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.
Letter from the Vice President of Freeport-McMoRan Chilean Operations and Vice President of Freeport-McMoRan South America

We are happy to introduce the first Sustainable Development Report for the Freeport-McMoRan Copper & Gold Inc. operations in Chile.

We began the year 2008 seeking to expand our operations to meet the world’s growing demand for copper. Toward year end, we were responding to significant reductions in demand by deferring our mine life extension project at El Abra and by implementing cost reduction initiatives, including a reduction in the mining rate and workforce at our Candelaria and Ojos del Salado operations. Markets for our metals are cyclical, and challenges will arise that require us to make difficult operational adjustments to align our business with prevailing conditions.

Our report theme, “Core Values,” reflects strongly on our commitment to continue to build solid sustainable communities. Our success is dependent on our ability to earn and maintain the goodwill of the local communities near our operations. To accomplish this, we engage with local communities to identify their needs and concerns and commit programs to help address them.

We continue to mitigate our environmental impacts, provide beneficial economic and social results, manage health and safety risks and address difficult social and economic issues across our operations in Chile. The sustainability issues that are particularly significant for our industry and geographic areas in which we operate are those raised by multiple stakeholder groups.

Safety is one of our Core Values. We believe that all injuries and occupational illnesses are preventable. As a result of our initiatives undertaken, the Chilean operations recorded a strong safety performance and realized zero fatalities and occupational illness. While this is a major achievement for our operations, we will continue seeking ways to improve our programs in order to provide the safest work environment for our employees. We acknowledge that we must improve continuously in meeting our pledge to work in the safest, most inclusive and environmentally and socially responsible manner practicable.

Local stakeholders are essential partners in the quest toward sustainable development. Our aim is to provide transparent information about our operations, in order to enable communities and governments to better understand our mine-specific operating plans. We have forged strong partnerships with Codelco in El Abra and Sumitomo in Candelaria and Ojos del Salado. We will continue to maintain the highest standards of integrity and transparency in our social and economic development programs.

Lastly, we appreciate the response and engagement by our employees and stakeholders as we reduced costs in response to the economic downturn 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.

Sincerely,

Miguel Munizaga
Vice President of Freeport-McMoRan Chilean Operations

Jorge Riquelme
Vice President of Freeport-McMoRan South America

To Our Stakeholders
Freeport-McMoRan Copper & Gold Inc. is a leading international mining company with headquarters in Phoenix, Arizona. We are the world’s largest publicly traded copper company with geographically diverse operations and long-lived reserves of copper, gold and molybdenum.

Freeport-McMoRan Copper & Gold Inc. was formed in the late 1980’s and was spun-off from the parent company Freeport-McMoRan Inc. in 1995. The “Freeport” organization has roots in the minerals industry going back to the early 1900’s. The company’s portfolio of assets include the Grasberg mining complex in Indonesia, which is the world’s largest copper and gold mine in the terms of recoverable reserves.

The 2007 acquisition of the Phelps Dodge Corporation added a portfolio of large copper mining operations in Arizona, New Mexico, Chile and Peru; the Climax Molybdenum Company, the largest primary producer of molybdenum in the world; and the Tenke Fungurume minerals district in the Democratic Republic of Congo.

We operate through our principal subsidiaries, PT Freeport Indonesia, Freeport-McMoRan Corporation and Atlantic Copper. Freeport-McMoRan Corporation is a fully integrated producer of copper and molybdenum, with mines and processing facilities in North America, South American, Africa and Europe. Freeport-McMoRan Chile is a business division of Freeport-McMoRan Corporation.

About Freeport-McMoRan Copper & Gold Inc.

Major Active 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

2 About Freeport-McMoRan Copper & Gold Inc.
Freeport-McMoRan Copper & Gold Inc., as a founding member of the International Council on Mining and Metals (ICMM) (www.icmm.com), 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 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 Global Reporting Initiative (GRI) G3 guidelines and the Mining and Metals Sector Supplement and 3) provide independent assurance that our commitments are being fulfilled.

In 2009, 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. In the near future, 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.

Our commitment to sustainable development is demonstrated through programs to assist communities in economic development, education and health while protecting and enhancing the quality of the environment.

Top Left: Young student learning computer technology in Tierra Amarilla.

Top Right: Candelaria’s Punta Padrones port facility in Caldera Bay is an environmentally managed clean mechanized port.

Bottom Left: Resident of Ayquina and beneficiary of potable water improvement project.

Bottom Right: Disabled children from Calama schools give a performance promoting diversity.

Policies

Strong policies guide us on the path toward sustainable development.

The company-supported Escuela San Francisco de Chiu Chiu in Calama, Chile, near the El Abra mine.
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, doing our jobs ethically, treating people fairly and working safely. Our commitment to these principles is the bond that binds us all in pursuing our common vision, from top-level 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 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 audited internally at least every two years and provides additional details on auditing procedures.

