

**Compensation and Management Development Committee
of the Board of Directors**

CHARTER

I. Purpose and Policy

The purpose of the Compensation and Management Development Committee (the "Committee") of the Board of Directors (the "Board") of Phelps Dodge Corporation, a New York corporation (the "Corporation"), is to (i) provide assistance and guidance to the Board in fulfilling its oversight responsibilities to the Corporation's shareholders with respect to the Corporation's compensation and certain benefit programs for officers and other key employees and (ii) prepare any report on executive compensation required by the rules and regulations of the Securities and Exchange Commission (the "SEC"). In addition, the Committee will oversee management development and succession planning processes designed to ensure a continuous availability of high-quality leadership talent for the Corporation. The policy of the Committee in discharging these obligations shall be to maintain and foster open communications between members of the Committee, the Board and the Corporation's management.

II. Composition

The Committee shall consist of at least three members of the Board each of whom shall be "independent" under the rules of the New York Stock Exchange, Inc., as such requirements are interpreted by the Board in its business judgment and who are not executive officers of the Corporation or their designee(s) and who shall each satisfy the independence requirements set forth in the regulations under Section 16(b) of the Securities Exchange Act of 1934 and Section 162(m) of the Internal Revenue Code of 1986. The members of the Committee shall be appointed by the Board on the recommendation of the Committee on Directors and Corporate Governance, and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

III. Structure and Operations

The Board shall designate one member of the Committee as its chairperson. The affirmative vote of a majority of the members of the Committee is necessary for the adoption of any resolution. The Committee will hold at least three regular meetings per year and additional regular or special meetings as its members or the Committee chairperson deem necessary or appropriate. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment that allows all persons participating in the meeting to communicate effectively.

The Committee may invite such members of management to its meetings as it may deem desirable or appropriate, consistent with the maintenance of the confidentiality of compensation discussions. The Corporation's Chief Executive Officer ("CEO") will not attend any part of a meeting where the CEO's performance or compensation are discussed, unless specifically invited by the Committee.

The Committee has the authority to create one or more subcommittees of members of the Committee and delegate, in its discretion, all or a portion of its duties and responsibilities to such subcommittees.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

1. Review and approve corporate goals and objectives relevant to the compensation of the CEO, evaluate the performance of the CEO in light of those goals and objectives, and set the CEO's compensation level based on this evaluation. In determining the long-term incentive component of the CEO's compensation, the Committee should consider, among other factors, the Corporation's performance and relative shareholder return and the value of similar incentive awards to chief executive officers at comparable companies, existing market and industry conditions, and the awards given to the CEO in past years.

Corporate Governance

Compensation and Management Development Committee Charter

2. Approve: (i) awards proposed under any stock incentive plan of the Corporation; (ii) salaries and other compensation of executive officers of this Corporation (as defined by the SEC); and (iii) payments for executives and employees proposed under the Annual Incentive Compensation Plan, or equivalent plans that may be adopted by the Corporation from time to time.
3. Prepare a report to be filled with the Corporation's proxy which shall disclose the compensation policies applied to the Corporation's executive officers.
4. Determine and recommend the executive compensation philosophy and structure for the Corporation and its subsidiaries.
5. Approve the design and administration of executive short-, intermediate-, and long-term incentive compensation plans of the Corporation.
6. Carry out such duties with respect to the Corporation's executive compensation and certain other employee benefit plans as may be authorized or called for by such plans or the Board.
7. Oversee management development programs and succession planning for the CEO and other key executives of the Corporation promoting diversity and ensuring a high-quality talent pool.
8. Perform such other duties as the CEO of the Corporation shall from time to time request.
9. Make other such reports and recommendations to the Board from time to time as the Committee may deem appropriate, including with respect to incentive compensation plans and equity-based plans.
10. Summarize the results of the Committee's and the Board's annual review of the CEO's performance as required by the Corporation's Corporate Governance Guidelines.
11. Conduct an annual performance evaluation of the Committee, which evaluation will compare the performance of the Committee with the requirements of this charter. The performance evaluation will also recommend to the Board any improvements to this charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Committee may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

V. Minutes and Reports

Minutes of each meeting of the Committee shall be kept and distributed to each member of the Committee. The chairperson of the Committee shall report to the Board on a regular basis and not less than once a year, or whenever requested by the Board.

VI. Resources and Authority of the Committee

The Committee shall have the resources and authority to appropriately discharge its duties and responsibilities, including the authority, without seeking approval from the Board, to retain counsel and other experts or consultants as the Committee determines to be necessary or advisable. The Committee shall have the sole authority, without seeking approval from the Board, to: (i) select and retain a compensation consultant; (ii) terminate any compensation consultant retained by it; and (iii) approve the compensation consultant's fees and other retention terms.