



MARLOW OFFSHORE GERMANY GMBH & Co. KG

ISO 9001:2015

Control of Risks & Opportunities

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Approval

The signatures below certify that this management system procedure has been reviewed and accepted, and demonstrates that the signatories are aware of all the requirements contained herein and are committed to ensuring their provision.

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Amendment Record

This procedure is reviewed to ensure its continuing relevance to the systems and process that it describes. A record of contextual additions or omissions is given below:

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Contents

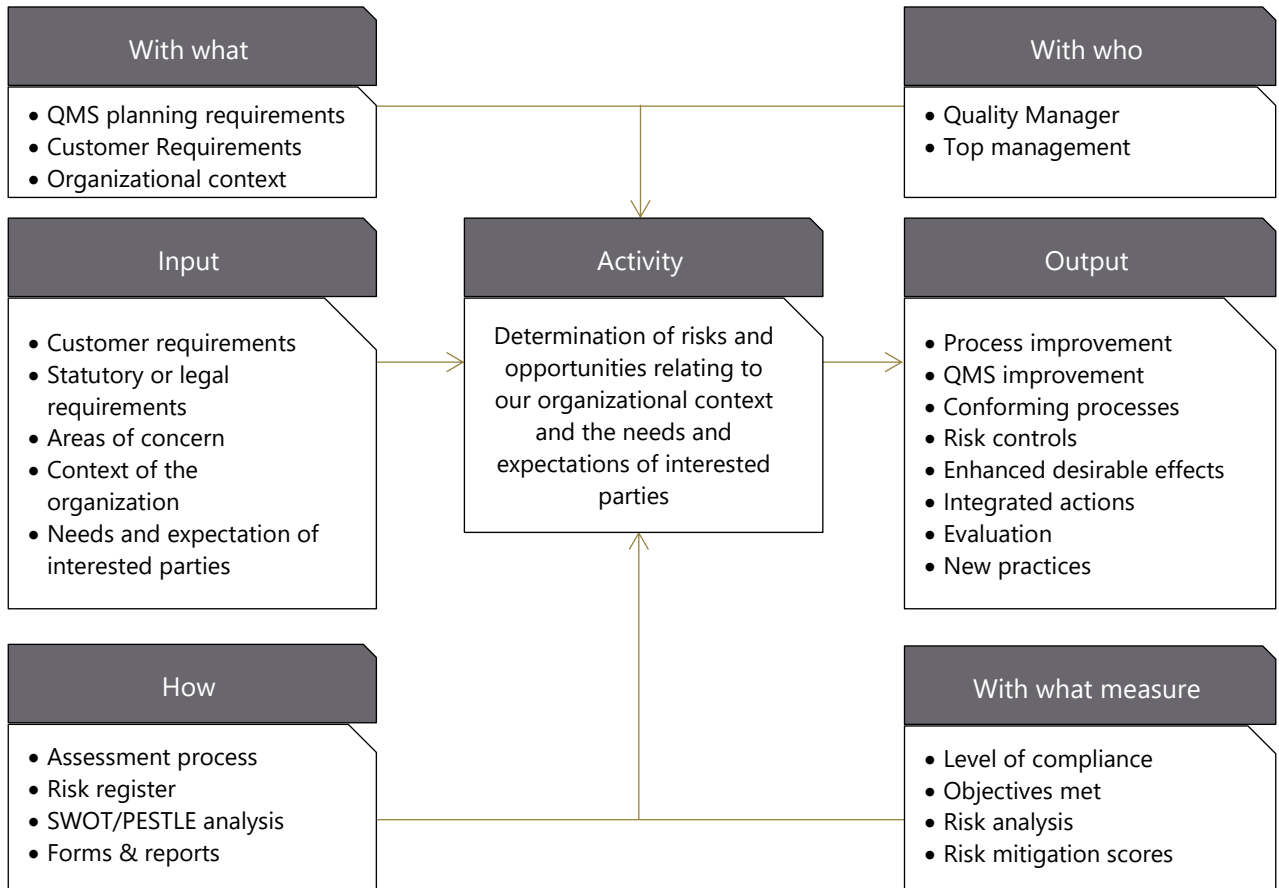
| | |
|--|-----------|
| <i>Contents</i> | 2 |
| 1 Control of Risks & Opportunities | 3 |
| 1.1 Introduction & Purpose | 3 |
| 1.1.1 Process Activity Map | 3 |
| 1.1.2 References | 3 |
| 1.1.3 Terms & Definitions | 3 |
| 1.2 Application & Scope | 4 |
| 1.3 Risk & Opportunity Management Process | 4 |
| 1.3.1 Context | 4 |
| 1.3.2 Identification | 5 |
| 1.3.3 Assessment | 5 |
| 1.3.4 Inherent Risk Rating | 6 |
| 1.3.5 Risk Treatment | 7 |
| 1.3.6 Review | 8 |
| 1.3.7 Reporting | 8 |
| 1.3.8 Monitoring | 8 |
| 1.4 Risk Registers | 9 |
| 1.5 Risk Appetite | 9 |
| 1.6 Training | 9 |
| 1.7 Communication | 9 |
| 1.8 Forms & Records | 10 |

