DAVAO BIR EMPLOYEES MULTIPURPOSE COOPERATIVE
Bolton Extension, Davao City

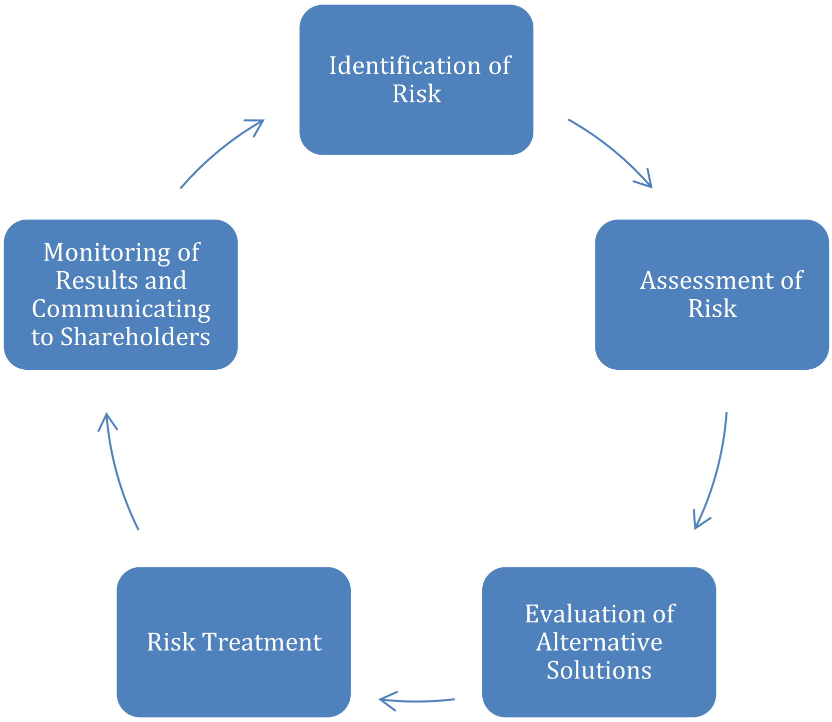
RISK MANAGEMENT MANUAL

I. BACKGROUND

Risk management is a process of managing risk and has never been more important than it is now since risks are inevitable and are constantly emerging. DABIREMCO, for one, faces the risk of unexpected and harmful events that may cost money or may even cause its closure if not managed and/or mitigated. The pandemic is a great example of a risk issue that the co-op must not fail to address.

Having a successful risk management program can help DABIREMCO consider the full range of risks it may face. It helps examine the relationship between risks and the cascading impact they could have on an organization's strategic goals.

