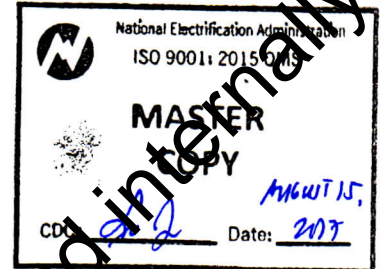




 National Electrification Administration	Manual Title: SYSTEM PROCEDURES MANUAL	Doc Code: NEA-QMS- SP-1.09	Page: 1 of 5
	Document Title: RISK MANAGEMENT	Rev. No. 01	Effective: August 15, 2017

Title : Risk Management
 Document Code : NEA-QMS-SP-1.09
 Document Type : System Procedures Manual
 Effective Date : August 15, 2017
 Review Frequency : 1 year
 Distribution : Printed, LAN, Web



Prepared by:  LINO S.J. VERMUDO, JR. Central Document Controller	Reviewed by:  FRANCISCO O. CAYMO QMR	Approved by:  EDGARDO R. MASONGSONG Administrator
---	--	--

Review / Revision History			
Revision No.	Date	Description	Approved By
0	Aug. 1, 2016	Start of Effectivity Date of NEA-QMS-SP-1.09	AESB
1	Aug. 15, 2017	Revision of Specific Guidelines on Risks and Opportunities Management	AERM
2			
3			
4			
5			
6			
7			
8			
9			
10			

 National Electrification Administration	<i>Manual Title:</i> SYSTEM PROCEDURES MANUAL	<i>Doc Code:</i> NEA-QMS- SP-1.09	<i>Page:</i> 2 of 5
	<i>Document Title:</i> RISK MANAGEMENT	<i>Rev. No.</i> 01	<i>Effective:</i> August 15, 2017

1.0 OBJECTIVE

To establish, implement and maintain a procedure for managing risk and opportunities.

2.0 SCOPE

This procedure applies across various Departments/Offices of the organization.

3.0 TOTAL/MAXIMUM DURATION OF PROCESS

Not applicable

4.0 DEFINITION OF TERMS


- | | | |
|-----------------|---|--|
| Risk | - | a negative effect of uncertainty |
| Opportunity | - | a positive effect of uncertainty |
| Risk Assessment | - | a systematic investigation and analysis of potential risks, combined with the assignment of severities of probabilities and consequences. These are used to rate risks in order to prioritize the mitigation of high risks |
| Risk Mitigation | | a plan developed with the intent of addressing all known or possible risks and preventing their occurrence |

General Guidelines:

1. Consider and manage risks and opportunities differently;
2. Risks are managed with a focus on decreasing their likelihood, and minimizing their impact if they should occur;
3. Opportunities are managed to increase their likelihood, and to maximize their benefits if they should occur; and
4. Where risks and opportunities overlap, the best appropriate method for managing them shall be ascertained, given the situation at hand. Elements of such "blended" uncertainties may require methods which both address the negative risk and positive opportunity.
5. The effectiveness of the actions taken to address the risk and opportunities shall be evaluated.

Specific Guidelines: Management of Risks

1. Interested Parties identified as part of understanding the Context of the Organization are entered into the Issue Log. This indicates the reason for inclusion

 National Electrification Administration	<i>Manual Title:</i> SYSTEM PROCEDURES MANUAL	<i>Doc Code:</i> NEA-QMS- SP-1.09	<i>Page:</i> 3 of 5
	<i>Document Title:</i> RISK MANAGEMENT	<i>Rev. No.</i> 01	<i>Effective:</i> August 15, 2017

and the issue of concern/requirements of the Interested Parties as well as the process affected.

2. Risks for each process are then listed into the Risk Register.

2.1 Risk Assessment is conducted using the following steps:

2.1.1 Identifying the risk

2.1.2 Identifying the process for which the risk most likely dominates

2.1.3 Assigning a probability rating to the identified risk. This probability is comprised of two elements: likelihood and previous occurrences. Each element is given a score from 1 (lowest risk) to 5 (highest risk). The final probability rating is the higher of the two elements.

Rating Scheme:

a. Likelihood

Cannot occur / NA	- 1
Unlikely to occur	- 2
Somewhat likely to occur	- 3
Likely to occur	- 4
Very likely to occur	- 5


b. Occurrences

Has never occurred	- 1
Has not occurred in the past 3 years	- 2
Has not occurred in the past 2 years	- 3
Has occurred in the past 2 years	- 4
Has occurred in the past year	- 5

2.1.4 Assigning a consequence rating if the risk were to be encountered. This consequence is comprised of five elements: potential loss of contract/customer; potential for customer dissatisfaction; inability to meet contract terms/requirements; potential violation of regulations or laws; impact on company reputation; and estimated cost of correction. Again, each element is given a score from 1 (lowest risk) to 5 (highest risk). The final consequence rating is the highest of the six elements.

