Mining & Metals survey: Your thoughts for 2021

In December 2020, we conducted a straw poll of 68 decision makers in the mining & metals sector via an online survey. While the results are subject to the limitations of sample-based information, they do provide an indication of broader market sentiment. The results are anonymized and presented in aggregate.

**Question 1:** In which country do you currently reside?

- UK: 24.1%
- India: 12.9%
- USA: 9.6%
- Brazil: 4.8%
- Canada: 4.8%
- China: 4.8%
- UAE: 4.8%
- Australia: 3.2%
- France: 3.2%
- Germany: 3.2%
- Peru: 3.2%
- Singapore: 3.2%
- Turkey: 3.2%
- Other: 14.4%

**Question 2:** For what type of institution do you currently work?

- Mining company – major and mid-cap: 34.8%
- Advisor: 21.2%
- Bank: 10.6%
- Mining company – junior: 9%
- Government: 4.5%
- Trader: 3%
- Hedge fund: 3%
- Other: 13.6%

**Question 3:** What is the key risk for the mining & metals sector in 2021?

- ESG issues: 45.4%
- COVID-19 supply chain disruption: 13.6%
- Trade tensions: 9%
- Chinese slowdown: 9%
- COVID-19 demand destruction: 7.5%
- Resource nationalism: 7.5%
- Emerging market weakness: 3%
- Strength of US dollar: 1.5%
- Other: 3%

**Question 4:** What impact are trade tensions likely to have in 2021?

- Localised but material impacts on particular commodities: 28.7%
- Speculative pressure on commodity prices: 24.2%
- Slowdown in actual commodity demand: 21.2%
- Little actual impact from trade barriers: 13.6%
- Inflationary pressures on end users: 10.6%
- Other: 1.5%

**Question 5:** What will be the main priority for the mining sector in 2021?

- Maintaining production during the pandemic: 21.2%
- Productivity gains: 12.2%
- Building resilience: 12.2%
- Growth: 10.6%
- ESG matters: 21.2%
- Climate-change response: 12.1%
- Tailings management and safety: 4.5%
- Other: 37.8%

**Question 6:** What medium-to-long-term impact is COVID-19 likely to have on the sector?

- The mining sector will be relatively unaffected by the pandemic: 24.2%
- Continued focus on ESG: 18.7%
- Increasing digitisation: 15.1%
- An increase in distressed assets: 13.6%
- Protracted downturn: 12.1%
- Government stimulus running out: 9%
- Other: 6%
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Question 7: Following COVID-19, do you expect environmental, social and governance (ESG) issues to play a greater part in investors’ decision-making?

- Yes: 78.8%
- No: 21.2%

Question 8: Will long-term sustainability initiatives conflict with a company’s need to cut costs and create greater efficiencies post-COVID-19?

- Yes: 59%
- No: 41%

Question 9: What area of mining & metals will face the most scrutiny from investors and regulators related to environmental and social issues?

- Scope 1 & 2 Emissions (direct and electricity-related emissions of the mines): 25.5%
- Scope 3 Emissions (all activities include usage of the mine products): 23.5%
- Local community impact: 21.5%
- Tailings management: 15.7%
- Water usage: 5.9%
- Human Rights: 1.9%
- Other: 5.8%

Question 10: How will the mining industry respond to climate change policies and investor pressure?

- Reduction in Scope 1 & 2 emissions: 44.9%
- Continued coal divestment: 26.5%
- Reduction in Scope 3 emissions: 16.3%
- Increased spending on battery materials: 6.1%
- Focus on carbon capture and storage: 6.1%

Question 11: Which region do you see posing the biggest resource nationalism risk?

- Africa: 49%
- Southeast Asia excluding China: 15.7%
- Latin America: 13.7%
- CIS region: 7.8%
- Other: 13.7%

Question 12: How is resource nationalism most likely to manifest itself in the wake of COVID-19?

- Increased taxation: 41.2%
- Contract renegotiation: 21.5%
- In-country beneficiation: 17.6%
- Forced equity transfers: 13.7%
- Restrictions on export: 5.9%
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Question 13: What sort of M&A deals are the most likely in 2021?

- Opportunistic asset-driven deals: 43%
- Major industry consolidation involving large players: 25.5%
- Divestment: 15.7%
- Relatively little activity: 7.8%
- Hostile deals: 1.9%

Question 14: What sector is most likely to experience consolidation?

- Precious metals: 41.7%
- Base metals: 22.9%
- Coal: 16.7%
- Battery materials: 12.5%
- Other: 6.2%

Question 15: What is likely to lure non-specialist institutional investors into the sector (and/or keep them invested)?

- Shareholder returns: 21.6%
- Exposure to commodities that are not oil & gas: 15.7%
- Improved ESG performance: 11.8%
- Exposure to battery minerals supply chain: 11.8%
- Good supply-and-demand fundamentals: 9.8%
- Disciplined capital allocation: 3.9%
- Exposure to macro-growth: 3.8%

Question 16: How will the sector fund growth?

- From balance sheet: 22%
- From debt markets: 8%
- From equity: 6%
- From offtake/streaming/royalty: 2%
- All of the above: 62%

Question 17a: Public Equity

- Positive: 37%
- Negative: 63%

Question 17b: Private Equity

- Relatively more: 68.1%
- Relatively less: 31.9%
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Question 17c: Bank debt

Relatively more: 63.8%
Relatively less: 36.2%

Question 17d: Bond debt

Relatively more: 61.7%
Relatively less: 38.3%

Question 17e: Convertibles/hybrids

Relatively more: 65.3%
Relatively less: 34.7%

Question 17f: Streaming/royalty/alternative financing

Relatively more: 73.9%
Relatively less: 26.1%

Question 18: Which commodity is more likely to outperform in 2020?

- Copper: 36%
- Gold: 16%
- Lithium: 14%
- Nickel: 12%
- Aluminium: 4%
- Iron ore: 4%
- Cobalt: 4%
- Coal: 2%
- Other: 6%

Question 19: Which commodity is most likely to underperform in 2021?

- Coal: 48%
- Gold: 16%
- Aluminium: 10%
- Iron ore: 10%
- Lithium: 4%
- Zinc: 4%
- Copper: 2%
- Nickel: 2%
- Cobalt: 2%
- Other: 2%
Question 20: How do you expect the mining industry will build greater resilience for the future?

- ESG: 40%
- Disposal of non-core assets: 20%
- Supply chain excellence: 18%
- Vertical integration: 12%
- Diversification of portfolios: 12%

Question 21: What will be the biggest driver of innovation in mining?

- Cost pressures: 36%
- Investor pressure: 22%
- Purchaser pressure (e.g., car manufacturers, battery makers, steel mills): 22%
- Government regulation: 12%
- The response to COVID-19: 4%
- Other: 4%