. The *salar*, which is a type of geologic formation bearing a saline aquifer, is a key source of water for the operation and we are obligated to protect sensitive plant and aquatic species present near our groundwater extraction wells.

We sealed 170 inactive mine openings on company property in 2008 while preserving 29 bat habitats as part of a multi-year program.

In North America, we continued our membership in the Wildlife Habitat Council (WHC) during 2008. Three of our sites are WHC-certified as Wildlife at Work areas: Amax Research & Development in Golden, Colorado; our Bagdad mine in Arizona; and our molybdenum conversion plant in Fort Madison, Iowa. The facility in Golden, Colorado, for example, provides “bat boxes” to increase habitat in an industrial area.

In Indonesia, we conduct ecological and biodiversity studies in conjunction with Indonesian and international experts. These efforts include detailed surveys of vegetation, conversion of tailings to soils, ethno-botany, medicinal plants, mammals, birds, butterflies, amphibians, reptiles, fish, soil, fauna and insects.

Through our memberships in Business for Social Responsibility and the WHC, we participated in multiple meetings in 2008 regarding the measurement of ecosystem functions. There is an emerging set of tools aimed at ecosystem-level measurement, management and accountability, which could provide a change in our approach to incorporating biodiversity into our long-term planning efforts.



*In February 2008, PT Freeport Indonesia facilitated the repatriation of more than 10,000 rare “pig nosed turtles” to the Mawati and Otakwa Rivers within the Lorentz World Heritage Site in Papua. The turtles, which are indigenous to Papua, had been confiscated in raids conducted against illegal traders in Java. The release, coordinated with Indonesian government agencies and wildlife rescue groups, was the third company-supported turtle release program since 2006. The company has also facilitated similar programs involving endangered kangaroos.*



## Tailings Management



One of the largest volume wastes generated at our mining operations are tailings – finely ground natural rock residue and water from the processing of mineralized ore. Tailings are impounded within engineered and monitored structures, known as Tailings Storage Facilities (TSFs). We currently manage 72 TSFs, 15 of which are active and 57 of which are inactive or have been fully reclaimed. TSFs are regulated under governmental authority and regulations that vary by locality and site-specific conditions at each operation.

We operate and monitor our worldwide storage facilities through our Tailings Stewardship Program to ensure ongoing structural stability and proper closure. The stewardship team includes company management, technical experts and operators. During 2008, the team conducted detailed field and data audits at nine tailings storage facilities. Recommendations for improvements were provided to facility personnel.

Key operational challenges for tailings facilities are dust control and seepage. During 2006, our Sierrita, Arizona, operation experienced several severe weather events that resulted in tailings material blowing off the tailings impoundment. During 2008, we negotiated the terms and conditions of a penalty for these events with the Arizona Department of Environmental Quality. This \$105,000 penalty was paid in 2009.

In South America, we undertook multiple hydrogeological investigations downgradient of the tailings storage facility at Cerro Verde, Peru, during 2008. The investigations were focused on the source and potential migration pathways of fluids that could be emanating from the tailings facility. We installed a seep collection system to capture and return the significant flow and we continue to monitor groundwater conditions. The External Tailings Review Board, which has been in place since the facility was designed and permitted, is reviewing the information and comparing it to both the design and modeled behavior of the facility.

We manage tailings at PT Freeport Indonesia using a controlled riverine deposition system, which was approved by the government of Indonesia following numerous technical studies, including the evaluation of 14 different tailings management options and a multi-year review process. Because of the site-specific topography, seismic activity and annual rainfall in excess of 30 feet, we use riverine transport of tailings from the concentrating complex in the mountains to a designated engineered and managed deposition zone in the lowlands and coastal zone. Our company engages a tailings management review board to evaluate data and make recommendations for operational improvements. When mining is completed, the deposition area can be reclaimed with natural vegetation or used for agriculture, forestry or aquaculture.



*PT Freeport Indonesia has planted hundreds of thousands of mangroves in the estuary below the tailings deposition area as part of an assisted colonization and land-building program.*

During 2008, we completed a detailed publication on PT Freeport Indonesia's controlled riverine tailings management program. This publication is available to download at [www.fcx.com](http://www.fcx.com).



At PT Freeport Indonesia we have implemented a program to reuse tailings by making concrete for local infrastructure development. In 2007 and 2008, we constructed 39 kilometers of roads in the Papua province using tailings. We also made bricks, bridges, parking lots and a number of buildings. The response from government and local communities has been enthusiastic and we intend to continue these efforts in the coming years.

## Reclamation **M**

Our largest reclamation projects are associated with inactive tailings impoundments, former leach stockpiles and former waste rock stockpiles. We spent approximately \$108 million on reclamation projects in 2008 – \$91 million for mandated actions and \$17 million for voluntary work. In 2008, we disturbed 24.4 square kilometers of land versus 16.2 square kilometers in 2007. This large increase was associated with increased production during 2008.

Our operations are subject to various mine closure and mined-land reclamation laws and regulations. Recently significant changes have been made to closure and reclamation programs in both Peru and Chile that impose more stringent obligations. During 2008, we updated the closure plans for our three Chilean operations and these plans were submitted to the government in February 2009. The closure permit for the Chino mine in New Mexico is undergoing renewal negotiations with the state of New Mexico regulatory agencies, and multiple meetings were held in 2008. PT Freeport Indonesia's existing closure plan is being modified to meet the requirements of new mine closure regulations in Indonesia.

During 2008, we completed four, continued two and initiated five reclamation projects. For more information on these projects, please see our web site at [www.fcx.com](http://www.fcx.com).



*Our company, through the Cyprus Tohono Corporation, worked with the U.S. Environmental Protection Agency and the Tohono O'odham Nation to address multiple environmental issues at the former copper mine in Arizona. The parties agreed to transfer the materials historically placed in evaporation ponds (left photo) to a lined repository on site. Closure and reclamation activities were completed in November 2008. The reclaimed areas (right photo) were seeded with native vegetation and mulched. Eventually, the land will blend into the surrounding environment.*



## Reclamation Recipe in Colorado Includes Recycle/Reuse



The recent decline in molybdenum prices and the ongoing global economic decline led Freeport-McMoRan Copper & Gold Inc. to suspend work on the scheduled 2010 restart of the Climax Mine near Leadville, Colorado. This action, however, did not impact the pace of activity or level of resources committed to ongoing environmental and reclamation activities at the historic site, where mining started in 1917.

The 770-acre Robinson Tailings Pond is being transformed into a green mountain valley habitat. Part of the success of this transformation is found in two traditional waste sources: biosolids from domestic wastewater facilities and wood chips from pine trees that have fallen due to an unfortunate beetle infestation in the region.

