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Deloitte Global Report Outlines 10 Trends Facing Mining Companies in 2017

- *Historically slow to innovate, the mining industry takes cues from industry peers to position itself for long-term success*
- *Innovation, collaboration, cybersecurity and environmental stability among critical concerns in 2017*

NEW YORK, Moscow, Almaty 1 February 2017 - For the first time in years, there is a mood of cautious optimism in the mining industry, with commodity prices on the rise, shallow growth returning to different end markets, and most mining companies in better cost positions than in the recent past. However, the industry is still at a pivotal point as it faces challenges from cybersecurity threats, to technological disruption and environmental issues. Mining companies now face key choices about where to invest and how to position themselves in the coming years. Released today, Deloitte Global's 9th annual Mining Report, *Tracking the trends*, explores how mining companies can succeed by understanding and reacting to 10 trends that are expected to impact them in 2017 and beyond.

"Mining companies willing to engage in substantive change, by rethinking strategy and embracing disruption to help unlock productivity and improve sustainability, will likely be best positioned to succeed," **says Philip Hopwood, Mining Sector Leader, Deloitte Global.** "These companies will require strong leadership, greater collaboration and adoption of a long-term view to propel the industry forward."

Igor Tokarev, Deloitte CIS Mining Leader, stated, "Due to the volatility in global commodity prices, mining companies from Russia and the CIS as well as the entire global industry seek to increase shareholder value. We observe that the application of advanced technologies (primarily management) by our companies provides further potential for achieving this goal."

The 2017 edition of *Tracking the trends* explores these issues and includes a range of case studies, which showcase how mining companies are bringing new solutions to life.

Unlocking productivity through innovation

In an increasingly complex world driven by new technologies, mining companies are turning to innovation to fuel success. In recent years, the mining sector has invested in technological innovations such as driverless trucks, sensors and advanced analytics to reduce cost, streamline equipment maintenance and prevent safety incidents. Today, new technological advancements are rapidly driving the next wave of productivity gains. Technologies such as drones, real-time modeling and geo-coding are creating real-time, productive and functional improvements.

“To get to the next layer of efficiency gains, companies should not only adopt the technology, but create a culture of innovation that leverages insights beyond the mining industry,” said Andrew Lane, Energy and Resources Leader, Deloitte Africa. “By adopting innovations from sectors such as manufacturing, automotive and pharmaceuticals, the mining industry can enjoy the full range of benefits new technology offers.”

Additional issues identified by Deloitte Global include:

- **Improving shareholder value:** Historically, the mining industry has underperformed in this space, with total shareholder returns in steady decline since 2011. Optimizing portfolios, strengthening M&A processes, sustaining focus on cost and making long term investments are key to improving this performance.
- **Operating in an ecosystem:** For the sector to realize major breakthroughs, companies will need to shift from a go-it-alone mentality, to one that recognizes the value of operating within an ecosystem. Adopting new forms of collaboration including turning vendors into partners, collaborating with competitors and building extended partnerships can help companies achieve this goal.
- **Digital revolution:** While there are a number of benefits to embracing digital capabilities, miners must figure out how to turn potential benefits into reality. To thrive in the future, companies must embed digital thinking, processes and structures into the entire organization.
- **Mapping the threat landscape:** As technology permeates all industries and sectors, mining is not immune to the accelerating threats of cybersecurity. Mining companies are subject to a wide range of risks, and with an evolving threat landscape, leaders must strengthen their cybersecurity programs.
- **Creating a shared vision for the sector:** To foster a shared vision for the mining sector, companies and governments could benefit from finding a middle ground that aligns interests and enhances cooperation when it comes to regulations.
- **Re-earning the social license to operate:** Winning a social license to operate is especially difficult for miners in light of a number of recent, catastrophic mining accidents and as communities continue to raise concerns about the industry’s impact on the environment. By lessening their environmental footprint, miners can foster the community trust needed to regain their social license to operate.
- **Supporting strategic priorities:** While commodity prices have begun to recover since they began falling in 2011, following years of record profits industry leaders now understand the importance of

adopting operating models that can help them respond to industry challenges and market volatility. Companies that took steps to strengthen their balance sheets in the latest round of cost take-outs are now considering how to align their operating models against these choices so they can position themselves to meet their strategic objectives and sustain their new, lower cost positions.

- **Creating healthy and inclusive workforces:** Productivity improvement has been elevated to a mining industry mantra following the commodity price weakness of recent years. Companies, however, need to recognize that productivity goes beyond reducing costs and streamlining processes: mental health, wellness and diversity should also be considered and addressed.

- **Adopting an integrated approach to reporting:** With governments demanding greater levels of transparency, the sector is working to strengthen compliance and disclosure practices. By standardizing information, considering the benefits of over-reporting and reviewing IT systems to ensure consistent data measurement and reporting capabilities, companies can adapt to a step change in the reporting environment.

“As companies recommit to a new set of strategic priorities, they will also need to adopt the next generation of operational approaches,” said Hopwood. “The time is now for mining companies to consider new strategic approaches, transforming the way mining operates across the board.”

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