

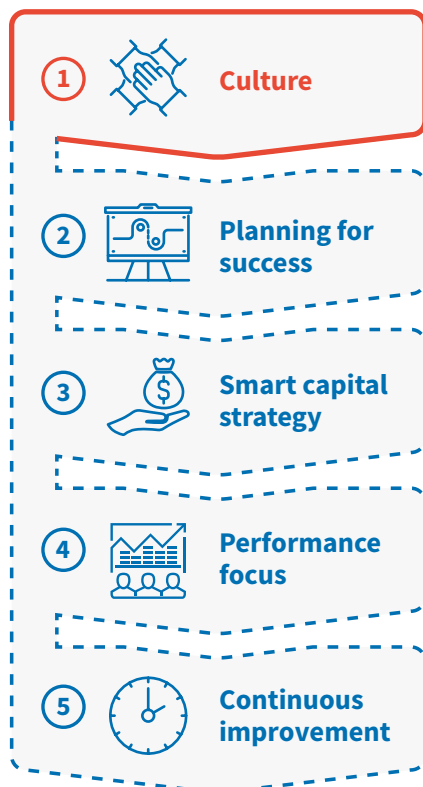


ARTICLE

Precious mettle

The value of high-grade mining CFOs – Part 1: Culture

Our five-part blog series, *Precious mettle – The value of high-grade mining CFOs*, looks at the qualities proactive mining CFOs deploy to drive greater business returns. This series shares observations from more than 75 years' combined experience in senior mining finance roles, across multiple commodities, by Andrew Bantock, Steven Michael and Martin Nicholson of FTI Consulting's Australian Mining Advisory Practice.



Whilst operating scale, risk profiles, financing arrangements, corporate structures and regulatory challenges vary across the mining industry, some things are common to the most successful businesses. In the critical area of financial leadership, five key qualities distinguish the best mining CFOs, driving stakeholder returns:

- 1. Culture:** They lead a commercial, operationally aware culture which sees the Finance team valued across the business, including in areas such as operations planning, capital allocation and strategic decision making;
- 2. Planning for success:** They champion an integrated, pragmatic approach to Life-of-Mine planning, optimisation, and risk management;
- 3. Smart capital strategy:** Their capital strategies align the inherent risk and return profile of the business, with the flexibility to accommodate commodity price cycles and orebody variability;
- 4. Performance focus:** They drive progressive short-term planning and reporting routines, ultimately aligned to delivery of the Life-of-Mine Plan, which keep everyone informed of business performance, in real-time; and
- 5. Continuous improvement:** They inspire in their team and their operational colleagues an energetic mind-set, focused on repeated incremental enhancement of mining and processing performance, as well as bettering the cost structure and risk profile of the business.

In this first instalment of our *Precious mettle* series, we consider the first of these qualities - how top mining CFOs lead an energised, commercially oriented culture, valued across the business for its role in driving outcomes and returns.

THE CULTURAL “HALLMARKS” OF A HIGH-GRADE MINING CFO

The best mining CFOs lead teams that exude commercial and operational awareness. This sees them highly valued by the board, C-suite, and their operations colleagues, particularly for their input into strategic decision-making, production planning, capital allocation, and business execution.

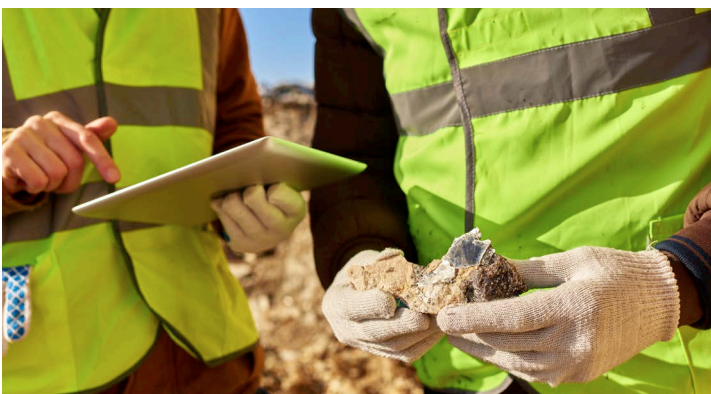
In our collective experience, seven key cultural themes contribute to this leadership. Bundled together, they drive the CFO’s influence well beyond the pages of the balance sheet and the front doors of head office, extending to the heart of business performance. Conversely, where these themes are absent, opportunities may be missed.

