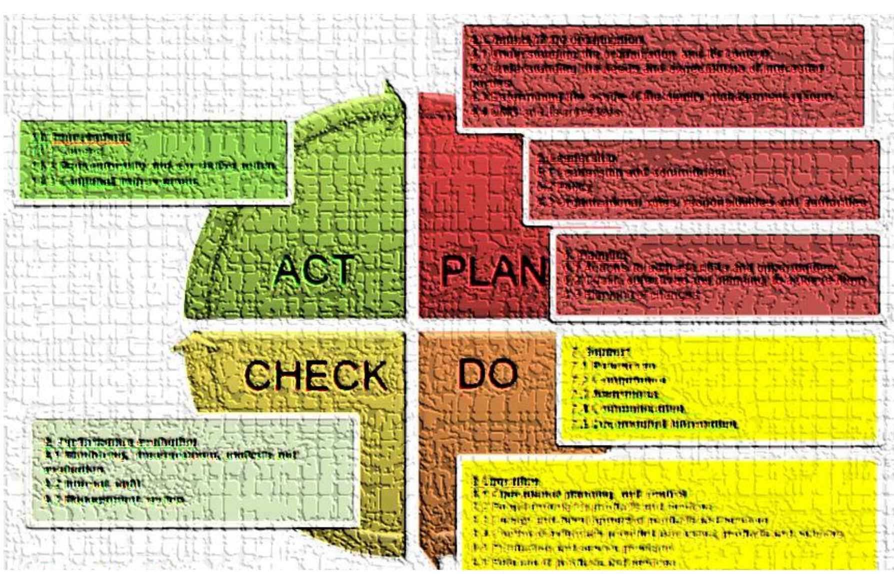
SBG O&M ACTIONS TO ADDRESS RISKS AND OPPORTUNITIES



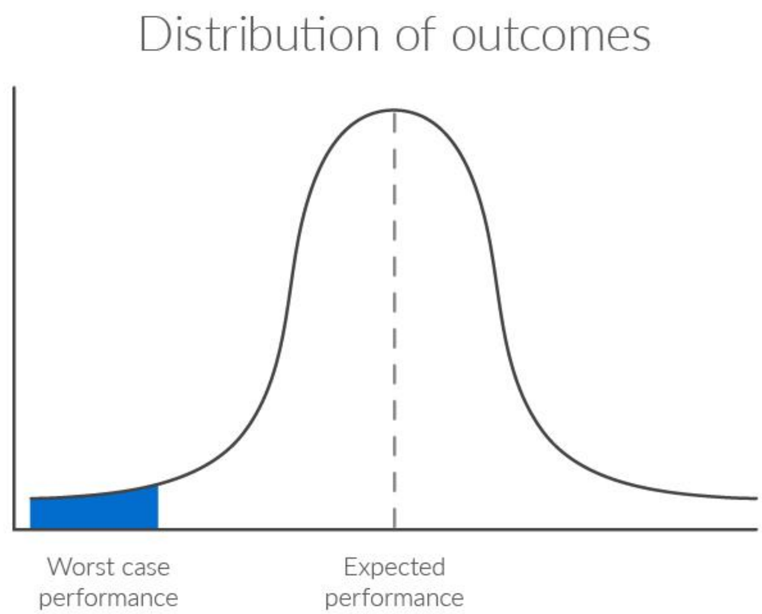
INTORDUCTION

It is the responsibility of SBG O&M top management to provide direction, authorization and, resources and review for QMS planning. When developing SBG O&M QMS process controls for determining customer requirements, design, development, manufacture, delivery and customer support, SBG O&M focus on meeting customer and regulatory requirements as well as the planned QMS objectives. QMS planning requires to identify all your QMS processes and describe their sequence and interaction. The criteria and methods for planning, operation and control of these processes come from the rest of the ISO requirements as well as clients and SBG O&M. When planning its QMS, the top management of SBG O&M implement and promote a culture of risk-based thinking throughout the organization to determine and address the risks and opportunities associated with providing assurance that the QMS can achieve its intended results. SBG O&M integrates the actions to address these risks and opportunities into its QMS processes using the PDCA cycle. SBG O&M is therefore responsible for the extent it applies risk-based thinking and the actions it takes to address risk, including whether or not to retain documented information as evidence of its determination of risks. Planning also requires monitoring and measuring these actions and gathering, analyzing and evaluating appropriate data and information to determine the effectiveness of such actions. This planning is periodically reviewed and updated as necessary when taking corrective actions or at management reviews. These actions are proportional to the potential impact on the conformity of SBG O&M services. When planning its QMS SBG O&M consider the risks and opportunities presented by external and internal issues as well as the needs and expectations of interested parties, relevant to its purpose and strategic direction. Risk Management is implemented at all levels of SBG O&M, from the strategic to the operational level.

CATEGORIES OF RISK

STRATEGIC RISKS