Safety & Health Policy

This policy lays out our objectives 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

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.

To read the complete text of these policies, please visit www.fcx.com.
Photo: The San Pedro Volcano is located in the Atacama Desert in northern Chile and is one of the highest active volcanoes in the world, and serves as a beautiful background to our El Abra operations.

Chilean Operations

We operate world-class mining operations in Chile, employ top-notch individuals, and strive to be good corporate citizens in the communities near our operations.
In Chile, we have three operating copper mines – Candelaria, Ojos del Salado and El Abra.

### Chilean Operations 2008 - At A Glance

<table>
<thead>
<tr>
<th>Description</th>
<th>Candelaria</th>
<th>Ojos del Salado</th>
<th>El Abra</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background</strong></td>
<td>Candelaria is an open-pit and underground copper mining complex located approximately 20 kilometers south of Copiapó in northern Chile's Atacama province, Region III.</td>
<td>Ojos del Salado consists of two underground copper mines (Santos and Alcaparrosa) and is located approximately 15 kilometers east of Copiapó in northern Chile’s Atacama province, Region III.</td>
<td>El Abra is an open-pit copper mining complex located 75 kilometers north of Calama in northern Chile's El Loa province, Region II.</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>80 percent Freeport-McMoRan Copper &amp; Gold; 20 percent Sumitomo Corporation</td>
<td>80 percent Freeport-McMoRan Copper &amp; Gold; 20 percent Sumitomo Corporation</td>
<td>51 percent Freeport-McMoRan Copper &amp; Gold; 49 percent Codelco (Corporación Nacional del Cobre de Chile)</td>
</tr>
<tr>
<td><strong>Ores</strong></td>
<td>The Candelaria mine is an iron oxide, copper/gold deposit. Primary sulfide mineralization consists of chalcopyrite.</td>
<td>The Ojos del Salado mine is an iron oxide, copper/gold deposit. Primary sulfide mineralization consists of chalcopyrite.</td>
<td>The El Abra mine is a porphyry copper deposit that has oxide and sulfide mineralization. The predominant oxide copper minerals are chrysocolla and pseudomalachite. There are lesser amounts of copper-bearing clays and tenorite. The predominant primary sulfide copper minerals are bornite and chalcopyrite. The secondary sulfide mineralization is chalcocite.</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>On average, mining operations move: Open Pit: 210,000 metric tons/day using an available fleet of 48 225-metric ton haul trucks loaded by six shovels with bucket sizes ranging from 13 to 43 cubic meters. Underground: 5,000 metric tons/day</td>
<td>On average, mining operations move: Underground mining: Santos: 3,800 metric tons/day; Alcaparrosa: 4,000 metric tons/day. The ore from the Santos mine is hauled directly to the Ojos del Salado mill for processing, and the ore from the Alcaparrosa mine is reloaded into five 54-metric ton trucks and hauled approximately 19 kilometers to the Candelaria mill for processing.</td>
<td>On average, mining operations move: 223,000 metric tons/day using an available fleet of 26 220-metric ton haul trucks loaded by four shovels with buckets ranging in size from 26 to 41 cubic meters.</td>
</tr>
<tr>
<td><strong>Processing Facilities</strong></td>
<td>One concentrator with the capacity to process 75,000 metric tons/day.</td>
<td>One concentrator with the capacity to process 5,000 metric tons/day.</td>
<td>One solvent extraction/electrowinning (SX/EW) facility with a nominal production capacity of 225,000 metric tons/year of copper cathodes, with a 120,000 metric ton/day crushed leach circuit and similar-sized run-of-mine (ROM) leaching operation.</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td>Copper concentrates with by-product gold and silver</td>
<td>Copper concentrates with by-product gold and silver</td>
<td>Copper cathodes</td>
</tr>
<tr>
<td><strong>Geography</strong></td>
<td>Candelaria is located in a desert environment with rainfall averaging less than one inch/year and is in an active seismic zone.</td>
<td>Ojos del Salado is located in a desert environment with rainfall averaging less than one inch/year and is in an active seismic zone.</td>
<td>El Abra is located in a desert environment with rainfall averaging less than one inch/year and is in an active seismic zone.</td>
</tr>
<tr>
<td><strong>Mine Characteristics</strong></td>
<td>The highest bench elevation is 675 meters above sea level and the ultimate pit bottom is expected to be 30 meters below sea level. The Candelaria property encompasses approximately 5,419 hectares, including approximately 220 hectares for the port facility in Caldera.</td>
<td>The highest underground level is at an elevation of 500 meters above sea level, with the lowest underground level at 150 meters above sea level. The Ojos del Salado property encompasses approximately 6,400 hectares, which includes approximately 2,745 hectares of owned land in and around the Ojos del Salado underground mines and plant site.</td>
<td>The highest bench elevation is 4,180 meters above sea level and the ultimate pit bottom is expected to be 3,410 meters above sea level. The El Abra property encompasses a total of 44,624 hectares of mining claims covering the ore deposit, stockpiles, process plant, and water wellfield and pipeline. In addition, El Abra has acquired land surface rights for the road between the processing plant and the mine, the water wellfield, power transmission lines and for the water pipeline from the Salar de Ascotán.</td>
</tr>
</tbody>
</table>
PRODUCTION DATA

