

Freeport

Recommend a Director with Environmental Expertise

RESOLVED: Shareholders request that, as the terms in office of elected directors expire, at least one candidate shall be selected and recommended for election to the company's board who:

- (i) has a high level of expertise and experience in environmental matters relevant to mining and is widely recognised in the business and environmental communities as an authority in such field, in each case as reasonably determined by the company's board, and
- (ii) will qualify, subject to limited exceptions in extraordinary circumstances explicitly specified by the board, as an independent director under the standards applicable to the company as a New York Stock Exchange listed company,

in order that the company's board includes at least one director satisfying the foregoing criteria, which director shall have designated responsibility on the board for environmental matters.

SUPPORTING STATEMENT

Environmental expertise is critical to the success of mining companies in the twenty-first century because of the significant environmental impacts mining can have. Shareholders, lenders, host country governments and regulators, as well as affected communities, are focused on the environmental impact of mining operations. A company's inability to demonstrate that its environmental performance matches internationally accepted standards can lead to difficulties in accessing capital for new projects and obtaining the necessary regulatory licences.

The company continues to receive sharp criticism regarding its environmental policies and practices, notably over the impact of riverine tailings disposal at its Grasberg operation (see e.g. *The Environmental Impacts of Freeport-Rio Tinto's Copper and Gold Mining Operation in Papua*, by WALHI—The Indonesian Forum for Environment, <http://www.eng.walhi.or.id/kampanye/tambang/frpt-report-may-06/>).

We believe that this controversy damages shareholder value and that the company must respond to its environmental challenges in an effective, strategic and transparent manner in order to restore trust in the company and minimize the adverse environmental impact of its operations.

Freeport does not currently have an independent director with environmental expertise and designated responsibility for environmental matters – yet environmental management is critical to the company's future success. We believe it would benefit the company to address the environmental impact of its business at the most strategic level in a similar manner to the way it has addressed human rights – by appointing a specialist to the board. An authoritative figure with acknowledged environmental expertise and standing who is respected in the environmental community could perform a valuable and strategic role for the company. Such leadership would enable the company more effectively to address the environmental issues inherent in its business, including the environmental and health impacts of riverine tailings disposal and the feasibility of long-term rehabilitation of the tailings deposition area at Grasberg. It would also help ensure that the highest levels of attention are devoted to environmental standards at new developments. Such a board role would strengthen the company's ability to demonstrate the seriousness with which it is addressing environmental issues.”