1 Control of Risks & Opportunities

1.1 Introduction & Purpose

The purpose of this procedure is to outline Marlow Offshore Germany GmbH & Co. KG the risk and opportunity management framework and the activities within. The risk and opportunity management framework defines our current risk management process, which includes; methodology, risk appetite, methods for training and reporting.

1.1.1 Process Activity Map



1.1.2 References

| Standard | Title | Description |
|----------------------|-----------------------------|---|
| BS EN ISO 9000:2015 | Quality management systems | Fundamentals and vocabulary |
| BS EN ISO 9001:2015 | Quality management systems | Requirements |
| BS EN ISO 9004:2000 | Quality management systems | Guidelines for performance improvements |
| BS EN ISO 19011:2011 | Auditing management systems | Guidelines for auditing |

1.1.3 Terms & Definitions

| Term | ISO 9000:2015 Definition |
|------------------------|--|
| Documented Information | Information (3.8.2) Required to be Controlled and Maintained |
| Risk | The effect (3.7.9) of Uncertainty |

| Term | ISO 9000:2015 Definition |
|--------------------|--|
| Objective Evidence | Data (3.8.1) Supporting The Existence or Verity of Something |

1.2 Application & Scope

Risk and opportunity is defined by Marlow Offshore Germany GmbH & Co. KG as 'something happening that may have an impact on the achievement of our objectives or which may affect our QMS'. Risk and opportunity management is a central part of our organization's strategic management. It is the process whereby management teams and risk owners methodically address the risks and opportunities attached to their activities with the goal of achieving sustained benefit within their activity. This includes the assessment of risks and opportunities of any type. Accountable Managers shall:

- Maintain a risk registers in for the scope and objectives for which they are accountable;
- Consider all types of risk and opportunity, including; schedule, cost, quality, 3rd Parties, etc.;
- Ensure that this procedure operates fully within their teams;
- Make adequate competent resource available to ensure that risk management obligations are met;
- Ensure that all other relevant parties and perspectives are appropriately engaged.

1.3 Risk & Opportunity Management Process

The risk management process consists of a set of iterative steps as described below. Additional steps ensure feedback through a monitoring and review process and appropriate communication and consultation. Opportunities are also undertaken in the following manner.

1.3.1 Context

Strategic risk and opportunity identification involves the relationship between Marlow Offshore Germany GmbH & Co. KG and the broader, environment and community. A range of issues is considered when examining our strategic context:

- Key thrusts of stakeholder strategies;
- Opportunities and threats associated with the local, regional, and global economic, social, political, cultural, environmental, regulatory and competitive environments;
- Strengths and weaknesses of the organization in attaining corporate objectives.

