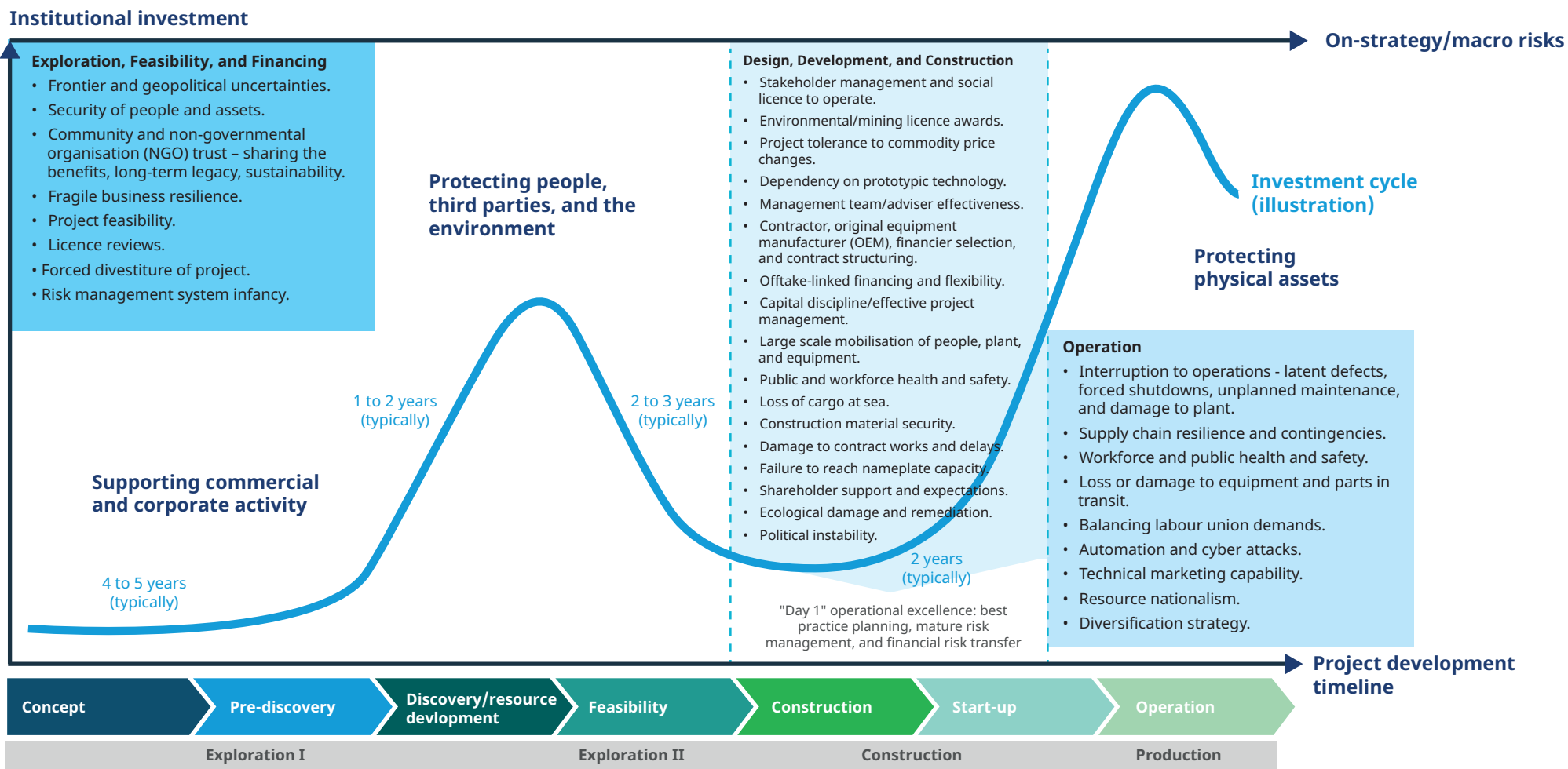




Insurance and risk management considerations for mining and metals companies

Common risks in the project management lifecycle



Risk considerations for junior mining companies



OUR APPROACH

Maximising the return of risk management investment

Mining companies face increasing challenges and pressures, requiring a strategic and customised approach to risk management as they grow. We focus on your business objectives, industry dynamics, and the risk profile of each, allowing us to:

- Deliver a thought-provoking insight into the global mining industry's risks and define opportunities to help lower your risk, improve your efficiency, and reduce your costs.
- Design an optimal risk management strategy tailored to your needs and risk profile.
- Deliver results that are aligned with your business objectives, which may help you to unlock cost savings and empower you to take informed risk management and insurance decisions.

