



SYSTEM PROCEDURE

Risk & Opportunity Management Process

REVISION: 00

PROCEDURE NO.: 7

DATE EFFECTIVE: 08/17/17

1. PURPOSE

- 1.1. The purpose of this procedure is to document the process for assessing risks and opportunities and prioritizing and implementing actions determined necessary by Tempco Electric Heater Corporation.

2. SCOPE

- 2.1. This general procedure applies to the business assessing risks and opportunities assessment process and product specific risk assessment processes at Tempco Electric Heater Corporation.

3. Definitions

Interested party - person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

Requirement - need or expectation that is stated, generally implied or obligatory.

Effectiveness - extent to which planned activities are realized and planned results achieved.

Risk - effect of uncertainty on an expected result.

Risk Assessment - the overall activity of risk identification, risk analysis, and risk evaluation.

Risk Identification - the activity of finding, recognizing, and describing risks.

Risk Analysis - an activity to comprehend the nature of risk and to determine the level of risk.

Risk Criteria - the terms of reference against which the significance of a risk is evaluated.

Risk Evaluation - the action of comparing the results of risk analysis with risk criteria, to determine whether the risk and/or its magnitude are acceptable or tolerable.

Risk Mitigation - the action to modify risk (for the purposes of this process, risk mitigation shall be used in the context of dealing with negative consequences of risk).

Likelihood - The chance of something happening.

Consequence - The outcome of an event affecting objectives (for the purposes of this process, consequence shall be used in the context of having a negative effect or positive effect on objectives).



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PROCEDURAL REQUIREMENTS and RESPONSIBILITIES

4. Risk and Opportunity Management Process

4.1. The risk and opportunity management process is applicable to overall quality management system and for product design activities.

4.2. Product Design Risk Assessment

Identifying Risks and Opportunities pertaining to new products so they may be managed will generally relate to the quotation, order entry, incorporating customers requirements on the supplier purchase orders, inspecting parts received to key attributes, picking, labeling and shipping processes. The process for ensuring risks are assessed for new products and the necessary actions are taken to mitigate the identified risks is addressed in the Design Control Procedure 11.

4.3. Quality Management System Risk and Opportunity Process

The quality system risk and opportunity management process provides for a structured and systematic approach that ensures that risks and opportunities are identified, prioritized and actions are documented and implemented, as well as evaluated for their effectiveness through the following process:

4.4. Establishing and maintaining an Interested Parties Matrix that identifies the Tempco Electric Heater Corporation interested parties that are relevant to the quality management system and provides for the following information:

- 4.4.1. Interested Parties
- 4.4.2. Requirements
- 4.4.3. Process Performance Measures & Frequency of Analysis
- 4.4.4. Responsibility

4.5. Performing and documenting a Strengths, Weaknesses, Opportunities and Threats/Risks (SWOT) Analysis to identify all external and internal issues that are relevant to our strategic direction and our ability to achieve the intended results of our quality management system and quality objectives.

4.6. Using the Tempco Electric Heater Corporation Interested Parties Matrix and SWOT Analysis a Tempco Electric Heater Corporation Risk Matrix will be established and maintained. The identified issues, requirements and threats/risks and opportunities will be addressed using a defined risk criteria and structure.

5. Risk / Opportunity Criteria and Structure

5.1. A Risk/Opportunity Assessment involves three (3) components:

- 5.1.1. Threat/Risk and/or Opportunity;
- 5.1.2. A probability (or likelihood) assessed at the present time, of that Threat/Risk and/or Opportunity occurring; and
- 5.1.3. The consequence (or effect) of that Threat/Risk and/or Opportunity having a positive or negative affect on the business objectives



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5.2. *Risk/Opportunity Criteria* are defined in terms of the *Likelihood* of an event occurring, and the *Consequence* of that event occurring. These criteria are to be used in determining the risk priority number and the significance of the risk.

5.3. The level of Likelihood shall be determined using the criteria specified in the Levels of Likelihood / Risk Matrix and assigned a Level Number. The level should be determined by evaluating all available information, both current and past data or by estimating the probability of occurrence using experience and judgment as a guide.

5.4. The Types of Consequence criteria specified on the Risk Matrix Types will be used when assessing the consequence of the risks in relation to the Quality, Delivery Schedule and/or Administrative considerations.

5.5. The overall Risk/Opportunity Level is determined using the Risk Matrix Assessment Scoring Chart and is assigned risk priority number.

