APEC RISK MANAGEMENT GUIDE FOR MSMES

Asia-Pacific Economic Cooperation

APEC Emergency Preparedness Working Group

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TABLE OF CONTENTS

The Importance of Risk Management to MSMEs

As the impact of disaster risks are expected to intensify, there is a need to strengthen the disaster risk management strategies. The economic losses from disaster events affect micro, small and medium enterprises [MSMEs] worldwide. Considering the impact of disaster on business survival, MSMEs need to develop response plans to be more resilient in facing current and new risks.

The economic loss from natural disaster events worldwide has reached an unprecedented high. The natural disasters affecting micro, small, and medium enterprises (MSMEs) are in varied types that include floods, hurricanes, earthquakes, tsunamis, and most recently Covid-19. While the local and federal disaster funds are utilised to reduce the financial impact of disasters, the bulk of losses must be borne by individual business owners. Considering the adverse impact of disaster on business survival, MSMEs need to develop a response plan so that the business will become more resilient in facing current and new disaster risks. Investing in risk management has been proven to improve business competitiveness. Being responsible and accountable business will not only support the business itself but also economy as a whole.

This APEC Risk Management Guide will provide you with the necessary information and tools to plan and act in developing a risk management plan for your business.

Why Risk Management is Important to MSMEs?

- Improve identification of opportunities and threat
- Effectively allocate and use resources for risk response
- Comply with relevant legal and regulatory requirements and international norms
- Improve operational effectiveness and efficiency
- Improve organizational learning and resilience
- Improve stakeholder trust and confidence

The Risk Management Framework

Risk management framework are templates and guidelines used by companies to identify, control, and minimize risks. The Sendai Framework for Disaster Risk Reduction [DRR] and the APEC DRR Framework focus on collective actions towards a common goal in DRR strategies. For businesses, the ISO31000:2018 Risk Management Guidelines & Principles provides guidelines how to manage their business risks.

As the impact of disaster risks are expected to intensify, there is a need to strengthen the disaster risk management strategies. Both the Sendai Framework for DRR and the APEC DRR Framework call for an international collective action towards some common goals to support DRR. For implementation at the business level, the ISO 31000:2018 Risk Management Guidelines and Principles can be a guide to MSMEs to manage their business risks.

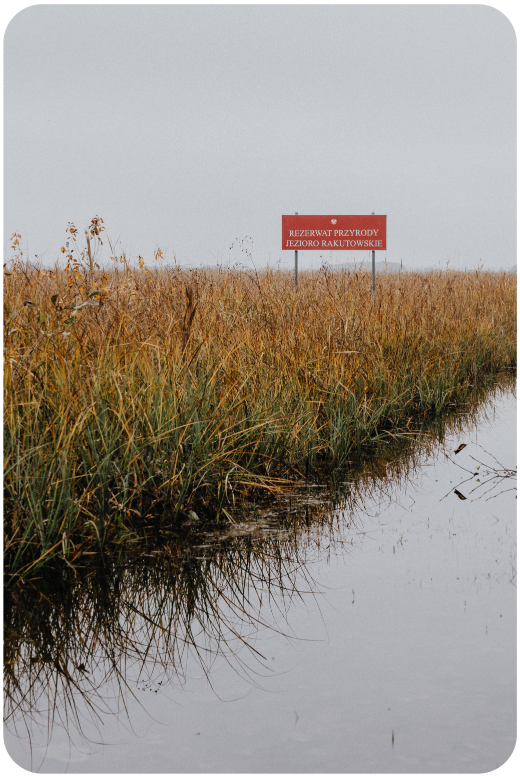
I. SENDAI FRAMEWORK FOR DISASTER RISK REDUCTION

The Sendai Framework for DRR 2015-2030 (Sendai Framework) is the successor instrument to the Hyogo Framework for Action (HFA) 2005-2015: Building the Resilience of Nations and Communities to Disasters. This framework is an international document, and currently adopted by 187 UN member states. It highlights 13 Guiding Principles, four specific priorities for action and seven global targets towards achieving the global outcome and goal of the Framework. The framework aims to pursue the global outcome "the substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries". The 4 priorities in the Sendai Framework are illustrated in the following diagram.

FIGURE 1: Sendai Framework: “Four Priorities For Actions”

II. APEC DRR FRAMEWORK

The APEC DRR Framework aims to contribute to adaptive and disaster-resilient Asia-Pacific economies that can support inclusive and sustainable development in the face of disasters and the “new normal”. The core of this Framework is the clear recognition that addressing the impacts of disasters requires holistic, more proactive, multi-stakeholder, multi-sectoral and strategic interventions to make APEC economies more resilient. Under this Framework, the APEC community can collectively identify and explore areas for enhanced cooperation. It consists of four mutually reinforcing pillars which correspond to the overall aim to have adaptive and disaster-resilient APEC economies. It should work effectively within an enabling environment anchored on Community



Participation, Disaster Risk Governance, Disaster Risk Financing, Innovations on Science and Technology, Critical Infrastructure Resiliency, Ecological Integrity, and Inclusiveness of Women and Vulnerable Sectors in DRR.

