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Risk Management Procedure



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1. Introduction

In the implementation of the certification scheme activities, there is potential for event's occurrence and consequences that may threaten the success, stability and credibility of the system. This potential is also known as "risk". It can be minimized through an appropriate comprehensive "risk management" planning approach, which helps to ensure that all the risk that arises is managed effectively and efficiently mitigate in proper manner.

The MSPO risk management planning approach is designed to identify and to address the respective risks that may arise from the implementation of the MSPO certification scheme. The Risk management process comprises 4 stages; risk identification, risk analysis, risk assessment, and risk mitigation.

It considers the external and internal risk factors in the MSPO scheme at each particular activity, and which could result in damages to the certification activities process if not addressed comprehensively, effectively and consistently.

The MSPO risk management approach applies to all applicants for certification who participate in the MSPO certification scheme, including the entire supply chain of palm oil industry in Malaysia (Smallholders, Estates, Mills, Refineries, Palm Kernel Crushers, Oleochemical, End Product Manufacturer, Biofuel and Bulking) facilities.

The MSPO risk management approach also applies to the Accredited Certification Bodies (ACB) involved in MSPO certification.

2. Scope

The intent of this document is to harmonize the risk management approach applicable to applicants for certification and Accredited Certification Bodies (ACB) for the certification cycle. It provides a common approach to identify, analyze, assess and consider the risks in the certification process, in which palm products related operations are added to the MSPO certification system.

3. Normative Reference

In addition to normative references as listed in MSPO Certification Scheme, the following normative references also apply for the users of this document:

ISO 31000:2009 Risk Management – Principles and Guidelines *(or its replacement)*
IAF MD 1:2007 – IAF Mandatory Document for the Certification of Multiple Sites *(or its replacement)*

4. Risk Management

The risk management plan is a systematic and strategic process in evaluating the potential risks that are attached to a possible activity or responsibility. In order to minimize the risk, the management of the risk is carried out in four steps:

- (1) Risk identification
- (2) Risk analysis
- (3) Risk assessment
- (4) Risk mitigation

4.1 Risk identification

The applicants for certification shall identify and document at this stage where the sources of risk, areas of impacts, events, and their causes and potential consequences from its operations.

4.2 Risk analysis

After the potential risks have been identified from the risk identification stage, the applicants for certification shall carry out the analysis of the risk. In order to analyze the risk, the following elements can be taken into consideration:

- Causes and sources of the risks
- Probability of occurrence of positive and negative consequences
- Factors that affect the probability and extent of negative consequences
- Potential extent of damage cause by the negative consequences to the success, stability and credibility of the MSPO Certification system

4.3 Risk Assessment and Risk Classification

The risk assessment is based on the outcomes of the risk identification and the risk analysis. It consists of the self-assessment of the applicants for certification which are then verified by the accredited certification body.

For that purpose:

- i) The applicants for certification shall provide a self-assessment of the risks (**“Self-Assessment”**) which its operations may add to the MSPO Certification system, by
 - Describing the results of its risk identification,
 - Describing the results of its risk analysis, and by
 - Description of measures to mitigate and manage the risk in an appropriate way.

The applicants for certification shall use the questionnaire in **Annex I¹** of this document and provide additional information where necessary.

- ii) The applicants for certification shall send the Self-Assessment to the relevant accredited certification body before the stage 1 audit, surveillance audit or recertification audit.

In case the self-assessment precedes a surveillance audit, the operator might identify changes in the previous Self- Assessment, and how the certificate holder mitigates and manages the new or changed risk.

- iii) The Accredited Certification Body (ACB) shall then verify the Self-Assessment during Stage 1 audit or via evaluation activities by;

- Checking for correctness, and
- Consider previous audit results, if applicable.
- If the ACB found Self-Assessment is not correct then the applicants for certification could be categorized as high risk¹.

- iv) The ACB shall classify the applicant for certification under one of the three risk categories:

- **Low risk** (risk factor 1.0):

If the identified risks with regard to the operations area to be audited are correct, complete and easily accessible, the risk can be assessed as low.

- **Medium risk** (risk factor 1.5):

If the identified risks with regard to the operations area to be audited are not correct, not easily accessible, but complete, the risk can be assessed as medium.

- **High risk** (risk factor 2.0):

If the identified risks with regard to the operations area are not correct, not updated on a continuous basis and not completely available, the risk has to be assessed as high.

