

Mongolia London Business Forum - 17th October 2011

Good Corporate Governance is Good Business

Presented by Oxana Bristowe - Partner

About Opus Executive Partners

- Global Advisory and Executive Search firm specialising exclusively in the Oil & Gas and Mining sectors
- Appointment of Chairmen, Non-Executive Directors, Executive Directors and key Senior Executives
- Not just “headhunting” but also governance consultancy and restructuring of company Boards
- Consultancy services and bespoke market surveys

The MAP to Success:

- **Money**
- **Assets**
- **People**
- All three are fundamental to success
- Quality leadership is a differentiator, enabling companies to be the best they can
- Corporate Governance is the structure within which quality leadership operates



Corporate Governance

- Corporate Governance is described as being what the Board of a company does and how it sets the values of the company
- London's excellent reputation encourages companies from around the globe to list here. London's Corporate Governance regime is central to the standing of this reputation
- The June 2010 UK Corporate Governance Code is applicable to all Main Market listed companies. The Quoted Companies Alliance has produced its own guide for AIM listed companies
- The Code is not a legal requirement - it encourages companies to apply the recommendations of The Code or explain to stakeholders the reasons why they haven't

Key Recommendations of the Code

- Chairmen and CEO posts should be held by different people in order to separate the job of running the Board from the job of running the company
- There should be a minimum number and proportion of independent NEDs
- One Independent Non-Executive Director to be nominated as the Senior Independent Director
- Audit, Remuneration and Nomination committees to be established and run by Independent Non-Executive Directors
- Shareholders should be informed how Directors have been appointed, for example if Executive Search or open advertising has been used

What Opus Has Done

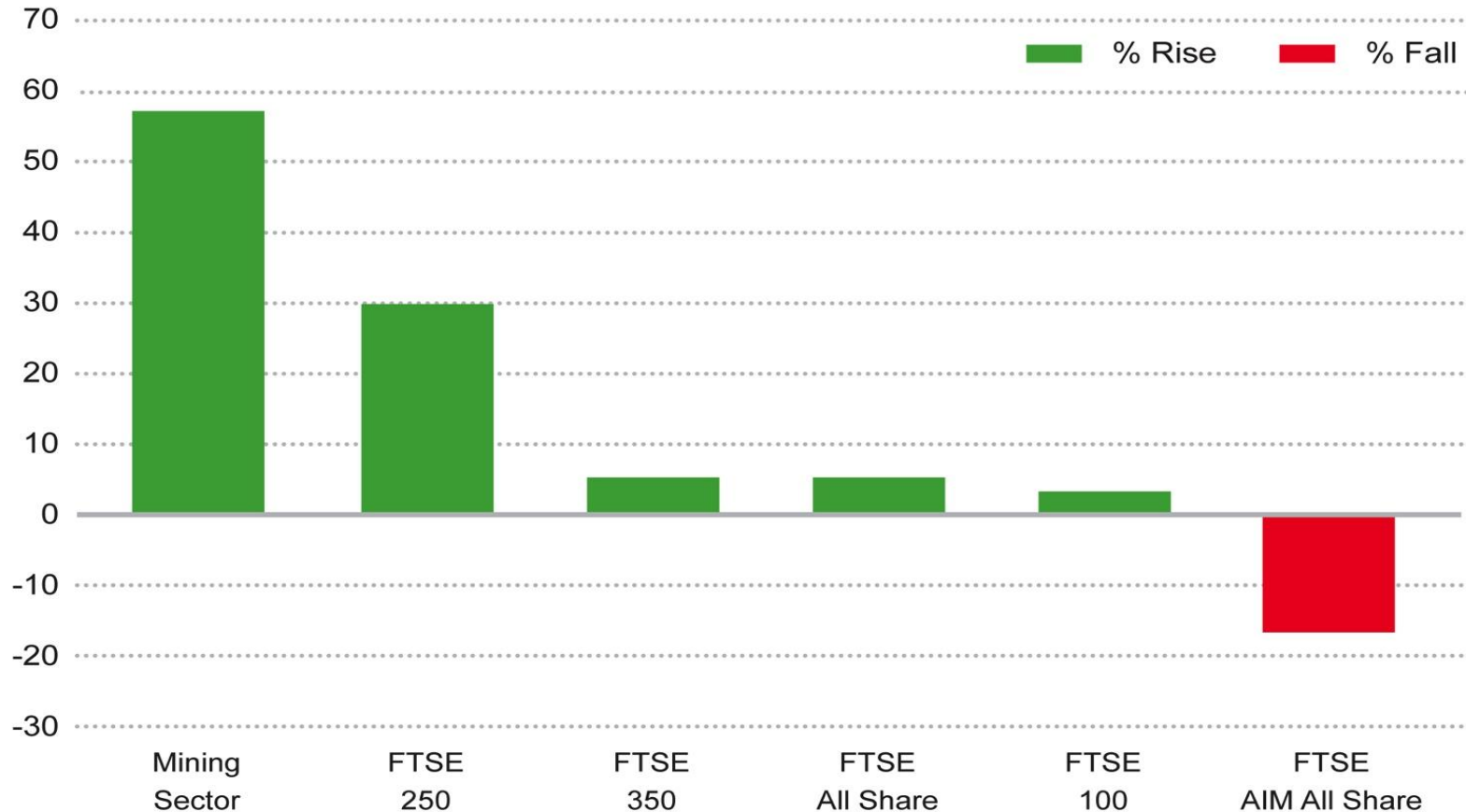
“How’s Mine Doing? A review of Boards, Performance and Risk in the Mining sector 2011