The following represents copper production data, measured as millions of recoverable pounds, for our Chilean operations for the years ended December 31, 2005 - 2008.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Candelaria &amp; Ojos del Salado</td>
<td>446</td>
<td>453</td>
<td>429</td>
<td>421</td>
</tr>
<tr>
<td>El Abra</td>
<td>366</td>
<td>366</td>
<td>482</td>
<td>464</td>
</tr>
<tr>
<td>Chile Total</td>
<td>812</td>
<td>819</td>
<td>911</td>
<td>885</td>
</tr>
</tbody>
</table>

RESERVES DATA

The following represents the total recoverable (proven and probable) reserves data for our Chilean Operations for the year ending December 31, 2008.

<table>
<thead>
<tr>
<th>Operation</th>
<th>Total Reserves 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candelaria &amp; Ojos del Salado</td>
<td>Cu - billion lbs. 5.1</td>
</tr>
<tr>
<td></td>
<td>Au - million ozs. 1.3</td>
</tr>
<tr>
<td>El Abra</td>
<td>Cu - billion lbs. 5.5</td>
</tr>
</tbody>
</table>

Chilean Operations

Production from Our Mines in 2008
- 812 million pounds of copper
All Chilean operations have certification pursuant to ISO 14001, an environmental management standard that aims to help organizations protect the environment, prevent pollution and improve their environmental performance.

Candelaria became the first copper concentrate mining operation in the world to certify all of its facilities under the ISO 14001 standards.

Additionally, each operation has an occupational health and safety management system based on the OHSAS 18001 standard, enabling each site to control its occupational health and safety risks and improve its performance.
Awards and Recognition

Recipient: Candelaria/Ojos del Salado

Award: Enlaces 2008 - The Experience to Innovate

Organization Granting Award: Chilean Ministry of Education

Description/Criteria: Candelaria and Ojos del Salado were recognized for their “IluMINA tu Vida con Internet” project, which provides training on the use of information technology to more than 1,000 people in Tierra Amarilla. The project included the construction of a Community Information Center (with 12 work stations), free access to wireless internet in the district’s urban area, the creation of an educational virtual community and the presentation of technology fairs.

Recipient: Ojos del Salado

Award: San Lorenzo Award

Organization Granting Award: SONAMI - The National Mining Association

Description/Criteria: The award was based on the voluntary work performed by the removal of an old slag pile existing from the early 20th century and the reclamation of the 6.5 hectares parcel located in the village of Tierra Amarilla, in the third region of Chile. The reclaimed land was returned to the community and the municipality will determine the appropriate use of the land in order to improve the quality of life in this community.

Recipient: Aurex (Ojos del Salado underground mine operator)

Recognition: Three years without a recordable incident

Organization Granting Award: The Chilean Safety Association

Recipient: Candelaria

Award: 2008 Best Mine Worker

Organization Granting Award: Expomin

Description/Criteria: For the third consecutive year, Candelaria received national industry recognition upon having one of its employees receive the 2008 Best Mine Worker at Expomin, an international trade show for the metals and mining industry. Luis Mercado Gonzalez, an electrical technician, was unanimously selected by a distinguished panel.

Recipient: El Abra

Recognition: Social inclusion of persons with disabilities

Organization Granting Award: FONADIS – National Disability Fund

Recipient: El Abra

Recognition: Commitment to Calama’s infants

Organization Granting Award: SERFAJ – Chilean Peace and Justice Service

Award: Luis Mercado Gonzalez (right) receives the Best Mine Worker award from Edmundo Pérez Yoma, Chilean Government Minister of the Interior and Vice President of Chile.
## CANDELARIA/OJOS DEL SALADO

