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DISCUSSION-OPINION-EDITORIAL™

Leadership in succession: How not to kill the giant public mining companies (Part-1)

The background

Globally the public sector companies, also of mining, are the target for partial or complete privatization, by the governments depending on the future prospects of revenue streams, non-performing assets and the profit they make. Asset monetization, public-private partnership and outright sale or disinvestment are in the minds of the governments largely because the governments are trying to placate the discontent among the poor and middle class specially, as the technological revolution has largely been responsible to take the jobs away from their hands and to move them to automation and retail market technologies. The benefits of technology are visibly shifting from the government and public sector to the private sector. Notwithstanding political posturing, this is an emerging and growing reality for many governments to negotiate and deal with the rapid technological changes. Political expediency also matters to many. Unfortunately, the leaders in public sector either do not appreciate the change or decide not to act on them.

Qualification and experiences of the CEOs

"We are slaves of our qualification and experiences." A leader would try to lead and change in ways that his or her qualification and experience, both acquired and cultural, has taught him or her. Except very few, most of the executives cannot see beyond what he or she has learnt and seen before. Here, with experience, quality and variety of education matters.

Generally, the preference of the global mining companies has been to promote an internal employee to succeed as CEO or at least, someone who has diverse sector experience with some stints in the company. That is mostly the trend. To the market listed companies, one indicator of how the executives are appreciated in terms of performance, is 5 year stock return, often in percentage. Though it is not entirely applicable because a mining company goes through various periods of gestation when its balance sheet may not look very attractive at present and so the stock market would wait to weigh in, it is however more or less true that the share market factors that out and shows a comparative preference over other stocks on the basis of sound management and sound developments. Let us see the profiles of the CEOs of the global mining company leaders to see what propels them to succeed and how the stock market respond.

Being the CEO of a major mining company is strenuous work. It's a fiercely competitive world with high capex and long gestation period, and only the strong survives. Mining CEOs must not only safeguard the inner workings of highly-complex, billion dollar corporations, but appeasing investors and shareholders is also essential for success. Egon Zehnder's global Mining & Metals practice recently analyzed 40 mining CEO transitions that took place during the period 2000-2019 – at publicly traded companies in operation for at least 20 years with a market capitalization exceeding US$5B. They split the CEO succession analysis into two decade-long industry phases (Table 1).

Most mining companies today have succession planning practices in place with active Board involvement and an eye on high-performing talent. This was not necessarily the case 15 years ago, when companies hired and fired "heavy hitters" who were often external hires in pursuit of growth. Succession planning was not necessarily a priority at that time, and the industry employed a cycle mentality to people decisions. Now seen is a distinct shift in the industry toward a more robust and pragmatic approach to CEO succession planning. Mining CEOs appointed during 2010-2019 are relatively older, with nearly four out of five CEOs appointed internally – perceived as a safe pair of hands who will have accumulated a body of knowledge over a long span of time, much of which is specific to the company. During the growth super-cycle of the minerals, CEOs with "mining focused" experience in corporate finance and investment banking comprised nearly 60 per cent of all CEO hires – in particular to pursue in-organic growth opportunities characterized by mega deals and consolidation. Relatively

TABLE 1: THE PROFILES OF CEOS OF THE WORLD'S MOST PROGRESSIVE MINING COMPANIES. THESE COMPANIES ARE PROFIT-CENTERED WITH LARGE PUBLIC AND INSTITUTIONAL SHARE HOLDING AND COMPETITIVE IN THE SHARE MARKET