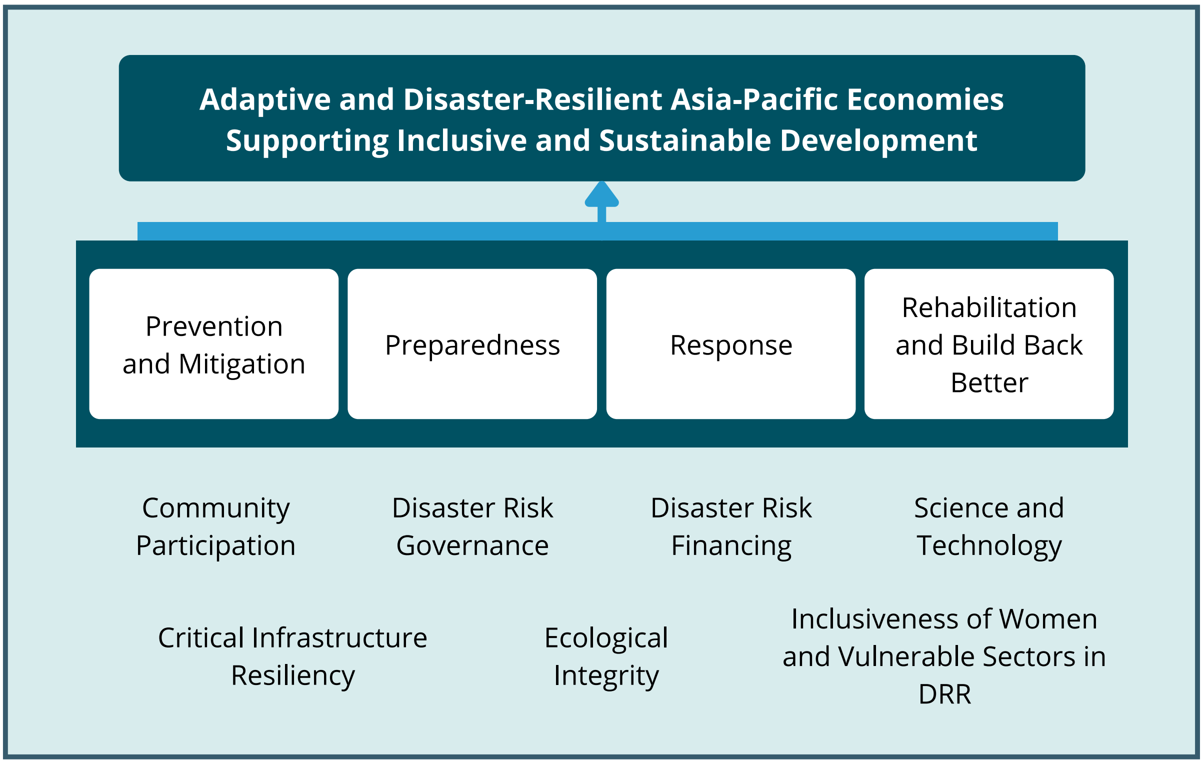


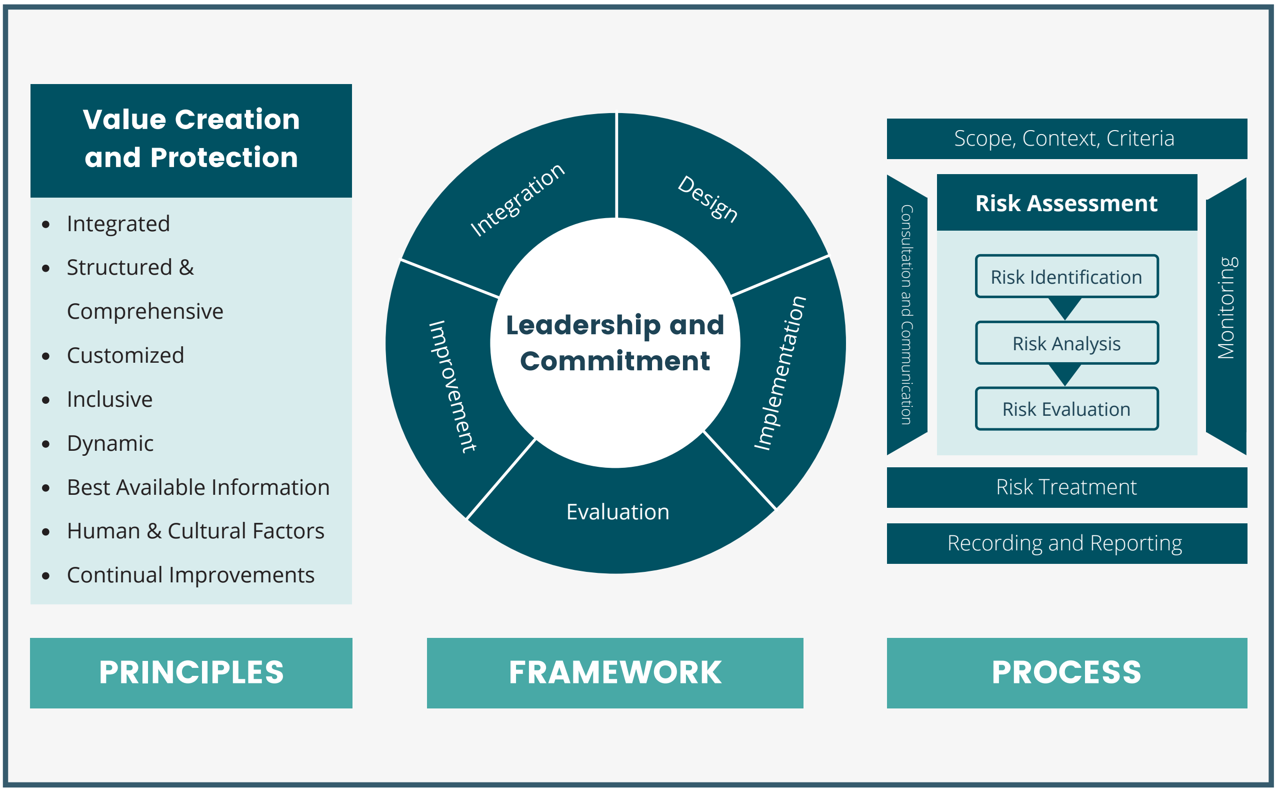
FIGURE 2: APEC DRR Framework

III. ISO 31000 Risk Management Guidelines

The commonly used international guidelines by the private organizations are the ISO 31000:2018 Risk Management and the ISO 22301:2019 Business Continuity Management Systems. In a context of an organization, Business Continuity Management is part of the overall risk management program that kicks off when an incident occurs. While risk management emphasizes on preparedness i.e., efforts to manage risks before the occurrence of losses, business continuity management centres on responding to and recovering from post loss incidents.

As presented in the following diagram, the guide explains the principles of a sound risk management program and the steps in the risk management process.

FIGURE 3: ISO 31000: 2018 Risk Management - Guidelines

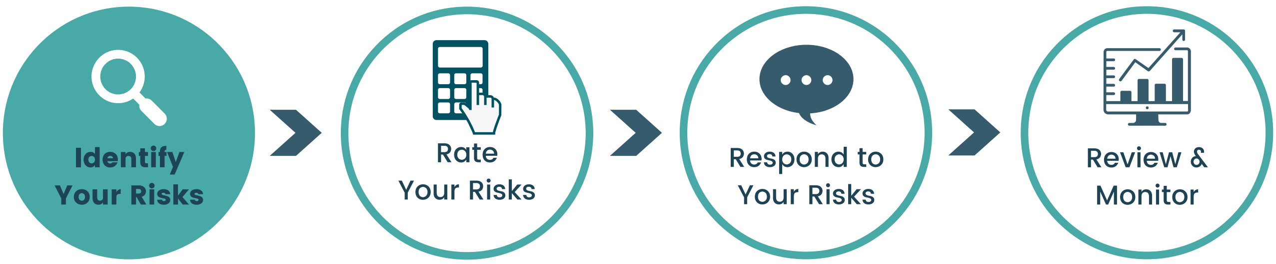


Reference: https://www.iso.org

The Risk Management Process

The risk management process support businesses to manage risks systematically. In its simplest form, risk management process involved the steps of risk identification, risk analysis and risk treatment.

STEP 1: IDENTIFY YOUR RISKS



Risks arise from many sources and depending on the types of business that you run, risks will differ from one business owners to another. The environment in which your business operates will also influence the risks that the business owners are exposed to.

Business owners must identify and record the potential risks that they face so that the risks can be managed effectively and efficiently. By understanding the risks that you face while operating your business, you can be better prepared to be more resilient.

The process to identify risk is presented in Figure 4. The objective of risk identification is to generate a comprehensive list that may potentially enhance, prevent, degrade, or delay the achievement of business objectives. All potential risks must be recorded, regardless if they are within or beyond the control of the business entity.