- The share price performance of LSE Mining companies was analysed over a five year period: June 2006 to June 2011
- The Board structures of the sector were compared with the key recommendations of the June 2010 UK Corporate Governance Code
- In light of some recent high profile events our report (How’s Mine Doing?) seeks to provide a fuller understanding of how good practical Governance and a balanced Board can help mitigate risk

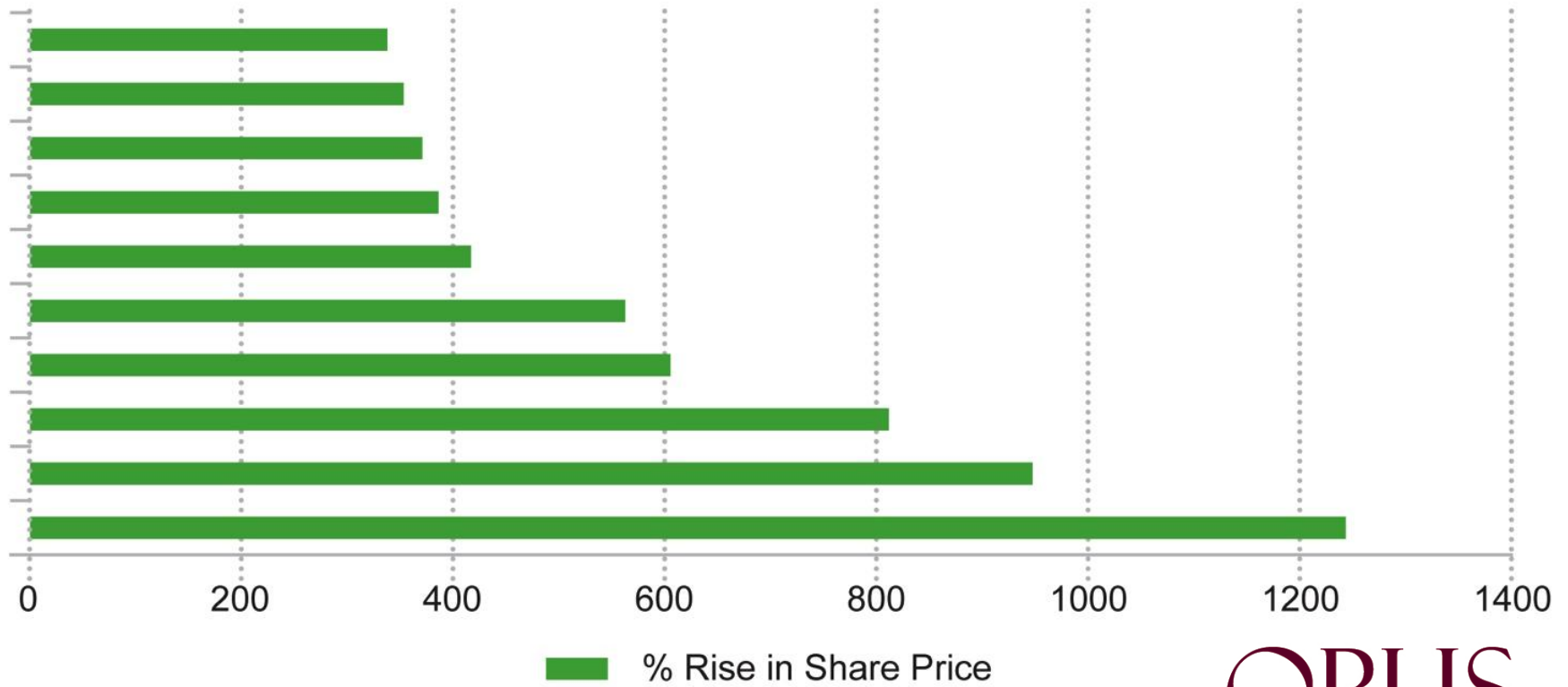
Share Price Performance