Establishing the external context is important to ensure that stakeholders and their objectives are considered when developing risk management criteria and that externally generated threats and opportunities are properly taken into account. Operational risk and opportunity identification involves gaining an understanding of our organization's capabilities, goals, objectives, strengths and weaknesses by considering:

- Organisational structure and culture;
- The identity and nature of interaction with key stakeholders;
- The existence of any operational constraints;
- Objectives and key performance indicators;
- Business resilience vulnerabilities and management systems.
- Relevant issues relating to recent change management risk, performance or audit reviews;

- Regulatory and contractual requirements and constraints;

1.3.2 Identification

Risk and opportunity identification is a critical activity at both a strategic and operational level. It needs to include all significant sources of risk, including those beyond Marlow Offshore Germany GmbH & Co. KG control. If a risk/threat/opportunity is not identified, there can be no strategy to address it.

The objective of this step is not to create an onerous and lengthy list of all possible risks, but to identify all significant risks that could impact Marlow Offshore Germany GmbH & Co. KG. Risks and opportunities are identified through the use of:

- Workshops and focus groups (using brainstorming approaches, PESTLE & SWOT analysis techniques, project categories, or broad business categories);
- Interviews with respective management by the Quality Manager;
- The intranet as a means of reporting incidents or risks for consideration.

Marlow Offshore Germany GmbH & Co. KG systematically identifies those risks and opportunities associated with the scope of work being considered that could significantly affect achievement of our quality objectives. The Quality Manager shall:

1. Confirm the specific scope and objectives addressed by the risk assessment and gather any necessary or useful information including plans and drawings, other relevant risk information;
2. Engage with all the relevant parties to systematically identify the risks that could significantly affect achievement of the project objectives. This is usually initially done through a facilitated workshop;
3. For each risk, identify the causes and the effects;
4. For each risk and opportunity, identify the Risk Owner - in principle the person with the ability and appropriate authority to manage the risk and opportunity and confirm with them that they accept accountability for managing the risk and opportunity;
5. This should always be agreed through normal lines of authority;
6. Enter the risks and opportunity and their causes, effects, and owner, into the risk register;
7. Ensure there is a mechanism to capture risks identified outside formal risk identification workshops;
8. Subsequent to the initial risk identification, periodically re-visit the list of risks to confirm they continue to reflect the prevailing circumstances;
9. These re-visits may be triggered by significant identifiable events (e.g. passing of a milestone, change in strategy or methodology), or simply gradual change over time.

1.3.3 Assessment

Assessment of the severity of a risk drives management attention and supports planning for risk mitigation. A qualitative risk assessment scheme consisting of qualitative probability and impact scales is undertaken to ensure consistency. The Quality Manager will engage with Risk Owners to:

- Identify the control measures already applied to each risk i.e. existing control measures. These may be pro-active (reducing the probability) or reactive (reducing the impact);

- Rank the probability and impact of each risk after taking into account the actual effectiveness of the existing control measures;
- Enter the existing control measures and the associated current risk probability and impact scores into the Risk Register.

Risk assessments are undertaken to provide an improved understanding of the risk profile and derive a more detailed understanding of certain cost and time risks. Forecast probability, cost and time data is assessed for each risk based on the causes and effects described, taking into account the existing controls and active responses. Probability or likelihood estimations are established giving due consideration to the effectiveness of existing control measures. The consequence evaluation criteria define the consequence criteria, assessed against potential financial loss, reputation impact, health and safety, legal and regulatory compliance and management time and effort.

1.3.4 Inherent Risk Rating

An inherent risk rating represents the level of risk in the absence of a control environment and is arrived at after measuring the likelihood and the consequence of an event occurring. For each impact or risk that is identified, a risk evaluation is undertaken to assign a specific score in order to determine the correct level of action.

Risk criticality (Table S1) is calculated by multiplying the likelihood (Table S2) by the consequences of risk (Table S3). The resulting score (Table S4) is then used to prioritise the appropriate level of action.