A possible source of loss that might arise from the pursuit of an unsuccessful business plan. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment. Strategic risk management is a crucial but often overlooked aspect of enterprise risk management. While SBG O&M has focused on financial and, more recently, operational risk, the fact is that strategic risk is far more consequential. It may be easiest to describe strategic risk by what it is often confused with—operational risk. Good operations mean doing things right, while good strategy means doing the right things. Strategic risk management is the process of identifying, quantifying, and mitigating any risk that affects or is inherent in SBG O&M business strategy, strategic objectives, and strategy execution. These risks may include:

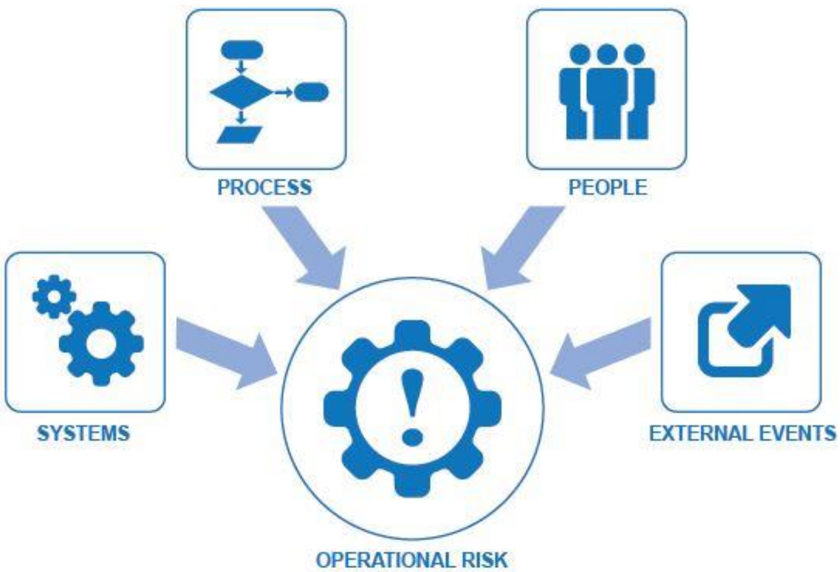


- Shifts in client demand and preferences
- Legal and regulatory change
- Competitive pressure
- Merger integration
- Technological changes
- Senior management turnover
- Stakeholder pressure

OPERATIONAL RISKS

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies.

- Employee errors
- Systems failures
- Fraud or other criminal activity
- Any event that disrupts business processes



In evaluating operational risk, practical remedial steps are emphasized by SBG O&M in order to eliminate exposures and ensure successful responses. Operational risk is, nonetheless, manageable as to keep losses within some level of risk tolerance (i.e. the amount of risk one is prepared to accept in pursuit. It is relatively straightforward for an organization to set and observe specific, measurable levels of market risk and credit risk because models exist which attempt to predict the potential impact of market movements, or changes in the cost of credit. It should be noted however that these models are only as good as the underlying assumptions, and a large part of the recent financial crisis arose because the valuations generated by these models for particular types of investments were based on incorrect assumptions. of his objectives), determined by balancing the costs of improvement against the expected benefits.