Sanitary sludge from several local community wastewater plants is delivered to the site and treated by composting into biosolids according to regulatory guidelines. The wood chips are added to stabilize the compost and to provide the necessary material for nature (through bacteria, sunlight and oxygen) to do its work in creating a rich soil. Monitoring of the reclaimed areas demonstrates that the program is establishing diverse, permanent vegetation communities capable of sustaining post-mining land use as wildlife habitat.

The U.S. Forest Service and the Environmental Protection Agency have recognized this and other Climax environmental programs as examples of good corporate environmental stewardship.



## Legacy Liabilities



In the U.S., the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) holds companies legally responsible for environmental remediation on their property, regardless of who committed the damage or when the damage occurred. Because of the merger with Phelps Dodge Corporation in 2007, Freeport-McMoRan Copper & Gold Inc. now owns subsidiaries that operated properties that fall under CERCLA rules, some of which operated almost a century before environmental laws and regulations were in place. As of December 31, 2008, we had more than 100 active remediation projects in the U.S. in more than 25 states. In 2008, we spent \$114 million on remediation activities and will continue to have significant expenditures for years to come.

We have remediation projects associated with historical smelting activities in several states. During 2008, our most significant smelter-related project was in Blackwell, Oklahoma. As of year-end 2008, we had agreements from over 90 percent of the property owners to sample their yards. By the end of 2008, we had sampled over 65 percent

of the properties and determined that 16 percent of the properties and five percent of the driveways and alleyways exceeded state-established cleanup standards. We completed remediation of parks and school yards in 2008 and initiated remediation of residential yards in October 2008. We expect to continue sampling, analysis and yard remediation into 2010. While our predecessors have not operated in this community since 1974, we maintain an office, known as Blackwell Community Outreach, to provide an interface with the community on the sampling and remediation activities.

During 2008, we completed sediment remediation and bank stabilization efforts at the Tannery Bay site in Sault Ste. Marie, Michigan. This project was awarded the National Association of Environmental Professionals "Environmental Excellence" award that will be presented in 2009. A key element of the project, besides its contribution to enhancing the aquatic habitat in this section of the Great Lakes Region, was the public-private funding partnership created between the U.S. Environmental Protection Agency's Great Lakes Program Office, the State of Michigan and Freeport-McMoRan Corporation. This was the first Great Lakes sediment remediation project funded in this manner.



## Alabama Cleanup Program Provides a Model for Community Partnership

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For much of the past century, Anniston, Alabama, was a major industrial center, home to numerous foundries and a major manufacturing facility producing polychlorinated biphenyls (PCBs). As the U.S. Environmental Protection Agency (EPA) investigated widespread PCB contamination in Anniston, a city of 25,000 residents, the agency also discovered elevated concentrations of lead in residential yards. EPA and 11 foundry companies – including Phelps Dodge Industries, Inc., which operated in Anniston from 1963 to 1983 – agreed to conduct a residential soil cleanup program in Anniston for lead.

Phelps Dodge Industries, Inc. and the other companies undertook a collaborative approach and accomplished the sampling of 4,100 properties and the cleanup of more than 500 properties in a two-year period. Together, the companies created the Foothills Community Partnership in part to provide community members with information regarding the progress of the cleanup.

The Foothills Community Partnership companies established a charitable fund of \$500,000 that is managed by a local community foundation. The fund awards grants to accredited non-profit organizations that address social issues in the Anniston area. The first grant in 2008 benefited a local service that transports high-risk premature infants to hospitals.



*More than 500 Anniston properties received new topsoil and sod over a two-year period as part of the cleanup program.*



## Cerro Verde Provides Resources for Major Regional Water Treatment and Wastewater Treatment Plants in Peru

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The people of Arequipa, Peru, lack a clean, reliable water supply source. Cerro Verde, one of our largest mines, is partnering with several Peruvian government agencies to finance the design and construction of a water treatment plant and two wastewater treatment plants to service a local population of more than 1 million people.

This public-private partnership will allow each party to designate funding for the plants. To date, Cerro Verde has contributed approximately \$50 million into a trust fund to help fund the water treatment plant. Additionally, Cerro Verde has provided, and will continue to provide, engineering support services to the project, estimated to amount to approximately \$5 million. After final engineering design, construction and startup, the plant will be turned over to Sedapar, the local government agency that will operate and maintain the plant. Final design is underway, with construction expected to begin in late 2009 and operations to commence in 2012.

This new and modern water and wastewater system will provide a reliable supply of clean water to the community. It has been designed to be expandable to meet the needs of a growing population for 30 years or longer.



## Employee Engagement

*We strive to provide the best environment possible for a well-trained and diverse workforce.*



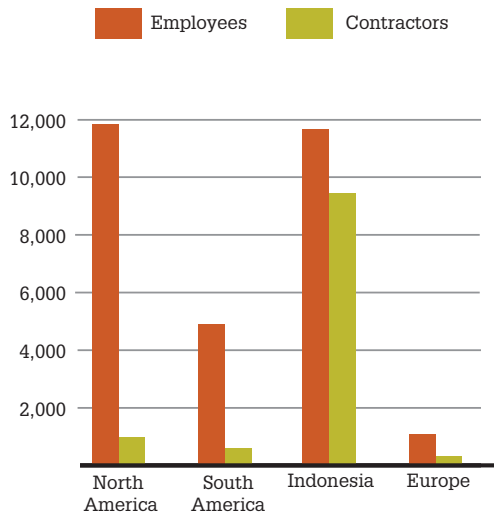
*Underground operator training at PT-Freeport Indonesia*

## Management Approach

We understand the importance of having employees who take pride in their work, with a strong sense of engagement in their careers, and we know success as a company relies on the individual contributions of many. Freeport-McMoRan Copper & Gold Inc. is dedicated to providing our employees with a safe and rewarding work environment. Our policies, programs and practices are designed to help our employees grow both personally and professionally.

At December 31, 2008, our workforce numbered approximately 29,300 employees and 10,700 contractors. Freeport-McMoRan Copper & Gold Inc. employees and contractors worked over 140 million man-hours in 2008.

### Freeport-McMoRan Copper & Gold Inc. Employees and Contractors at December 31, 2008



## Principles of Business Conduct



Our Principles of Business Conduct define how we work and the behavior we expect of our employees. These principles are an affirmation of our commitment to integrity. Across the globe, anyone who does business on behalf of Freeport-McMoRan Copper & Gold Inc. or its subsidiaries or affiliates is bound by our principles. We believe in doing business with suppliers, contractors, consultants and other business partners who demonstrate high standards of ethical business conduct.