<table>
<thead>
<tr>
<th>Stakeholder Groups</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Governments</td>
<td>Regional Governor, Regional Council Members</td>
</tr>
<tr>
<td>Provincial Governments</td>
<td>Copiapó</td>
</tr>
<tr>
<td>Regional Ministry Secretariats</td>
<td>Regional Government Ministry Secretaries of Mining; Labor and Social Security; Agriculture; Education and Health</td>
</tr>
<tr>
<td>Community Governments (Mayors and Council people)</td>
<td>Tierra Amarilla, Copiapó, Caldera</td>
</tr>
<tr>
<td>Regional Service Directors</td>
<td>National Environmental Commission (CONAMA), Atacama Regional Environmental Commission (COREMA), Agriculture and Livestock Service (SAG), National Forestry Commission (CONAF), Mining and Geology National Service (SERNAGEOMIN), Road Department, Regional Labor Office, Health Department, Regional Water Authority (DGA), Women's National Service (SERNAM), Business Promotion Corporation (Corfo), Employment and Training Office (SENCE)</td>
</tr>
<tr>
<td>Congress</td>
<td>Senators and District Representatives</td>
</tr>
<tr>
<td>Communication Outlets</td>
<td>Newspapers, Radio, Magazines, Local TV Stations, Digital Media, Specialized Media</td>
</tr>
<tr>
<td>Armed Forces, Order and Security</td>
<td>Local Police, Army Regiment No. 23 &quot;Copiapó,&quot; Investigations Police, Caldera Maritime Authority</td>
</tr>
<tr>
<td>Educational Institutions</td>
<td>San Lorenzo School, Jorge Alessandri Rodriguez School, Marta Aguilar Zerón School, Victor Sanchez Cabañas School, Luis Uribe Orrego School, Technological University of Chile, Santo Tomás University, Atacama University, Caldera University, Caldera Center for Adult Integrated Education</td>
</tr>
<tr>
<td>Industry</td>
<td>Small Miner's Association, National Mine Society Foundation</td>
</tr>
<tr>
<td>Other</td>
<td>Atacama Development Corporation (Corproa), House of Christ, Tierra Amarilla Neighbors Association, Contractors, Tierra Amarilla Firefighters</td>
</tr>
</tbody>
</table>

## EL ABRA

<table>
<thead>
<tr>
<th>Stakeholder Groups</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indigenous Communities of Alto El Loa (groups: community, neighboring and others)</td>
<td>Ollagüe, Cebollar Ascotán, Lasana, Chiu Chiu, Conchi Viejo, Taira, Caspana, Ayquina, Toconce, Cupo, Estación San Pedro</td>
</tr>
<tr>
<td>Regional Governments</td>
<td>Regional Governor, Regional Government Ministry Secretaries of Mining; Labor and Social Security; Agriculture; Education and Health</td>
</tr>
<tr>
<td>Provincial Governments</td>
<td>Calama, Tocopilla, Antofagasta</td>
</tr>
<tr>
<td>Community Governments (Mayors and Councils)</td>
<td>Calama, Ollagüe, San Pedro de Atacama</td>
</tr>
<tr>
<td>Regional Service Directors</td>
<td>National Environmental Commission (CONAMA), Antofagasta Regional Environmental Commission (COREMA), Agriculture and Livestock Service (SAG), National Forestry Commission (CONAF), Mining and Geology National Service (SERNAGEOMIN), Road Department, Regional Labor Office, Health Department, Regional Water Authority (DGA), Women's National Service (SERNAM), Business Promotion Corporation (Corfo), Employment and Training Office (SENCE)</td>
</tr>
<tr>
<td>Community Service Leaders</td>
<td>National Indigenous Development Corporation (CONADI), Social Development Corporation, Tourism and Culture Corporation, Calama Hospital, Women's Promotion and Development Corporation (PRODEMU)</td>
</tr>
<tr>
<td>Congress</td>
<td>Senators and District Representatives</td>
</tr>
<tr>
<td>Communication Outlets</td>
<td>Newspapers, Radio, Magazines, Local TV Stations, Digital Media, Specialized Media</td>
</tr>
<tr>
<td>Armed Forces, Order and Security</td>
<td>Local Police, Army Regiment No. 1 “Topáter”, Investigations Police</td>
</tr>
</tbody>
</table>
Environmental Performance
Our challenge is to provide metals that support economic and social development while protecting natural resources for future generations.

Photo: The Salar de Ascotán is located 78 km south of Ollagüe. This beautiful saline water lake and salt flat is a key source of water for the El Abra operations and have both water and ecological management plans to protect it. The biodiversity in this salar includes these vicuñas which are similar to llamas.
Management Approach

Freeport-McMoRan Copper & Gold Inc.’s Environmental Policy establishes that we seek to minimize the impact of our operations on the environment using risk management strategies based on valid data and sound science and, where practicable, to protect and enhance the quality of the environment in areas where we operate. Our Environmental Policy includes a mandate for implementation of the ICMM 10 Sustainable Development Principles, ISO 14001 certification of all operating facilities worldwide, environmental reviews and compliance audits on a regular basis, support for biodiversity programs in all operational areas and remediation of historical sites for which we are responsible.

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.

Energy Use

Our mining operations and development projects require significant amounts of energy. Our principal energy sources are electricity (indirect energy), purchased petroleum products, natural gas and coal (direct energy). During 2008, energy costs represented 30 percent of our Chilean operating costs (compared to 24 percent in 2007). This was mainly driven by the increased commodity prices during most of 2008.

An interruption of energy supply could adversely affect our mining operations.

In Chile, the copper mining sector accounts for approximately 10 percent of the total energy consumption of the country. However, the sector is responsible for the consumption of approximately 33 percent of the total electric energy. Therefore, a stable supply of electricity is critical and strategic to the sustainability of mining in Chile.