By aligning risk management with strategy, integrating it into financial and operational models, and maximising the value of risk management investment, this should deliver:

- Better planning.
- Reduced volatility.
- Risk improvements.
- Qualified costs reductions.

PROJECT DEVELOPMENT TIMELINE WITH AN ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FOCUS

Initial activities

Feasibility and construction

Production

Decommissioning and rehabilitation

Understanding materiality

Benchmarking and risk rating against peers

Gap analysis, risk and materiality assessment

ESG **roadmap** and **strategy** development

Due diligence and physical and transition climate risk

Climate **scenario modelling**

Engineering ESG **site surveys**

Emissions and carbon accounting for scopes 1-3

Supply chain ESG impact analysis

Taking action

Disclosures, reporting and submission writing (e.g. TCFD)

Adaptation plans and business case, **resilience playbook**

Net zero plans and decarbonisation roadmap

Insurance solutions



Marsh Credit Specialties structure insurance solutions for lenders, investors, asset owners and contractors supporting the mining sector; these solutions include



Political Risk Insurance (PRI)



Non-Payment Insurance (NPI)



Trade Credit Insurance (TCI)



Parametric Insurance

Our solutions

MARSH CREDIT SPECIALTIES

Marsh Credit Specialties insurance products help our clients optimise investment returns by reducing entry barriers to market, facilitating access to capital, supporting sales growth, reducing the costs of capital, and replacing conventional forms of collateral.

Growing demand for minerals in frontier markets:

Strong demand for raw materials, particularly those related to the energy transition, is boosting prices and prompting a push for new mining investment – with a large portion of this investment being in emerging and frontier markets. While the financial returns for both mining companies and financiers are attractive in these markets, the associated political and economic risks can be unpredictable, catastrophic in nature, and almost impossible to manage through traditional stakeholder risk management methods.

Both political and payment risks can be managed:

Political risk events such as the seizure of assets (direct or indirect), prohibitive tax increases imposed by governments on foreign-owned assets, currency transfer restrictions, cancellation of concessions, unilateral project agreement amendments, operating and export license cancellation, mining convention changes, or losses generated from physical damage to mining assets driven by political violence events are all sources of potential losses to lenders and investors in the mining industry. Through the effective use of a Marsh Political Risk Insurance (PRI) policy, these risks can be effectively transferred to well-rated insurers providing several financial benefits, including a reduction in the country risk premium.

Investors looking to finance, build, and operate renewable energy assets to help green the mining sector can benefit from bespoke political risk solutions. These can be designed to ensure investors are protected if political risk events affecting the mine then impact their renewable asset.

Volatile trading conditions can be mitigated through non-payment and trade credit solutions. In an increasingly complex and volatile global trading and regulatory environment, counterparty default and/or delay in payments from key or new customers is creating progressively more risk for mining companies. Financiers can structure non-payment solutions to help manage the default risk of loans to mining companies and/or increase participation, while mining companies can manage short-term receivable payment risk through a corporate trade credit policy, managing downside risk whilst continuing to grow sales volumes.

Heightened weather and natural catastrophe risks drive alternative risk transfer solutions

Bespoke parametric insurance solutions can help mine owners cover the financial losses that result from non-damage events such as weather and natural catastrophes, making the project more resilient to climate-related risks.