II. DABIREMCO'S RISK MANAGEMENT PROCESS

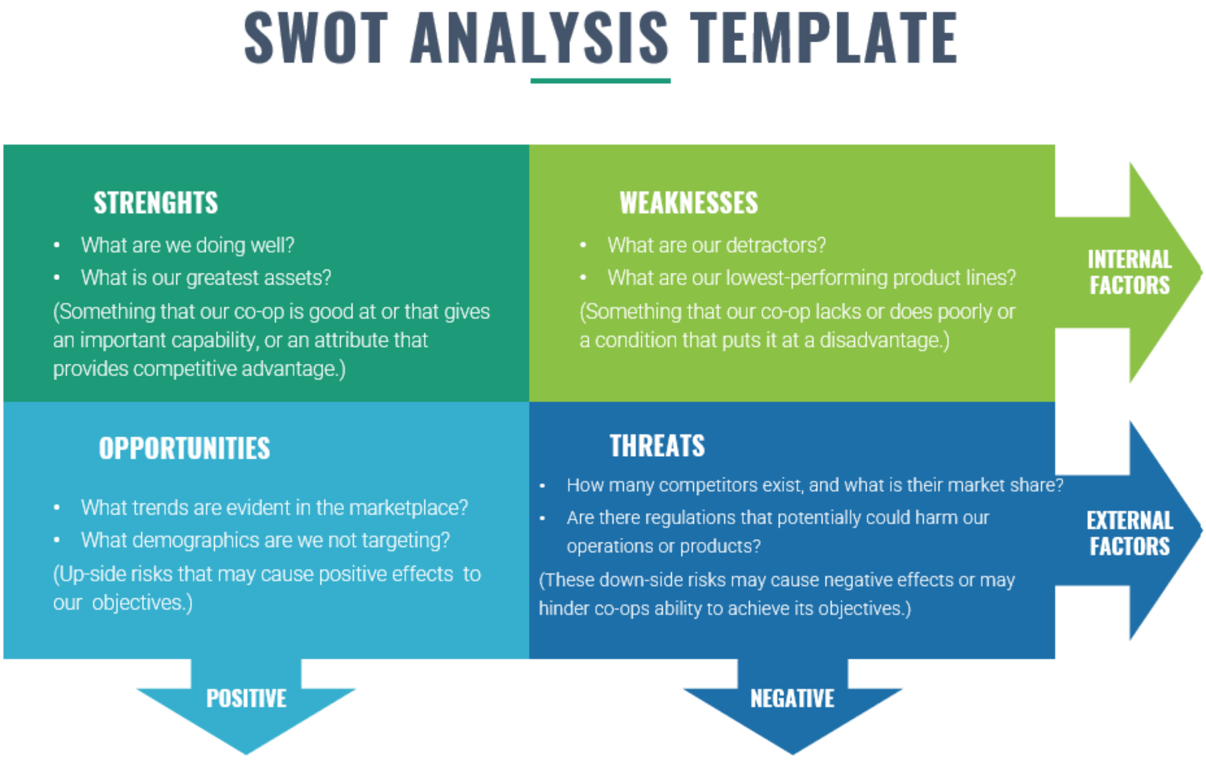


1. IDENTIFICATION OF RISK

Risk identification is the first step in the risk management process. It involves the determination of risks that could potentially prevent DABIREMCO from achieving its objectives. The purpose of this step is to determine in advance the WHAT, WHEN, WHERE, WHY, and HOW something could affect the co-op's ability to meet its objectives and goals.

A Risk Management Committee shall be created to oversee the implementation of the Risk Management Plan.

There are several ways to identify co-op's risks like brainstorming, SWOT Analysis and the like. The conduct of SWOT Analysis is highly recommended for this purpose using the following template.



The risk identification process shall be done on a departmentalized basis giving priorities to the following groups:

1. Canteen operation
2. Loans operation
3. Treasury

The output of each group shall be summarized and will be used as input in the next step.

2. ASSESSMENT OF RISK

This step involves establishing the probability that a risk might occur and the potential outcome of each event.

Risk Assessment Criteria and Matrix

LIKELIHOOD/ PROBABILITY	CONSEQUENCE				
	ACCEPTABLE	MINOR	MODERATE	MAJOR	CRITICAL
CERTAIN	Medium	Medium	High	High	High
FREQUENT	Low	Medium	Medium	High	High
OCCASIONAL	Low	Medium	Medium	Medium	High
UNLIKELY	Low	Low	Medium	Medium	Medium
RARE	Low	Low	Low	Low	Medium

Where:

The Consequence is:

RATING	IMPACT
CRITICAL	• Risk that could result to litigation. • Risk that could result to non-achievement of strategic objectives. • Risk that could result of mismanagement of funds.
MAJOR	• Risks that could lead to reprimand from top management/general assembly. • Risk that has noticeable impact on the members such as issues on trust and confidence and non-achievement of objectives. • Risk that could delay in the collection of receivables.
MODERATE	• Risk that may cause delay in processing and releasing of loans and claims • Risk that could lead to physical and verbal abuse • Risks that could result to members' and clients' negative feedback
MINOR	• Risk that may cause manageable process delay. • Risk whereby the impact can be easily remedied.
ACCEPTABLE	• Risk may cause delay in the payment of obligations • Risk where the impact is not visible.

While the probability rating is:

LIKELIHOOD/ PROBABILITY RATING	PROBABILITY OF OCCURRENCE	DESCRIPTION
5	Certain	Very high probability of occurrence is expected; May occur anytime during the day
4	Frequent	Probability of occurrence is expected; Likely to occur once a week
3	Occasional	Probability of occurrence is reasonably expected; Possibly may occur once a month
2	Unlikely	Probability of occurrence is low; may occur once a year
1	Rare	May occur once in 2 years; Almost not possible to occur at all

Risk Register Rating Guide

ASSESSMENT CRITERIA		ASSESSMENT CRITERIA – LIKELIHOOD		RISK IDENTIFICATION	RISK TREATMENT
Rating	**Impact**	**Rating**	**Probability/ Potential for risk to occur**	**Risk Level**	**Expected Completion Date**
CRITICAL	Risk that could result to litigation. Risk that could result to non-achievement of strategic objectives. Risk that could result of mismanagement of funds.	Certain	May occur anytime during the day	High	Immediate
		Frequent	Likely to occur once a week	High	Immediate
		Occasional	Possibly may occur once a month	High	Immediate
		Unlikely	May occur once a year	Medium	Within a month
		Rare	Might occur once in 2 years	Medium	Within a month
MAJOR	Risks that could lead to reprimand from top management/ general assembly. Risk that has noticeable impact on the members such as issues on trust and confidence and non-achievement of objectives. Risk that could delay in the collection of receivables.	Certain	May occur anytime during the day	High	Immediate
		Frequent	Likely to occur once a week	High	Immediate
		Occasional	Possibly may occur once a month	Medium	Within a month
		Unlikely	May occur once a year	Medium	Within a month
		Rare	Might occur once in 2 years	Low	No Action

