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COMMENT & ANALYSIS

Letters

Shareholders look to Glencore NEDs

Sir, There is a strongly held view in the market, to which we subscribe, that the non-executive directors of Xstrata failed to represent their shareholders adequately in the negotiations that led to the merger with Glencore and are therefore not the right individuals to hold the management of Glencore Xstrata to account. It would be unfortunate if these directors were allowed to select their own successors – through the Glencore Xstrata nominations committee on which they will sit – but this raises the serious issue of whether the committee should be completely dominated by former Glencore directors and whether this would not aggravate

the concerns of those who question Glencore's corporate governance ("Glen-Core! He's done it again!", Neil Collins, FT.com, December 7).

The merger of Glencore and Xstrata was sold to the market as a "recommended merger of equals" and yet, with the imminent departure of Xstrata's chairman, chief executive and finance director (all of whom were initially slated to stay), there can be no doubt as to who has come out on top. Whether Xstrata's shareholders like it or not, their board has handed full control of Xstrata to Glencore and they now only have two real choices: to seek a major reconstruction of the board through direct negotiation

(and recognising that the outcome may be very different from that which was originally envisaged), or to sell their shares. Glencore's non-executive directors are all relatively new, having joined last year when Glencore obtained its listing, and (to their credit) defended Glencore's interests far more effectively than did Xstrata's. It is now their task – and ironically not that of Xstrata's discredited non-executives – to build the strongest possible board with the strongest possible support from both sets of shareholders.

There is no shortage of natural resource companies, many with first-class assets, trading at a fraction of their true value due to governance that is perceived to

be poor. Shareholders of the soon to be created Glencore Xstrata must hope for a better fate – but the odds are increasingly stacked against them unless Glencore's non-executives act decisively, quickly and with the interests of all shareholders clearly in their sights. Their first task will be to hire a new chairman who shares this vision.

**Eric Knight,
Chief Executive, Knight Vinke,
Zurich, Switzerland**

Funds managed by Knight Vinke own 16m shares of Xstrata and 2m shares of Glencore.