USING SURETY BONDS AS CLOSURE FINANCIAL ASSURANCE

Mine operators and governments work together to both mitigate and address the environmental impact of mining activities, products, and services. Globally, there are well-developed mine closure regulations requiring financial assurance to ensure funds are available to prevent abandoned mines following the end of the mine's economic life. Financial assurance safeguards sufficient funding for the reclaim and closure of the mine in the event a mine operator is unable or unwilling to fulfil their obligations.

Regulators may establish requirements for financial assurance at different stages of the life of a mine, from construction through the operational phases adjusting, the level of financial assurance to correspond with closure plans and costs. Regulators typically require the posting of adequate financial assurance prior to granting approval for mine activity.

The type of financial assurance acceptable across various jurisdictions include cash, trust funds, and letters of credit. Surety bonds are also widely accepted as finance assurance by US mining regulators for decades and are gaining popularity globally in regions including Australia, Latin America, and Europe. Surety bonds are underwritten by leading insurers that are well capitalised and highly rated by public credit agencies.

Choosing surety bonds over letters of credit as a preferred form of financial assurance frees up borrowing limits, and may improve the company's working capital and liquidity ratios. In an inflationary environment with added political instability, banks may reduce lending limits and/or increase costs stemming from an increased cost of capital, driving up the costs of letters of credit.

Our team of over 300 surety specialists globally focuses exclusively on surety bonds and guarantees. An in-depth understanding of the risk and regulatory nuances of the mining industry, across all jurisdictions, allows us to design and deliver tailored liquidity solutions, meaning our clients can capitalise on the opportunities in today's evolving risk landscape.



CONSTRUCTION

Early engagement and a thorough comprehension of the project, followed by structured, regular, and transparent communication are vital in achieving the optimum risk management and insurance programme for mining and metals projects.

Understanding your risk

Your project will be exposed to a number of risks, across the range of geographical, economic, political, technical, and sociological risks, identified by a whole host of different parties. We need to gain a thorough understanding of your project, your delivery team, and your philosophies regarding contracting, financing and risk. This includes the technical solutions you will adopt and our proposed timeline through to the delivery of the project on time and within budget.

Construction works thus present a unique array of risk management challenges, even where well-proven technologies are employed, including but not limited to:

- Hazardous processes.
- Design/fabrication/workmanship errors.
- Heightened risk of a breakdown associated with newly commissioned plant.
- Tie-ins to existing operational plants.
- Physical exposures to natural perils.
- Management of third-party providers such as suppliers and contractors.

Managing contractual risk

The contractual structure of a mining project can be complex. Multiple insurance obligations must be considered across separate contracts with different stakeholders each of whom has a different financial interest in the project.

Our area of expertise is in ensuring that the insurance requirements in all contracts are drafted in the knowledge of what is reasonably available, while the various contractual obligations dovetail perfectly.

Marsh takes a proactive approach to project finance starting with the production and submission of a detailed insurance strategy document (the Insurance Overview Report) to your lenders and their advisors.

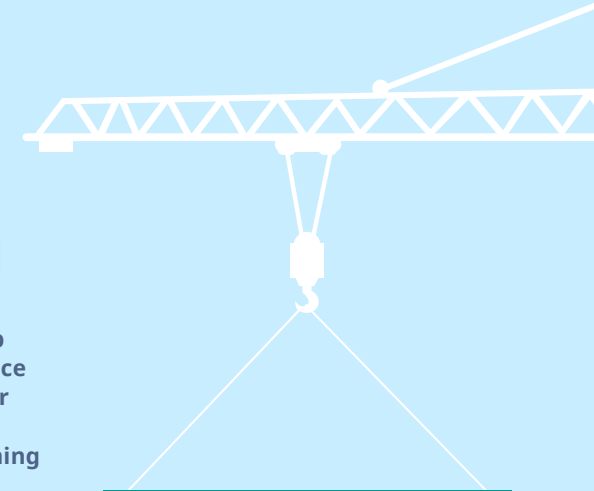
We will support detailed negotiations with you, your legal advisors, and the lenders' insurance advisor (LIA) (if involved) in order to rationalise insurance requirements for the benefit of the project. Our in-depth understanding of the complexities of project finance combined with our proactive approach can help you in achieving Financial Close (FC) on time and within budget.

