



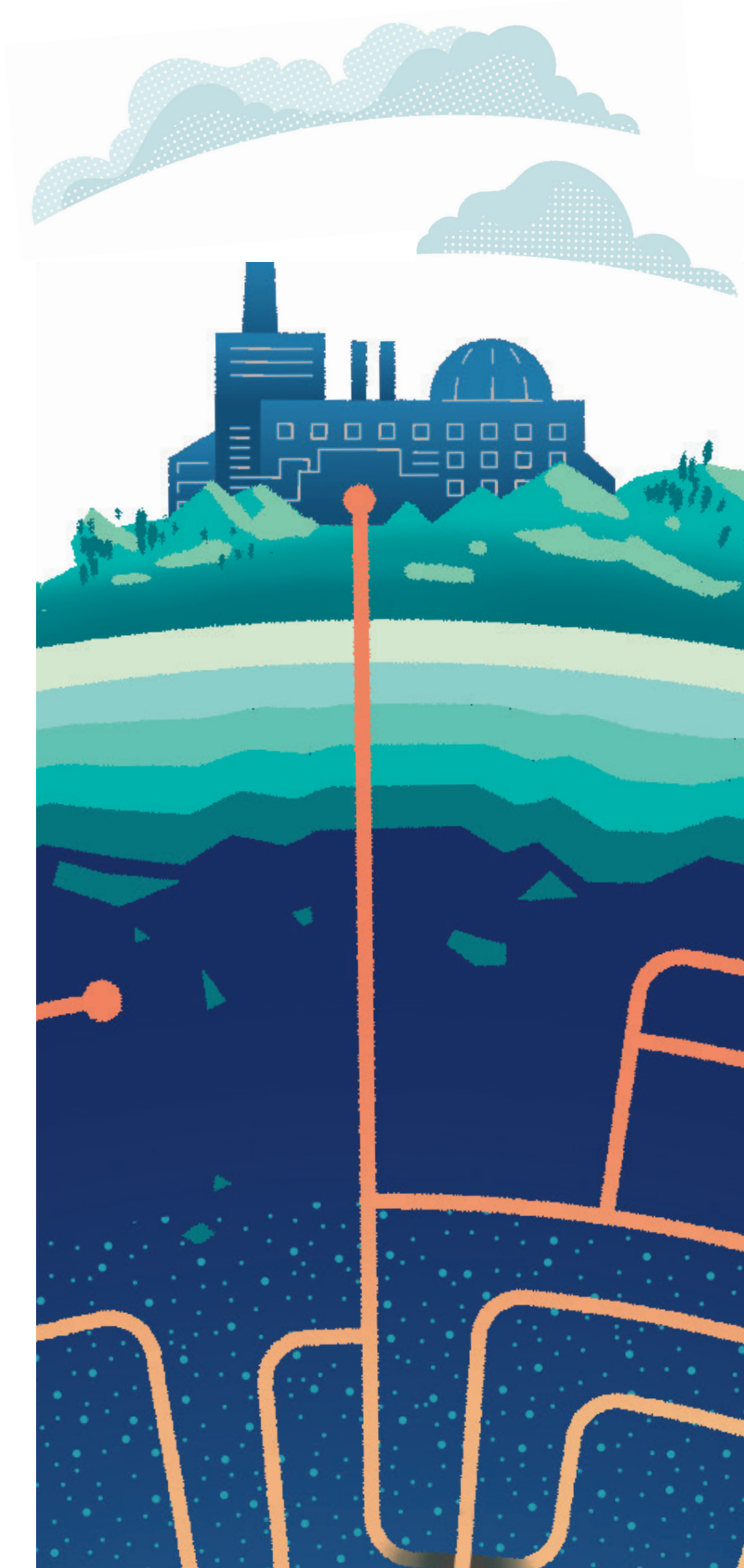
## Tracking the trends 2020

### Executive summary

Mining has always demanded innovation – and that seems more than ever the case now. Mining firms are embracing intelligent mining through investments in automation and new technology, and addressing climate change and investor concern through decarbonization. They are revisiting their talent and diversity strategies, working to strengthen relationships with local communities, and seeking ways to create ‘value beyond compliance’ by delivering a positive socio-economic

impact while simultaneously fostering operational efficiency and business competitiveness.

In this twelfth annual edition, *Tracking the Trends 2020* features insights, strategies, and forward-thinking ideas that mining companies can adopt in order to lead from the front. Deloitte’s mining professionals around the world share a wealth of lessons that companies can draw upon. ➤



1

### **The social investor - Embedding value beyond compliance into corporate DNA**

The drive towards socially conscious profit is no longer limited to environmental activists. Civil society and investors are demanding greater transparency about the true social, economic and environmental impact of sectors such as mining. To regain investor trust, miners should embrace a commitment to value beyond compliance, which is about the fundamental synergy between economic performance and social progress. It leverages shared value principles, innovation, analytics, digitization, and strategic and evidence-based solutions to deliver socio-economic impact. Its principles can ultimately be used to address rising investor expectations as well.