The Principles of Business Conduct, which were updated following the 2007 merger with Phelps Dodge, require all employees to adhere to ethical standards established by the company and consistent with applicable laws, including anti-corruption laws and the Sarbanes-Oxley Act. All appropriate company personnel are required to annually certify their adherence to this policy and training is provided to support employees' understanding of the policy. Employees are required to notify the company compliance officer of any suspected violation of the principles. Any reported incidents or concerns about violations or potential violations are investigated and resolved appropriately.

## Relations with Organized Labor



We respect the right of our employees to unionize, which is protected under our Human Rights Policy. Sixteen unions represented approximately 37 percent of our employees in 2008. We value our relationship with these employees and negotiate in good faith with union representation.



## Training and Professional Development Enhance Our Performance



We provide programs and opportunities to help our employees remain engaged and professionally fulfilled. We encourage our employees to take advantage of the continuing education, training and development programs we have available. This is one way we can enhance the long-term operating efficiency of our business.

To help employees progress in their careers and fill available positions, we provide technical training at both the operation and supervisory levels. We regularly update our training programs to remain current on the latest technical advances. In 2008, we held focus groups and conducted surveys to ensure that we are providing employees with appropriate training. In some cases, we have created specialized training programs through partnerships with third-party experts. For instance, we partner with one of our major equipment suppliers to provide training for the safety and maintenance of their products in our North American operations.

In Indonesia we established the Nemangkawi Mining Institute which provides pre-apprentice, apprenticeship and advanced career development opportunities for hundreds of Indonesians each year who have the option to work for PT Freeport Indonesia upon graduation.

## Promoting Diversity Across Our Operations



Whether working with fellow employees or suppliers, creating community programs or helping customers, our worldwide operations give our employees the opportunity to work with people from a variety of cultures and backgrounds. These cross-cultural relationships help bring about the understanding and tolerance supported and embraced by our Principles of Business Conduct.

Under these principles, we operate free of discrimination, harassment and other abusive situations. We provide equal employment opportunities for all employees and encourage open communication to help support this objective.



*PT Freeport Indonesia's Nemangkawi Mining Institute provides training and career development opportunities for hundreds of members of the community near the Grasberg operations. Enrollment has grown to include approximately 1,500 apprentices, building a skilled workforce for planned underground mining expansions.*

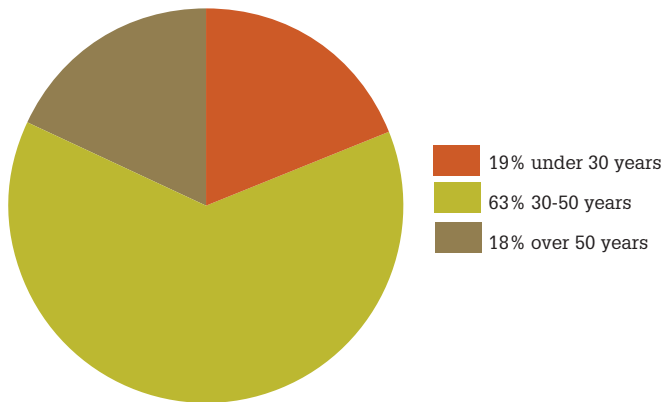
## Occupational Training

In 2008, Freeport-McMoRan Copper & Gold Inc. grew its occupational training program in Arizona to 130 students in the fields of electrical and instrumentation technology, industrial plant technology and diesel technology. With an annual investment of more than \$6.7 million across our three mining/processing sites in the state, students are gaining valuable education and learning a valuable skill they can build into a successful livelihood with Freeport-McMoRan Copper & Gold Inc. or elsewhere. Since the program's inception in 2006, more than 175 students have been trained. With the downturn experienced in late 2008, the program will be modified to reflect current and future employment needs; however, the company remains committed to offering education and training that provide students with options for meaningful employment.



As a global company, Freeport-McMoRan Copper & Gold Inc. respects, supports and draws upon the diverse perspectives, talents and skills of our employees. We aim to maintain an environment that is physically, psychologically and emotionally safe; encourages employees to make suggestions; opens lines of communication; and supports professional growth. In 2008, 10 percent of our employees were female and 12 percent of our managerial staff were female.

### Employees by Age Grouping at December 31, 2008



### Local Hiring Practices Reap Significant Benefits

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Hiring locally at our operations is one way we ensure our workforce remains not only culturally diverse, but also representative of the local population.

We appreciate the value of hiring employees who understand the culture, traditions and language of the local communities in which we operate. For instance, we expect about

97 percent of our permanent workforce in the Democratic Republic of Congo will be comprised of Congolese nationals. These hiring practices benefit not only Freeport-McMoRan Copper & Gold Inc., but also the economic, educational and professional development of the people living near our operations. Local residents and community leaders prove to be excellent employees at all levels of responsibility. Approximately 98 percent of PT Freeport Indonesia employees are Indonesian, 29 percent of which are Papuan. In 2008, the total number of Papuans directly employed by PT Freeport Indonesia was 3,353, an increase from 2,729 in 2007.

### Managing Reductions in Employment

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Due to the market downturn, over 4,000 positions were eliminated in 2008. In 2009, further reductions have occurred. It is challenging to keep employees engaged and focused while implementing reductions in force. The stress of facing possible job loss takes its toll on everyone, and we strive to be as transparent and fair as possible.

We adopted a multi-stage process for determining layoffs:

- Eligible employees were offered the opportunity to participate in an early retirement program.
- Employees at specific operations were offered a voluntary resignation package.
- Those employees who were laid off were offered severance packages.

To help those employees who have lost their jobs, we seek to improve their ability to find other employment opportunities by providing career coaching and resume-writing assistance.



## **Safety and Health**

*The ultimate goal of our safety program is to send every worker home safe and healthy, every day.*



*Morenci mine, Arizona*



## Management Approach



Occupational health and safety is a core value of our company and one of our most material sustainable development issues. We believe that all injuries and occupational illnesses are preventable. “Safe Production” captures the essence of our philosophy that safety and health considerations are integral to, and compatible with, all other management functions in the organization. We consider safety and health initiatives, both on and off the job, to be a critically important investment in our employees.

Encouraging employees to assume personal responsibility for their safety and to look out for their co-workers is a good business practice. As such we promote safety as a central value to our operations. Safety is a key metric used in the company’s performance management and employee development program, thereby encouraging safe work practices throughout our workforce.

Freeport-McMoRan Copper & Gold Inc. holds all contractors operating at our facilities accountable for the same level of safety awareness and performance that we expect of our own employees. All contractors are required to ensure that their employees, subcontractors, suppliers, vendors and visitors comply with the provisions of the company’s contractor health and safety manual as a mandatory requirement for doing business with us. The manual may be viewed on our web site at [www.fcx.com](http://www.fcx.com) within the Safety & Health section.