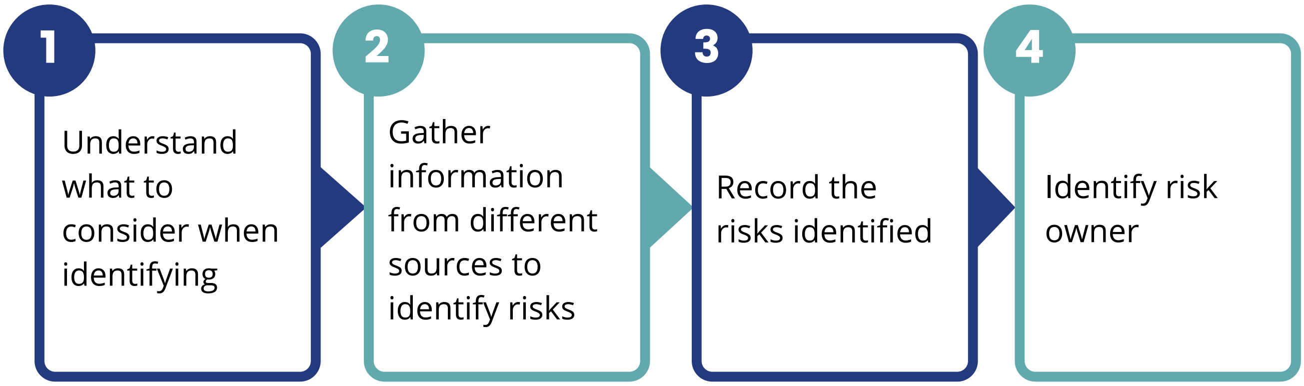


FIGURE 4: Risk identification: Steps to Identify Risks

STEP 1 & 2: What to consider when identifying risk and sources of information?

Business owner can identify risk by brainstorming scenarios of events, the causes, and the impacts of occurrence. Table 1 below provides examples of the risk identified.

TABLE 1: Risk identification by Event - Cause - Impact

HOW TO IDENTIFY RISK?		
Identify risk	**Risk 1**	**Risk 2**
EVENT - *What could go wrong?*	Damage to computer	Food spoilage
CAUSE - *Why did it happen?*	Expose to water due to flood	Electricity shutdown due to the storm
IMPACT - *What are the consequences?*	Loss of customer data	Unable to run business Loss of customers

Alternatively, you can also identify valuable assets such as stock, equipment and possessions that may need special protective measures. For example, vehicles, and electrical items. These might be your loss exposures that need to be taken care of.

STEP 3 & 4: Record the risk and Determine risk owner

The risks that have been identified have to be recorded and the risk owners must be determined.

TABLE 2: Risks and Risk Owners

No.	Risk	Risk Owner	Control Owner
1	Damage to computer due to fire	Clerical Staff	Office Manager
2	Damage to roof (premise) due to heavy wind	Head Chef	Restaurant owner
3	Damage to food due to electricity breakdown	Store Supervisor	Premise owner
4	Minor injury to employee due to slippery floor	Employees	Office Manager
5	***Your risk?*** ______________________________	***?***	***?***
6	***Your risk?*** ______________________________	***?***	***?***

STEP 2: RATE YOUR RISKS

As you may be aware, some risks are more serious than the others. Thus, the risks need to be measured so that you know which one requires more attention from the business owners. In other words, rating helps you prioritise your response to risks. In prioritising your risk response, you could refer to the likelihood and impact of risks as benchmark in your risk rating evaluation.

Likelihood Criteria

Likelihood or loss frequency looks at how often loss will occur in each period. Likelihood or frequency is used to predict the possibility of similar losses occurring in the future. It is quantified based on the following guidelines, which becomes the basis of our risk rating criteria.

TABLE 3: Likelihood Criteria

Likelihood	Description	Quantification (Time)	Quantification (% Probility)	Likelihood Scale
LIKELY	The event is known to occur, or could happen frequently	Within 0-12 months	95 - 100 %	3
POSSIBLE	The event could happen occasionally	Within 1 – 3 years	65 - 95 %	2
UNLIKELY	The event may occur only under very exceptional circumstances, or very rare.	Within 3 – 6 years	35 – 65 %	1

Impact Criteria

Impact or loss severity refers to the amount of damage that results from a loss. Loss severity is used to predict how costly future losses are likely to be. Table 4 provides the impact criteria. The severity quantification process can be measured using several variables, such as from the perspective of business safety, quality of services, financial impact and contractual impact. Refer to Appendix I for further explanation of the impact scales.

TABLE 4: Impact Criteria

Impact	Description	Impact Scale
SEVERE	Significant level of harm	3
MODERATE	Moderate level of harm	2
INSIGNIFICANT	Minor level of harm	1

Risk Matrix

The information on likelihood and impact assists business owners to determine the risk rating score. The risk rating scores will then be plotted onto the risk matrix. The risk matrix will provide a visual illustration of the risks affecting a MSME and will enable MSME owners to prioritise the risk response strategies. **Table 5** presents a simplified risk matrix.

