Project Risk Management Manual

Proactive risk management for project success

Document Code: ARAM-RM-001

Revision: Rev 01

Date: May 2026

Built to the highest standards

1. Introduction to Risk Management

Aram Contracting recognizes that ensuring project success, achieving continuous development, and maintaining sustainability in the contracting and construction sector requires proactive strategies. It is no longer sufficient to merely react to challenges; we must employ effective methods and tools to manage the multitude of risks inherent in our industry. This Project Risk Management Manual establishes a comprehensive strategy designed to identify, assess, and mitigate risks, thereby minimizing negative impacts on project objectives, decision-making, and overall operations.

The management of project risks is a systematic process of selecting cost-effective approaches to minimize the effect of specific threats on the project. Our primary objectives include establishing robust control over project risks, defining specific treatments for various risk categories, and minimizing potential losses through immediate monitoring. Furthermore, this manual aims to protect Aram Contracting's reputation by instilling confidence in our partners and clients through demonstrated risk preparedness and resilience.

2. Project Life Cycle and Risk

The degree of risk—whether internal or external—dictates the level of attention required to manage potential advantages and disadvantages. Project managers must remain vigilant regarding risks that could impact the targeted timeline and budget. Effective risk management serves as a key indicator of strong project leadership, demonstrating the ability to anticipate potential events and implement proactive measures to increase the likelihood of project success.

While projects vary in size, value, complexity, and risk profile, they generally progress through five sequential phases within their life cycle. Each phase presents unique risk characteristics:

1. **Initiation:** Involves defining the project concept, preparing preliminary requirements, establishing the target budget, and defining specifications.

2. **Organization and Preparation:** Encompasses the development of schedules and plans, and the identification of executing parties.

3. **Execution:** The phase where Aram Contracting executes the project in accordance with defined specifications and budgets.

4. **Monitoring and Follow-up:** Continuous tracking of executed work to ensure quality and detect any deviations from project targets.

5. **Closure:** Verifying the achievement of project goals, documenting processes, archiving records, and capturing lessons learned.

3. Risk Categories and Classification

Project risks encountered during execution phases are broadly categorized into two main types: internal risks and external risks. Understanding these categories is essential for developing appropriate response strategies.

Internal Risks (Controllable)

Internal risks originate from within the project environment or the organization itself, meaning the project team generally has the ability to control or significantly influence them. These include risks arising from inaccurate preliminary studies or flawed initial assumptions. Legal, regulatory, and technical risks also fall into this category, particularly those related to licensing, permits, design complexities, or changes in specifications during construction. Furthermore, risks associated with the project team—such as unavailability at critical times, lack of required competency, or poor project management practices—can severely impact project delivery. Delivery risks, specifically delays resulting from a failure to adhere to the established schedule, represent a major internal risk factor.

External Risks (Uncontrollable)

External risks arise from factors outside the direct control of the project team. These require robust mitigation and contingency planning rather than direct control.

Risk Category	Description and Impact
Market and Economic	Fluctuations in material costs, interest rates, and overall economic conditions affecting project financing.
Regulatory	Changes in zoning laws, land use regulations, or building codes that impact project compliance.
Supply Chain	Delays in the delivery of critical equipment or machinery, disrupting the construction schedule.
Environmental	Natural hazards such as extreme weather events, geological issues, or environmental incidents.
Social and Community	Risks related to local customs, traditions, or community opposition that may halt work.

4. Risk Identification Methodology

The accurate identification of potential risks is the critical first step in the risk management process. Aram Contracting employs a collaborative and systematic approach to ensure all significant risks are captured early in the project lifecycle.

The primary method involves convening comprehensive risk workshops. These workshops bring together key stakeholders, including the core project management team, specialized technical personnel, and, when necessary, independent external consultants. The collective expertise of these groups ensures a broad perspective on potential project threats. Following the identification phase, risks are classified into standardized categories within a comprehensive risk matrix, allowing for structured analysis and prioritization based on historical data from similar Aram Contracting projects.

5. Risk Assessment and Evaluation

Once risks are identified, they must be assessed to determine their potential impact and the likelihood of their occurrence. This evaluation determines the priority of each risk and guides the allocation of resources for mitigation efforts.

Assessing Consequences

The consequences of a realized risk are evaluated across three primary dimensions:

1. **Impact Type:** Determining whether the risk will result in cost overruns, schedule delays, or compromises in quality.

2. **Timing:** Identifying when the risk is most likely to occur during the project lifecycle, as early-stage risks often have compounding effects.

3. **Severity Level:** Classifying the risk as high, medium, or low severity. For example, any risk that threatens to increase the project's capital cost by more than 20% of the established baseline is automatically classified as a high-severity risk requiring immediate executive attention.

Estimating Probability

Estimating the likelihood of a risk occurring relies heavily on historical data, the expertise of the project team, and lessons learned from previous projects. When quantitative data is insufficient, Aram Contracting utilizes qualitative assessment tools and consults specialized experts to provide informed estimates of risk probability.

6. Risk Treatment Strategies

Following assessment, Aram Contracting develops specific treatment strategies for each identified risk. The assignment of responsibility is a critical component of this process. The fundamental rule is to allocate the management of a specific risk to the party best equipped to handle it effectively. Within Aram Contracting, the Risk Management department provides oversight and guidance, while specific mitigation actions are assigned to the relevant operational managers or discipline leads.

For high-risk activities—such as those involving critical material supply chains, stringent quality compliance requirements, or complex regulatory approvals—proactive mitigation plans are developed prior to execution. These plans may include securing alternative suppliers, implementing enhanced quality control checks, or initiating early engagement with regulatory authorities to prevent project disruption.