Estimations by Cochilco suggest that electricity demand by the copper mining sector will increase around 23 percent by 2012 in relation to 2006 due primarily to the increase in the development of new projects. Expectations of ongoing demand increases are placing additional pressure on a highly-stressed energy system. All stakeholders must work together to identify solutions which include energy diversification, energy efficiency and conservation in order to mitigate the risks associated with an unstable and insufficient energy supply.

Our Chilean mining operations receive electrical power under long-term contracts with local energy companies. El Abra currently receives electrical power under a contract with Electroandina, which will expire at the end of 2017. Candelaria and Ojos del Salado receive electrical power through long-term contracts with Empresa Eléctrica Guacolda S.A., a local energy company. In August 2008, Empresa Eléctrica Guacolda S.A. requested financial assistance from its unregulated customers to cover certain costs incurred as part of the Central Grid (SIC). As Candelaria and Ojos del Salado did not accept the request to modify the agreements, Guacolda unilaterally claimed the termination of the power purchase agreements that expire in June 2012. Candelaria and Ojos del Salado sought enforcement of these agreements through the dispute mechanism resolution process outlined in the existing contract. The process resulted in a favorable ruling on behalf of Candelaria and Ojos del Salado. The agreements shall remain in full force and effective through June 2012.
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 communities.

Actions Being Taken to Improve Energy Efficiency

Chile

Freeport-McMoRan Copper & Gold Inc., together with other mining companies, signed the Energy Efficiency Protocol Agreement in Chile which encourages and promotes the development of best practices in the efficient use of energy through research and technological innovation.

El Abra’s Initiatives

- Continuing to test alternate anode technology (the operation’s biggest energy efficiency initiative) to reduce energy consumption;
- Generating a limited amount of electrical energy on site (to offset purchased electrical power) from a conveyor system that moves ore from a higher to lower elevation;
- Implementing new insulation and control systems in the electrowinning tankhouses to reduce electrical energy consumption; and
- Continuing to perform technical feasibility studies on energy efficiency projects such as wind power, solar thermal energy, geothermal energy and liquid gas fuel alternative.

Protocolo de Acuerdo para la Eficiencia Energética en la Gran Minería

La firma de este documento de cuenta del interés y compromiso del Sector Público y la Gran Minería de Chile por promover el mejoramiento de la productividad y competitividad del sector, junto con un desarrollo energético seguro, diverso y sustentable.

La Empresa Freeport-McMoRan Americas se compromete a:

1. Incentivar y promover las investigaciones que apunten a la identificación de las mejores prácticas en materia de Eficiencia Energética para el sector minero.
2. Promover el desarrollo de proyectos en materia de Eficiencia Energética.
3. Difundir los proyectos y resultados obtenidos, así como las experiencias demostrativas y replicables en materia de Eficiencia Energética.
4. Evaluar la implementación de programas piloto que se desarrollen en esta área deEficiencia Energética y que requieran de la participación de privados.
5. Favorecer el desarrollo tecnológico e innovador en materia de Eficiencia Energética para la minería.
6. Fomentar el desarrollo de una cultura en Eficiencia Energética en las empresas mineras.
Climate Change and Greenhouse Gases

Greenhouse gas (GHG) emissions are associated with the consumption of energy at every step in the copper production chain, from exploration through mining to the production of refined metal, and also with the use of explosives in mining. Copper producers employ diverse technologies to mine, mill, smelt and refine several different types of ore, with every ore body having its own special character. Along the production chain, the various modes of transport of ores and intermediate products can also contribute to GHG emissions.

In 2008, our total carbon dioxide equivalent emissions in Chile were 1.78 million metric tons:

- 0.32 million metric tons of direct emissions (carbon dioxide equivalents): Fuel combustion in haul trucks and combustion of fuels to provide energy; and
- 1.46 million metric tons of indirect emissions: Indirect emissions of GHGs are almost entirely a function of the generation portfolios of our power providers and our electricity use to meet production demands.

Each production component (mine, grinding, concentrator, solution extraction and electrowinning (SX/EW), etc.) has its unique GHG footprint that changes over time in response to the amount of material mined and hauled, the depth and length of mine haulage, the energy efficiency of our processes and changes in energy sourcing.

Water Use

Our mining operations require significant quantities of water for mining, ore processing and related support facilities. Our mining operations in Chile 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 our water sources. We must also address our operational needs in balance with the needs of local communities, while recognizing potential impacts on sensitive ecosystems.

We significantly increased recycled water use at our Candelaria operations, 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.

Continuation of our mining production is dependent on the availability of a sufficient water supply to support our mining operations.