Safety and health matters are managed as all other company management functions, with measurable targets and routine performance reviews. All company operations have dedicated site health and safety professionals who serve as technical resources to operations management. These professionals serve as a conduit to the workforce, responsible for teaching and reinforcing key safety behaviors for specific job functions at specific locations.

The health and safety professionals working in our operating units are charged with assisting line management in achieving safety and health objectives. They assist management in developing and implementing effective programs and activities and analyze safety statistics to identify trends that may be conducive to improved safety and health performance. The corporate safety and health staff provides general oversight of programs, assesses compliance with internal and external standards, and establishes metrics for measuring performance.

Freeport-McMoRan Copper & Gold Inc. conducts occupational health and safety audits on a scheduled basis at each of our operations. The purpose of these audits is to verify that occupational safety and health matters are well managed and that programs support continuous performance improvement. The audits are managed by the Corporate Occupational Health and Safety Department, and audit activities are conducted by a team of safety and health professionals from a highly qualified third-party consultancy.

Our major operating sites also have committed to seeking certification under the international OHSAS 18001 standard for safety and health management systems. To date, 13 of our operating mines and metals processing facilities are OHSAS 18001 certified and all others are working toward certification.

We are currently building a custom application to manage incident reporting, incident investigations, action items, audits, assessments and surveys. The goal of this new system is to have a single global application to manage incident and audit information. The merger of two current reporting systems into one global application will upgrade our capability to measure and analyze key performance areas, improving our ability to manage the safety and health function.

One of the methods used to integrate safety into the culture of our company is through safety committees and we maintain formal management/worker safety committees across most of our operating sites.

## Emergency Preparedness and Response

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Emergency preparedness and response is a fundamental component of our site safety program activities. All sites have trained responders to effectively manage potential emergencies. Working with local government entities, we identify and plan for a range of response scenarios to ensure the proper coordination of emergency response equipment and personnel to address potential emergencies. Mock drills, community education and regular coordination meetings help us develop the knowledge and skills necessary to manage any kind of emergency event to protect our workforce and the communities surrounding our operations.



*Fire rescue training at the Tenke Fungurume development project in the Democratic Republic of Congo.*



PT Freeport Indonesia's Emergency Response team was named overall winner at the 11th Indonesian Fire & Rescue Challenge in November 2008. The PT Freeport Indonesia team won three gold and two silver medals in the week-long event, in which first responders from 16 national and international mining, oil and gas, and other industries participated. The team members were selected from among dozens of full-time, highly skilled first responders who work in PT Freeport Indonesia's rugged project area, which spans from the Grasberg mine at an elevation of 14,000 feet to port facilities near the Arafura Sea coast.

## Safety Performance

Our Safe Production program sets the goal of continuous improvement in our safety and health performance. By establishing specific safety targets at each operation in 2009, we will focus continued attention on improving our safety performance. The measurable components of each site's safety targets become part of the operation's annual performance review at the end of the year.

The company's 2008 total reportable incident rate of 1.30 injuries per 200,000 hours worked compares favorably with the U.S. mining industry average rate of 3.09 (preliminary year-to-date 2008 U.S. Metallic Mining, Mine Safety and Health Administration).

We are saddened to report five fatalities at our operations during 2008, including three employees and two contractors. The occurrence of any workplace fatality is unacceptable, and we deeply regret the loss of life. The company has identified the root causes of these fatalities and is executing action plans to prevent any recurrence. In addition, we have implemented the ICMM fatality reduction program.

## Occupational Health

Mining has historically been viewed as a dangerous and hazardous enterprise. Recognizing and managing the physical hazards that occur in the mining process are important components of our safety and health program. Identifying these hazards allows each operation to mitigate them through engineering or administrative controls, or through the use of personal protective equipment.

To prevent occupational disease, the company has developed numerous programs addressing areas such as respiratory protection, hearing conservation, blood-borne pathogens, silica medical management, arsenic exposure, ergonomics training and control of health hazards from welding and generation of metal particulates. Our operating locations have occupational health/industrial hygiene professionals on staff as needed.

Our approach is, and will continue to be, the ongoing evaluation of processes and operations where a potential hazard may be present. Where a risk is identified, we take steps to quantify and then to control it through proactive measures to protect the health of our workforce.



Video screens broadcast important daily safety programming in common areas such as tram stations across PT Freeport Indonesia's operations as part of an effort to continually remind workers to be conscious of safety both on and off the job.



## Community Engagement and Development

*By collaborating with communities and organizations, we help provide sustainable benefits in the areas where we operate.*

*PT Freeport Indonesia, in partnership with the community development organization LPMK, supports economic development, health and education initiatives in Papua, including the Penjunan school and dormitory for indigenous youth from remote villages.*



## Management Approach



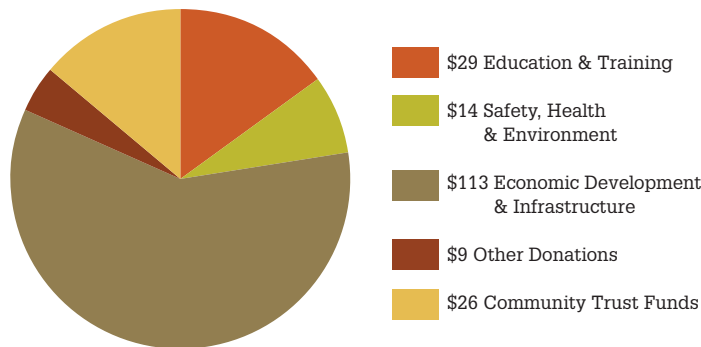
Community engagement is a fundamental sustainable development commitment. Our objective is to incorporate sustainable development principles, including the needs and concerns of our stakeholders, in our business decisions and ensure that we prevent, mitigate and ameliorate the social impacts of our operations. Freeport-McMoRan Copper & Gold Inc. spent \$191 million funding programs and community activities around the world in 2008. We launched a new Community Policy approved by our Board of Directors in early 2009, which states our commitment toward continuous improvement in our social assessments, interactions with our stakeholders, community partnerships and local development programs.

As part of continuous improvement, we reorganized our global community development implementation teams and integrated them into a newly formed Environmental Services and Sustainable Development Department. This group includes Environmental Services, Life Cycle Assessment, Water and Land, Social Responsibility and Community Development. Team members are integrated throughout the organization, creating new opportunities for implementing company sustainable development policies, work plans and the ICMM sustainable development framework.

