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## **LABOUR RISK ASSESSMENT PROCEDURE**

### **1. Purpose**

The purpose of this SOP is to provide guideline in identification, assessment and determination of control plan to manage Core labour requirement risks and identify potential problems before they occur so that risk-handling activities may be planned and invoked as needed across the business process to mitigate adverse impacts on achieving compliance with Core Labour Requirement standards.

### **2. Scope**

The scope of this SOP is applicable to identification, control and management of Core labour requirement risks. This process shall cover risk for business and operational level.

### **3. Definitions**

**Risks** – Effect of uncertainty on an expected result, which is negative (threat).

### **4. Responsibilities**

- 4.1. Document Controller is responsible for overall document control and distribution of the documents to the respective departments.
- 4.2. The representatives from the respective departments are responsible to control (receive, maintain and return obsolete documents) their own documents to prevent lost, missing pages and ensuring latest revised documents being used/implemented.

### **5. Procedure**

#### 5.1. Identification of Risk

5.1.1. The management shall determine potential risks that is associated with the following:

- Internal labour issues
- External labour issues
- Legal compliance

5.1.2. Process owner shall describe the risks into Risk Register (Appendix 2).

5.1.3. The identification process shall include communication, consultation and participation from employees

#### 5.2. Analysis of risk.

5.2.1. Every identified risk shall be analyzed of their consequences, its cause /source, existing controls as well as their effectiveness and efficiency.

#### 5.3. Evaluation of risk

5.3.1. Top management / Process owner shall evaluate the magnitude of potential impact (Appendix I– table 2) and the likelihood that the risk will occur (Appendix I– table 1).

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- 5.3.2. Assessing these two parameters can be based on worker experience, data analysis or measurement (if any).
- 5.3.3. The evaluation can be done using Risk Matrix as per (Appendix I– table 3).
- 5.3.4. The relative risk rating can be used to prioritize necessary actions to effectively manage the risks. Risk Rating Priority Guideline in Appendix I – table 4.
- 5.4. Establish action plan
- 5.4.1. Where the result of risk assessment showing medium or high level, Process owner/ Department Head shall take appropriate control to reduce the probability of risk occurrence or to minimize the risk impact As Low As Reasonably Practicable (ALARP).
- 5.4.2. Control plan may include mitigation plan or contingency plan.
- 5.4.3. Mitigation plan is to reduce the probability of impact of the identified risk. A contingency plan will not change the probability or impact of the current risk, but to control the impact as risk event looks like occurring. This works as a fall back plan for the high exposure risks.
- 5.4.4. Process owner may choose an appropriate risk treatment such:
- Accept the risk in order to pursue an opportunity. Risk may also be retained by default, for example a low-level Risk that is considered acceptable for the company to carry.
  - Reduce by changing the likelihood. Exposure to Risk may be limited by reducing or controlling the Likelihood of an event occurring.
  - Reduce by changing consequence. Preparations to reduce, control or mitigate the consequences of a Risk can aid in making a particular Risk more acceptable.
  - Transfer/share the risk involves another party bearing or sharing some part of the risk. Risk transfer mechanisms include the use of contracts, insurance arrangements and organizational structures such as sub-contract, partnerships and joint ventures.
  - Avoid the risk. Occasionally, a risk will be able to be avoided by not proceeding with the activity likely to generate the risk.
- 5.4.5. Process owner shall determine the necessary treatment toward the identified risk.
- 5.4.6. Action plan (Appendix 3) shall be documented together with the Risk Register with target or due date for implementation.
- 5.4.7. The action plan also shall be assigned to specific personnel or department to be executed.
- 5.5. Implementation
- 5.5.1. Responsible person shall ensure implementation of action plan meeting the target date.
- 5.5.2. Evidence of implementation shall be retained.

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5.5.3. The progress and status of implementation shall be updated and reported to the management.

5.6. Monitor, Review and Evaluate

5.6.1. Process owner shall monitor and review their respective risk to ensure the rating do not escalate to higher level (unacceptable level).