ENVIRONMENTAL RISKS

The environment can pose many risks to SBG O&M business, but climate change is perhaps the biggest environmental risk. Climate change refers to the build-up of man-made gases in the atmosphere that trap the sun's heat, causing changes in global weather patterns. It has environmental, economic and social impacts.

Climate change risks for SBG O&M business may include:

- **frequent extreme weather** – there may be increased insurance costs, more damage to property and resources, and disruption of power and water. Clients may be unable to visit or contact SBG O&M business, or suppliers may be unable to deliver goods or services.
- **decreased demand** - there may be less demand for your goods and services if they are not environmentally friendly, or competitors with energy-efficient products may target SBG O&M clients. It may also be difficult to attract and retain staff if SBG O&M business is not sustainable.
- **global impacts -** overseas suppliers may be unable to deliver goods or services due to climate change events in their country or international customers being encouraged to buy locally.
- **increased costs** – There may be higher costs for energy, water and other resources. Water restrictions may also affect SBG O&M business.

LEGAL RISKS

The informal notion of risk as the chance that something bad might happen is not a bad place to start defining risk. Better management requires a better definition though. We need to break risk into distinct parts that are measurable.

Litigation risk

Litigation is the most discussed legal risk in organizations. Litigation is often public and always distracting. The range of events that causes litigation is broad: employee misconduct, accidents, product liability and so on. The list can seem endless.

When management meets with the lawyer to discuss "What is the chance we will lose this case and what are the likely damages," it is too late for risk management. Prior to litigation, we need to identify the areas of uncertainty that affect our objectives. Risk management is not fortune telling. Instead, we want to narrow the possible outcomes from particular events.

Contract risk

Contract risk is the most pernicious and difficult to track among legal risks. The traditional approach to contract risk focuses on a breach of contract by one party and the extra-contractual liabilities that might arise. This approach treats each contract individually and in isolation.

SBG O&M focus their contract risk management strategy on drafting effective agreements. Quality contract drafting is necessary, but not sufficient to manage contract risk. There are cases where one contract can create significant risk, such as:

- An exceptional share of revenue is tied to one contract,
- Procurement or service contracts for critical components allow for disruption or price escalation, and
- The counterparty does not indemnify us for damages that carry exceptional consequences like unpaid taxes and environmental problems.

Regulatory risk

The growth of the administrative branch of government is daunting to most business leaders. Regulatory risk represents the uncertainty of the consequences of an agency's action. Identification of regulatory risks is challenging, but the uncertainty about the effects is measurable. Regulations grant powers to the agencies charged with enforcement of the statute and regulations. Penalties range from fines to administrative orders.

Structural risk

Structural legal risk is rare for most organizations. Structural legal risks arise from uncertainty about the underpinnings of a particular industry, technology or method of doing business. When the airline industry was regulated, for example, there was a structural legal risk that the industry would be deregulated. The scope of a structural legal risk is broad and it usually alters the competitive landscape. Structural legal risks can arise from sources other than legislation. Antitrust litigation can significantly alter pricing in an industry or key business relationships. Consumer protection enforcement actions can also change the fundamental assumptions of an industry, but rendering a marketing practice (multi-level marketing, for example) unacceptable.

SOCIAL RISKS

There are three important categories that aid in the classification of sources of risks:

1. Catastrophic vs. non-catastrophic shocks: Some events occur with low frequency, but have severe income effects like old-age, death in the family, and disabling accidents or illnesses, permanent unemployment, and the technological redundancy of skills. These catastrophic events can hit households hard and may require a continuing flow of transfers to the affected household if it cannot acquire sufficient assets. On the other end of the scale are high frequency events with non-severe income effects like transient illness, crop loss, and temporary unemployment. Protection against these non-catastrophic events need not require long-term net transfers to the afflicted household. If appropriate mechanisms are available, households may use savings or loans with no net transfers from others over time.