OUR APPROACH

Marsh's role is to develop and negotiate an insurance programme that meets or exceeds the needs of all project stakeholders, aiming to deliver the project the most competitive outcomes in terms of cost, security, and coverage.

We advocate an owner-controlled approach to insurance procurement due to the many advantages to the owner. We are well-placed to provide advisory and transactional insurance services across a wide range of insurance classes.

The core suite of mining and metal project insurances:



Construction all risks

Third-party liability

Principal Owned mobile and mining equipment

Marine cargo

Delay in start-up

SPECIE MINING

Marsh Specie has a growing mining book that encompasses coverage for both precious and base metals in any form (including gems).

The coverage starts the moment the material comes out of the ground, whether at the mine site, during refinery, when in transit, or in storage anywhere in the world.

We offer coverage for all forms of precious metals for their full life cycle, from the ore through to the refined produce and the basis of valuation for each risk is tailor-made to the needs of the client. Our markets have an appetite for this risk and will also extend coverages to include base metals alongside other ancillary interests.

Our team has focused on risks relating to metals at all stages of the supply chain for over 40 years.

Whilst specific cover for all risks and physical loss or damage is available, is available, it is the coverage enhancements that we are able deliver that sets us apart.

Typical features of a specie metals and mining policy

Type	All risks of physical loss or damage, no liability is offered.
Limits	No top limit. The estimated capacity of the metals and mining market is about USD2.5bn.
Interest	Precious metals of every description and in any form or combination consisting principally but not limited to, ores, concentrates, semi-precious and/or precious metals, metals of whatever description and form, and any other interest appertaining to the business of the Assured.
Coverage	Precious and base metals in any form, including gems, whether at the mine site, refinery, in transit, or in storage anywhere in the world. Additional coverages for employee infidelity, mysterious disappearance and unexplained loss can be sought as well.
Deductible	Nil.



FINANCIAL AND PROFESSIONAL LIABILITY

The mining industry is constantly evolving and Marsh is in a unique position to maximise coverage for clients which is especially important at present given the growing risk exposure mining companies face. Listed below is a summary of our current products and how these could be used to help extend and improve a client's current D&O coverage.

Marsh Delta

An industry-leading wording that maximises client coverage with the inclusion of wider definitions, insured-client language, and overall greater scope of coverage available to Marsh mining industry clients.*

- No pollution exclusion, as standard.
- Public relations costs cover included, to address or mitigate potential reputational damage.
- Broad investigations costs coverage – including internal, informal, and formal investigations.

Marsh Alpha

Key benefits include:

- Lloyd's licensed insurers (meaning Alpha can drop down and pay non-indemnifiable loss in multiple jurisdictions).
- Broad definition of investigation cover including purely internal investigations, insolvency-related investigations and witness costs.
- Provides any coverages required by local law (if not already included in underlying layers).
- The wording has an unlimited discovery period for retired directors.
- Only one exclusion (proven/admitted fraud).
- One automatic reinstatement of limit included (second optional for an additional charge).

ESG rating tool

With ESG becoming an increasingly hot topic for insurers when evaluating client risk profiles, the creation of the Marsh ESG rating tool enables us to look at our clients through an insurer lens and identify potential risk factors that underwriters may pinpoint. This enables us to ensure that these potential aspects are addressed well before entering into market negotiations and therefore, we are able to draw the best possible terms of coverage from insurers given the risk profile of the client.

Marsh quota share: automatic capacity available to all mining clients



Up to GDP/USD/AUD/CAD 12.5 million of automatic capacity across multiple product lines.



Capacity provided by A+ rated insurer.



Terms and conditions which follow the lead insurer – no additional or onerous conditions.



Guaranteed capacity on more complex risks with a dynamic or distressed risk profile.



Generating competition amongst insurers.



Providing stable capacity throughout varying market cycles.

CYBER RISK MANAGEMENT

With cyber risk management rapidly becoming a board-level concern in the mining sector, it is crucial that organisations take steps to manage their cyber resilience.