In this three-by-three matrix, rating of 1 or 2 denoted by the colour green is considered low. A risk rating of 3 or 4 denoted by the colour yellow is considered as medium.

Even if the risk is at medium level, there may be actions that you can still do to bring the risk rating back down to low (green) through additional control or safety measures. **Appendix II** lists down some of the control measures that MSMEs can adopt.

If the is risk level is greater than 4, denoted by colour red, there is a need for you to add additional control to bring the risk to an acceptable level, either yellow or green. You should not continue operating at high-risk situation without speaking to a professional advisor who will re-examine the operating system, work processes or external factors that can cause adverse impact to the to the business. Perhaps a local risk management centre is able to assist.

		IMPACT		
		INSIGNIFICANT [1]	MODERATE [2]	SEVERE [3]
LIKELIHOOD	LIKELY [3]	MEDIUM 3	HIGH 6	HIGH 9
	POSSIBLE [2]	LOW 2	MEDIUM 4	HIGH 6
	UNLIKELY [1]	LOW 1	LOW 2	MEDIUM 3

TABLE 5: 3 x 3 Risk Matrix

Note:
On the Matrix, label your risks according to the sequence number, as in Table 1.

For example:
Risk 1: Death of business owner (Likelihood 3, Impact 3) is labelled as "**X**" on the Risk Matrix.
Risk Rating = likelihood scale x impact scale = 3 x 3 = **9**

Thus, the "**X**" will be plotted on the top right Matrix box to highlight Risk 1 (red, high risk)

Risk Register

A risk register is a tool to track and monitor any risks that might impact a business. It is an essential part of risk management process. As business grow there will be more risks impacting the business and it will be difficult for business owners to stay on top of everything. If risks are not tracked and reviewed regularly, they tend to be missed or forgotten. A risk register will provide a clear view of the current status of each risk, at any point in time.

A standard risk register will include risk number, brief description of the risk, impact and likelihood scores, risk ratings, and the person responsible for overseeing the risk or risk owner. Table 6 is an example of a Risk Register.

TABLE 6: Risk Register

No.	Risk	Likelihood Score	Impact Score	Risk Rating	Risk Response	Risk Owner
1	Damage to computer due to fire	1	3	**3**		Clerical Staff
2	Damage to roof (premise) due to heavy wind	2	2	**4**		Head Chef
3	Damage to food due to electricity breakdown	3	3	**9**		Store Supervisor
4	Minor injury to employee due to slippery floor	1	1	**1**		Employees
5	***Your risk?*** ______________	***?***	***?***	***?***		***?***
6	***Your risk?*** ______________	***?***	***?***	***?***		***?***

STEP 3: RESPOND TO YOUR RISKS

MSMEs can respond to risk through various mechanisms such as avoid, transfer, and control the risk. The priorities of risks to be managed is based on the available resources and the ranking as done in STEP 2.

Response to risk via risk control means taking actions to reduce the likelihood of risk happening and to reduce the impact of the risks should it happens. In this regard, risks need to be controlled to be within the business owner's tolerable level.

Some of the control measures may be the one you already practice, and others may be drawn from the experiences of your business colleagues. Actions for risk control can be taken pre-event, during event and post-event. **Refer to Appendix II** for selection of appropriate control measures in response to disaster risks.

Business must have sufficient funds to ensure business continuity when disaster strikes. At a minimum, business owners must have cash in hand to support livelihood immediately after disasters. In this regard, business owners must ensure availability of cash via a funded retention program or have access to fund from third party such as banks, cooperatives, or government relief funds. In a funded risk retention, business owners must set aside funds in advance, in other words accumulate saving to pay for losses retained by the business entity.

A risk transfer tool via insurance can be an effective response strategy as it guarantees cash pay-out upon occurrence of losses. In some economies, they are microinsurance and index insurance that provide coverage against disaster losses. On a very fundamental level, MSME owners should be protected and covered under the basic health insurance and personal accident insurance policies. **Refer to Appendix III** for insurance options.

Regardless of the response strategies, MSMEs must decide responses which are appropriate and cost effective, based on the potential impacts. Table 7 provides examples of risk response strategies.

TABLE 7: Risk Register with Risk Response Strategies

No.	Risk	Likelihood Score	Impact Score	Risk Rating	Risk Response	Risk Owner
1	Damage to computer due to fire	1	3	**3**	Use cloud storage	Clerical Staff
2	Damage to premise's roof due to heavy wind	2	2	**4**	Ignore due to high cost of checkups	Head Chef
3	Damage to food due to electricity breakdown	3	3	**9**	Use Just-In-Time to manage raw material	Store Supervisor
4	Employee injured due to slippery floor	1	1	**1**	First aid kit & emergency contact	Employees
5	***Your risk?*** ___________	***?***	***?***	***?***	***?***	***?***
6	***Your risk?*** ___________	***?***	***?***	***?***	***?***	***?***

STEP 4: REVIEW AND MONITOR YOUR RISK

A business owner must review the effectiveness of the risk control plan and strategies that have been set up to effectively manage risk. Risks need to be reviewed periodically to ensure changing circumstances do not alter the risk priorities.

