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Via Email: comments@pcaobus.org

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington D.C. 20006-2803

Re: PCAOB Concept Release on Auditor Independence and Audit Firm Rotation;
Rulemaking Docket Matter No. 37

Ladies and Gentlemen:

Freeport-McMoRan Copper & Gold Inc. (FCX) appreciates the opportunity to provide comments on the PCAOB's concept release on auditor independence and audit firm rotation (the Concept Release). FCX is an international mining company with headquarters in Phoenix, Arizona. We are one of the world's largest copper, gold and molybdenum mining companies in terms of reserves and production. Our portfolio of assets includes the Grasberg minerals district in Indonesia, significant mining operations in North and South America, and the Tenke Fungurume minerals district in the Democratic Republic of Congo. FCX is also part of an Extractive Industry Working Group (the Working Group), a consortium of mining companies that has worked closely with the FASB, IASB and SEC staff on accounting and reporting matters important to the mining industry over the past ten years.

While we are not an audit firm, we and other publicly traded U.S. companies are affected by changes imposed on the auditing profession by the PCAOB. We devote significant energy and efforts to understanding and applying accounting, reporting and corporate governance requirements fairly and consistently. Working closely and transparently with each of the two "Big Four" audit firms who serve as our external and internal auditors is an integral part of this effort. A fundamental expectation of our relationship with these firms, by both our management and our Audit Committee, is that they objectively apply their expertise and knowledge of our business, which has been gained over time, to provide an informed and independent view of our accounting, disclosure and internal control environment. We value and respect their expertise and opinions and consider them as "partners" in our compliance efforts.

We believe that the establishment of the PCAOB and its oversight of the auditing profession have led to improvements in audit quality, and mandatory audit partner rotation has enhanced auditor independence by providing an environment where relationships are periodically refreshed without reducing the effectiveness or efficiency of subsequent audits. We fully support efforts to further strengthen auditor independence, objectivity and professional skepticism in ways

that will tangibly benefit public company shareholders in a cost effective matter. We do not believe that mandatory audit firm rotation would achieve these goals for the reasons expressed below.

Mandatory audit firm rotation would create significant challenges in finding successor audit firms for global companies and companies in specialized industries.

As a result of our international locations, certain of which are remote, and because there are specialized areas of accounting in the mining industry, we believe that mandatory audit firm rotation would present significant challenges to our Audit Committee in ensuring that the firm hired possesses the requisite expertise and integrated global resources to perform an effective audit. Currently, we believe that only the “Big Four” audit firms would be capable of satisfying these requirements for our organization, and changing firms would be complicated because of restrictions imposed on the provision of non-audit services to audit clients. For example, FCX’s engagement of one of the “Big Four” firms as its external auditor and another as its internal auditor, and the periodic engagement of the other two “Big Four” firms to perform other non-audit services, would result in significant conflicts to be considered. Accordingly, we believe that changing firms would not only be difficult, but also disruptive, to companies like ours with significant international operations and specialized areas of accounting.

Mandatory audit firm rotation would reduce audit quality and effectiveness and the costs would far outweigh benefits to shareholders.

In addition to independence and objectivity, an auditor’s experience and expertise are important factors in achieving audit quality. Institutional knowledge, which is developed over time, is a critical factor in an auditor’s ability to understand a company’s business and the risks and uncertainties it faces. We believe that mandatory audit firm rotation would eliminate the benefits derived from the knowledge and expertise acquired over time about both a company and the industry in which it operates, thereby reducing both the effectiveness and the efficiency of the audit. Lack of familiarity with company history, systems, processes and personnel would result in a significant learning curve for the new audit firm and would create additional risk during the transition period and until the new firm developed an appropriate level of understanding of the company’s internal controls, information technology systems and overall business operations. As a result, we believe that mandatory audit firm rotation would likely result in more instances of audit “failures” resulting from lack of technical competence or experience.

Additionally, companies would have to devote considerable internal resources to assist with the transition at considerable economic and opportunity costs. Such costs would be magnified whenever the timing of the change in audit firms coincided with a significant transaction (*e.g.*, a merger/acquisition) or project, or with volatile market conditions, all of which would make such a transition even more challenging.

Overall, changing audit firms would be a significant undertaking, requiring companies to devote significant resources to educate a new audit firm about its business, industry, systems and processes. We believe that the significant recurring costs and inefficiencies caused by mandatory audit firm rotation would not provide corresponding benefits to the company or its shareholders.

Audit Committees are best positioned to appoint and oversee the external audit firm.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) charged public company audit committees with the direct responsibility for the appointment, compensation and oversight of external audit firms. Audit committees are also responsible for pre-approving audit and non-audit services provided by external audit firms. Sarbanes-Oxley and the rules of the Securities Exchange Act of 1934 also require that audit committee members be independent.

In November 2003, the U.S. General Accounting Office (GAO) issued the results of a study on mandatory audit firm rotation. In addition to concluding that mandatory audit firm rotation may not be the most efficient way to enhance auditor independence and audit quality considering the additional financial costs and the loss of institutional knowledge of the public company's previous auditor, the GAO also reported that audit committees, with their increased responsibilities under Sarbanes-Oxley, play a very important role in enhancing auditor independence and audit quality. We believe that compliance with current regulations and standards related to auditor independence provides assurance that audit firms are independent.

Audit committees' responsibilities for the oversight of financial reporting and related processes to ensure that a company's financial reporting is credible, transparent, consistent and accurate are significant. We believe that audit committees are best positioned to appoint and oversee the audit firm it believes will best serve the interests of shareholders.

Other Observations

The Concept Release acknowledges that when selecting audits for inspection, the PCAOB uses a risk-based approach in order to select audits that it believes present the highest risks, and reviews areas within each audit that are the most complex and challenging. The Concept Release further states that not all of the so-called audit "failures" identified in its inspections resulted from a lack of objectivity or professional skepticism, and recognizes that audit "failures" can also reflect a lack of technical competence or experience, which may be exacerbated by staffing pressures or other problems. We are concerned that the PCAOB has concluded the existence of a cause-and-effect relationship between the tenure of audit firms and the lack of professional skepticism based on its experience with an inherently biased and risk-based sampling approach, and then extrapolated from this to impose a one-size-fits-all solution on all U.S. public companies.

We believe that audit "failures" actually caused by a lack of objectivity and professional skepticism are relatively isolated instances and the Concept Release does not provide adequate data to support the view that mandatory audit firm rotation will enhance audit quality. It is our view that the PCAOB could better achieve its objective of strengthening auditor independence, objectivity and professional skepticism through the development of enhanced auditing standards *in cooperation with* practitioners and their clients. The PCAOB could always require mandatory rotation as part of its post-inspection sanctions when there is *clear* evidence that a *specific* audit "failure" was a result of a *specific* firm's (or individual's) lack of objectivity or professional skepticism.

In summary, we believe that a sound regulatory framework currently exists to promote auditor independence and the current statutory oversight rules create an appropriate environment to allow audit committees to independently appoint and oversee audit firms that best serve the interests of stockholders. The additional costs and inefficiencies caused by mandatory audit firm rotation would cause audit quality and effectiveness to suffer rather than improve, without any corresponding benefit to the investing public.

We appreciate the PCAOB's consideration of our views and would be pleased to discuss these matters further should you have any questions.

Respectfully submitted,



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Vice President and Controller

cc: Richard C. Adkerson
President and Chief Executive Officer

Kathleen L. Quirk
Executive Vice President, Chief Financial Officer and Treasurer