Whether you need help to build an insurance programme from the ground up or to identify a cybersecurity vendor, our cyber risk advisors are your objective, insightful guides throughout the process. Our core capabilities span four areas of cyber risk:



Insurance

Proprietary insurance programmes, products, and tools to inform and improve cyber risk transfer.



Incident management

Proprietary insurance programmes, products, and tools to inform and improve cyber risk transfer.



Risk intelligence

Proprietary analytical tools and actuarial expertise to help identify and quantify cyber risk across the organisation and its operations.



Resilience optimisation

Cybersecurity product, service, and provider assessment; decision-making; and placement support to reduce cyber indecision risk.



Marsh risk advisory

With over 2000 experts globally, Marsh Advisory can help support your mining business across all risk issues, from the design to the running phase of your mining operations. From the many areas we can support, there are a few strategic ones that have been of particular interest to our mining clients in the past few years.

- **ESG and climate resiliency:** reporting on Climate/ESG is becoming increasingly important to stakeholders. Moreover, insurers are incorporating ESG into their underwriting strategy. Our experts can assist you with this.
- **Financial volatility and risk governance optimisation:** the recent market transition has called into question the value of insurance; we will improve your risk profile and help you differentiate yourself to benefit from increased access to new capacity.
- **Security and terrorism:** our experts will design your scenario planning to support effective decision-making and communications to help mitigate current political instability.
- **Cyber threat:** aligning your organisation to maturity frameworks and raise awareness of existing controls as well as instilling a risk-aware culture to maximise risk mitigation and cyber prevention proficiency.
- **Business interruption/supply chain tension:** we would assist in conducting a critical supplier strategy review in order to address the increasing individual supplier risk exposures due to downstream supply chain issues.
- **Natural catastrophe:** through natural catastrophe (Nat Cat) analytics, we can help you quantify the potential financial impact of Nat Cat events and support purchasing of appropriate sub-limits of indemnity within your physical damage/ business interruption (PDBI) insurance coverage.

Advisory solutions for mining throughout the project life

	Pre-Feasibility	Pre-construction Phase	Construction Phase	Pre-Operational Phase	Operational phase	Decommissioning
Advisory solutions	<ul style="list-style-type: none"> • Location risk assessments and risk ranking. • Political risk reviews. • Engineering pre-feasibility review • Probable/estimated maximum loss study and loss scenario testing. • Bankability assessment. 	<ul style="list-style-type: none"> • Construction consulting • Front-end engineering design review. • Enterprise risk management: risk register, risk mapping. • Health and safety planning. • Weather parametric solutions. 	<ul style="list-style-type: none"> • Workforce strategies. • Complex claims solutions. • Construction engineering surveys and deep dives. 	<ul style="list-style-type: none"> • Audit process of phase. • Engineering support through transition to operations start-up. • Updated EML study for operational phase. • Operational enterprise risk management framework. • Claims defensibility. 	<ul style="list-style-type: none"> • Business interruption assessment. • Asset valuations. • Business continuity planning. • Operational risk engineering surveys. • Security risk assessment and mitigation. • Complex claims solutions. • Risk benchmarking. 	<ul style="list-style-type: none"> • Contract audit for end of life. • Site assessment for environmental/decommissioning. • Liability exposure review. • Complex claims solutions.





Why Marsh?

Tailored risk management solutions which can help you reduce the cost of risk, build resilience, and potentially drive sustainable growth.

Unique mining industry focus

- More than 250 colleagues across the world dedicated to mining and minerals.
- 1,200+ global mining clients.
- We place USD74 million in insurance premium in the UK and Ireland, and USD1.7 billion globally on behalf of mining, metals, and minerals clients.
- Dedicated global mining team with a presence in major insurance hubs.
- Mining claims specialists delivering claims preparation and management services globally.
- Extensive database of mining loss and claims data.
- Insurance solutions in compliance with local regulations.

