



Procedure

DEVELOPMENT OF A FOREST STEWARDSHIP STANDARD RISK ASSESSMENT

FSC-PRO-60-010 V2-1 EN



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INTRODUCTION

Conceptually, risk is a function of likelihood and potential impact. In the context of forest management standards, risk refers to risks of non-conformity with indicators of forest stewardship standards (FSS). FSC is a voluntary standard system and as such, risk management is an integral part of its normative framework and organizational structure. Risk management is also a fundamental part of certification bodies' and auditors' work. However, until now FSC has no systematic mechanism to assist certification bodies and auditors to manage risks when evaluating the conformity with applicable forest management requirements, especially requirements from FSS.

FSC has therefore developed a framework to implement a risk-based approach in order to:

1. Improve certification uptake and impact of FSC's forest management standards by making the certification process more focused, efficient and cost-effective.
2. Maintain credibility and improve consistency of FSS implementation and evaluation.

This framework is composed of differences pieces, which are imbedded in this procedure and in <FSC-STD-20-007 Forest Management Evaluations>.

A Forest Stewardship Standard Risk Assessment can help determine and specify the risk of non-conformity with the requirements of an FSS in the national or regional context. Since risk of non-conformity with an FSS indicator is highly dependent on the performance of the Organization implementing it and the context and specific circumstances in which it operates, the FSS Risk Assessments are only one input the certification bodies and auditors need to draw information from (including also their own knowledge of the context and their findings during the evaluation) to identify the risks of non-conformity at the level of certified or applicant Organizations, focus their audits and adapt the effort allocation to reflect risk.

FSS Risk Assessments are a key piece of this risk framework as they provide a level playing field to all certification bodies operating in a country. FSS Risk Assessments support the calibration of assurance responses to the development and improve the consistency of FSS implementation and evaluation.

The proposed framework enables matching assurance efforts to risks, focusing on the issues of greater risk and opportunity, and decreasing efforts on issues with low risk of non-conformity. Additionally, it can be used to communicate more transparently with stakeholders on how FSC identifies and manages risks in its system. Finally, it allows FSC to gather information to monitor risks as well as information on the effectiveness of the risk-based approach itself to improve it over time.

This procedure is complemented by a guidance document (<FSC-GUI-60-010>), which provides support for Network Partners when conducting risk assessments and developing risk designations for indicators or criteria of FSS.

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A. OBJECTIVE

The objective of this procedure is to define the process for conducting an assessment of the risk of non-conformity with the requirements of a FSS. The resulting FSS Risk Assessment considers the likelihood and impact of non-conformity with indicators of the FSS in the national or regional context.

FSS Risk Assessments will assist certification bodies to focus on the criteria or indicators of the FSS with greater risk of non-conformity, thereby making their evaluations more cost-effective while maintaining credibility and integrity.

Additionally, this procedure can provide other outputs, for example the identification of risk responses not directly linked to the FSC assurance system. Such responses can be implemented by FSC directly – like advocacy, training, monitoring, etc. – e.g. to support organizations implementing FSS to address issues which can be partly outside of their sphere of influence.

B. SCOPE

This procedure is for use by FSC Network Partners when conducting a risk assessment of their approved FSS. The procedure does not apply to the development of Interim Forest Stewardship Standards. The decision to implement this procedure is at the discretion of the FSC Network Partners.

As part of a learning phase, this revised procedure is applicable by FSC Network Partners where a national board of directors performs the function of the national decision body. Exceptions for application of the procedure by FSC Network Partners without a national board of directors may be granted by PSU. All aspects of this procedure are considered to be normative, including the scope, effective date, references, terms and definitions, notes and tables and annexes, unless otherwise stated.

REFERENCES

The following referenced documents are indispensable for the application of this document.

