

## Risk Management

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# Why Risk Management?

There is the need to urgently identify, monitor and limit/mitigate risks\* in light of the current market environments. This can be achieved by implementing a risk management system.

A risk management system is a systematic methodology designed to identify, describe and estimate risk (risk analysis), and evaluate risk. It also include risk reporting and risk treatment. Thus, risk management protects and adds value to an organization and stakeholders without compromising organization's value creation.

\* Risk is the combination of the probability of an event and its consequences (ISO/IEC Guide 73)

## Purpose Statement

- Through the execution of a standard process and utilization of standard tools, we will undertake an urgent evaluation of your risk structure and risk rating to determine the best ways to mitigate your risks and ensure appropriate risk treatment and reporting to ensure sound organization.
- Every company needs to ensure that it has a proper continuous risk management process. In fact, enterprises in the same industry, facing similar risks, may adopt/choose different risk management strategies.

## Success Criteria

Upon completing, the body of work will quickly:

- Identify and rank the risks inherent in your company's strategy (including its overall goals and appetite for risk);
- selecting the appropriate risk management approaches and transferring or avoiding those risks that the business is not competent or willing to manage;
- implementing controls to manage the remaining risks;
- monitoring the effectiveness of risk management approaches and controls.

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## Risk Estimation

Risk Rating =

Severity

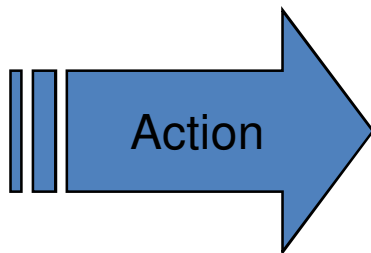
x Exposure Factor

x Probability of event

Severity Level	Harming Incident	Project Impact	Health & Safety	Environment	Social/Cultural Heritage	Community/Reputational	Legal	Severity Factor
1	US\$1B	US\$5B	>50 fatalities, or very significant serious irreversible on highly valued injury to 5000 people; habitat ecosystem	Irreparable damage to highly valued species; complete breakdown of ecosystem	Prolonged international cultural significance	Prolonged international media coverage	Retaliation terms for executives and/or very high fines for company	100
2	US\$100M-US\$1B	US\$500M-US\$1B	>50 fatalities, or very significant serious irreversible highly valued species injury to 500 people; habitat ecosystem	Significant impact on irreplaceable damage to habitat ecosystem	International media coverage	Very significant fines and prosecutions	Multiple litigation	30
3	US\$10M-US\$100M	US\$50M-US\$500M	Multiple fatalities, or very serious long term irreversible injury to 500 people	Very serious, long term environmental damage to ecosystem function	On-going serious social issues; Significant damage to cultural heritage	Very significant international media coverage	Significant fines, prosecutions, class actions	10
4	US\$1M-US\$10M	US\$5M-US\$50M	Single fatality and/or very serious irreversible disability (>20% to one or more people)	Serious medium term environmental effects	On-going serious social issues; Significant damage to cultural heritage	Significant adverse international media attention	Major breach of regulation; Major litigation	3
5	US\$100,000-US\$1M	US\$50,000-US\$500,000	Loss Time injury	Moderate short term effects but not effects to ecosystem function	On-going social issues; Significant damage to cultural heritage	Attention from media	Serious breach of regulation with investigation or report to authority with prosecution and/or moderate fines possible by NGOs	1
6	US\$10,000-US\$100,000	US\$5,000-US\$50,000	Medical Treatment or very serious Case	Minor effects on ecological/physical environment	Minor medium term social impacts on local population. Mostly resolvable	Minor adverse local public or media attention and complaints	Minor legal issues, no prosecutions and breaches of regulation	0.3
7	US\$10,000-US\$100,000	US\$5,000-US\$50,000	First Aid Case	Limited damage to minimal area of low significance	Low level repairable damage to structure	Public concern restricted to local community	Low level legal issue	0.1

Exposure	Description	Exposure Factor
Continuous	All the time	10
Frequent	Once a month or so	3
Occasional	Once or twice a year	1
Unusual	Once or twice every 10 years	0.3
Remote	Once or twice in 100 years	0.1

Probability	Description	Probability Factor
Almost certain	Happens often	10
Likely	Could easily happen	3
Possible	Could happen and has occurred here or elsewhere	1
Unlikely	Hasn't happened yet but could	0.3
Rare	Conceivable, but only in extreme circumstances	0.1



**Accept Risk**  
(Take - with suitable authority)

Or

**Control Risk**  
(Treat/Transfer/Terminate)