Very few risks will remain static. Thus, the risk management process needs to be regularly repeated so that new risks are captured in the process and effectively managed. A risk management plan at a business level should be reviewed frequently. An effective way to ensure this occurs is to combine risk planning or risk review with annual business planning.

LOOK AT RESIDUAL RISK: Once a response option has been identified, it is then necessary to determine the residual risk, meaning, has the risk been reduced satisfactorily? Residual risk must be evaluated for acceptability before response options are implemented. By measuring both inherent and residual risks, more informed decisions can be taken regarding the optimum level of risk and mitigating actions.

Once you determine that your controls are not as effective as you would like, you as a business risk owner are tasked with the responsibility for revising or amending controls. As revisions are made, your risk register needs to be accordingly updated.

TABLE 8: Risk Register - Effectiveness of Risk Response Strategies

Risk	Likelihood Score	Impact Score	Risk Rating	Risk Response	Effectiveness *(Alternative response)*	Risk Owner
Damage to computer due to fire	1	3	**3**	Use cloud storage	Satisfied	Clerical Staff
Damage to premise's roof due to heavy wind	2	2	**4**	Ignore due to high cost of regular checkups	Unsatisfied. Buy business interruption insurance	Head Chef
Damage to food due to electricity breakdown	3	3	**9**	Use Just-In-Time to manage raw material		Store Supervisor
Employee injured due to slippery floor	1	1	**1**	First aid kit & emergency contact		Employees

Developing a risk register is not a one-off activity. Risk registers are dynamic tools that help you to continually monitor and manage risks. The risks that your business faces will change over time. As things change, new risks may occur, existing risks may change, and some risks will disappear altogether. Thus, risk monitoring is an ongoing process that tracks the levels of risks and their impact on the organization.

ADDITIONAL TIPS

TIP 1: Prepare Risk Report

Write a risk report if an incident occurs: Sometimes, things can go wrong. When a risk occurs, it is important to take time to learn from the incident and apply the lessons for the future. Use WH-questions (What, When, Where, Who, Why, How) to ensure comprehensive record. Some fundamental questions are:

- What were the causes?
- What is the likelihood that this might happen again?
- What is the potential impact?
- Who was involved in the incident in terms of being affected, responsible or involved in some way?
- Why did the incident occur at this point in time, and in this particular way?
- How did the incident arise?

TIP 2: Maintain good record keeping

The location of critical items such as first aid kit and the location of hazardous materials need to be properly recorded.

Items	Description of location	How to protect from a disaster *(ie. move, cover, tie down)*
First Aid Kit		
Oil based products (gasoline,cooking oil etc.)		
Chemicals (including cleaning products)		
?		
?		

TIP 3: Emergency Drill and Evacuation Plan

A written disaster risk management plan is recommended for businesses. It should include:

- An evacuation plan
- A checklist of procedures that can be quickly accessed by staff during a natural disaster.

If the natural disaster is imminent, your main priority is to make sure that your staff are safe. Thus, a regular emergency drill is vital.

TIP 4: Keep important contact numbers

You can use this table as an example to create your own contact database, according to your own localities.

Emergency Responders	Contact No.
Emergency Response Services	999
National Disaster Command Centre (NADMA)	+603-8064 2400 (24 hours)
Meteorology (MET) Malaysia	+603-7967 8000
Department of Irrigation and Drainage	+603-4289 5506
Public Works Department	+603-2696 7727
Department of Social Welfare	+603-2616 5600
Malaysia Civil Defence Force	+604-977 7991/+604-977 8991
Alternative Storage/Office Facilities	?
?	?
Emergency Responders	
?	?
?	?
Emergency Responders	
?	?
?	?
Emergency Responders	
Your local GP?	?
?	?

