GATES AVIATION

TRUST EXPERIENCE. DISCOVER INNOVATION

Business Continuity: Preserving the Operation in a CRISIS

Captain Jo Gillespie

Gates Aviation

What is Business Continuity?

- Providing an immediate recovery to business operations at the time of an incident/disaster.
- Ensure **critical functions** can continue or recover within a defined period.

<u>It is never ‘business as usual’.</u>

- Risk Management and Business Continuity go hand in hand.

PREVENTION and CURE (or at least ‘First Aid’)

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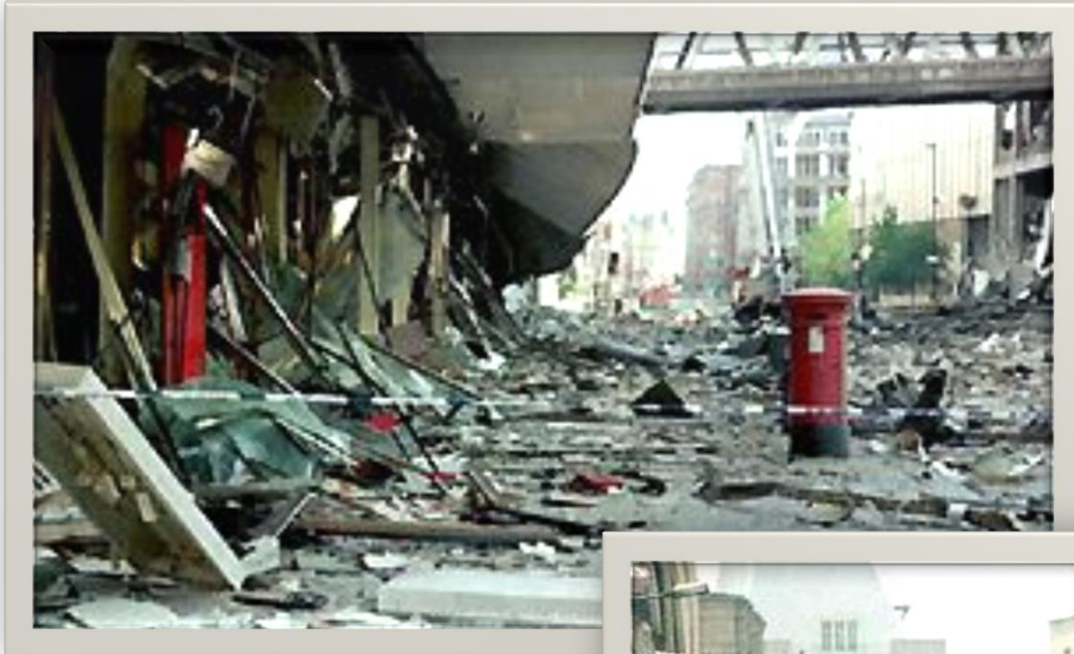

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Businesses do not invest enough in BC

- In the Manchester IRA bombing 23 out of 83 businesses never recovered
- In the 1993 World Trade Center bombing 150 businesses out of 350 affected failed to survive the event
- Conversely, most companies affected by the 9/11 attacks with well-developed and tested BCPs were back in business within days – seems impossible but true
- Major fires permanently close 44% of UK businesses affected

What is 'The Operation'?

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- Aircraft
- Equipment
- Fuel
- Employees
- Management
- Directors
- Shareholders
- Property
- Reputation
- Revenue
- Regulators
- Customers
- Public
- Environment

What are we trying to protect?

People
- Fundamental duty of care

Property
- Responsibility to investors

Investments
- As above

Business Plan
- This is what we set out to do
- Operational products & services

Objectives
- These define success
- What are your operational business objectives?