Name of the CEO	The company	Education	Industry experience	Associated experiences	5 year performance
Mark Cutifani	Anglo American: Anglo American plc is a British listed multinational mining company with headquarters in London, England. It is the world's largest producer of platinum, with around 40% of world output. Anglo American plc operates as a mining company worldwide. The company explores for rough and polished diamonds, copper, platinum group metals, metallurgical and thermal coal, and iron; and nickel, polyhalite, and manganese ores, as well as alloys.	BE (Mining-Hons), FAusIMM, FREng, CEngFIMMM, DBA (Hon), DoL (Hon)	Over 40 years' experience of the mining industry across a wide range of geographies and commodities; previously CEO of Anglo Gold Ashanti Limited, position held from 2007-2013. Before joining Anglo Gold Ashanti, COO at Vale Inco where he was responsible for Vale's global nickel business. Prior to this he held senior executive positions with the Normandy Group, Sons of Gwalia, Western Mining Corporation, Kalgoorlie Consolidated Gold Mines and CRA (Rio Tinto).	Now CEO over 8 years. Also Independent director of Total S.A. and a member of the board of trustees of The Power of Nutrition, an independent charitable foundation.	Anglo's 5 year stock price total return is 174.53%. and ranks in the above 90.00 percentile for the sector. Considered premium,
Jakob Stausholm	Rio Tinto Group: is an Anglo-Australian multinational and the world's second-largest metals and mining corporation, behind BHP, producing iron ore, copper, diamonds, gold and uranium.	Københavns Universitet, Holland, Master's degree Economics, Leadership Courses in Stanford, Harvard and Insead.	Prior to joining Rio Tinto, Jakob was the Chief Strategy, Finance and Transformation Officer for the Maersk Group, with oversight of the Group's strategy, digitization, IT, legal as well as the transformation and shared services functions. He also served as Group CFO of the global facility service provider ISS. Prior to this, Jakob worked for 19 years for Shell across Europe, Latin America and Asia-Pacific, including as Vice President, Finance for Asia-Pacific, and earlier, as chief internal auditor.	From 2009-16, Jakob served as a non-executive director of Statoil (now Equinor), including the last six years of his tenure as Chairman of the Audit Committee. Between 2006-08, Jakob was also a non-executive director of Woodside Petroleum.	Rio Tinto's 5 year stock price total return is 167.5%. Rio Tinto Group's 5 Year Stock Price Total Return of 167.5% ranks in the 85.8 percentile for the sector. Considered premium.
Mike Henry	BHP : formerly known as BHP Billiton, is an Anglo-Australian multinational mining, metals and petroleum dual-listed public company headquartered in Melbourne, Victoria, Australia. Produces: iron ore, coal, petroleum, copper, natural gas, nickel & uranium	Bachelors of Science degree in Chemistry from the University of British Columbia.	Has 30 years' experience in the global mining and petroleum industry, spanning operational, commercial, safety, technology and marketing roles. He was appointed to his current role of President Operations Minerals Australia in 2016, and has been a member of the Executive Leadership Team since 2011. Joined BHP in 2003, initially in business development and then in marketing and trading of a range of mineral and petroleum commodities based in The Hague, where he was also accountable for BHP's ocean freight operations. He went on to hold various positions in the Company, including President Coal, President HSE, Marketing and Technology, and Chief Marketing Officer.	Mike has been a strong advocate for the industry, driving higher standards of safety and a commitment to our local communities and global stakeholders.	5 year stock price total return of BHP is 96.93%. It will be above 80 percentile of similar stocks.