Definition and Rating Scheme:

- Potential Loss of Contract/Customer - the risk is evaluated based on the possibility that the department/office's customer will cease to become a customer should the risk occur
- Potential for Customer Dissatisfaction - the risk is evaluated based on the likelihood of the customer of the department/office will complain should the risk occur. It also considers the gravity of the customer dissatisfaction of the department/office's service should the risk occur
- Inability to Meet Contract Terms/Requirements - it checks how the risk will prevent the department/office from fulfilling what the

 National Electrification Administration	<i>Manual Title:</i> SYSTEM PROCEDURES MANUAL	<i>Doc Code:</i> NEA-QMS- SP-1.09	<i>Page:</i> 4 of 5
	<i>Document Title:</i> RISK MANAGEMENT	<i>Rev. No.</i> 01	<i>Effective:</i> August 15, 2017

customer requires from them or meeting the targets indicated in its scorecard

- d. Potential Violation of Regulations or Laws - the risk is graded according to the likelihood that a legal requirement may be violated should the risk occur. It also considers the gravity of the implications should there be non-compliance to the legal requirements.

Rating Scheme for Items a to d:

None/NA	- 1
Minor	- 2
Moderate	- 3
High	- 4
Very High	- 5

- e. Impact on Company's Reputation - the risk is rated based on the impact on NEA's reputation as a whole

Rating Scheme:

None	- 1
Minimal	- 2
Moderate	- 3
Sever	- 4
Very Severe	- 5

- f. Estimated Cost of Correction - it is a measure of how much it would take to implement measures to correct the negative impact of the risk should it occur

Rating Scheme:

Php 0	- 1
< Php 100,000	- 2
< Php 500,000	- 3
> Php 500,000	- 4
> Php 1,000,000	- 5


- 2.1.5 Calculating a final Risk Factor based on the equation:

$$\text{Risk Factor} = \text{Probability Rating} \times \text{Consequence Rating}$$

- 2.1.6 Prioritization of risks is determined as follows:

<u>Risk Factor</u>	<u>Priority</u>	<u>Remarks</u>
Less than 8	Low	Mitigation Plan not required
8 to 10	Moderate	Monitoring required; mitigation plan optional
11 and above	High	Monitoring and mitigation plan Required

- 2.2 If a risk includes a potential positive aspect, management may decide to conduct an opportunity pursuit assessment on the positive aspect, as defined below:

 National Electrification Administration	<i>Manual Title:</i> SYSTEM PROCEDURES MANUAL	<i>Doc Code:</i> NEA-QMS- SP-1.09	<i>Page:</i> 5 of 5
	<i>Document Title:</i> RISK MANAGEMENT	<i>Rev. No.</i> 01	<i>Effective:</i> August 15, 2017

Specific Guidelines: Management of Opportunities

1. Opportunities are also identified as part of understanding the Context of the Organization.
2. Discussing and analyzing opportunities shall be done by the Management Committee. If made part of the management review activities, these shall be recorded in the management review records.
3. To help determine which opportunities should be pursued, the Opportunity List/Register may be used to conduct an "opportunity pursuit assessment". This register assesses potential positive opportunities by their benefits.
4. The opportunity pursuit assessment is conducted by:
 - 4.1 Identifying the opportunity and potential benefits
 - 4.2 Identifying the process for which the opportunity most likely falls under
 - 4.3 Assigning a benefit rating to assess potential benefits if the opportunity is selected. This is comprised of four elements: potential for increased customer satisfaction; potential process improvement; impact on company's reputation; and estimated NEA savings/profit. Each element is given a score from 1 (lowest benefit) to 5 (highest benefit). The Opportunity Factor is the highest of the four elements.
 - 4.4 *Prioritization of opportunities are determined as follows:*

<u>Opportunity Factor</u>	<u>Priority</u>	<u>Remarks</u>
1 to 2	Low	No actions needed
3	Moderate	Action plan is optional
4 to 5	High	Action plan is required

5.0 REFERENCE

ISO 9001:2015 Clause 6.1 Actions to Address Risks and Opportunities

6.0 PROCEDURE

Indicated in the Guidelines

7.0 ATTACHMENTS

None

8.0 RECORDS

NEA-QMS-SP-1.09 F1	Issue Log
NEA-QMS-SP-1.09 F2	Risk Register
NEA-QMS-SP-1.09 F3	Opportunity List