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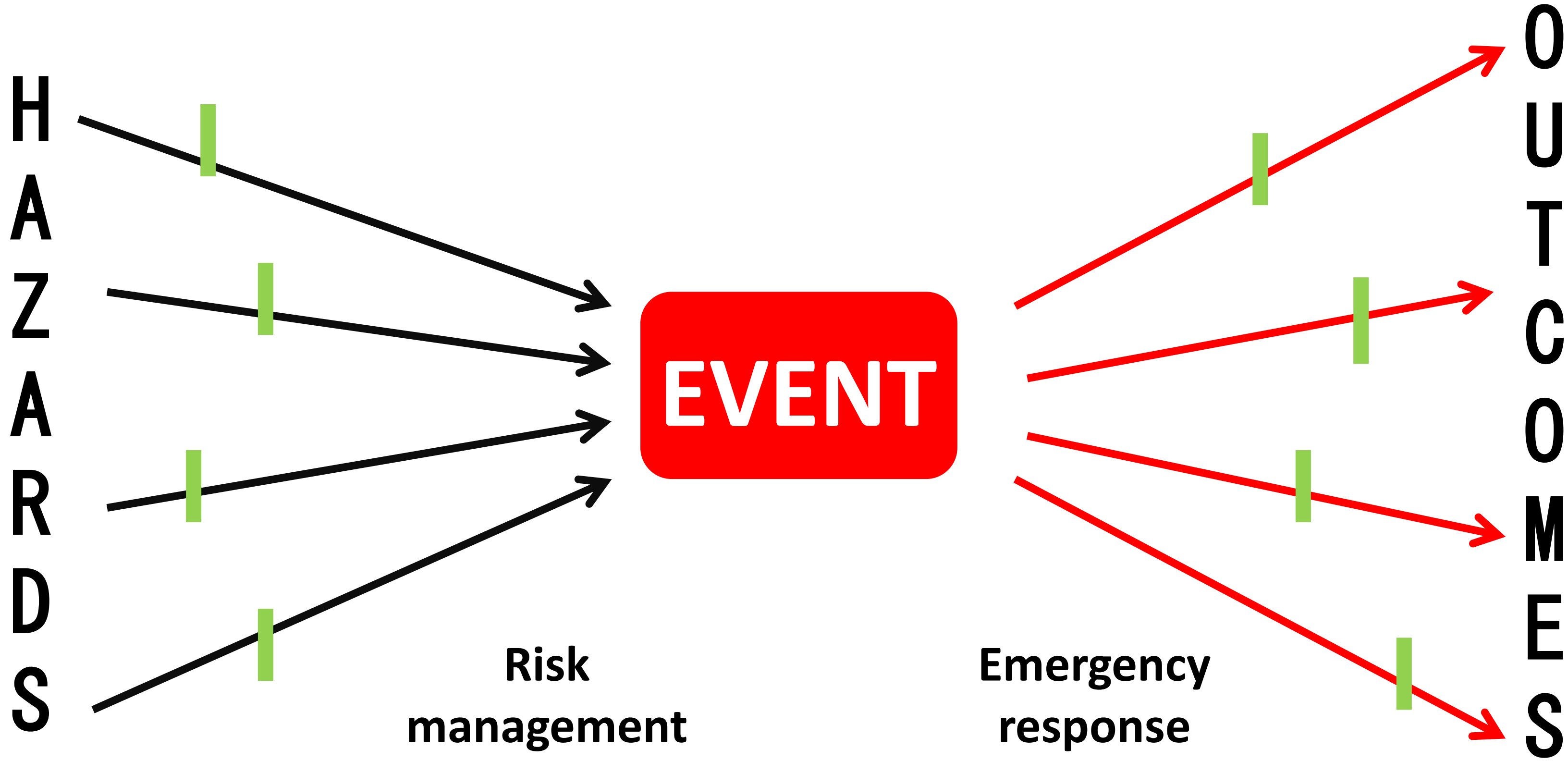
ISO 31000 Risk Management – Principles & Guidelines:

Organisations of all types and sizes face internal and external factors and influences that make it uncertain whether and when they will achieve their objectives. The effect this uncertainty has on an organisation's objectives is **"risk"**

Balance between ‘Severity’ and ‘Likelihood’… and NEED

Risk Management vs. Emergency Response



Video

Separate ER from BC

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Some things that can affect us?

- Accidents
- Oil price
- Exchange rates
- Natural disasters
- Epidemic
- Global finances
- Political instability
- War
- Terrorism
- Competition
- Regulation
- Foreign intervention
- Commercial pressure

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Basic BC Risk

1. Loss of access to your buildings and sites
   - Terrorism, fire, flood, bomb threat…
2. Loss of your systems
   - IT, payroll, flight planning, load control, comms…
3. Loss of your staff or their availability
   - Strike, epidemic, death…
4. Loss of your suppliers
   - Check their BC plan!
5. Failure to deliver

Control the controllable…

We already do some proactive BC

- Safety Management Systems (SMS)
- Training
- Fuel hedging
- Insurance
- Market intelligence
- Relationships

Hope for the best!