Most of our operations around the world have stakeholder engagement efforts such as formal community advisory panels, consultation activities, employment of full-time community liaison officers, facility tours and community information sessions. Freeport-McMoRan Copper & Gold Inc. representatives participate on numerous community boards, councils and committees. Our stakeholder engagement programs aim to share information openly with community constituents and focus on gathering input and addressing mutual concerns. Some serve as a forum for monitoring, prioritizing and collaborating on pressing community problems.

We have a wide array of community development programs and approaches across our operations due to the diversity of our stakeholders and their needs. Freeport-McMoRan Copper & Gold Inc. is creating five-year Community Development and Engagement Action Plans at all of our active mine sites. We are also developing company-wide criteria for social program investments that will support the objectives of our Community Policy.

## 2008 Community Investment by Category \$ in millions



*Note: Investments captured in this chart include cash only and not in-kind services, equipment or other materials donated and do not include administration and overhead costs of community programs. Community Trust Funds have been established in several countries where Freeport-McMoRan Copper & Gold Inc. operates. Independent funds are typically administered by community stakeholders who determine the allocation of available funds to priority community programs in the areas of education, health and economic development.*

## Economic Development



Supporting local economies and entrepreneurs in the areas where we operate supports our business and is critical for achieving sustainable development beyond the life of our operations. While we prioritize purchasing local goods and services whenever possible, we also strive to support economic opportunities outside mining as well as infrastructure that is critical to the establishment of sustainable economies. We invested approximately \$113 million in programs and activities to stimulate infrastructure and economic development in 2008.

Demand for jobs in all our communities is always higher than we can supply. In the Democratic Republic of Congo we work to support local small and medium enterprises (SMEs) via access to micro-loans and technical support and training. In 2008, Tenke Fungurume Mining generated employment opportunities for more than 500 individuals by providing assistance to local SMEs. In Peru, we are working to establish small business development opportunities such as copper crafting, knitting, cloth-making, farming, ranching and tourism. We also provide job skills and entrepreneurship training. At our operations in Indonesia, we provide support to local SMEs via a revolving fund. In 2008, this revolving fund provided micro-credit support to over 40 local entrepreneurs, which in turn provided jobs for more than 1,000 individuals. For more information about our economic development initiatives, please see our web site at [www.fcx.com](http://www.fcx.com) within the Community Engagement and Development section.





Participants celebrate the first ice blocks produced as part of the Papua Agribusiness Development Alliance program in Kokonao, Papua.



### Growing Partnerships Work Toward Sustainable Economic Growth in Papua

The Mimika Regency population has increased rapidly over the past decade, with government statistics indicating a population rise from 67,000 in 1998 to more than 150,000 in 2007. Most of the population growth has been around the urban center of Timika, which is located near the PT Freeport Indonesia project area. In discussions with local community leaders over the years, PT Freeport Indonesia and these leaders observed that many community members living in rural and remote villages were drawn to the urban centers for economic opportunities. As the urban centers grew, younger persons had fewer reasons to remain in and support their home villages.

In response to this concern, PT Freeport Indonesia launched a two-year partnership with the U.S. Agency for International Development called the Papua Agribusiness Development Alliance (PADA). With a budget of \$2 million, the objectives of the PADA program are to increase revenues and jobs within remote Papuan communities through the development of agriculture and agribusiness, thus promoting improvements in farming and fishing livelihoods. One successful pilot project, among several launched so far, has been implemented in the remote Kamoro coastal village of Kokonao, approximately 21 miles southeast of Timika. One of the greatest challenges to local fishermen has been the inability to adequately preserve catch during transport to market. In cooperation with a local sponsor, PADA provided assistance to build an ice factory in the village where fishermen can purchase ice for an affordable price. In addition, PADA provided a local church organization with a seven-ton boat to facilitate transportation. As a result of this program, fishermen in Kokonao have seen their profits improve by as much as 400 percent, thus making village livelihoods more viable for current and future generations.

## Education and Training



In 2008, we invested nearly \$30 million in education and training programs. Freeport-McMoRan Copper & Gold Inc. considers education as one of the key pillars to sustainable development. Our support provides individuals with the education and skills needed to increase their economic opportunities and create a better standard of living for themselves and future generations.

In the Democratic Republic of Congo, we have rehabilitated one school and constructed two new schools to enhance elementary education near our Tenke Fungurume development project. In Indonesia, we have supported our local community partners to develop and operate dormitories to allow young people from remote villages an opportunity to live in areas with access to better quality schools. The Freeport Partnership Fund for Community Development also provided funds supporting over 700 high school and university level scholarships for Papuan students throughout Indonesia.

In South America, we invest in the improvement of and access to basic education at the primary and secondary levels, as well as increasing the number of people able to pursue higher education at colleges and universities. In Chile and Peru, we supported programs that focus on increasing basic skills such as literacy and language skills, as well as the improvement of local schools, including teacher training. In Chile, 412 individuals from the communities of Copiapó, Caldera and Tierra Amarilla participated in a skills training program that included 27 different classes focused on a range of topics, conducted in partnership with various local universities.

In the U.S., we invest nearly \$340,000 in college scholarships with partner universities annually. We have also focused more than \$1.8 million on the improvement of science, technology, engineering and math education at the primary, secondary and post-secondary levels to improve students' ability to compete in the local and global marketplace.

## Public Health



One of the highest priorities for Freeport-McMoRan Copper & Gold Inc. is improving public health in the communities in which we operate. Illness and disease can devastate employees, their families and the network of people who support a community's infrastructure. We coordinate with local governments and other organizations to identify and prioritize unmet needs for health care infrastructure and services, and we work with partners to try to fill those gaps. Funding from the company has helped advance medical care, access to medicines, health education and prevention programs.

At the Cerro Verde mine in Peru, we initiated a baseline study of the local community's health status. This study will help to identify the greatest health needs. The results will be used to set priorities for the coming years and measure the success of programs funded by the company to ensure that resources are being applied effectively. Ongoing programs in Cerro Verde include health education, hygiene and sanitation, disease and illness prevention, and mother/child nutrition. One of our flagship projects in Peru was funding for a new cancer center at a local hospital.

In North America, our foundation has supported a drug abuse education and prevention program in each of our five operating communities in Arizona. Drug abuse is a serious public health concern for local stakeholders. Working with the Partnership for a Drug Free Arizona, we have implemented parent training and distributed educational materials to assist parents, teachers and other adult leaders in talking to youth about drugs and drug abuse prevention.

In the Mimika Regency of Papua, where health care was primitive before the development of our operations, PT Freeport Indonesia is now a leading partner in curative and preventive health care services. The company supplements government health services for the whole population of Mimika with financing, infrastructure and technical support. We fund two hospitals through our community partnership with the Amungme and Kamoro Community Development

Organization, and we operate four primary community health centers as part of our Public Health and Malaria Control Department. We also operate significant preventive care programs to combat malaria, tuberculosis and HIV/AIDS.