Water for our mining operations at Candelaria and Ojos del Salado is drawn from the Copiapó River aquifer. Because of rapid depletion of this aquifer in recent years, ongoing studies are addressing the adequacy of this water supply for our mining operations planned at these sites. A project to pump effluent from a nearby sewage treatment plant as an alternate water source is being explored.
El Abra owns consumptive water rights at the Ascotán salt flat basin located in the high Andes Mountains in Region II of Chile. Water is extracted from five deep wells using submersible pumps that are located between 150 and 250 meters below the surface. The average withdrawal rate is less than the volume granted by the water rights. Regulatory agencies continue to evaluate the potential hydrologic and ecologic effects from our groundwater pumping at the Salar de Ascotán, with a pending agency determination on the adequacy of our mitigation management plan for this area.

The availability of sufficient water supply to support our mining operations is a key operational risk. Although we believe our mining operations have sufficient water rights, the loss of water rights for any of our mines, in whole or in part, or shortages of water to which we have rights, could require us to curtail or shut down mining operations.

Minera Candelaria is a careful steward of the region’s groundwater supply. Efficiencies in operations and aggressive recycling assist in that regard. The company is an efficient user of water, utilizing less water per ton of processed ore than the Chilean mining industry average for flotation processes.

Minera Candelaria presently receives water for its mining operations from the nearby Copiapó River basin. The aquifer that provides the water is extremely stressed. Alternate water sources are required for Minera Candelaria to maintain its projected production over the next 15 years of remaining life. While Minera Candelaria’s operations only consume 6.5 percent of the water in the aquifer (agriculture consumes 76 percent and other mining consumes 7 percent), the company proactively sought out alternative water sources to help improve the present situation.

Minera Candelaria invested in securing additional water sources through its purchase of farm land with water rights from a less-stressed area of the aquifer. Additionally, the company negotiated the purchase of recycled effluent water from a water treatment facility. In order to transport water from these potential sources to its operations, Minera Candelaria applied and secured a permit for the construction of a 30 km pipeline from the regional environmental government agency.

With this approval, Minera Candelaria will explore the construction of a pipeline to transport recycled wastewater effluent from the water treatment plant to its mining facilities. This will provide a balanced water management plan for the mining operation going forward which reduces groundwater pumping and helps to relieve stress on the existing aquifer. This balanced plan allows for the continued economic benefits of mining and agriculture to be realized for the entire community of the Copiapó River basin.

The Copiapó River Valley
To meet regulatory obligations, El Abra prepared an updated water and ecological management plan in 2008 for the sensitive Salar de Ascotán. 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 near our groundwater extraction wells. The salt flat, while not a protected area, is a sensitive habitat. The water source supports an ecosystem that consists of a series of springs located along the eastern side of the Ascotán salt flat area. *Orestias Ascotanensi*, a fish that is endemic to the area and has been considered in some scientific publications as an endangered species, lives in some of the springs.

Candelaria has developed a Biodiversity Plan for addressing management of local flora, vegetation cover, cactus transplant and management of the “Chañar” (*Geoffroea decorticans*) and “Algarrobo” (*Prosopis chilensis*). In addition, the plan provides guidelines for management of local marine and terrestrial fauna; for the rescue, documentation and release of wildlife; and for pest control efforts.

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*El Abra maintains five water production wells at the Salar de Ascotán. As provided in our environmental permit, comprehensive environmental assessments have determined that environmental impacts related to water extraction and the decrease in water levels at the wells are localized, temporal (will occur during the life of the mine) and are reversible in the long-term. Specific impacts reviewed were the modification of habitat containing native flora, decrease in vegetation cover, decrease of the ground water level near supply wells and modification of habitat at one spring.*

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*Environmental monitoring in the Punta Padrones Port consists of two parts: Terrestrial Monitoring which measures the air quality and Marine Monitoring which measures the metals in the sediment and water, oceanographic variables and benthic fauna (organisms attached to or resting on the bottom or living in the bottom sediments of a water body).*
Our largest reclamation projects are associated with inactive smelter slag and tailings impoundments.

As part of our corporate commitment to addressing environmental impacts, a major reclamation project was completed in 2007 at the Ojos del Salado property. The focus was an old slag pile left behind by prior operations that date from the late nineteenth and early twentieth centuries (into the 1920s). This project included the removal of the slag pile (covering 6.5 hectares) and the relocation of the material (500,000 metric tons) to a waste rock dump located in nearby authorized facilities of Candelaria. The removal of slag and refuse, followed by site reclamation, has helped improve community aesthetics.

In 2008, Candelaria and Ojos del Salado signed an agreement with the regional government to transfer the land to the Municipality of Tierra Amarilla. Town authorities will determine the best use of this land with the goal of improving the quality of life for all residents.

Site reclamation activities result in land that is now ready for the municipality to determine best use for the community.

Our mines are subject to various mine closure and mined-land reclamation laws, and there have recently been significant changes in closure and reclamation programs in Chile that impose more stringent obligations on closure and reclamation. During 2008, we updated the closure plans for our three operations; these plans were submitted to the Chilean government in February 2009.
Candelaria and Ojos del Salado Committed to the Environment in Tierra Amarilla

Candelaria and Ojos del Salado voluntarily covered and stabilized three of their old tailings storage facilities. This work was completed between January and May 2008.