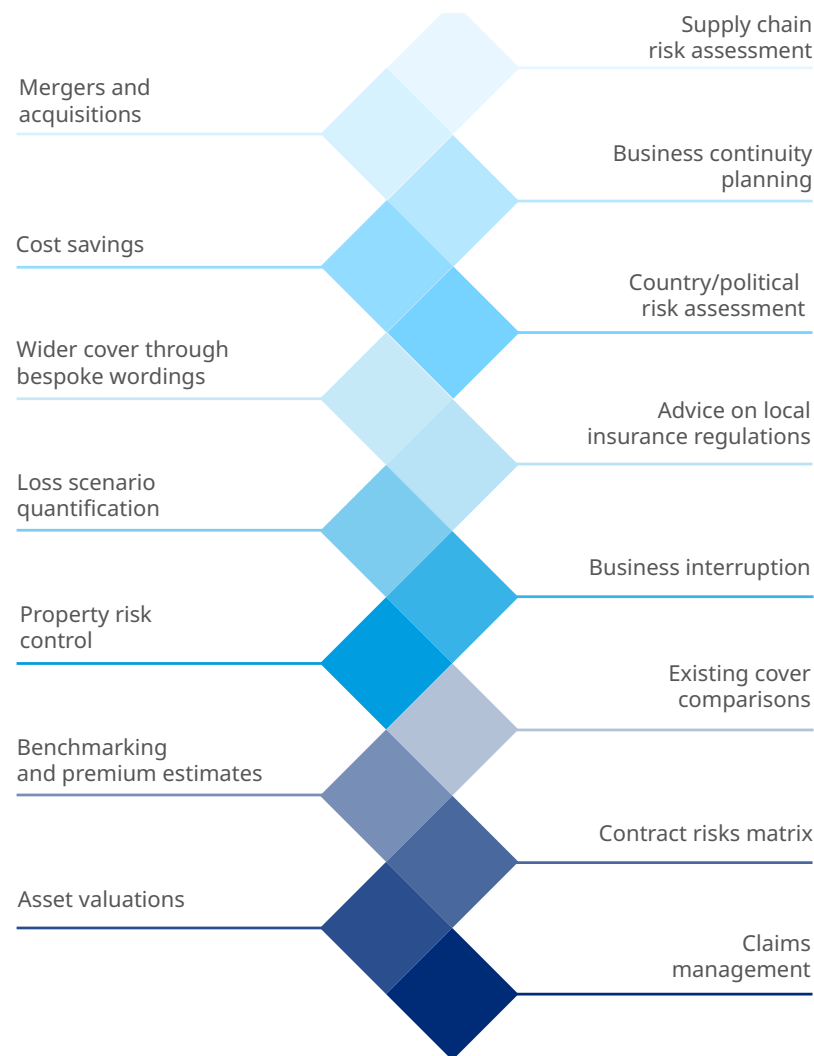
High quality advice, service, and execution

- Optimal analytics integrating benchmarking, risk identification, industry, and finance optimisation, and product-specific models.
- Transactional support for financial, legal, and commercial due diligence via Marsh's Private Equity and Mergers & Acquisitions (PEMA) practice.

- Specialist risk engineering services, including site-based risk analysis/assessments, property surveys, asset valuations, and business interruption analysis.
- Proprietary mining wordings, designed specifically to meet the sector's project and technical requirements.
- Specialist mining insurance placement facilities with competitive pricing from some of the market leading insurers.
- On-going investment in high calibre personnel from insurance, financial, legal, and mining backgrounds.

Partnering for growth across the asset lifecycle

- Comprehensive suite of risk transfer, analytical, and consultancy based solutions for small and medium-sized mining companies.
- One account service team from concept through to remediation.
- Scalability of services, adapting from project conception through to remediation.







Industry knowledge

We combine broking excellence with industry best practice and knowledge from across our Global Mining Practice, which can help in reducing the total cost of risk, the probability of a loss event, and the potential impact of any such event. We can also support in the development of appropriate risk control frameworks.



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About Marsh

Marsh is the world's leading insurance broker and risk advisor. With over 45,000 colleagues operating in 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services. Marsh is a business of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. With annual revenue over \$20 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. For more information, visit marshmclennan.com, and follow us on [LinkedIn](#) and [Twitter](#).

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