Risk Criticality (S1)

| Likelihood of Occurrence (L) | Consequence Rating | | | | |
|------------------------------|--------------------|-------|----------|-------|------------|
| | Catastrophic | Major | Moderate | Minor | Negligible |
| Certain | 25 | 20 | 15 | 10 | 5 |
| Occasionally | 20 | 16 | 12 | 8 | 4 |
| Probable | 15 | 12 | 9 | 6 | 3 |
| Unlikely | 10 | 8 | 6 | 4 | 2 |
| Improbable | 5 | 4 | 3 | 2 | 1 |

Likelihood (S2)

| Score | Likelihood | Description | Percentage | Probability |
|-------|----------------|---|------------|-------------|
| 1 | Rare | May only occur in exceptional circumstances | <0.1% | 1 in 1,000 |
| 2 | Unlikely | Could occur during a specified time period | 1% | 1 in 100 |
| 3 | Possible | Might occur within a given time period | 10% | 1 in 10 |
| 4 | Likely | Will probably occur in most circumstances | 50% | 1 in 2 |
| 5 | Almost Certain | Expected to occur in most circumstances | >95% | 1 in 1 |

Consequences (S3)

| Score | Impact | Quality | Cost | Programme |
|-------|------------|--|-----------------------|--|
| 1 | Negligible | Non-compliance with standard or procedure that can be managed. | Less than £1 million. | Variance (+) from current milestone or completion date, of estimated completion date of up to 5% or up to 10 days. |

Risk Exposure Score (S4)

| Score | Colour | Management Control Action (MCA) |
|----------|-----------|---|
| 1 to 4 | Very Low | No mitigation, no action is required, the risk is ALARP. Monitor to ensure that the risk remains tolerable at this level. |
| 5 to 8 | Low | Maintain assurance that the risk remains tolerable at this level. Monitor and manage by routine procedures, unlikely to need specific application of resources (managers and key staff). |
| 9 to 12 | Medium | Tolerable if the cost of reduction would exceed the improvement gained. Mitigate through management by specific reviews and monitoring of procedures (Managers) but regular monitoring should occur. |
| 13 to 15 | High | Tolerable only if risk reduction is impractical or if cost is disproportionate to the improvement gained. Mitigate by implementing controls to reduce the risk to as low as is reasonably practicable. Where this cannot happen, continual monitoring should occur. |
| 16 to 25 | Very High | Intolerable, the risk cannot be justified, expect in extraordinary circumstances. Mitigate by ceasing all related activities. |

1.3.5 Risk Treatment

The objective of this step is to identify how the identified risks will be treated. Risk treatment involves identifying the options for treating each risk, evaluating those options, assigning accountability (for Very High, High and Moderate residual risks) and taking relevant action. The following options are available for treating risks and may be applied individually or in combination, with due consideration of risk appetite:

| Risk Option | Risk Treatment |
|-------------------|--|
| Accept the Risk | Controls are deemed appropriate. These must be monitored and contingency plans developed where appropriate. |
| Transfer the Risk | Shifting responsibility for a risk to another party by contract or insurance. Can be transferred as a whole or shared. |
| Mitigate the Risk | Reduce the likelihood by improving management controls and procedures. Reduce the consequences by putting in place strategies to minimise adverse consequences, e.g. contingency planning, Business Continuity Plan, liability cover in contracts. |
| Avoid the Risk | Not to proceed with the activity or choosing an alternative approach to achieve the same outcome. Aim is risk management, not aversion. |

For each risk, the Risk Owner must establish an appropriate level of treatment. Control measures in addition to those already existing may be needed to achieve this level of mitigation. The Accountable Manager shall engage with Risk Owners to develop a satisfactory response each risk in order to:

- Identify a response strategy to treat, terminate, tolerate or transfer the risk;
- Identify response actions to improve control measures as required. These will be SMART;
- Identify a response action owner for each action and confirm with them that they accept accountability for implementing the action within the time allowed.

The risk owner is responsible for the development of the response. When a response action is completed, the risk should be reassessed (i.e. repeat Step 1.1.3) to reflect any newly introduced control measure.