GLOSSARY

TERMS	DEFINITIONS
Risk	The effect of uncertainty on objectives.
Inherent Risk	The natural risk level without using controls/mitigations to reduce its impact/severity in the risk management.
Level of Risk	The magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood.
Residual Risk	The risk remaining after risk treatment. Also, it can be known as "retained risk" and it can contain unidentified risk.
Risk Analysis	The process to understand the nature of risk and determine the level of risk.
Risk Appetite	The amount and type of risk that an organization is willing to pursue/retain.
Risk Assessment	The overall process of risk identification, risk analysis and risk evaluation.
Risk Attitude	An organization's approach to assess and eventually pursue, retain, take/ turn away from risk.
Risk Control	A measure that is modifying risk. It includes any process, policy, device, practice, or other actions that modify risk.
Risk Criteria	Terms of reference against which the significance of a risk is evaluated.
Risk Evaluation	The process of comparing the results of risk analysis with risk criteria to determine whether the risk/magnitude is acceptable or tolerable.
Risk Financing	A form of risk treatment involving contingent arrangements for the funds provision to meet/modify the financial consequences should they occur.
Risk Identification	The process of finding, recognizing and describing risks.
Risk Management	Coordinated activities to direct and control an organization regarding risk.
Risk Management Framework	The set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.
Risk Management Plan	The scheme within the risk management framework specifying the approach, the management components and resources to be applied to the management of risk.
Risk Management Process	The systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk.
Risk Matrix	A tool for ranking and displaying risks by defining ranges for consequence and likelihood.
Risk Register	A record of information about identified risks.
Risk Treatment (Response)	The process to modify risk. It could be done by accepting, avoiding, mitigating, sharing, or transferring risk to organizational operations (i.e., mission, functions, image, or reputation), organizational assets, individuals, or to other organizations.
Risk Sharing	A form of risk treatment involving its agreed distribution with other parties.
Risk Tolerance	The organization's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives.

Source: ISO Guide 73: 2009, *Risk Management – Vocabulary*

APPENDICES

APPENDIX I:

IMPACT TABLE

Impact Category

Likelihood	Safety	Quality	Financial	Contractual
High	Loss of life	50% increases in customer complaints	More than 20% business loss	Business contract terminated
Moderate	Injuries that require hospitalization	10 – 25% increases in customer complaints	5 – 20 % business loss	Verbal warning issued before default notice
Low	Minor injury with no long-term effects	No increase in customer complaint	Less than 5% business loss	Business contract not affected

QUESTIONS TO ASK WHEN DETERMINING IMPACT ON YOUR BUSINESS

Safety Impact		
Are your employees trained in basic first aid and CPR techniques?	☐ Yes	☐ No
Do you have replacement for employee[s] who is/are injured at work?	☐ Yes	☐ No
Is your business premise / workplace exposed to hazardous (dangerous) substances / materials / operations?	☐ Yes	☐ No
Do you provide hospitalisation benefits for your employees in case of workplace injury?	☐ Yes	☐ No
Service Quality Impact		
Is your business easily accessible to the public, your customers, and employees (e.g., parking)?	☐ Yes	☐ No
Are your suppliers up and running or do you have sufficient parts/supplies available to continue without resupply?	☐ Yes	☐ No
Financial Impact		
Are your employees trained in basic first aid and CPR techniques?	☐ Yes	☐ No
Do you have access to external finance sources (such as an overdraft facility, loans, grants, subsidy, credit card, etc)?	☐ Yes	☐ No
Can your business survive losses if it is closed and/or inaccessible for 3 to 7 days?	☐ Yes	☐ No
Contractual Impact		
Can you ensure that your business premises meet all local building and fire codes?	☐ Yes	☐ No
Do you have any binding contract(s) with external parties that will be affected during a loss / after a disaster?	☐ Yes	☐ No

APPENDIX II: RISK CONTROL MEASURES

Listed below are just a few strategies to manage the risks of hurricanes/tornadoes/flood and earthquake.

Pre-event	

• Provide training programs to employees on disaster management
• Be sure to clearly identify everyone's roles and responsibility prior to the disaster. Identify critical employees (for example, employees responsible for IT functions) and which employees are certified in CPR, EMT etc.
• Stay tuned to local media & community messaging and prepare alternate communication channels/ emergency communication
• Determine safe evacuation routes
• Make sure your Disaster Kit is fully stocked
• Backup data and record regularly / Contracting with a data center in different geographical area
• Conduct regular drill
• Turn off all non-critical devices such as server monitors and other non-essential electrical equipment
• Prepare alternative power options, particularly generator requirements; Move the power supply to secure location such as the highest level possible above the floor
• Locate hazardous materials on site and take actions to secure. Ex. Shut off natural gas supply
• Plan to work remotely
• Ensure proper supplies and equipment on site (drinkable water, nonperishable food, medical, flashlights, walkie-talkies). If an official evacuation order
• Have cash on hand for post-disaster needs, such as buying food and supplies.
• Postpone any receipt of goods- deliveries, couriers, etc.
• Obtaining property insurance. Discuss coverage with your insurance provider. Understand your extra expense and business interruption policies
• Take pre-disaster actions such as:
  ◦ Made premise improvements such as increase floor elevation
  ◦ Use plug stop to prevent flood water from backing up into sewer drains, or install flood vents/or flood proof barriers
  ◦ Install anti-disaster devices and fire sprinklers
  ◦ Place laminate or plastic film placed on the inside of the windows to prevent glass shattering and endangering employees
  ◦ Inspect and make emergency repairs to drains, gutters and flashing
  ◦ Install windstorm shutters/plywood over windows and doors
  ◦ Buy new flood-resistant items	