The operations performed various engineering studies on all of the tailings dams, analyzed different samples and evaluated the risks and potential population impacts. An important aspect of this project was the proximity of the old tailings storage facilities to the Tierra Amarilla urban area. There are residents, an elementary school and agricultural lands very close by and the tailings storage facilities produced wind-blown fugitive dust.

Once the detailed engineering was completed, the project moved into the Environmental Impact Assessment System phase, obtaining a permit with a favorable qualification by the Regional COREMA. In addition, and as indicated by the Mining Safety Regulation, a closure plan was presented to SERNAGEOMIN, which was approved by that agency.

The activity took about five months of significant work, which consisted of the removal of tailings and the stabilization of slopes and surfaces. The process involved the application of a layer of sterile material of approximately 40 cm thick in the stabilized slopes as well as on the surfaces. Work was completed to control storm water run-off. Given the closeness of the population and the nature of the work, every phase involved the dampening of the surfaces and previously used materials, and the air quality was constantly monitored during the period that the work was carried out.

*Image: Candelaria and Ojos del Salado voluntarily covered and stabilized three of their old tailings storage facilities.*
Employee Engagement

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

Photo: Employees from Candelaria’s concentrator group celebrate their victory during the annual Mining Olympics.
Management Approach

We are dedicated to providing our employees with a safe and professionally rewarding work climate. Our policies, programs and practices are designed to help our employees grow both personally and professionally. We know success as a company relies on the individual contributions of employees. That is why our commitment to excellence extends to the needs of every person we employ.

At December 31, 2008, our workforce in Chile numbered 2,639 full-time employees and 2,561 contractors.

Relations with Organized Labor

We respect the rights of our employees to unionize, which is protected under our Human Rights Policy. We value our relationship with these employees and negotiate in good faith with union representation.

Employees represented by unions are listed below, with the approximate number of employees represented and the expiration date of the applicable union agreements.

<table>
<thead>
<tr>
<th>Location</th>
<th>Unions</th>
<th>Number of Union Represented Employees (as of 12/31/08)</th>
<th>Current Contract Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candelaria</td>
<td>2</td>
<td>463</td>
<td>August 2013</td>
</tr>
<tr>
<td>El Abra</td>
<td>2</td>
<td>566</td>
<td>July 2012</td>
</tr>
<tr>
<td>Aurex</td>
<td>1</td>
<td>32</td>
<td>February 2010</td>
</tr>
</tbody>
</table>

Managing Reductions in Employment

Due to the market downturn, 120 positions were eliminated in early 2009 primarily at Minera Candelaria and Ojos del Salado. 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 enhanced severance packages.

The Mining Olympics

The Mining Olympics are held on an annual basis to promote a better work environment and labor climate for the employees of our Chilean operations. Employees participate in various activities including: soccer, basketball, volleyball, tennis and cycling.
Safety and Health

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

Photo: Machinery of all sizes is utilized at our El Abra operations, which requires employees to be keenly aware of the safety risks inherent in performing their jobs.
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.

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 can be viewed on our web site at www.fcx.com/envir/safe_health.htm.

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.

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 Chilean Operations 2008 Lost Time Incident Rate was 0.98 injuries per 200,000 hours worked. We are proud to report that there were no fatalities at our Chilean operations in 2008.

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, 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 workforces.

Emergency Preparedness and Response

Emergency preparedness and response is a fundamental component of our site safety program activities. All Chilean sites have trained responders to effectively manage potential emergencies. Emergency procedures have been established to guide employees during an emergency. 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 (e.g. hazardous materials spills). Mock drills, community education and training in areas such as first-aid 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.
Community Engagement and Development

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

Photo: The San Francisco church is located in the small village of Chiu Chiu about 30 km from Calama. The adobe structure was built around 1675, is typical of the Atacameño culture and is considered the most beautiful church of the region. El Abra has assisted in restoration efforts to maintain this critical community building for residents and tourists.
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 manage the social impacts of our operations. We launched a new Community Policy approved by our Board of Directors in early 2009. We work 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 global Sustainable Development unit. This group includes Environmental Services, 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.

2008 Chilean Operations Community Investment by Category
US $4 million

Economic Development

Supporting local economies and entrepreneurs in the areas where we operate makes good business sense 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 aim to support economic opportunities outside of mining as well as infrastructure that is critical to the local development of sustainable economies. In 2008, we invested approximately 12 percent of our Chilean community investment budget in programs and activities to stimulate economic development.