Prepare for the worst…

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Airline execs naturally optimistic

– Have to be, narrow margins

If we prepare for everything we would never get out of bed

It is all about risk

– Which includes an element of chance

Balance of risk appetite, aversion and cost

– Time, investment, resources, loss

Can you leave BC to your team?

No, the clue is in the name - business

- Some of the decisions are strategic
- Require Board endorsement at least

There could be a significant cost

- Delegated authorities

Could influence commercial positioning

- When to pull out of a route perhaps

The Board must hold the 'residual risk'

- There will always be some left

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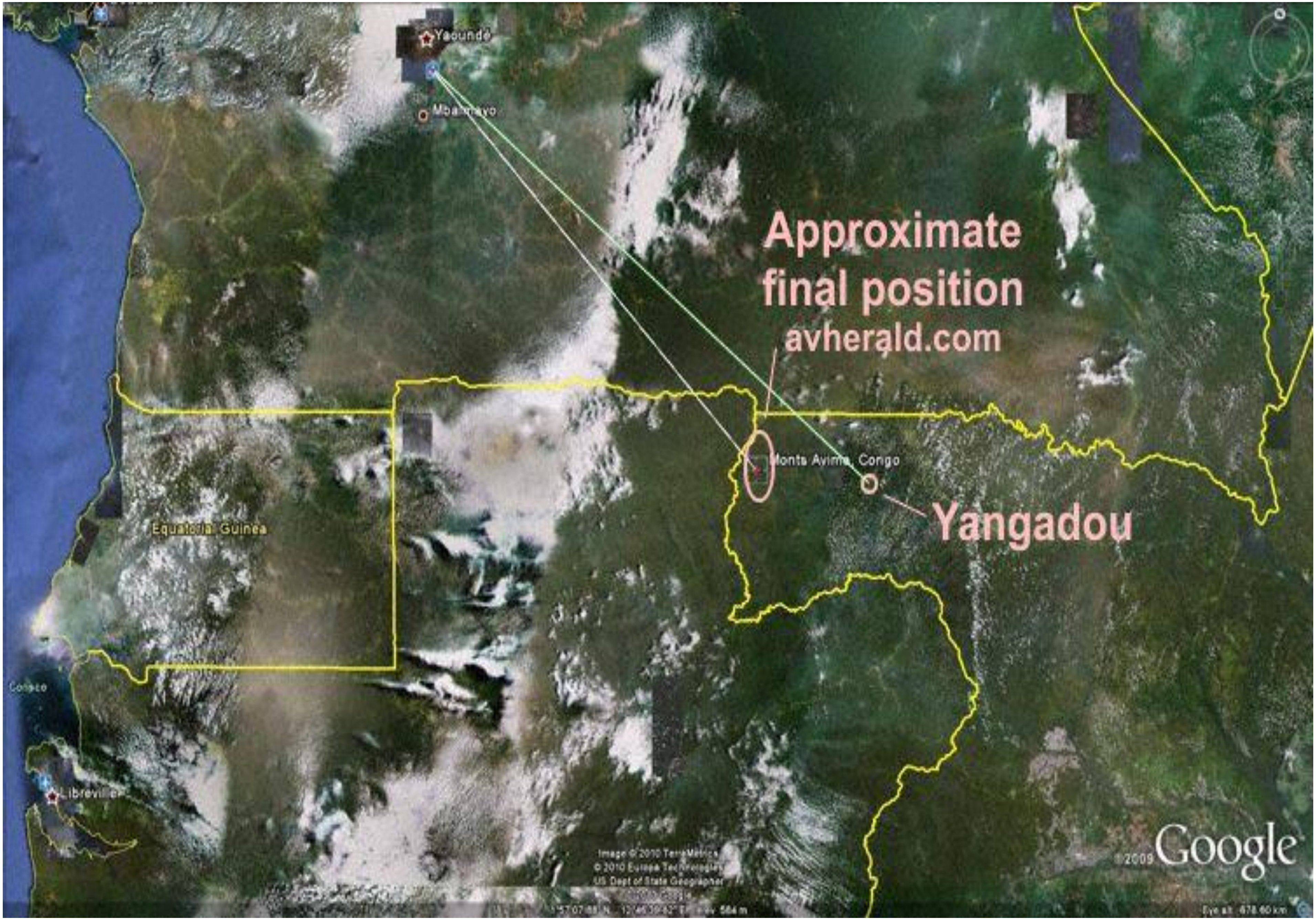
Yaoundé
Approximate
final position
avherald.com
Monts Avima, Congo
Yangadou
Equatorial Guinea
Libreville
Google

SUNDANCE RESOURCES

Developing a global iron ore business

21 June 2010 **MEDIA RELEASE**

MISSING AIRCRAFT - UPDATE 3

Sundance Resources Limited (**ASX: SDL** – "Sundance" or "the Company") would like to provide an update in relation to the missing aircraft, the search effort and interim operational and governance matters.