6. Tempco Electric Heater Corporation Risk Matrix Identified Risks and Opportunities

6.1. Identifying Risks and Opportunities to achieving business and quality objectives may relate to any core business and/or support process. Potential Risks and Opportunities and future events that could impact the objectives of delivering quality product to our customers on schedule, and in accordance with the administrative performance requirements may include and one of the following considerations:

6.1.1. **Requirements** - Customer identified or Tempco Electric Heater Corporation determined Special Requirements;

6.1.2. **Technology** - The degree to which existing technology has demonstrated sufficient maturity to be realistically capable of meeting performance objectives;

6.1.3. **Suppliers** - The ability to achieve performance objectives based on available supplier resources and processes;

6.1.4. **Outsourcing Capabilities** - The abilities, experience, knowledge, and availability, of outsourced process suppliers;

6.1.5. **Cost** - The ability of Tempco Electric Heater Corporation to achieve cost objectives. This includes the effects of errors in estimating techniques used, the cost customer complaints and other financial or budget constraints;

6.1.6. **Management** - The degree to which action plans and strategies exist and are realistic and consistent. Allocation of resources should be sufficient to execute the plans.

6.1.7. **Schedule** - The sufficiency of time allocated to meet product requirements and achieve objectives. Short lead times from customers, long lead times from suppliers, etc.



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6.2. Risk and Opportunity Evaluation

The Risk Mitigation & Opportunity for Improvement Matrix will be used to document the risks/threats and opportunities that were identified during the SWOT analysis. Then each risk/threat and opportunity will be evaluated using the Risk Matrix likelihood and consequence criteria and a Risk Priority Number (RPN) is established. This RPN number prioritizes the risk and opportunities and is used by Top Management as a basis to determine which opportunities and risks may warrant additional actions.

Tempco Risk Matrix (risk = likelihood of occurrence x consequence)				<i>CONSEQUENCE</i> (Outcome of Event)	Delivery	Administrative	Quality
16	12	8	4	Major (4)	Major Impact on Delivery (> 30 days late)	Major issues/benefits with sales objectives, product diversity/customer applications, cost competitiveness, lost business, compromising proprietary information, turnover/hiring qualified personnel, training or infrastructure.	Risk of providing nonconforming / scrap parts. Unable to obtain required services.
12	9	6	3	Significant (3)	Significant Impact on Delivery Schedule (> 15 - < 30 days late)	Significant issues/benefits with sales objectives, product diversity/customer applications, cost competitiveness, lost business, compromising proprietary information, turnover/hiring qualified personnel, training or infrastructure	Extensive rework/scrap or may require customer concession
8	6	4	2	Moderate (2)	Additional Resources Required to meet original delivery dates	Additional limited actions / resources required , inventory, employee training or infrastructure are required	Requires moderate sorting, rework or excessive time
4	3	2	1	Minor (1)	Minimal or no impacts to Customer Schedule	No additional administrative actions / resources beyond normal activity , inventory, employee training or infrastructure are required to achieve sales & overall organizational objectives	Requires No sorting or Rework & verification process is within normal range
Almost Certain (4)	Likely (3)	Possible (2)	Unlikely (1)	LIKELIHOOD (probability or frequency)			
It is expected to occur (>70%)	Can occur under normal circumstances (70-40%)	May occur with the right circumstances (40-10%)	Event that is unlikely (<10%)	Description			



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7. Risk Mitigating and Opportunity for Improvement Actions

7.1. All Risks scores of 12 will require risk mitigating actions and/or opportunity for improvement action items, as well as to be monitored for further assessments. Additional risk and opportunities items will be considered on a case be case basis by top management for further actions.

Top Management will select the most appropriate mitigating options involves balancing the costs of implementation against the benefits derived. Actions taken to address risks and opportunities shall be proportionate to the potential impact on the conformity of products and services and commensurate with the benefits obtained. Risk Mitigation and Opportunity for Improvement Actions will be documented on the Risk Mitigation and Opportunity for Improvement Matrix and/or attached action plan documents and include the following items:

- Process Owner
- Actions Items to address the prioritized risks and opportunities
- Estimated Completion Date
- Effectiveness Evaluation

8. MONITORING AND REVIEWING EFFECTIVENESS

Ongoing review is essential to ensure that the Risk Mitigation and Opportunity for Improvement Actions are updated and effective. The factors that affect the Likelihood and Consequences of an event may change, as may the factors that affect the suitability or cost of the Risk Mitigation and Opportunity for Improvement Actions. Monitoring of the quality objectives, such as Quality and Delivery performance, as well as actual progress against the Risk Mitigation and Opportunity for Improvement Actions should provide information about the effectiveness of the risk management activities.

9. RECORDS

9.1. Risk Mitigation and Opportunity for Improvement Matrix

10. REVISION HISTORY

REVISION LEVEL	DATE OF REVISION	SECTIONS	DESCRIPTION OF CHANGE
00	08/17/17	All	Initial release



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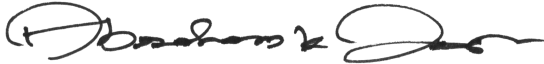

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7. AUTHORIZATION

POSITION	HELD BY	AUTHORIZATION SIGNATURE OR INITIALS
Vice President of Operations	Abe Joseph	
Senior Management Representative: Chief Financial Officer	Paul Wickland	
Management Representative:	Abe Joseph	