- Share price performances were analysed for all Main Market & AIM listed Mining companies that operated throughout June 2006 – June 2011
- If an equal sum of money had been invested in every company in June 2006 the overall sector return after five years would have been 57%
- The top ten performing companies had a disproportionate performance. When they were removed the sector's overall return drops to -3%

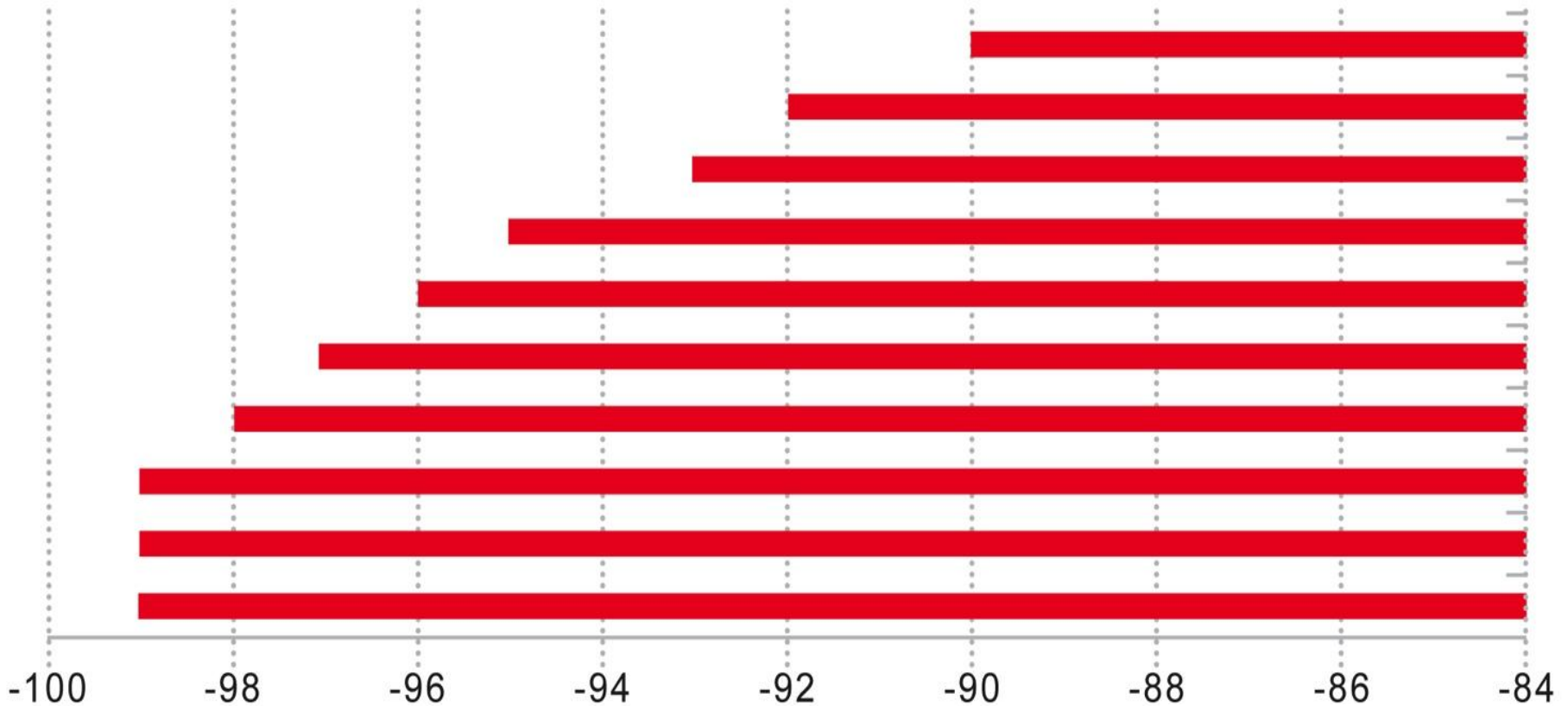
Percentage Performance of UK Indices June 2006 – June 2011