Background to missing aircraft

As previously advised, an aircraft chartered by the Company was reported missing when it failed to reach its destination on Saturday 19 June 2010, while on a flight from Yaoundé in the Republic of Cameroon to Yangadou in the Republic of Congo.

No survivors in plane crash: Sundance Resources

STAFF REPORTER | THE AUSTRALIAN | JUNE 22, 2010 6:34AM

SAVE

SUNDANCE Resources said today there were no survivors of the crashed plane in West Africa that was carrying its entire board.

"The aircraft was located by a helicopter mobilised by the company operating as part of the multi-national air and ground search," **the company** said in a statement.

"A team of 10 French Military personnel, including a medical detail, were immediately deployed to the remote crash site by helicopter.

"The company deeply regrets to advise it was informed (early this morning) that there were no survivors.

"The crash site has been secured, with two Sundance contractors and a representative of the French Military remaining with the bodies.

IMPACT!

- Loss of all executive officers
- No-one left to co-opt new ones
- Rudderless business
- Stock market rules and expectations
- Investors
- Families
- Media
  - Public opinion
  - Reputation
- Politicians

Can we have a reactive plan to manage that?

No!

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Emergency Response Plan

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- Co-ordinate search & rescue
- Notify next of kin
- Liaise with the media
- Arrange repatriation
- Arrange family travel
- …

But that alone won't save the company!

So we need to plan to avoid it

Example BC - Travel Management System

- Who does it apply to?
  - Different for different grades?
  - Where people are – duty of care
- Levels of approval
  - Who signs off
- Modes of travel
  - Air (sched/charter, single/twin, FW/helo, eqpt), sea, road, rail
- Who can travel with who?
- Medical/health precautions
- Security considerations
- Domestic vs International
- What standards to apply?
  - IOSA, BARS, OGP?

Applied to the example

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- We might not want more than 2 directors together
- Would that increase or decrease the risk exposure?
  - More flights = more time
- Travel by road instead?
  - Maybe more dangerous
- Audit the operator in advance
  - Is there time?
  - Will that tell us enough?

Single suppliers?

Do you or your 3rd parties rely on a single supplier for any mission critical service/product?

- Land Rover was entirely dependent upon a single supplier for the chassis of it's premium Discovery vehicle – when the supplier went bankrupt LR was unable to produce. Administrators demanded huge sums to restart delivery.
- Resolution involved LR purchasing the bankrupt supplier…

Single suppliers?

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- How specialist is the service offered?
- How quickly could an alternative supplier be found?
- What is the financial position of the supplier?
- How exposed is the supplier to vulnerable markets?
- **Does the supplier have its own business continuity plan?**