As we develop operations in the Democratic Republic of Congo, we are working with local health agencies and non-governmental organizations to develop and implement public health programs including malaria control, clean water and sanitation and HIV/AIDS initiatives. Tenke Fungurume Mining expanded a program for installing clean water wells to over 30 villages in the mining concession during 2008. Ultimately, all 43 villages in the concession will be included in the program. We are also implementing a ventilated latrine program targeting villages in the concession as well as the larger communities of Tenke and Fungurume.

In 2008, Tenke Fungurume Mining also implemented a community-based malaria control program throughout the concession, which included indoor residual spraying of over 50,000 community structures and education on and distribution of over 30,000 insecticide-treated bed nets. Freeport-McMoRan Copper & Gold Inc. has completed an extensive baseline health survey and developed a community health action plan based on the information gleaned. For more information on the survey and its use in developing a Community Health Action Plan, see page 9 of this report.



*PT Freeport Indonesia's employee volunteer and community outreach team supports public health education programs across the Indonesian archipelago.*

*Photo: Jakarta-based employees and family members help to raise HIV/AIDS awareness in the AIDS Walk 2008.*



## Artisanal Mining – Addressing the Risk to Public Health

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One of the many social challenges of operating at PT Freeport Indonesia's Grasberg Mine in Papua is the large number of artisanal miners illegally panning for gold in the Otomona River system. These activities hamper the progress toward long-term sustainable development for the region. While the company cannot regulate their practices or presence, the company coordinates and communicates regularly with the local and provincial government authorities on the issue. The company and the local government are seriously concerned about the potential use of mercury by artisanal miners in the gold-refining process, which could potentially pollute the environment and create health risks for the local community and the miners themselves.

In 2008, PT Freeport Indonesia met many times with the local government and police authorities to discuss the risk of mercury that could be potentially used by artisanal miners. As an outcome of the discussions, a presentation was made to over 250 artisanal miners and gold store operators. Most of those in attendance were unaware of the health risks that can occur if directly exposed to mercury vapors when using it to extract gold. In addition to this presentation, the company reached hundreds of other artisanal miners throughout the year, both in the highlands and lowlands, by handing out flyers in Indonesian and local tribal languages and working with local churches to promote awareness and education on the environmental and health dangers of using mercury.

PT Freeport Indonesia does not use mercury in its processes, but is monitoring potential environmental risks and impacts related to the possible use of mercury by illegal miners. In June 2008, the company installed a continuous mercury air monitoring system, one of the most advanced mercury analyzers currently available. At present, the monitor has not detected any significantly elevated mercury level in the air, with all detected values falling within global background. Also as part of the company's routine environmental monitoring system, we regularly check mercury levels in the river ecosystem, generating an extensive data set from a large geographic area. Results to date have shown no difference between rivers inside and outside the company's area of operations, and mercury concentrations detected in all media are at levels believed to be safe for humans and ecosystems.



*Gold panning activities in the Otomona river system in Papua, Indonesia.*



*PT Freeport Indonesia Community Liaison Officer Nathan Kum meets with a group of illegal panners to discuss the challenging issue of moving their activities from unsafe areas.*



PT Freeport Indonesia is committed to protecting and promoting the health of the environment and local community through meaningful engagement with the artisanal miners and other neighbors. Indications to date are that mercury is not being used in the area, and that education and other tools are raising awareness to help ensure that mercury is not introduced.

*PT Freeport Indonesia installed a state-of-the-science continuous air monitoring system to detect the possible presence of mercury sometimes associated with artisanal mining activities.*

*PT Freeport Indonesia helps to preserve the unique traditions of the Papuan people in Indonesia through its support for cultural events and festivals.*

*Photo: Artists from the Kamoro ethnolinguistic group demonstrate their wood-carving skills in a company-sponsored exposition at the Jakarta International School.*



## Cultural Preservation



We learn much from the communities near our operations, especially from our indigenous neighbors. It is important to support them in celebrating their culture and traditions to ensure that their cultural heritage is preserved for future generations. In 2008, in partnership with the Papua Provincial government, PT Freeport Indonesia supported the development and publication of the book, *Introducing Papua*, which will be a resource for students throughout

Papua. In the village of Kiboko, near our Tenke Fungurume mine in the Democratic Republic of Congo, we participated with the village chief and local residents to hold a traditional ceremony commemorating the new resettlement location. In 2008, we worked in partnership with the City of Bisbee, Arizona, and its community leaders to preserve a number of historical mining headframes (structural frames located above an underground mineshaft). This project represents a key element in the sustainability of Bisbee's heritage tourism as Arizona's "Queen of the Copper Camps."



*The El Abra mine in Chile supports a program that summons young professionals to begin their careers by working in a community service capacity to help impoverished rural areas throughout the country. A recent project includes the construction of a café and information center, to be built near the Lasana Pukara National Monument (pictured), a 12th century cliff-top fortress.*



## Land Rights and Compensation

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All of our mining locations undergo a thorough screening process to ensure environmentally and socially appropriate land use. In cases involving land rights issues, Freeport-McMoRan Copper & Gold Inc. works diligently to ensure that all parties are treated fairly and receive just compensation. By working with community leaders, governments and other public interest groups, we can create fair practices and programs in addressing land rights and compensation issues in a manner that reflects our commitment to fairness and respect.

At our PT Freeport Indonesia operation, we recognize land rights of the indigenous community to areas where they have traditionally conducted hunting and gathering. We

have committed to a number of local recognition programs developed under mutual agreement with the local Papuan communities. These programs include the Amungme and Kamoro Trust Funds, the Freeport Partnership Fund for Community Development, and recognition projects providing infrastructure and community development assistance to select villages. We receive grievances from the local community members related to purported prior existing land rights associated with areas impacted by our operations. A total of 14 claims were made during 2008 and have been reviewed and were determined to be invalid and unsubstantiated. To strengthen our grievance mechanisms company-wide, we are developing and implementing comprehensive systems for recording, processing and responding to community grievances.

## Women's Empowerment Programs Take Root in Congo Mining Concession

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ICMM

Lilianne Mujinga speaks with confidence before a group of 30 women in the Mpala resettlement village in the Tenke Fungurume Mining concession. With a language workbook in her hands, she pauses in mid-session of a literacy class to announce that it's time for a break. Instead of relaxing, however, "Mama Lili" leads her neighbors in a spirited song and dance, extolling the virtues of a program called WORTH. "Before Pact and Tenke Fungurume Mining arrived," says Mujinga between verses, "most of the women did not know how to read or write. Now, not only can they read, but we are saving money to start our own business."