4.4 Risk Mitigation

- 4.4.1 The applicants for certification shall mitigate its risk following the results of the risk assessment. There are several options to minimize the identified risk, such as:

- i) Avoiding the risk by deciding not to start or to continue with the activity that gives rise to risk;
- ii) Taking and managing the risk in order to pursue an opportunity;
- iii) Removing the source of risk;
- iv) Changing the likelihood of the risk;
- v) Changing the consequences of the risk;

¹ Only for oil palm management / MS 2530.

- vi) Sharing the risk with another party or parties;
- vii) Retaining the risk by informed decision.

4.4.2 The ACB assesses the risk mitigation measures of the applicant for certification during its audit.

5. Impacts of the Risk Classification

The classification of the risk of an applicant for certification impacts

- The number of the man-days required to conduct the MSPO certification audit (**Annex II**), and
- In case of group certification for oil palm management, the determination of the sample size of group members to be visited for audit (**No. 4.3.4, Annex III**)

*** End of document ***

Annex I – Questionnaire for Self- Assessment (SA)**Risk Management Questionnaire for MSPO**

No	Questionnaire			
A. Management Responsibility				
1.	Does your company have a designated management unit/person responsible for the sustainability issues?	<input type="checkbox"/> No (2)	<input checked="" type="checkbox"/> Yes (0)	
2.	Does publicly available information / document available in your company?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
3.	Does your company maintain a list of legal requirements such as Licenses, Permit, and Certificate of fitness?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
4.	Does your company conduct internal audit and management review? Including the implementation of continuous improvement plan.	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
5.	<p>Does your institution adopt or have the following?</p> <p><u>Plantation</u></p> <ul style="list-style-type: none"> • MPOB Code of Practice • Chemical & Health Risk Assessment (CHRA) • Hazard Identification, Risk Assessment and Risk Control (HIRARC) <p><u>Processing facility</u></p> <ul style="list-style-type: none"> • MPOB Code of Practice Please specify: • Chemical & Health Risk Assessment (CHRA) • Hazard Identification, Risk Assessment and Risk Control (HIRARC) • For refinery: Hazard analysis and critical control points (HACCP) • Optional: Food Safety Management System (FSMS) 	<input type="checkbox"/> No (2)	<input type="checkbox"/> Partially Available (1)	<input checked="" type="checkbox"/> Yes (0)

B. Social Aspect				
1.	Does your company have a policy and SOP covering the followings: <ul style="list-style-type: none"> • occupational safety & health • social practices as listed below: <ul style="list-style-type: none"> • no forced labour • respect for human rights • no child labour • working condition • wages & benefits • non-discrimination • freedom of association and collective bargaining • sales and purchase (contract) • corporate social responsibility 	<input type="checkbox"/> No (2)	<input checked="" type="checkbox"/> Partially Available (1)	<input checked="" type="checkbox"/> Yes (0)
2.	Does your company have a management system or grievances mechanism in place to manage the social issue described in question 1?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
3.	Does your company organize training sessions for employees to enhance the understanding on sustainability (environmental, safety, social aspects including impacts of operations, and ways to manage / improve them)?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
4.	Has an occupational safety & health audit been carried out at site within the last 24 months?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes, internal audit (1)	<input type="checkbox"/> Yes, external audit (0)
5.	Does your company have an occupational safety & health management system in place?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
6.	Has a stakeholder consultation / social audit been carried out at your company within the last 24 months?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes, internal audit (1)	<input type="checkbox"/> Yes, external audit (0)
C. Economic Aspect				
1.	Does your company have a policy and SOP in place regarding business conduct and compliance?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
2.	Does your company have long term financial management plan for continuous improvement with monitoring in place?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
D. Environment Aspect				

