

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,¹ sanitization strategy
 - Launch mental-health initiatives for employees
 - Lean on technology for remote working, ad hoc training, and communication across the sites

¹ 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,² procurement, and review capital-expenditure strategy, etc

² 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

- KPIs³ on stability and variability
- Monitoring integrated across the entire operation
- New oversight structures: “nerve centers,” control towers, etc

³ 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 goals⁴
 - Review community-engagement practices

⁴ Per UN 2030 Sustainable Development Goals.