2. Idiosyncratic shocks vs. covariant shocks: Some sources lead to losses in only some households in a community like noncommunicative illness or frictional unemployment whereas others hit all households at the same time like drought, inflation or financial crisis. The former are known as idiosyncratic (or micro) shocks while the latter are referred to as covariant (or macro) shocks. Many more mechanisms are available for coping with idiosyncratic shocks than covariant shocks. The latter can be particularly devastating, leaving households with nowhere in the community to turn for relief. For poor and isolated households even idiosyncratic shocks might be difficult to cope with.

3. Single vs. Repeated shocks: A third distinction concerns shocks following one another like drought followed by sickness and death versus shocks that occur as single events. The former is known as repeated shocks and are typically difficult to handle through informal means.

FINANCIAL RISKS

Financial risk is the possibility that shareholders will lose money when they invest in a company that has debt, if the company's cash flow proves inadequate to meet its financial obligations. When a company uses debt financing, its creditors are repaid before its shareholders if the company becomes insolvent. Financial risk also refers to the possibility of a corporation or government defaulting on its bonds, which would cause those bondholders to lose money. There are many types of financial risks. The most common ones include credit risk, liquidity risk, asset backed risk, foreign investment risk, equity risk and currency risk.

Credit risk is also referred to as default risk. This type of risk is associated with people who borrowed money and who are unable to pay for the money they borrowed. As such, these people go into default. Investors affected by credit risk suffer from decreased income and lost principal and interest, or they deal with a rise in costs for collection.Liquidity risk involves securities and assets that cannot be purchased or sold fast enough to cut losses in a volatile market. Asset-backed risk is the risk that asset-backed securities may become volatile if the underlying securities also change in value. The risks under asset-backed risk include prepayment risk and interest rate risk.

Changes in prices because of market differences, political changes, natural calamities, diplomatic changes or economic conflicts may cause volatile foreign investment conditions that may expose businesses and individuals to foreign investment risk. Equity risk covers the risk involved in the volatile price changes of shares of stock.

Investors holding foreign currencies are exposed to currency risk because different factors, such as interest rate changes and monetary policy changes, can alter the value of the asset that investors are holding.

