

APPENDIX H

RISK MANAGEMENT

Risk management can be categorized into three areas: risk identification, risk analysis, and risk response. Risk identification is one of the initial steps in risk management. The project team collaborates with project manager and the project sponsor to identify project risks. The *Caltrans Project Risk Management Handbook* states that “risk identification is an iterative process because new risks may become known as the project progresses through its life cycle and previously identified risks may drop out.”

The next step in the risk management process is to analyze the identified risks. The project team prioritizes the identified risks based on the probability of the risks occurring and their potential impact to the project objectives. After the risks are identified and analyzed, the project team should develop methods for responding to the identified risks. This may include avoiding the risks, transferring the risks, or mitigating the risks.

All of the components of risk management, identification, analysis, and response, will eventually lead the project team to develop the risk management plan. According to the *Caltrans Project Risk Management Handbook*, the risk management plan should identify and establish the risk management activities for the project. Risk management activities may include defining roles and responsibilities, developing risk methods, identifying risk identification and analysis methods, and establishing a budget to manage risks. All of the components of the risk management plan and aspects of risk management should be further analyzed, updated, and monitored throughout the life of the project