Share Price Performance of Top 10 Mining Companies June 2006 – June 2011



Share Price Performance of Bottom 10 Mining Companies June 2006 – June 2011



 % Fall in Share Price

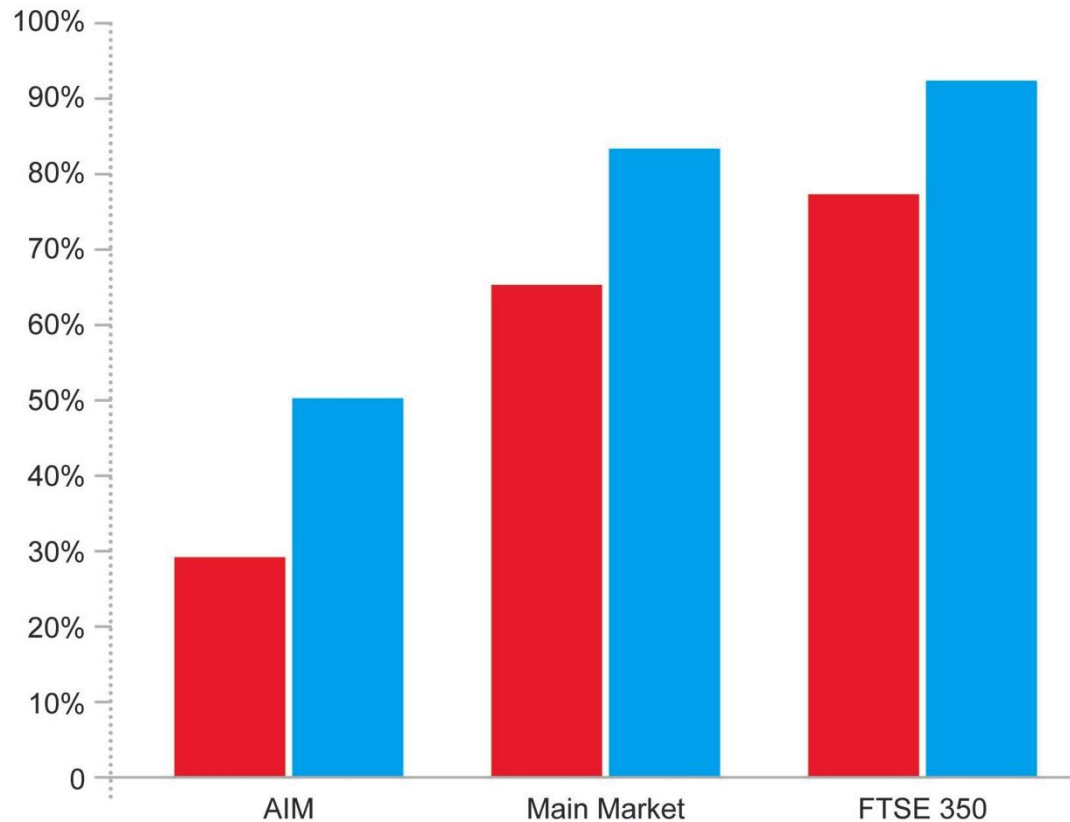
The Opus “Leadership Corporate Governance Ranking”

- Opus have developed a Corporate Governance scoring system to determine how Board structures relate to the Code’s recommendations
- It is based on the key objective recommendations of the Code regarding Board structure and is ranked out of a possible maximum of 8 points
- The overall score for the sector was only 38%
- One of the key reasons for the low Corporate Governance scores was due to the NEDs not being evident as independent

The Link Between Corporate Governance and Performance

- We have found that better Corporate Governance scoring generally correlated with better shareholder value
- AIM companies had an average Opus Corporate Governance score of only 29% and the return to shareholders over the period was 50%
- Main-Market companies had an average Opus Corporate Governance score of 65% and delivered a return to shareholders of 83%
- FTSE 350 companies had an average Opus Corporate Governance score of 77% and delivered a return to shareholders of 92%
- The top ten companies by Corporate Governance had an average score of 96% and their share-prices went up by 92%
- The bottom ten companies by Corporate Governance had an average score of only 13% and their share-prices decreased by 80%

Corporate Governance and Performance



■ Corporate Governance
■ Share price return

OPUS
Executive Partners

Conclusions

- It is clear that companies which recognise good Corporate Governance have a competitive advantage over others who do not
- Good Corporate Governance standards make it easier to attract high quality people to Boards
- Strong Boards pose a lower risk to investors and in turn make it easier to secure funding

Corporate Governance is simply Good Business!

Thank you for your attention



36 Dover Street
Mayfair
London
W1S 4NH

+44 (0)20 7958 1700

www.opusexecutive.com