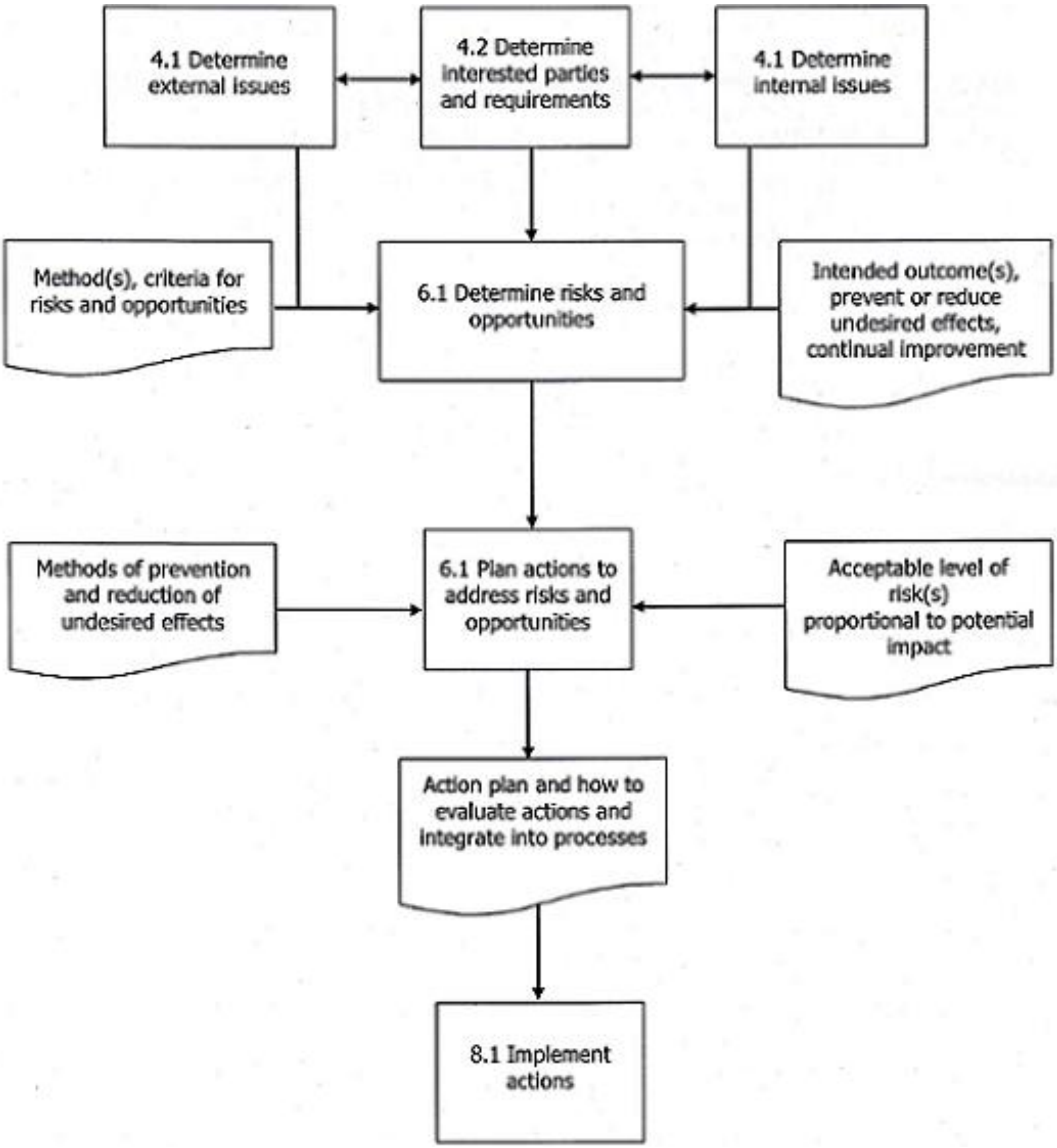
DETERMINING RISK AND OPPORTUNITY

INTERNAL

ISSUES (INTERNAL)	EXPECTED RESULTS	UNCERTAINTY	RISK(-VE) H/M/L	OPPORTUNITIES
Availability of reliable, qualified, competent and multi-skilled workforce	Work force is Competent	Existing Workforce not all skilled	M	Opportunity to multi-skilled installation teams — impact on installation times
Culture within the SBG O&M – work quality	Work force is motivated	Unacceptable quality of work	H	Opportunity for top Managers to lead.
Work Force retention- Wage	Work force are loyal to the organization	Work force leaving for better paid work	H	Opportunity to benchmark our Competitors wages

EXTERNAL

Client working environment – other trades working alongside SBG O&M	Integrated is protected	Damage to SBG O&M operations and Maintenance	H	Opportunity to place barriers, floor markers, safety signs for clear identification
Client Consideration – bringing expertise in-house	Work force remain loyal to the SBG O&M organization	Workforce for managed on-site contracts being employed direct by clients	H	Opportunity for new contract clause prohibiting employment (time-bound)


4.1 Determine external issues
4.2 Determine interested parties and requirements
4.1 Determine internal issues
Method(s), criteria for risks and opportunities
6.1 Determine risks and opportunities
Intended outcome(s), prevent or reduce undesired effects, continual improvement
Methods of prevention and reduction of undesired effects
6.1 Plan actions to address risks and opportunities
Acceptable level of risk(s) proportional to potential impact
Action plan and how to evaluate actions and integrate into processes
8.1 Implement actions