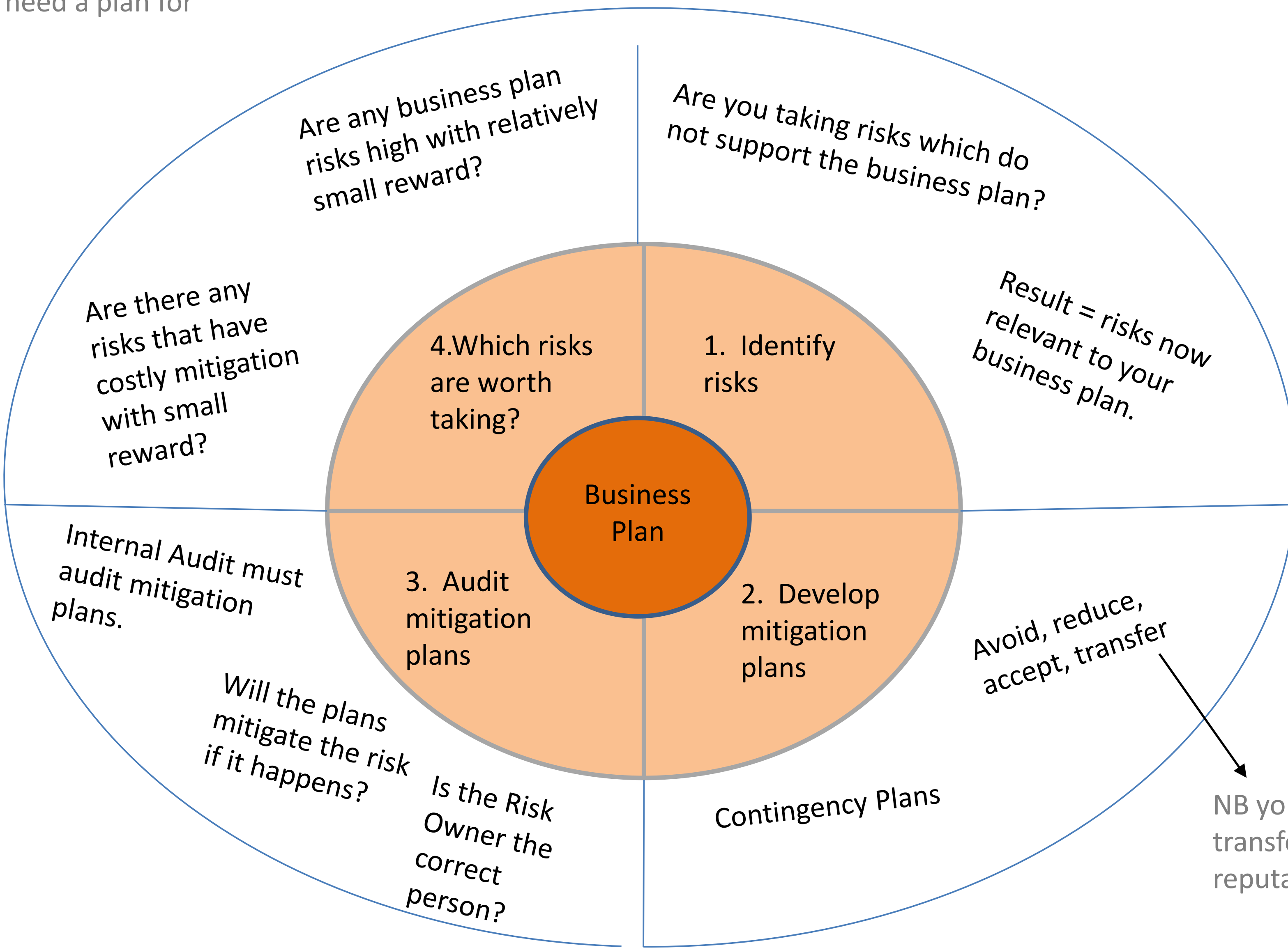
Single suppliers?

- **Risk dilution** may be an appropriate strategy
  – Splitting large single-supplier contracts into smaller multi-supplier contracts,
  – Issuing retainer contracts to alternative suppliers where a contract cannot feasibly be split up,
  – Developing in-house capability for some portion of the service/product
- If the risk remains too high look for an **exit strategy**

Continuity Strategies

- Identify events or circumstances that may affect the operation's objectives (risks & opportunities)
- Assess them in terms of likelihood & severity
- Determine a management strategy (accept/manage/avoid)
- Make individuals in the business accountable for mitigating risks
- Monitor progress and enhance risk mitigation plans

Some external risks may not be part of the business plan . You can't eliminate these, you just need a plan for them.

