

Committee on Directors and Corporate Governance

CHARTER

This charter (“Charter”) sets forth the purpose, composition, responsibilities, duties and powers of the Committee on Directors and Corporate Governance (the “Committee”), formerly called the Committee on Directors, of the board of directors (the “Board”) of Phelps Dodge Corporation (the “Corporation”). The Committee shall report to the Board on a regular basis and not less than once a year.

I. Purpose

The purposes of the Committee are

- (A) to identify and recommend individuals to the Board qualified to be nominated as members of the Board and its committees;
- (B) to make recommendations concerning the composition of the Board and of its committees;
- (C) to review and make recommendations regarding director compensation;
- (D) develop and recommend to the Board a set of corporate governance principles for the Corporation; and
- (E) to provide general review and oversight concerning the Board’s effectiveness.

II. Composition

(A) The Committee shall consist of at least three members. Nominees to fill vacancies in the Committee shall be nominated by the Committee as set forth below and appointed by the Board. Members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

(B) Each member of the Committee shall be “independent” under the rules of the New York Stock Exchange (attached as Exhibit A) as such requirements are interpreted by the Board in its business judgment.

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 shall meet at least twice a year at a time and place determined by the Committee chairperson, with further meetings to occur when deemed necessary or desirable by the Committee or the Committee chairperson. Members of the Committee may participate in a meeting of the Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.

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. Goals and Responsibilities

To fulfill its goals and responsibilities, the Committee shall:

Board

(A) Identify individuals believed to be qualified to become Board members, and to recommend to the Board the nominees to stand for election as directors at the annual meeting of shareholders or, if applicable, at a special meeting of shareholders. In the case of a vacancy in the office of a director (including a vacancy created by an increase in the size of the Board), the Committee shall recommend to the Board an individual to fill such vacancy through appointment by a

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majority of the Corporation's directors. In recommending director nominees, the Committee shall take into consideration such factors as it deems appropriate which, for non-employee directors, shall include the criteria set forth in the "Membership Criteria for Non-Employee Directors of Phelps Dodge Corporation" which are attached as an annex to the Corporation's corporate governance guidelines. The Committee will consider candidates proposed by the Corporation's shareholders. The Committee may consider candidates proposed by management.

(B) In the case of a director nominee appointed to fill a Board vacancy created by an increase in the size of the Board, make a recommendation to the Board as to the class of directors in which such director nominee should serve.

(C) Make recommendations to the Board from time to time as to changes to the size of the Board that the Committee believes to be desirable.

Board Committees

(D) Identify Board members qualified to fill vacancies on any committee of the Board (including the Committee) and to recommend that the Board appoint the identified member or members to the respective committee. In recommending a member for committee membership, the Committee shall take into consideration the factors set forth in the charter of the committee, if any, as well as any other factors it deems appropriate, including without limitation, the Corporation's corporate governance principles, the consistency of the member's experience with the goals of the committee and the interplay of the member's experience with the experience of the other committee members.

Oversight

(E) Establish procedures for the Committee to exercise oversight of the evaluation of the Board and management.

(F) Develop and recommend to the Board a set of corporate governance principles for the Corporation, and to review those principles at least once a year.

(G) Prepare and provide to the Board an annual performance evaluation (the "Performance Evaluation") of the Committee, which shall compare the performance of the Committee with the requirements of this Charter. The Performance Evaluation shall be conducted in such manner as the Committee deems appropriate and shall recommend to the Board any improvements to this Charter deemed necessary or desirable by the Committee. The report to the Board may take the form of an oral report by the Committee chairperson or any other member of the Committee designated by the Committee to make such report.

Other

(H) Perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the nomination of Board and committee members.

V. Resources and Authority

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 consultant or search firm to be used to identify director candidates; (ii) terminate any consultant or search firm retained by it; and (iii) approve the consultant or search firm's fees and other retention terms.