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News Release

Cost Cutting Shouldn't be at the Expense of Risk Management in the Mining Sector, Warns Willis

London, UK, February 3, 2014 – With the prospect of rising costs, falling commodity prices and decreased productivity levels, mining companies are embracing cost cutting measures to lay the foundation for long-term business growth, according to *Mining Risk Review 2014*, a publication from Willis Group Holdings (NYSE:WSH), the global risk adviser, insurance and reinsurance broker.

"To date, the bulk of cost cutting has come via reduction of head office spend, exploration and business development. We have not yet seen loss-making production assets curtailed or substantial cost cutting at the asset level," according to the report, which is available online here.

But Willis warned companies not to be tempted to cut back on risk management outlays in order achieve cost reductions. This could be fundamentally self-defeating as the costs saved are marginal but leave potentially enormous exposures, cautioned Willis.

Instead, mining companies should look for ways to extract maximum value from their insurance programmes, said Andrew Wheeler, Senior Advocate Partner in Willis's Mining Practice: "Often, mining operations have highly developed risk registers and risk management systems but on checking in the field there is disconnect between what is planned and what is really happening. There is often a poor understanding of risk controls in the workplace, poor implementation and a lack of robust reviews and audit systems to ensure the controls are working."

"Successful companies manage their business processes to reduce loss," added Wheeler. "Good levels of control and business continuity planning can help ensure that large loss events are reduced as far as possible. It is this level of commitment to strong risk management processes that define resilient mining operations."

"Strong and consistent leadership is also critical to the success of any operation. Management sends a strong message when senior people take time out to visit the field operations, engage with people on the job and challenge people to do better."

"Lower reinsurance costs, increased competition and a relatively benign loss environment, have combined to the advantage of insurance buyers in 2014," he added. "In all, companies who can drive down costs and protect their margins in this tough climate are the ones who will be resilient to the threats they face."

About Willis

Willis Group Holdings plc is a leading global risk advisor, insurance and reinsurance broker. With roots dating to 1828, Willis operates today on every continent with more than 17,500 employees in over 400 offices. Willis offers its clients superior expertise, teamwork, innovation and market-leading products and professional services in risk management and transfer. Our experts rank among the world's leading authorities on analytics, modelling and mitigation strategies at the intersection of global commerce and extreme events. Find more information at our website, www.willis.com, our leadership journal, Resilience, or our up-to-the-minute blog on breaking news, WillisWire. Across geographies, industries and specialisms, Willis provides its local and multinational clients with resilience for a risky world.

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