WORTH is a women's capacity-building program managed by the non-governmental organization Pact. Pact is a non-profit organization based in Washington, DC, that works with local communities, governments and private institutions in more than 50 countries around the world to give people an opportunity for a better life. The WORTH program mission is to provide women in developing regions around the globe the opportunity to discover their inherent power to change their lives by using new tools and training to develop successful micro-enterprise ventures. Pact receives funding from both Tenke Fungurume Mining and the United States Agency for International Development to implement the programs in the concession area. Unlike other development programs that provide participants with capital in the form of grants and loans, WORTH offers no direct

handouts of money. It instead encourages women to discover that they already possess the strength and resources to change their lives.

Key among the tools developed are reading, writing and basic financial literacy. Mujinga suggests that the participants have become stronger through their collective thinking and by channeling energy toward a common goal. "At first we thought about opening a restaurant, but our research showed that opening a sewing school had better potential," Mujinga explains. "Together, we are using our funds to make the bricks to build the school." In addition, the WORTH participants at Mpala and the other villages are pooling resources to buy seeds and fertilizers to expand their crop yields.

As of the end of 2008, more than 300 women participate in the WORTH program in various villages in the Tenke Fungurume Mining work area, including those created as part of the Resettlement Action Plan. In only six months of the program, the women were able to save more than \$3,500 of their own funds, creating new capital for investment and self-empowerment.



Lilianne Mujinga



Freeport-McMoRan Copper & Gold Inc. is committed to resettle communities only when necessary. At our project site in the Democratic Republic of Congo, Tenke Fungurume Mining is implementing a Resettlement Action Plan (in accordance with the International Finance Corporation Performance Standard No. 5) for three villages located in project-impacted areas. Before implementing a village resettlement plan, we first try to minimize involuntary resettlement by exploring viable, alternative project designs and engaging with affected populations and appropriate government authorities.

## Human Rights



Freeport-McMoRan Copper & Gold Inc. has an unequivocal commitment to human rights. The Universal Declaration of Human Rights and Voluntary Principles are our guide. We educate our employees on these principles and encourage employees to report any suspected violation of our policies to management or a human rights compliance officer. Our policy forbids child or forced labor or discrimination in any of our operations. We take our human rights policy seriously and expect all of our contractors to comply with our standards when working with our company.

Our updated corporate Human Rights Policy was approved by the Board of Directors on February 3, 2009. The new policy sets out the company's standards regarding human rights as well as individual operating site accountabilities. For our affiliates operating in developing countries which present a higher level of risk, the policy requires the following:

- Establishment of local guidelines and procedures consistent with this corporate policy, in-country laws and regulations, the Voluntary Principles, and the ICMM Sustainable Development Principles;
- Implementation of an effective program and management structure for compliance, promotion, education, training, reporting and responding to human rights issues and ongoing assessment of these programs;
- Periodic certification of compliance with this policy for all relevant personnel; and
- Implementation of this policy or similar guidelines and procedures by our contractors and supplier companies.

We have a well-developed human rights education, training and compliance program in Indonesia and will focus on developing similar site-based human rights policies and compliance programs for operations in the Democratic Republic of Congo, Peru and Chile in 2009.

We have assigned a senior Papuan as our Human Rights Compliance Officer for PT Freeport Indonesia. He is responsible for the full implementation of our Human Rights Policy and for educating our employees and contract partners in the areas of social responsibility and human rights in Indonesia. The Human Rights Compliance Officer reports to an executive vice president within PT Freeport Indonesia. During 2008, we conducted an expanded educational program on human rights, and PT Freeport Indonesia provided human rights education and training to approximately 10,000 employees, contractors, security personnel and community partners. During 2008, several instances of alleged human rights matters were reported and investigated. These matters were generally determined to be workplace related issues or criminal matters which were investigated and handled by the local government authorities.

Freeport-McMoRan Copper & Gold Inc. joined other mining and oil and gas companies and human rights organizations in 2000 by becoming a signatory to the joint U.S. State Department-British Foreign Office Voluntary Principles on Security and Human Rights. Each year, participants in this program meet to review implementation of the principles and to seek better ways to provide security for extractive industry operations around the world to protect employees and investments while assuring the highest level of human rights compliance. We present our programs and results annually at the Voluntary Principles Plenary. Our work plan for 2009 is posted on our web site.

Overseeing the development and implementation of our policy on human rights is an internationally recognized expert, Judge Gabrielle Kirk McDonald. Judge McDonald has been a distinguished civil rights attorney and U.S. federal judge, and she now serves as Special Counsel on Human Rights to Freeport-McMoRan Copper & Gold Inc. As a member of our Board of Directors, Judge McDonald reports regularly to the Board on human rights issues and developments.





*PT Freeport Indonesia's unarmed civilian security employees perform internal security roles, including vehicular inspections in the Grasberg operations project area.*

## Security



Security and human rights issues are important to all businesses. As part of our security programs, we maintain our own internal security departments, which perform functions such as protecting company facilities, monitoring the shipment of company goods, assisting in traffic control and aiding in rescue operations.

Some of our operations are situated in remote locations or in developing countries with histories of conflict, poverty, substandard educational opportunities, high unemployment and political instability. In these areas, we work closely with the host government and cooperate with government security authorities assigned or stationed in the vicinity of our project areas. Ensuring professional relationships between government security personnel, our company employees and the local communities where we work is of prime importance to our management, our employees and our stakeholders.

In certain of these remote locations, such as Papua, Indonesia, and Katanga, Democratic Republic of Congo, we, on the same basis as all businesses and residents of each of these countries, rely on the respective governments for the provision of public order, upholding the rule of law and protection of personnel and property. In Indonesia, the Grasberg mine has been designated by the government as one of Indonesia's national vital assets. This designation as a national vital asset has historically resulted in the Indonesian security institutions (including both police and military) playing a significant role in protecting our area of operations. The governments are responsible for employing their respective security personnel and funding and directing their operations. However, because of the limited resources of the respective governments, the remote locations and lack of development in these countries, the governments look to us to provide logistical and infrastructure support, as well as supplemental funding for these necessary services.

As a signatory to the Voluntary Principles on Security and Human Rights and as committed to the ICMM principles, we recognize and manage human rights related risks by educating our employees and business and community partners about human rights. At our mining sites in Indonesia and the Democratic Republic of Congo, we are providing human rights training for all internal security personnel, as well as facilitating training for contract and host government personnel.

