

## Mining companies enduring the first wave of COVID-19 effects on their operating models need to think about responding across five horizons

### 5R approach



#### Resolve

Address the immediate challenges that COVID-19 presents



#### Resilience

Address near-term cash management challenges, broader resiliency issues during virus-related shutdowns, and economic knock-on effects



#### Return

Create a detailed plan to return the business back to scale quickly while the crisis unfolds and knock-on effects become clearer



#### Reimagination

Reimagine what the “next normal” will look like, its implications, and how the company should reinvent itself



#### Reform

Be clear about how the regulatory and competitive environment in the industry may shift



### Resolve: Hard decisions on immediate challenges (*inexhaustive*)

- Employees**
- Implement physical-distancing measures during transport, shift changes, and breaks
  - Provide temperature checks, additional PPE,<sup>1</sup> sanitization strategy
  - Launch mental-health initiatives for employees
  - Lean on technology for remote working, ad hoc training, and communication across the sites

<sup>1</sup> Personal protective equipment.

- Production and supply chain**
- Guarantee operational flexibility
  - Build short- to midterm mine plans and schedules, and communicate to supervisors
  - Adjust maintenance strategy by prioritizing critical production equipment
  - Adjust mill-feed qualities by optimizing active mining areas per current and longer-term market conditions
  - Reinforce communication across the whole value chain: exploration, mine, plant, final customer; engage with external key stakeholders: contractors, suppliers, unions, and communities

- Customers**
- Prioritize strategic contracts
  - Communicate with stakeholders daily
  - Renegotiate conditions of active client contracts

- Immediate liquidity**
- Understand current cash position and prepare rolling forecasts
  - Identify short-term cash reductions in inventories (eg, supplies) and operations (drill and blast, exploration programs, contractors) but manage them to mitigate longer-term risks (shortages, secondary disruptions)



### Resilience: Speed and discipline for midterm strategic response

- Fixed-cost reduction**
  - Headquarters restructuring and central consolidation
  - Review contracting strategy (eg, leasing options)
- Production cutback**
  - Rebalancing of supply and demand
  - Shutdown of high-cost operations
  - Adapt mine-planning strategy to fast-evolving environment
- Capital-expenditure strategy review**
  - Review projects pipeline: prioritization, resequencing, reassessment, etc
- Divestiture of noncore assets**
  - Optimize participation in secondary operating assets and projects
- Targeted M&A**
  - Review M&A strategy and opportunities in a post-pandemic environment
- Balance-sheet restructuring**
  - Secure and monitor cash position
  - Extend duration of bonds
  - Dividend cuts



### Return: A plan to bring operations back to scale

- Signs of recovery**
- Decline in positive cases
  - Demand stabilization
  - Decreased volatility on global markets
- 
- Refine operational instructions in new constrained environment: new standard operating procedures, occupational health and safety, etc
  - Prepare operations for a quick ramp-up: update annual and Life of Mine plans, restart sequence, replenish production inventories, review maintenance strategy, etc
  - Review supply chain and discuss stock management with stakeholders: clients, suppliers, etc
  - Focus on cash-cost reduction: spend-control towers, lean operational programs, application of advanced analytics to YET,<sup>2</sup> procurement, and review capital-expenditure strategy, etc

<sup>2</sup> Yield, energy, and throughput.



### Reimagine: What is the next normal for the company?

- **Reposition product portfolio to leverage new demand** (eg, lower carbon, decommoditization, supply-chain traceability)
- Accelerate the “**mine of the future**,” supported by a strong digital and analytics strategy

#### People

- New training and response programs
- Revised health, safety, and environment strategy
- People strategy based on digital and analytics: new skills and functions to develop

#### Operations

- Value-chain optimization concept
- Probabilistic and agile mine-planning strategy
- Automated technology and remote-based operations

#### Management infrastructure

- KPIs<sup>3</sup> on stability and variability
- Monitoring integrated across the entire operation
- New oversight structures: “nerve centers,” control towers, etc

<sup>3</sup> Key performance indicators.



### Reform: What will the new environment for mining companies be?

- Governments' interventions could result in meaningful changes to mining regulatory environment across regions**
- Engage with governments on trade-agreement negotiations
  - Engage with authorities about new technologies and “mine of the future”
  - Collaborate on regional development plan to achieve environment, social, and governance goals<sup>4</sup>
  - Review community-engagement practices

<sup>4</sup> Per UN 2030 Sustainable Development Goals.