ASSESSMENT CRITERIA		ASSESSMENT CRITERIA – LIKELIHOOD		RISK IDENTIFICATION	RISK TREATMENT
Rating	**Impact**	**Rating**	**Probability/ Potential for risk to occur**	**Risk Level**	**Expected Completion Date**
MODERATE	Risk that may cause delay in processing and releasing of loans and claims Risk that could lead to physical and verbal abuse Risks that could result to members' and clients' negative feedback	Certain	May occur anytime during the day	High	Immediate
		Frequent	Likely to occur once a week	Medium	Within a month
		Occasional	Possibly may occur once a month	Medium	Within a month
		Unlikely	May occur once a year	Medium	Within a month
		Rare	Might occur once in 2 years	Low	No Action
MINOR	Risk that may cause manageable process delay. Risk whereby the impact can be easily remedied.	Certain	May occur anytime during the day	Medium	Within a month
		Frequent	Likely to occur once a week	Medium	Within a month
		Occasional	Possibly may occur once a month	Medium	Within a Month
		Unlikely	May occur once a year	Low	No action
		Rare	Might occur once in 2 years	Low	No action
ACCEPTABLE	Risk may cause delay in the payment of obligations Risk where the impact is not visible.	Certain	May occur anytime during the day	Medium	Within a month
		Frequent	Likely to occur once a week	Low	No Action
		Occasional	Possibly may occur once a month	Low	No action
		Unlikely	May occur once a year	Low	No action
		Rare	Might occur once in 2 years	Low	No action

3. EVALUATION OF ALTERNATIVE SOLUTIONS

Risk evaluation compares the magnitude of each risk and ranks them according to prominence and consequences. The following strategies must be considered in evaluating the courses of action.

a. Risk acceptance

A risk is accepted with no action taken to mitigate it. This approach will not reduce the impact of a risk or even prevent it from happening, but that's not necessarily a bad thing. Sometimes the cost of mitigating risks can exceed the cost of the risk itself, in which case it makes more sense to simply accept the risk.

Though this approach come with a gamble, the management must ensure that if the risk does occur in the future, it must be able to deal with it when the time comes. Because of this, it is best to accept risks only when the risk has a low chance of occurring or will have minimal impact if it does occur.

b. Risk Transfer

A risk is transferred to an external party who will assume the risk on behalf of DABIREMCO.

Choosing to transfer a risk does not entirely eradicate it. The risk still exists, only the responsibility for it is shifted from the co-op to another service provider.

c. Risk Avoidance

This approach completely eliminates the possibility of the risk occurring. One example that this approach may be considered would be in making investment decision. If after analyzing the risks associated with an investment, it is deemed too risky, simply not pursuing the investment would avoid the risk.

Treating risks by avoiding them is best applied for risks that would have a major impact on the co-op. However, avoiding every risk may mean missing out possible positive opportunities. Hence, this approach if used must be supported with reliable information and data.

d. Risk reduction

A risk becomes less severe through actions taken to prevent or minimize its impact. Risk reduction is a common strategy when it comes to risk treatment, and is sometimes known as lowering risk. By choosing this approach, the management will need to work out the measures or actions that will make risks more manageable.

In order to effectively choose and implement the appropriate strategies, the management must fully understand each risk DABIREMCO faces so that it can appropriately decide which strategy to treat them – whether that's through acceptance, transference, avoidance or reduction.

4. RISK TREATMENT

Risk treatment refers to the implementation of the risk mitigation strategies, preventive care, and contingency plan.

5. MONITORING AND EVALUATION OF RESULTS AND COMMUNICATING TO STAKEHOLDERS

Risk Management is a continuing process that adapts and changes over time. This is regularly monitored by the Risk Management Committee upon the guidance of the Chair of the Board of Directors and must be communicated to stakeholders.

- Risks identified that are beyond the process owner's control may be dropped from the Risk Register.
- On monitoring the risks, those that were mitigated to low risk level for two (2) consecutive semesters may be dropped from the Risk Register.
- Risk Identification (Risk ID) of the dropped risks should be retained even if dropped from the Risk Register to be used in case of possible recurrence.
- The Risk Register shall follow the calendar year.
- The Committee shall render its report on risk monitoring review and the determination of its effectiveness on a semi-annual basis during the regular board meeting every January and July.

6. FORMS

- **RISK REGISTER *(See ANNEX A)***
- **RISK TREATMENT AND MONITORING REPORT *(See ANNEX B)***

DEFINITION OF TERMS

RISK MANAGEMENT	The process of identifying, assessing and controlling threats to the cooperative's assets and revenues.
RISK	Effect on uncertainty on objects
EFFECT	Deviation from the expected, whether positive or negative
CONSQUENCE	Outcome of an event affecting objectives
LIKELIHOOD	Chance of something happening
RISK ASSESSMENT	Process of estimating the magnitude of the effect of risk using defined risk criteria to determine whether or not the risk is significant
RISK REGISTER	A documented information summarizing the results of the risk assessment
RISK LEVEL	The magnitude of risk considering the impact of the effect of likelihood
RISK CRITERIA	Terms of reference against which risk is assessed by estimating its impact (severity or benefit) and likelihood of occurrence
IMPACT	The severity (negative effect) or benefit (positive effect) of risk
RISK TREATMENT	Any action intended to modify or lower down the risk magnitude
SIGNIFICANT RISK	Any action intended to modify or lower down the risk magnitude
OPPORTUNITY	A positive effect of uncertainty which may or may not require specific actions in order to pursue or to be realized

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