As part of our commitment to transparency, we report on our financial contributions to governments, including the support that we provide to host government security institutions at operations where logistical support is required. The support for the government-provided security in these foreign locations includes in-kind assistance and monetary allowances to mitigate living costs and the hardship elements of assignment to the mining areas. This type of support helps maintain positive morale by ensuring that personnel are properly fed, lodged and provided the logistical resources necessary to patrol and secure our operating area. Support for the government security institutions assigned to our area of operations represents a prudent and considered step by us to protect our workforce and property, and to meet the expectations imposed by the respective governments on companies conducting business in remote areas. This provision of support is consistent with our obligations under our agreements with the respective governments, our philosophy of responsible corporate citizenship and the Voluntary Principles on Security and Human Rights. We periodically review our support practices to ensure that they are appropriate, lawful and properly controlled.

## Political Risks



Our operations in certain developing nations could be adversely affected by political uncertainties, including political instability, changing laws and regulations, forced changes to contracts and civil unrest. The potential for corruption can also be high in certain unstable or developing areas, and we must maintain the highest ethical standards as a corporate citizen. We promote positive, transparent relationships with host governments and other stakeholders wherever we do business.

We are conducting business in an accountable and transparent manner, including respect for terms of agreements, abiding by prevailing laws and fulfilling our social, economic and environmental commitments. We are providing continuous training on our Principles of Business Conduct, the cornerstone of how we conduct our business with integrity and respect. We are training targeted operations on anti-corruption requirements, including compliance with the U.S. Foreign Corrupt Practices Act, and we maintain a compliance telephone line for employees to report suspected violations of any of our company policies.

As a member of ICMM, Freeport-McMoRan Copper & Gold Inc. is committed to the Extractive Industries Transparency Initiative (EITI). We believe that transparency is a powerful tool for communities and civil society groups to ensure that governments and businesses work in an accountable manner. In Indonesia, we publicly report our payments to government and we are supporting efforts for the government to officially join the EITI. In Peru, we are actively working with a wide array of companies along with the government to implement EITI reporting. It is also our commitment to support EITI in the Democratic Republic of Congo, which, like Peru, is a candidate EITI country. Our worldwide goal is to continue to work with the government and other stakeholders to support this transparency initiative and report in accordance with EITI by 2010.



## Economic Impacts

*In addition to providing jobs and tax revenues, our operations support broader economic development that extends beyond mining.*



*Fungurume Town Market in the Democratic Republic of Congo*

Freeport-McMoRan Copper & Gold Inc. contributes to host governments and communities in many ways – paying taxes, royalties, dividends and fees; employing thousands of people, whose salaries stimulate secondary economic growth; purchasing goods and services; constructing infrastructure improvements and supporting social development programs.

We contribute to the economic vitality of the communities where we operate, in particular by supporting local business development. In addition, we prioritize purchases from local suppliers, especially at our operations located in remote locations and developing countries where we can have a significant economic impact. At our Indonesian operation, the total value of domestic goods purchased locally was \$271 million in 2008, an increase of 43.8 percent from 2007.

We recognize that our operations have significant direct and indirect economic impacts for many of our stakeholders, particularly local communities. In response to the recent decline in copper and molybdenum prices, we have taken actions that include curtailment of production at certain operations and aggressive cost control. We understand that these actions, while prudent and necessary to preserve resources for future growth, affect a wide range of stakeholders.

Regardless of economic conditions, we will continue to treat all of our employees, contractors, suppliers, customers and community stakeholders fairly, equitably and ethically. We transparently communicate business or operational changes with our stakeholders as early as practicable. When necessary, we make careful evaluations of any reductions in workforce, because, despite current weak global economic conditions, we know that our employees are critical to our long-term success.

We are developing programs that aim to create sustainable livelihoods, source goods and services locally, and stimulate economic development. We support these programs through in-country foundations and designated funding.

In 2008, we made direct contributions of approximately \$190 million to support local communities and organizations in the geographic areas where we operate.

Please see our 2008 GRI G3 report and our 2008 Annual Report, available on our web site at [www.fcx.com](http://www.fcx.com), for more detailed information regarding our economic performance.

## 2008 Economic Impact Summary breakdown by geographic region

\$ in millions	North America	South America	Indonesia	Europe	Total
<b>Direct economic value generated</b>					
Revenues	8,751	3,768	2,934	2,343	17,796
<b>Economic value distributed</b>					
Payments to suppliers	4,858	1,188	962	2,245	9,282 *
Employee wages and benefits	956	287	348	49	1,695 *
Payments to providers of capital (dividends and interest)	1,762	685	52	7	2,506
Payments to government (gross taxes)	897	904	1,363	19	3,235 *
Community investment	31	105	55	-	191
<b>Economic value retained**</b>	<b>247</b>	<b>599</b>	<b>154</b>	<b>23</b>	<b>887 *</b>

\* Includes the Tenke Fungurume development project and other exploration activities in areas outside of the regions presented.

\*\* Direct economic value generated less economic value distributed.



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Please visit our web site to view or download our 2008 GRI G3 report.

## Awards and Recognition



PT Freeport Indonesia received the 2008 Millennium Development Goals (MDG) Award in the category "Fighting HIV/AIDS, Malaria, Tuberculosis, and other Diseases." The MDG Award is presented by the United Nations, Indonesia's National Development Planning Ministry, and the Indonesian television network Metro TV, and is awarded to institutions and private sector entities implementing programs aimed at supporting millennium development targets. Freeport Indonesia's Executive Vice President and Chief Administrative Officer Sinta Sirait is pictured receiving the award.

Freeport-McMoRan Copper & Gold Inc. was named to the 2008 list of 100 Best Corporate Citizens, published by *Corporate Responsibility Officer* magazine. The award is based on a methodology developed by IW Financial that rates Russell 1000 companies regarding how well they are managing climate change issues, governance, employee relations, environment, finance, human rights and philanthropy.

*BusinessWeek* has also recognized Freeport-McMoRan Copper & Gold Inc. twice in recent years as the most philanthropic company in the U.S., based on our charitable giving as a percentage of total revenues.

On a facility level, our operating sites around the world have received many prestigious awards during 2008. Details on these awards can be found in the 2008 GRI G3 report on our web site.

- Safety – 11 awards
- Environmental – 5 awards
- Social responsibility and community outreach – 2 awards
- Operational excellence – 1 award
- Workplace – 1 award

**Please visit our web site at [www.fcx.com/envir](http://www.fcx.com/envir) for more detailed information including:**

- 2008 GRI G3 Report
- Quantitative Data
- Third-party Verification Statement
- Additional Case Studies
- Summary report available for PDF download



## We want to hear from you!

*This sustainability report, along with the full GRI report available on our web site, are part of our ongoing dialogue with stakeholders. We appreciate receiving feedback that will help us identify the topics that are of most interest to you and thus improve the quality of future reporting. Please contact us with your comments or questions:*

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