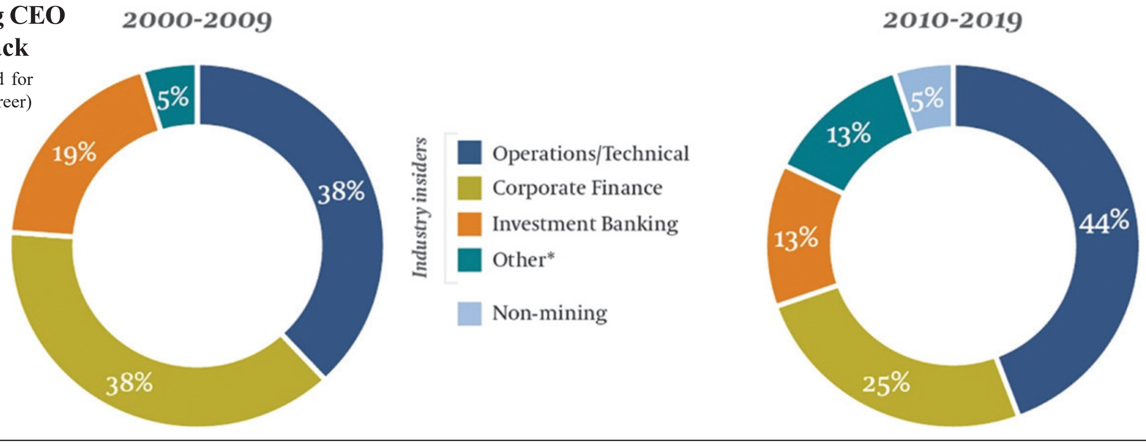
Name of the CEO	The company	Education	Industry experience	Associated experiences	5 year performance
Gary Nagle, appointed as CEO on 1 July 2021.	Glencore plc : is an Anglo-Swiss multinational commodity trading and mining company with headquarters in Baar, Switzerland, its oil and gas head office in London and its registered office in Saint Helier, Jersey. The current company was created through a merger of Glencore with Xstrata on 2 May 2013.	Gary has commerce and accounting degrees from the University of the Witwatersrand, and qualified as a Chartered Accountant in South Africa in 1999.	Gary joined Glencore in 2000 in Switzerland as part of the Coal business development team. He was heavily involved in seeding a portfolio of assets to Xstrata in 2002, in conjunction with its initial listing on the London Stock Exchange. Gary then worked for five years (2008-2013) in Colombia as CEO of Prodeco, Glencore's Colombian coal operation. He then moved to South Africa to take on the role of Head of Glencore's Alloys Assets (2013-2018).	Also served on the Board of Lonmin plc from 2013-2015 and has represented Glencore on the Minerals Councils of Australia and Colombia.	5 year stock price total return of Glencore is 83.32%. It will be above 75 percentile of similar stocks.
Jim Grech	Peabody Energy: Peabody Energy, headquartered in St. Louis, Missouri,USA is the largest private sector coal company in the world. Its primary business consists of the mining, sale, and distribution of coal, which is purchased for use in electricity generation and steelmaking.		James (Jim) Grech has over thirty years of experience in the coal and natural resources industry. He joined the company in June 2021 as President and Chief Executive Officer and member of the company's board of directors and the Executive Committee of the board. Mr. Grech has substantial operational, commercial and financial experience in mining and other energy business operations, as well as extensive experience in utilities and capital markets.	Mr. Grech has held executive leadership roles throughout his career, most recently he served as Chief Executive Officer of Wolverine Fuels from 2018 to 2021. Other positions held include President of Nexus Gas Transmission, Chief Commercial Officer and Executive Vice President of Consol Energy and Vice President at DTE Energy.	5 year stock price total return of Peabody Coal is minus 37.23%. Stock price has been improving for the last one year. It will be above 90 percentile of similar stocks.

Source: Wikipedia, Finbox https://finbox.com, and other sources as on 3rd October, 2021.

fewer CEOs with finance backgrounds took the reins during 2010-2019, as companies prioritized productivity improvements and optimization of operating costs. The industry's flight to safety led to a higher percentage of CEO appointments with solid operational experience, and in most cases, intimate knowledge of company assets. Strong succession planning limits the possibility of ineffective CEO hires, who will remain in the role longer than they should or necessitate an unplanned replacement. A positive indicator that supports this view is the percentage of CEOs replaced, which has nearly halved during 2010-2019, notably from among a larger number of internally appointed CEOs. Succession planning can also increase diversity in senior management through carefully crafted development opportunities – for example, roles that increase international exposure or responsibility given to high-potential functional leaders.

Typical Mining CEO Career Track

(based on roles held for the 'majority' of career)



*includes predominently commercial, Strategy and corporate affairs backgrounds

Sources: Egon Zehnder analysis