



Metropolitan Manila Development Authority
Quality Management System
RISK REDUCTION AND PLANNING
GUIDELINES

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A. Definition of Terms

Issues	Internal and external issues, as well as issues of interested parties; should be stated with adjective
Risk	Effect of uncertainty
Opportunity	Can lead to the adoption of new practices, launching new products, opening new markets, addressing new clients, building partnerships, using new technology and other desirable and viable possibilities to address the organization's or its customers' needs
Consequence to Outputs	Possible impact to the quality of outputs
Consequence Rating	Measures of impact of the consequence; Refer to criteria for consequence
Likelihood Rating	Measures the probability of occurrence of the consequence
Risk/Opportunity Rating	Measures the need for action using the criteria for action matrix
Action Priority	Measures whether the risk should be treated or not; whether opportunity should be pursued or not
Action Plan	Plan of activities that will prevent the occurrence of the risk or that will maximize the benefits of the opportunity
Timelines	Period covered that the action plan shall be implemented

B. Criteria for Consequence

	Rate	Risk (Negative Consequence)	Opportunity
Insignificant	1	Minimal (no customer complaint) or no impact	No perceived value for improvement and sustainability
Minor	2	Minor impact (noticeable effect, minor customer complaint)	Pursuing the opportunity will slightly improve QMS and sustainability
Significant	3	Moderate impact (customer complaints resulting in claim)	Pursuing the opportunity will slightly improve QMS and sustainability
Major	4	Major impact (catastrophic, recall, fatality, costly compensation, legal action) no alternatives available	Pursuing the opportunity will slightly improve QMS and sustainability
Catastrophic	5	Major impact (catastrophic, recall, fatality, costly compensation, legal action) no alternatives available	Pursuing the opportunity will slightly improve QMS and sustainability



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C. Criteria for Likelihood

	Rate	Likelihood – Rate	Likelihood – Opportunity
Rare	1	Not Known to happen	No chance of success within the next 12 months
Low	2	Low occurrence of 1 x a year	1-25% chance of success within the next 12 months
Medium	3	Known to happen, occurrence of 1 per quarter	26-50% of success within the next 12 months
High	4	Very likely to happen, occurrence of more than 1 time per quarter	51-75% of success within the next 12 months
Very High	5	Highly likely to happen, occurrence of 1-time per month	>75% success within the next 12 months

D. Risk Rating Matrix

LIKELIHOOD	Rare	1	2	3	4	5
	Unlikely	2	4	6	8	10
	Possible	3	6	9	12	15
	Likely	4	8	12	16	20
	Certain	5	10	15	20	25
		Significant	Minor	Significant	Major	Catastrophic

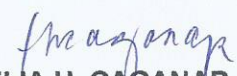
E. Criteria for Action

Risk/Opportunity Rating	PRIORITY	MANAGEMENT'S DECISION	
		RISK	OPPORTUNITY
10 – 25	HIGH	Take immediate appropriate action to eliminate the risk	Pursue the opportunity
5 – 9	MEDIUM	More frequent monitoring of performance/ complaints	May consider pursuing the opportunity
1 – 4	LOW	No action required	No action required


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