5.6.2. The Risk Register shall be reviewed at minimum once a year or upon any changes in management, process, equipment, internal or external issues or changes in interested parties' requirements that may affect the company's core labour performance.

5.6.3. Process owner can evaluate the effectiveness of action plan via any of the following method:

- Re-evaluate the likelihood and impact rating to see changes in the rating (effective control means rating do not escalate higher or become lower)
- Achieve relevant core labour requirements
- No occurrence / recurrence of risk
- Enhance desirable effect

5.6.4. Process owner shall alert the management when risk control plan need to be adjusted (not effective).

5.6.5. The status of risk, its control measures and the effectiveness of risk control plan shall be reported to the top management and reviewed during management review meeting

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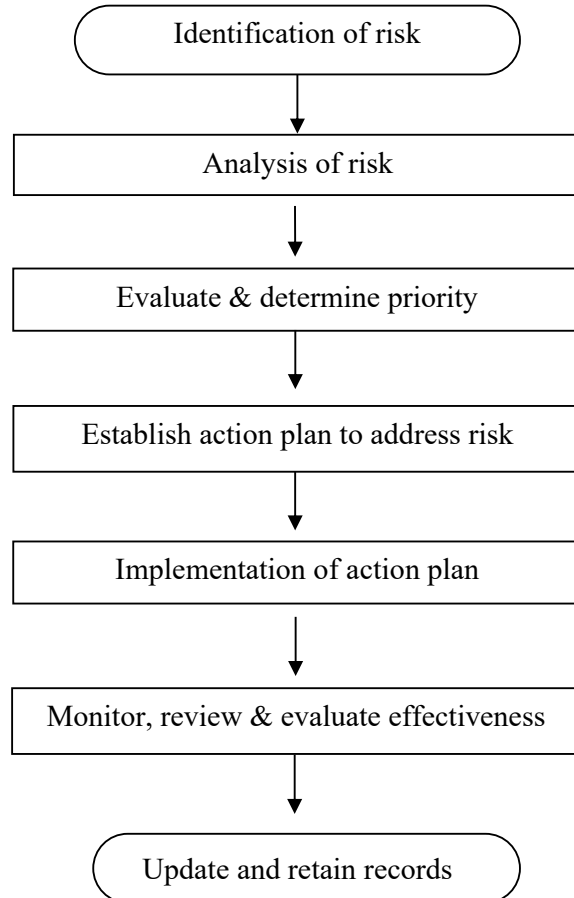
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## 6. PROCESS FLOW



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7. APPENDIX

Appendix 1 – Risk Assessment Matrix

**Table 1: How to determine Probability Rating (P)?**

LIKELIHOOD TO OCCUR		
<b>H</b>	<b>High</b>	Very frequent. An event that is very likely to occur / recur (within the next 3-6 months / in the last quarter/6 months)
<b>M</b>	<b>Medium</b>	Sometimes. An event that is likely to occur / recur (within the next year / last year)
<b>L</b>	<b>Low</b>	Rare. An event that is unlikely to occur / recur (in the next 2 years or longer)

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**Table 2: How to determine Severity Rating (S)?**

SEVERITY IF RISK OCCUR		
H	High	▪ Unable to deliver product/ service & recovery time is unknown
		▪ Tarnish the organization reputation or existence / loss of business or customer confidence
		▪ Breach of regulation or contract with financial / prosecution or fine
		▪ Legal action / reporting to authority taken by interested party
		▪ Media outcry
M	Medium	▪ Delivery of product / service affected, recovery time known / work around solution available
		▪ Reduce customer confidence / business opportunity
		▪ Interested party demands financial compensation
		▪ Threat of legal action
		▪ Failing to comply fully to legal / government policies / contract or interested party requirement
		▪ Complaints / dissatisfaction feedback received from customer/ interested parties and market or product claim
L	Low	▪ No significant impact to operation, products / service, work around solution within a day
		▪ Expression of dissatisfaction of product / service provided

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**Table 3: - Risk Rating (RR)**