1.3.6 Review

Regular review is essential to ensure that risks are being appropriately managed, and that the risk data remains accurate and reliable. The Quality Manager will on a regular basis:

- Engage with risk owners to ensure they that the current and forecast risk severities reflect the actual effectiveness of the existing controls and the anticipated effectiveness of the response plans, and that response plans and existing controls are up-to-date)
- Challenge the continued relevance of the risk and the adequacy of the control measures and response actions;
- Review and formally issue approval of his completed risk register enabling it to be used for reporting;
- In the event that they will not approve (part of) the completed risk register, e.g. due to the inadequacy of control measures and response actions, they will agree with the relevant risk owner those additional response actions necessary, prior to approval;

1.3.7 Reporting

Regular reports are necessary to inform and provide assurance to Top management and other key stakeholders, that risks are being appropriately managed. Reporting must be based on current data captured in the risk register, which must be updated and reviewed in good time for the next reporting cycle.

On occasion, it may be appropriate to escalate a risk to ensure it is assessed and/or managed by the person or party best placed to do so (able and with appropriate authority). For example where a more substantial or coordinated response is required than the current owner can authorise or implement will justify higher level assessment and/or management. The Quality Manager will:

- Escalate through established lines of management accountability all risks in his risk register that may require the attention of Top management. This may take place at formal risk reviews, or through other simple mechanisms at other management meetings;
- Issue reports in accordance with requirements);
- Provides key risk information such as statistical data on numbers of active risks, unapproved risks, overdue actions, and others as appropriate.

1.3.8 Monitoring

Continuous systematic and formal monitoring of implementation of the risk process and outputs will take place against appropriate performance indicators to ensure process compliance and effectiveness. Monitoring may take a variety of forms and range from self-assessment and internal audit to detailed reviews by independent external experts

1.4 Risk Registers

Risk registers identify and record the risks facing different areas of business. Identifying risk is a critical step in managing it. Risk registers allow Marlow Offshore Germany GmbH & Co. KG to assess the risk in context with our overall strategy, and help record the controls and treatments of those risks. Risk registers are developed in four tiers:

1. Strategic level;
2. Programme level;
3. Department level;
4. Process level;

1.5 Risk Appetite

Once risks are identified, the adequacy of controls must be considered within the context of Marlow Offshore Germany GmbH & Co. KG risk appetite at the time. This will vary with business and operational strategies, from year to year depending on Marlow Offshore Germany GmbH & Co. KG circumstances. Risk appetite is the amount of risk, on a broad level, that Marlow Offshore Germany GmbH & Co. KG is willing to accept in pursuit of value, and reflect:

- Capacity to take on risk;
- Our objectives, business plans and respective stakeholder demands;
- Evolving industry and market conditions;
- Tolerance for failures with quantitative values, where applicable.

1.6 Training

To ensure that adequate risk management competency levels are achieved and maintained, Marlow Offshore Germany GmbH & Co. KG provides regular training courses in the risk management process and its application.

- Specific risk management training sessions will be held on an annual basis, aimed at providing an overview of the risk management framework.
- The training will be facilitated by the Quality Manager. Additional ad-hoc training will be provided as required;
- Instruments providing training on appropriate controls include job descriptions, inductions, policies, procedures, terms of reference, charters, performance planning and review programs, contracts and delegations.

1.7 Communication

Communication and consultation are important elements in each step of Marlow Offshore Germany GmbH & Co. KG risk and opportunity management process. Effective communication is essential to ensure that those responsible for implementing risk management, and those with a vested interest, understand the basis on which risk management decisions are made and why particular actions are required. Our communication approach recognises the need to promote risk and opportunity management concepts across all management and staff.

1.8 Forms & Records

All documentation and records generated by the risk and opportunity management framework are retained and managed in accordance with the Control of Documented Information procedure.

| Title & Description |
|---------------------|
| Risk Register |
| SWOT Template |
| PESTLE Template |