During event	**Post event**

• Patrol the property continuously and watch for roof leaks, pipe breakage, fire, or structural damage
• Constantly monitor any equipment that must remain online
• If there is power failure, turn off electrical switches to prevent reactivation before necessary checks are completed
• Stay tuned to local media and evacuate if required
• Go to a pre-designated shelter area
• Consider your business phones and redirection to cell phones, an answering service, or Google Voice
• Employee must be trained what to do in disaster event. For example, if earthquake strikes, one must take cover under a sturdy desk, table, or other furniture
	• Immediately check for injuries among fellow workers and render first aid
	• Check for fire hazards, gas leaks, or damaged electrical wiring. Make sure main valves are turned off
	• Consider relocation during recovery, depending upon damage to structure
	• Bring all vital records with you to your recovery site: data, employee lists, vendor lists, etc.
	• ALWAYS contact 911 if any danger is perceived upon re-entry and contact local experts before finally moving back in
	• Secure 24-hour security if needed
	• Begin salvage as soon as possible to prevent further damage:
	  ◦ Cover broken windows and torn roof coverings immediately
	  ◦ Separate damaged goods
	  ◦ Relocate your business to safer place

Pre-event	During event	Post event
• To investigate and evaluate the severity of the pandemic • To detect the crises in time and apply coping strategies (e.g., Crisis Management Teams [CMT] Theory) to lower the risks • Display signage at your workplace promoting healthy hygiene habits, such as how to effectively cover coughs and sneezes, and wash hands at appropriate times • Offer your employees annual flu shots • Establish a process to track or monitor alerts from credible organizations such as the Public Health Agency	• Establish and comply with operating standard procedures (SOP) issued by the related stakeholders such as the government and WHO • Identify workarounds for critical tasks at premises in minimizing the disruptions • Enable employees for working remotely • Assess the risks to your people – which of your employees may be at greatest risk, due to their jobs, family circumstances, age, or health and set a policy that encourages ill workers to stay home • Provide antiseptic hand cleansers in your workplace • Change business model – encourage digitalization and on-line transactions	• Communicate on the effectiveness of responses to the pandemic • Revise pandemic and emergency plans based on the lessons learnt • Develop risk communication strategies for their readiness of next major pandemic • To conduct employees' training on pandemic preparedness • Wait until an area is declared safe before entering to premises • Clean and disinfect everything inside and outside premises • Contact employees via determined method of communication and discuss next steps

APPENDIX III: BUSINESS INSURANCE

Every micro, small and medium business (MSME) owner needs to manage business risk. Insurance is one of the most common way to protect financial loss from business risks. Finding and buying the appropriate business risk is important in the risk management plan.

Below is the list of insurance coverage available for MSMEs to consider:

1. Medical plan covers expenses for hospitalization, surgery, critical illnesses, and long-term care benefits.
2. Life insurance to ease the financial burden of owner and employees in the event of death or disablement.
3. Business interruption insurance compensates for income lost due to disaster-related damage.
4. Commercial property insurance (such as fire insurance) pays for the repair or replacement cost of lost or damaged of property, equipment, inventory, and furnishings.
5. Commercial auto insurance covers medical expenses, property damage, and legal bills if your business vehicle causes an accident.
6. Professional liability insurance provides cover for lawsuits resulting from work mistakes, oversights, and negligence.
7. General liability insurance indemnify business against liability lawsuits for third-party property damages, bodily injuries, defamation, or copyright infringement while carrying out works.

If you decide insurance as an option, below is the checklist you can use to help you make your decision:

- [ ] Decide on assets that are compulsory to be insured. For example, motor insurance for vehicles
- [ ] Decide on business assets that needs protection. For example, fire insurance for premise
- [ ] Decide on how much to spend on insurance. Decision must be based on the most insurance coverage that budget will allow.
- [ ] Understand factors affecting insurance premium. Insurance premium rates are affected by factors such as asset value, location, claims history and risk reduction activities such as installation of fire suppression systems and security alarms.
- [ ] Aware of deductibles. Deductible is an amount that a business is responsible for paying before the insurance cover the loss. If the business takes higher deductible, the premium will be lower. Make sure the business is able to pay the deductibles if it chooses higher deductible plan.
- [ ] Get advice from insurance providers. Buy insurance only from trusted insurance provider.

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About This Risk Management Guide

This guide is prepared by the UUM Institute of Risk Management (UUM-IRM) for the Emergency Preparedness Working Group (EPWG), Asia-Pacific Economic Cooperation (APEC).

The purpose of this guide is to provide basic knowledge and understanding of the importance of risk management to MSME owners. This guide is designed to assist MSME owners to establish a risk management strategy in identifying, rating, responding to and reviewing risks in their business operations.

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