SEVERITY OF RISK			PROBABILITY
Low	Medium	High	
			High
			Medium
			Low

**Table 4: - Risk Grade & Priority Guideline Description**

Risk Rating (RR)	Description
<b>HIGH</b> (Unacceptable)	<ul style="list-style-type: none"> <li>Requires immediate control measure to reduce Risk to As Low As Reasonably Practicable (ALARP).</li> </ul>
<b>MEDIUM</b> (Moderately acceptable)	<ul style="list-style-type: none"> <li>Additional or improvement of existing control measure should be applied to reduce the risk level.</li> <li>Requires continuous monitoring to ensure risk do not escalate to higher level.</li> </ul>
<b>LOW</b> (Acceptable)	<ul style="list-style-type: none"> <li>Acceptable risk and further reduction may not be necessary.</li> <li>No additional risk control measures required. Requires continuous monitoring to ensure risk do not escalate to higher level.</li> </ul>

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Appendix 2 – Risk Register

Business Activities	Core Labour Requirement Risks	Probability Rating (P)	Severity Rating (S)	Risk Rating
Recruitment	Employment of Child Labour			
	Young workers not given special working conditions			
	Young workers working in hazardous conditions			
	Use of forced / compulsory labour			
	Withhold any part of any personnel's salary, benefits, property or documents in order to force such personnel to continue working for the organisation			
	Employment fees or costs are borne in whole or in part by workers			
	Workers kept at workplace after completing the standard work day			
	Engaging in human trafficking			
	Discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on race, national or territorial or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age or any other condition			

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Business Activities	Core Labour Requirement Risks	Probability Rating (P)	Severity Rating (S)	Risk Rating
	Subject personnel to pregnancy or virginity tests			
	Interfering with the exercise of personnel's rights to observe tenets or practices or to meet needs relating to race, national or social origin, religion, disability, gender, sexual orientation, family responsibilities, union membership, political opinions or any other condition			
Discipline	Behaviour that is threatening, abusive, exploitative or sexually coercive, including gestures, language and physical contact, in the workplace and in all residences and property provided by the organisation			
	Engage in or tolerate the use of corporal punishment, mental or physical coercion or verbal abuse of personnel			
Working hours	Not providing one day off following every six consecutive days			
	Involuntary overtime work			
	Overtime work exceeding 104 hours per month			

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Business Activities	Core Labour Requirement Risks	Probability Rating (P)	Severity Rating (S)	Risk Rating
Remuneration	Not providing according to minimum wage			
	Deductions from wages for disciplinary purposes			
	Personnel's wages and benefits composition are not detailed clearly and regularly to them in writing for each pay period			
	Overtime not reimbursed at a premium rate			
	Use of labour-only contracting arrangements, consecutive short-term contracts and/or false apprenticeship or other schemes to avoid meeting its obligations to personnel			
Association & Collective Bargaining	Interfering with the establishment, functioning or administration of workers' organisation(s) or collective bargaining			
	Negative consequences or retaliation for joining worker association			
	Not allowing workers to freely elect their own representatives			
	Subjected to discrimination, harassment, intimidation or retaliation for being union			

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Business Activities	Core Labour Requirement Risks	Probability Rating (P)	Severity Rating (S)	Risk Rating
	members, representative(s) of workers or engaged in organising workers			
Management System	Core labour requirement policy statement not displayed			
	No identification & assessment of risks			
	No monitoring on workplace activities			
	No complaint management and resolution			
	No external verification and stakeholder engagement			
Training	No Training plan			
	No periodic measure the effectiveness of training and record their nature and frequency			
Management of Suppliers	Supplier / subcontractor, private employment agencies and sub-supplier's due diligence not carried out			
	No communication of requirements to supplier's Senior Leadership			
	No assessment of supplier risks			
	No monitoring and tracking of supplier performance			

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Appendix 3 – Action Plan Template

Business Activity	Core Labour Requirement Risk	Detailed plan / recommended action plan	Responsibility	Timeline			
				Q1	Q2	Q3	Q4

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