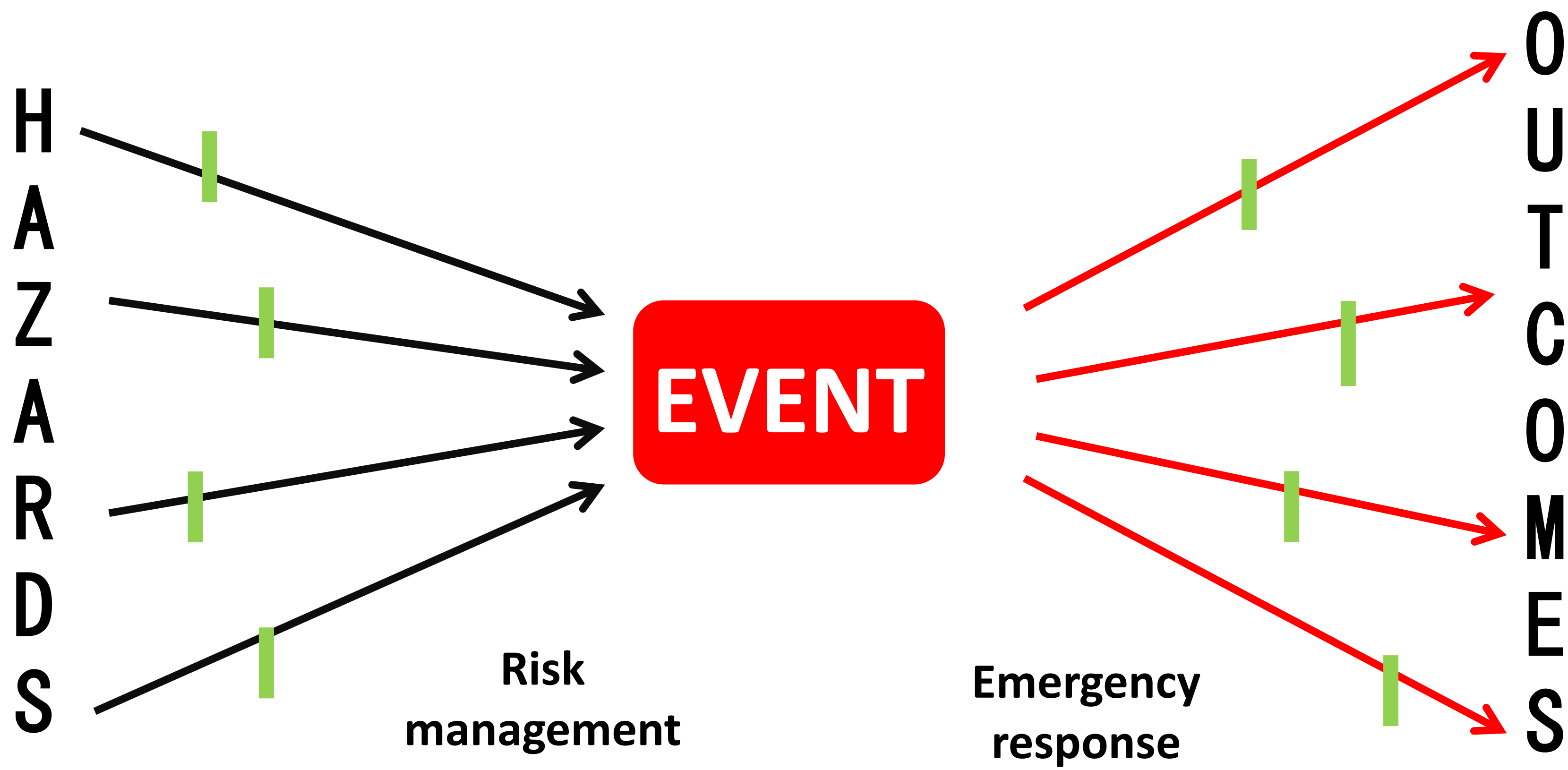


NB you cannot transfer reputation.

3 Layered defence

- Prevention
  - Compliance
- Recognition
  - Knowledge
- Recovery
  - Skill

Risk Management vs. Emergency Response



Why do we never hear the success stories?

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- Success in adversity is relative
  - There will always be some impact
  - It is not business as usual
  - But did the business survive and prosper?
- The media are not interested in success…
  - Doesn't make a good story
- No-one will brag about *only* losing $1,000,000
  - Even though it could have been $10,000,000!

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Gates Aviation

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Business Continuity
A Case Study

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TAM
EXPRESS
TAM


Veja onde ocorreu o acidente
Av. Washington Luís
Av. dos Bandeirantes
Local do acidente:
Depósito da
TAM EXPRESS
3
2
1
Aeroporto de
Congonhas

Emergency Response

- Fire and rescue
- Care for survivors
- Recover victims
- Manage families
- Deal with media
- Manage workforce
- Manage immediate disruption

Business Continuity

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- Accident destroyed TAM building
  - Lost records (including aircraft), resources, functions
- Recover functionality of that area
- Identify alternative records/resources
- Network impact of airport
- Service impact of loss of aircraft
- Business impact of affected staff
- Insurance

Could you foresee that?

Probably not…

- But in isolation you could imagine:
  - – Loss of an aircraft;
  - – Inaccessibility of a site or building;
  - – Deletion or loss of records
  - – Temporary loss of access to an airport
  - – Unavailability of some staff (sickness, injury, grief)

And address each individually and generically

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