Administrative Change Management

Version	Date	Approved By	Summary of Changes
01	6/4/2026	Wesley King	Initial Release

1. Introduction

Organizations have to balance risk versus reward in their decision making. An organization's risk management approach must be set within the context of the organization's business, the inherent risks and the organization's appetite for risk. A risk management procedure ensures that we manage risks consistently and ensures that the cost of mitigating risks can be justified when considering the consequence of accepting the risk.

2. Purpose

The purpose of this procedure is to provide a description of the risk management framework which sets the context for our risk assessment methodology. This procedure covers:

- Our risk management framework which addresses the inherent risks of operating a business in our context and environment, our willingness to accept risk and the need to assess risks at all levels within the company.

- The assessment activities and guidelines, that we have established to provide consistent results from the assessment cycle.

3. References

- ISO/IEC 31000:2018 Risk Management – Principles & Guidelines

4. Executive Summary

Smith Brothers Pipe faces inherent risks of doing business, these risks are both internal and external or a combination of both. As part of our corporate governance, we are required to manage risks at all levels across our business. We need to consider the potential for risks to affect the achievement of our business/quality objectives and how risks influence our decision making. From an operational perspective, we need to give consideration to risks that have the potential to impact our operational performance and efficiency. From a project perspective, risks need to be managed to ensure that they do not affect the project outcomes and negate project justification.

The ISO 31000:2018 Risk Management standard recommends that organizations develop, implement and continuously improve a framework whose purpose is to integrate the process for managing risk into the organization's overall governance strategy and planning, management, reporting processes, policies, value and culture.

5. Risk Management Framework

5.1 Responsibility, Authority & Stakeholders

Smith Brothers Pipe management has ultimate responsibility for the effective management of risk across the organization. The senior management delegates responsibility and authority throughout the organization but retains accountability. The management is expected to demonstrate commitment to the risk management policy and monitor performance indicators for internal and external stakeholders as well as legal and regulatory compliance.

5.2 Integration

Risk management must operate at all levels within the organization in an integrated manner in order to be effective. Risk management should be considered at the strategic, operational and project level – and should take into account both internal and external factors. Risk management is an integral component of our business management and governance structure.

5.3 Risk Evaluation Criteria

Smith Brothers Pipe defines the criteria to be used to assess the impact of risk; this criterion is defined to ensure consistent results and is subject to continuous review and improvement. A number of factors influence the organization's criteria for evaluating risks (e.g., probability, impact, nature of the impact, reputational damage, revenue impacting, external factors etc.).

5.4 Risk Acceptance

We will often decide to accept risks based on due considerations such as the cost to mitigate, the probability is low and the consequences are acceptable, or where the reward is worth the risk.

5.5 Internal and External Factors

We carefully consider the interest of internal and external factors in our risk management life-cycle approach. Such factors include customers, suppliers, competitors, stakeholders, products and services, employees, legislation and regulation.

5.6 Continuous Improvement

Continuous improvement is a key consideration in our risk management assessment methodology. Our business objectives establish growth and performance goals and the risk/reward decision is an important factor when considering accepting risk as a means to achieve our performance goals.

5.7 Reporting & Communication

Managing risk is an ongoing activity and changes to the probability and impact, and the resources required to treat the risk, need to be reported and communicated to all relevant parties. Risks are reviewed at planned intervals and risk evaluations and treatments updated to provide confidence that the company's goals and commitments can be met or adjusted as the case may be.

6. Risk Management Procedure

6.1 Risk Identification

During risk identification, Smith Brothers Pipe considers all eventualities that could have an impact on the achievement of our quality objectives. We consider the events that have the potential to impact the achievement of our goals, our ability to meet service delivery requirements and the impact on the confidentiality, integrity and availability for information within the scope of the business operations.

Potential sources of risk are political uncertainty, competitors, labor market skills shortage, delays in project launch, becoming the target of a hostile acquisition, cyber security threats etc.

The risk identification activity is ongoing, and occurs at all levels of business i.e., strategic, tactical and operational. Newly identified risks and changes to the probability, impact and treatment of existing risks are assessed and updated at planned intervals. A key success factor of our risk management methodology is the assignment of a risk owner to manage the risk throughout its life-cycle.

6.2 Risk Analysis

Our approach for risk analysis is systematic and repeatable so that the relative significance and importance of risks can be assessed. The output from the risk identification stage forms the input to the risk analysis stage. The purpose of the risk analysis is to develop a qualitative and / or quantitative assessment of the risk so we can judge the relative significance and priority of risks. During the risk analysis stage, the appropriate persons with the relevant subject matter, process knowledge and authority are involved. The risk analysis stage involves gaining a more in-depth understanding of the characteristics of the risk, in particular the impact, consequences, likelihood and relationships between risks.

6.3 Risk Evaluation

The output from risk analysis forms the input to the risk evaluation stage. The purpose of the risk evaluation is to consider risks within the context of our risk appetite and risk evaluation criteria which are defined as part of the risk management framework. The Company will make decisions about whether or not to accept or treat the risk and assign a priority.

6.4 Risk Treatment

Our decision on risk treatment is based on risk versus reward. In the case of investments, business case benefits are a key consideration. The output from the risk evaluation provides input to the risk treatment stage. Depending on the type of risk and its significance to the business, decisions can be made to choose to:

- **Avoid** – we may choose not to implement certain activities or processes that would incur the risk (i.e., eliminate the risk by eliminating the potential cause);
- **Mitigate** – to reduce the likelihood or impact of the risks by implementing appropriate mitigating controls;
- **Transfer** – to share the risk with a partner or transfer via insurance coverage, contractual agreement or other means;
- **Accept** – formally acknowledge and sign-off acceptance of the risks

6.5 Residual Risk

After addressing a risk there may exist a degree of residual risk. Risk owners are responsible for determining if the residual risk remaining after treatment is acceptable or further treatment is required.

6.6 Monitoring and Review

We regularly review the status of open risks and potential and new risks at our ISO management review meetings and relevant management meetings.

7. Related Documentation

QMS REC 01 Risk & Opportunity Register