Café Rupestre

Café Rupestre is a family-owned business that was constructed with funding awarded through El Abra’s “Together building entrepreneurship dreams” program to help generate income for the Alto El Loa indigenous communities. The café was constructed at a Pukarà, an old indigenous fortress that is now a tourist destination. Rupestre is the name given to primitive man’s first artistic impression, and rupestre artistic renderings and impressions are depicted on the walls of the café.
Education and Training

In 2008, we invested 22 percent of our Chilean community investment budget in education and training programs. These provide 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 Chile, we supported programs that focused on increasing basic skills, such as literacy and language skills, as well as the improvement of local schools, including teacher training. Candelaria, in partnership with various local universities, provided training to 412 individuals from the communities of Copiapó, Caldera and Tierra Amarilla through a skills training program that included 27 different classes focused on a wide range of topics.

I Also Speak English

El Abra’s “I Also Speak English” program teaches the English language to children in the Alto El Loa indigenous community schools. More than 200 school children in these schools did not have English as part of their curriculum. This put them at a disadvantage when entering high school in Calama where they would face this topic for the first time in their educational instruction.

El Abra partnered with the Regional Secretary for Education in 2006 to initiate a pilot program. Chilean and foreign professors were recruited to teach English at the schools. The program continues to evolve and today benefits children from six Alto El Loa indigenous schools.
Community Safety, Health and Wellness

We strive to improve community health and safety in the Chilean communities in which we operate. In 2008, we spent 6 percent of our Chilean community investment budget on these initiatives. We coordinate with local governments and other organizations to identify and prioritize unmet needs and work with partners to try to fill those gaps.

Human Rights

Freeport-McMoRan Copper & Gold Inc. has made strong, unequivocal commitments to human rights. The company is a signatory to the joint 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 respect the cultural heritage and lands rights of the indigenous people near our El Abra operations. We foster open and on-going dialogue with this community, allowing the company and community to work together to develop thoughtful solutions to local needs.

In 2009, an updated corporate Human Rights Policy was approved by the Board of Directors. 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 that 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 developed a work plan for educating employees at our Chilean operations on these topics and a process to report any suspected violation of these policies to management or the human rights compliance officer. Our policy forbids child or forced labor or discrimination in any of our operations.

The Miner’s Smile

El Abra has strategically partnered with the Antofagasta Regional Government to develop the “Miner’s Smile” program, which provides dental care to 240 members of the small miner’s community and their families. Typically, these individuals cannot afford much needed dental services, including, in some instances, specialized treatment for severe dental problems.
Economic Impacts

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

Photo: Copper cathodes produced at the El Abra operation.
Freeport-McMoRan Copper & Gold Inc. contributes to host governments and communities in many ways – paying taxes, 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 Chilean communities where we operate, in particular by supporting local business development and patronizing local suppliers. We recognize that our operations have significant direct and indirect economic impacts for many of our stakeholders.

### 2008 Economic Impact Summary for Chilean Operations

<table>
<thead>
<tr>
<th>US $ in millions</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Economic Value Generated</strong></td>
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</tr>
<tr>
<td>Revenues</td>
<td>2,166</td>
</tr>
<tr>
<td><strong>Economic Value Distributed</strong></td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>626</td>
</tr>
<tr>
<td>Employee wages and benefits</td>
<td>166</td>
</tr>
<tr>
<td>Payments to providers of capital (dividends and interest)</td>
<td>291</td>
</tr>
<tr>
<td>Payments to governments (gross taxes)</td>
<td>447</td>
</tr>
<tr>
<td>Community investment</td>
<td>4</td>
</tr>
<tr>
<td><strong>Economic Value Retained</strong></td>
<td>632</td>
</tr>
</tbody>
</table>

The widely reported domestic and global recession, the associated low copper and molybdenum prices, and the unprecedented levels of disruption and continuing illiquidity in the credit markets had an adverse effect on our operating results.

In response to the decline in copper and molybdenum prices, we took actions that included curtailment of the mining rate 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.

During the fourth quarter of 2008 and in January 2009, we revised the operating plans at our South American mines to reduce: mining rates at the Candelaria and Ojos del Salado mines, capital spending plans (including a delay in the sulfide project at El Abra) and spending on discretionary items.

Regardless of economic conditions, we will continue to treat all of our employees, contractors, suppliers, customers and community stakeholders fairly, equitably and ethically. Our goal is to communicate business or operational changes with our stakeholders in a transparent manner as early as possible. 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.

**El Abra’s Sulfide Project**

Construction activities for the El Abra Sulfidix Project, which had been deferred as a result of market conditions at the end of 2008, will be resumed. The project involves the development of a large sulfide deposit that will extend the mine life by over ten years and produce approximately 300 million pounds of copper annually to replace the current oxide copper production, which is expected to decline over the next several years. The project will utilize a portion of the existing facilities to process the additional sulfide ore.
Please visit our web site at www.fcx.com/envir for more detailed information including:

- 2008 Freeport-McMoRan Copper & Gold Inc. Working Toward Sustainable Development Report
- 2008 GRI G3 Report
- 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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