2

### **Getting partnerships and joint ventures right - Looking beyond structure to governance**

With junior miners constrained by a lack of capital and market capitalizations not reflecting full corporate value, many industry players are consolidating to gain scale. Joint ventures seem a natural solution but they often fail due to unclear decision-making processes, ineffective governance, and poor transparency and alignment.

Some mining companies are considering other ways to distribute the risks associated with major capital projects. One emerging model is to allocate project assets and liabilities across a full ecosystem of partners – from mining companies, original equipment manufacturers (OEMs), and service providers to local communities and governments.



3

### Seize opportunity amid uncertainty - Why miners should prepare for the next downturn now

Commodity prices rise and fall in line with economic trends, which are currently foreshadowing a potential global downturn. To avoid being blindsided, there are many ways in which mining companies should prepare. They should plan for a range of plausible scenarios rather than one generic downturn; stress-test company strategies; build strong leadership teams; continue to innovate; take the time to redesign workflows; retain key talent; re-examine relationships with other companies; and acquire fresh resources. A downturn can be the best time to make acquisitions and hire talent.

4

### Dynamically managing risk - From risk registers to strategic risk management

As global volatility rises, mining companies can no longer rely on their risk registers to identify critical risks. Systemic issues – such as insufficient risk sensing, a ‘tick the box’ mentality, and complex operating models – are forcing them to predict the impact of emerging events and prioritize key risks.

Strategic risk management has five elements. First, integrate risk, control and assurance. Second, go back to basics by redefining the company’s risk appetite. Third, explore alternative futures and plan for worst case scenarios. Fourth, leverage better data. Fifth, learn from past mistakes and empower employees to report risks.

5

### The path to decarbonization - Miners’ role in reducing emissions

Driven by pressure from stakeholders and the strengthening business case for decarbonization, most mining companies are taking steps to reduce their greenhouse gas emissions. Market factors too are strengthening the business case for decarbonization. The costs of lithium-ion battery storage and solar power have plunged. The consumption costs associated with renewable energy are negligible. Miners should assess how to integrate a carbon neutral approach into their business-as-usual processes.

6

### On the road toward intelligent mining - Reviewing lessons learned

In recent years, many mining companies have begun their digital journeys. Some firms have advanced considerably. A review of what has been learned can help companies optimize their digital journeys and unlock sustainable value. Many companies have underestimated the amount of effort required to clean up their data and upgrade their technology infrastructure. As mining companies move towards integrated operations centers that help guide decision-making across the value chain, they also should consider the right staffing and whether they should build capacity in-house or outsource. To unlock the value of intelligent mining, leading companies are moving towards a more centralized governance approach.

7

### Modernizing core technologies - Considerations around cloud, cyber, and revitalizing the core

Mining companies need to modernize many of their legacy systems and migrate to a digital core – raising a range of considerations around moving to the cloud, adopting sound cybersecurity strategies, managing data and choosing the best approach for revitalizing their core systems.

The convergence of information technology (IT) and operational technology (OT) layers of the organization is unlocking new opportunities. Miners need to update their enterprise resource planning (ERP) systems and make choices on whether to host their data in premises or on the cloud. As operational processes are digitized, a fresh challenge is to ensure that facilities such as mine sites, mineral processing plants, and remote operations centers are not vulnerable to cyberattacks.

8

### The intersection of talent and community - Proactively planning for the social impact of digital

As digital sweeps through the mining sector, a host of benefits are being realized across the value chain. These range from cost reduction, improved production, and enhanced safety performance to plant optimization, greater inventory control, and even the ability to predict and mitigate crises. To capitalize on the digital revolution, most mining companies need to drive radical change both internally and within the communities in which they operate. Underestimating internal organizational barriers, bureaucracy and the impacts on local communities could hinder companies’ ability to realize the full benefit of their investments.

9

### Leadership in an Industry 4.0 world - Preparing to manage the mining workforce of the future

Four trends are reshaping the leadership landscape in an Industry 4.0 world: the emergence of non-traditional teams; the creation of exponential roles; the proliferation of data; and the imperative to embrace greater diversity and inclusion. Mining companies that want to strengthen their competitive advantage and create an adaptive and responsive culture should commit to upskilling their leaders.

10

### Tax tribulations - Concerns over “transfer mispricing” put miners in the spotlight

Although the mining industry has been exempted from the Organization for Economic Co-operation and Development’s (OECD) new tax rules relating to the digital economy, several other global tax measures potentially could create serious constraints on mining economics. To mitigate any unexpected tax obligations, mining companies should be aware of the changes and understand how they could impact their tax affairs.

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