1. They understand the business

While usually not trained in the technical disciplines of geology, mine engineering, metallurgy or mining environmental sciences, top mining CFOs appreciate what makes a difference on site and enjoy the complexity of things that need to come together to deliver returns:

- they understand and think in terms of the key “mining physicals” as business value drivers; and
- they appreciate and can articulate the businesses’ objectives, challenges and successes, and their financial implications, using this as the basis to influence and lead.

Getting to this level of understanding often requires an investment of time with operations colleagues and the patience to “unpack” and truly appreciate underlying mining and processing flows.



2. They are aligned with operations

The best mining CFOs have a good and respected relationship with mine operations leaders, communicating with them directly, developing a shared understanding of financial and commercial imperatives, and helping to resolve key challenges:

- they actively break down the “head office versus site” mentality so often seen in mining businesses, developing a close and trusted relationship with operations leaders and their teams;
- they see the Finance team as an extension of themselves, taking the time to explain to them the business objectives and the crucial role that Finance can play in supporting their achievement; and
- they regularly spend time at site and expect their key people to do the same, building deep relationships and supporting operations at all levels of the organisation.

3. They are commercially oriented

Unkind observers sometimes relegate the role of the corporate accountant to “spearing the wounded after the battle is fought”. Far from it however, leading mining CFOs are fundamentally commercial people, who relish the chance to impact the bottom line:

- they see themselves as more than just someone who adds up the numbers, but as a business leader who can affect revenues, costs, supply lines, logistics and capital investment – and as a result, financial returns; and
- they use their deep understanding of the business and their vantage point at the top of the Finance tree to actively search for opportunities and strategies to add value.

4. They are committed team builders

You’ve probably known a corporate leader who was promoted for their technical strengths but struggled to deliver in a management role. The best mining CFOs are the opposite. Believing in the value of the team, they have an innate ability to connect with people:

- recognising the importance of people, they invest time and energy in recruiting a high-quality Finance team and then continue to invest in their development; and
- they have an ability to draw out the best in their team, leading by example, stressing individual opportunity (and accountability), and being open to new ideas.



5. They are detail oriented, but also great communicators

The increasing complexity of corporate finance leadership means that mining CFOs must master the details. However, the best of them understand the implications of information in its commercial context, presenting it in ways that “cut-through” to both internal and external audiences:

- they make it their priority to understand the fabric of the business, developing comprehensive plans and studying results, with the bigger picture firmly in view;
- they are committed to producing meaningful, accurate and timely financials, presenting business analysis, not just data; and
- they develop trusted relationships in capital markets and with other external stakeholders, where they are seen as “straight shooters”, who can be relied on to communicate, whether the news is good or bad.

6. They are dedicated planners

Top mining CFOs have a passion for deeply relevant business planning, which they see as their ticket to optimising the value of the underlying orebody and winning the confidence of capital providers, by “under-promising and over-delivering” on outcomes:

- they are committed to Life-of-Mine planning and optimisation, recognising the importance of physical, technical, and commercial inputs for the quality of long, medium, and short-term forecasts;
- they “take the business with them” in planning cycles, seeing the budget as the costing of the business plan, rather than just a set of numbers; and
- to engender real management buy-in, they establish the business planning process as a structured, “bottom-up” affair, including those responsible for performance delivery, rather than an “edict from above”.

Our next article will look more closely at these fundamentals of successful mine business planning.

7. They are a trusted conduit for capital

Capital markets are often too short term focused but can also have long memories.

The best mining CFOs see themselves as a blend of strategist, educator, manager, advocate, and moderator of the corporate message – all to maintain market confidence and access to competitively priced capital:

- they recognise and value their role in securing the funding to help the business achieve its potential;

- they realise the importance of return on investment and applying strategies that align the capital structure to the underlying business risk profile; and
- they are fierce advocates for the current and potential future value of the business, but are still trusted in capital markets, where they develop valuable long-term relationships.

Whether by nature or nurture, usually a decent measure of both, and scarred by the trials of “wrestling” pits, plants and markets to deliver returns over sustained periods, these mine Finance leaders have a lot to offer and a lot to pass-on to their colleagues.

HOW FTI CONSULTING CAN HELP

At FTI Consulting, we work alongside senior mining Finance leaders at important times. We apply our experience, insights and networks, providing surge resource capability and “bandwidth” to support our clients through transformative events, both positive and negative, with a clear appreciation of what drives success.

NEXT BLOG ARTICLE

The second article in our series on the key characteristics of effective mining CFOs will look at – “Planning for success”.



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