1.	Does your company have a formal environmental policy, which includes a commitment to legal compliance & monitoring and continual improvement?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
2.	Does your company have an environmental management system in place?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
3.	Does your facility have work procedure or management system to manage <ul style="list-style-type: none"> the use of restricted substances and chemicals waste management plan water management plan 	<input type="checkbox"/> No (2)	<input type="checkbox"/> Partially Available (1)	<input type="checkbox"/> Yes (0)
4.	Are the operations included in your scope of certification located adjacent to the protected/ high biodiversity value areas (e.g. national park, riparian / buffer reserve and water catchment area) as per state and national regulations?	<input type="checkbox"/> No (0)	<input type="checkbox"/> Yes (2)	
5.	Are there any endangered, rare and threatened species observed at the operation site or around it? If no, please skip this question. If yes to the above, is there any effort to protect it? <ul style="list-style-type: none"> wildlife management plan 	<input type="checkbox"/> No (0) <input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (2) <input type="checkbox"/> Yes (0)	
6.	Has an environmental audit been carried out at site within the last 24 months?	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes, internal audit (1)	<input type="checkbox"/> Yes, external audit (0)
E. Additional questions for production sites (MSPO Part 2 and MSPO Part 3 ONLY):				
1.	Are agricultural operations in your scope of certification contain <ul style="list-style-type: none"> soil with high potential for erosion If no, please skip this question. If yes, are there mitigation measures implemented and monitored?	<input type="checkbox"/> No (0) <input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (2) <input type="checkbox"/> Yes (0)	
2.	Does your company use any class 1A/ 1B agrochemicals?	<input type="checkbox"/> No (0)	<input type="checkbox"/> Yes (2)	
3.	Agronomist report and records of fertiliser application	<input type="checkbox"/> No (2)	<input type="checkbox"/> Yes (0)	
Total Score:				

Determining risk class Level

Score is 8 or below: Low Risk	Score between 9-14: Medium Risk	Score 15 and above: High Risk
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Guidance: This risk class calculated by the applicants for certification is a self-estimation and gives an indication of the conditions in which you are operating and the required efforts to bring your operations to compliance with MSPO Standard. A high-risk class means that the conditions of your operations are more challenging.

The Accredited Certification Body assesses the risk classification and the inputs by the applicant for certification and determines the audit duration and the sample size as appropriate.

Table 1: Category of Risk

Risk Level	Risk Description	Applicable system / Factors
Low risk (risk factor 1.0)	If the identified risks with regard to the area and operations to be audited are correct, complete and easily accessible, the risk can be assessed as low.	- Recognized sustainable certification scheme (RSPO, ISCC, RSB)
Medium risk (risk factor 1.5)	If the identified risks with regard to the area and operations to be audited are not correct, not easily accessible, but complete, the risk can be assessed as medium.	- MPOB Code of Practice certification - QMS/EMS/OSHA - GMP - Food Safety Management System - Documentation/SOP
High risk (risk factor 2.0)	If the identified risks with regard to the area and operations are not correct, not updated on a continuous basis and not completely available, the risk has to be assessed as high.	- No management & Sustainable system - No Documentation - Adjacent High Conservation, Biodiversity area e.g. Wetland, Forest, and etc.

Annex II – MSPO Audit Duration

1. On-site Audit Duration

- The document to be referred titled:
 - Audit Duration for Certification Bodies operating Oil Palm Management Certification under the Malaysian Sustainable Palm Oil Certification Scheme issued by Department of Standards Malaysia (ACB - OPMC 2, 1 August 2017)
 - Requirements for Certification Bodies Operating Supply Chain Certification under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme, dated 9 Nov 2018
- Number of man-days to be reduced or increased with justification, but the minimum man-days shall be adhered. For example, premises which have well established management systems, man-days may be reduced and for the premises with basic or rudimentary management systems then man-days may be increased. The reduction and the addition of man-days should also take into consideration of change in risk factors, for example, if the applicants for certification have successfully managed or mitigated a previously high risk to medium or low risk. The audit team may use external technical experts as necessary, however the audit man days involves the technical expert shall not be counted as audit man days required.

Annex III – Formula in Calculating Sample Size

For Group Certification, the Accredited Certification Body shall select group members to be audited before conducting Stage 2 audit based on random sampling of [risk factor] \sqrt{n} . The sample size is determined by the following formula:

$$S = r\sqrt{n}$$

Where:

S = Sample size

r = risk factor

n = number/size of the certification unit.

- The sample size and identification of the group members (obtained from Stage 1) should be included in the Stage 2 audit plan sent to the Group Manager by the ACB.

The following risk factors apply as stipulated in the Risk Management Procedure document, i.e:

Low risk: risk factor 1.0

Medium risk: risk factor 1.5

High risk: risk factor 2.0

The lowest possible sample size number is one.

Based on the calculation above, the ACB shall use the sampling methodology described in IAF MD 1:2007 – IAF Mandatory Document for the Certification of Multiple Sites Based on Sampling (No. 5.2, 5.2.3 and 5.2.6) *(or its replacement)*.