For references without a version number, the latest version of the referenced document (including any amendments) applies:

FSC-STD-01-001	FSC Principles and Criteria for Forest Stewardship
FSC-STD-01-003	SLIMF Eligibility Criteria
FSC-STD-20-007	Forest management evaluations
FSC-STD-60-002	Structure and Content of National Forest Stewardship Standards
FSC-STD-60-004	International Generic Indicators
FSC-STD-60-006	Process requirements for the development and maintenance of National Forest Stewardship Standards
FSC-GUI-60-010	Guidance for Development of a National Forest Stewardship Standard Risk Assessment

1. General requirements

- 1.1 As a first step in the development of an FSS Risk Assessment, the responsible body shall establish a technical working group and appoint a coordinator.
- 1.2 The technical working group members shall:
 - a. Possess expertise and knowledge of the applicable FSS;
 - b. Possess expertise with auditing and/or certification in the country or region;
 - c. Possess expertise and knowledge of the forest management, environmental, and social context in the country or region.
- 1.3 The responsible body shall register the process with the FSC Performance and Standards Unit (PSU). The registration shall include:
 - a. Mutual agreement between the responsible body and PSU on the scope and expected outputs of the risk assessment, according to requirements in Clauses 1.5, 1.6, 1.7 and 1.8, and;

NOTE: PSU may request a modification of the initial scope proposed by the responsible body, e.g. because of a need to calibrate with FSS Risk Assessments approved or under development in neighbouring countries, within the same region, and/or in countries with similar ecological or social context.

- b. Positive evaluation by PSU that the composition of the technical working group is in accordance with the requirements listed in Clause 1.2 and;
 - c. A workplan with a timeline. The workplan shall identify the resources the technical working group requires to develop the risk assessment, as well as a communications plan.
- 1.4 The national decision body shall approve the assessment scope, technical working group composition and workplan.
- 1.5 Subject to Clause 1.3 a, the responsible body may choose to focus only on selected criteria or indicators of the FSS and/or choose to only designate risks for selected risk categories (e.g. only low risk).

NOTE: The flexibility defined in Clause 1.5. aims at developing a risk assessment that provides the highest added value for the implementation of the FSS.

- 1.6 When defining the scope of the risk assessment, the responsible body shall consider FSS Risk Assessments approved or under development in neighbouring countries, in their region, and/or in countries with similar ecological or social context for calibration purposes.
- 1.7 The NFSS Risk Assessment shall include:
 - a. Description of the scope;
 - b. Risk designations for indicators/criteria included in the scope of the FSS Risk Assessment;
 - c. Spatial distribution of the risk designations (see Clauses 2.6 and 2.7);
 - d. Objective and unambiguous justifications of the designations, including for the 'undesigned risk' status;
 - e. Factors influencing risk at The Organization level in the national context; and

- f. Reference to information sources used in the development of the FSS Risk Assessment.

1.8 Additionally the FSS Risk Assessment may include:

- a. Means of verification/verifiers in addition to the ones developed by standard development groups according to <FSC-STD-60-002 Structure and Content of National Forest Stewardship Standards>;
- b. Proposals of other actions to support the mitigation of risk for specified risk indicators or criteria, that could be implemented by the responsible body – such as training, implementation guidance, and national calibration meetings with certification bodies (see <FSC-GUI-60-010> for more details).

2. Development of risk assessments

2.1 When assessing risks of non-conformity, the technical working group shall focus on:

- a. The likelihood of the non-conformity;
- b. The level of concern of stakeholders as a key factor influencing the potential impact of the non-conformity.

Box 1: Factors influencing the risk of non-conformity in a national context (informative guidance)

Factors influencing the likelihood of non-conformity:

- Occurrence of the value in the forest (common vs. rare)
- Level of inclusion and effective control of the value by regulatory authorities and instruments
- Gap level between FSC requirement and the common practice
- History of complaints in the country
- History of non-conformities and corrective action requests in the country
- Specific forest management systems
- Specific tenure systems

Factors influencing the potential impact of non-conformity:

- Level of concern around the value by stakeholders and/or civil society (sensitivity of stakeholders/civil society)

NOTE: A non-conformity can have an impact both on the value itself but also on FSC credibility in the national context. Therefore, the level of concern of stakeholders is a key factor to take into consideration.

- Occurrence of the value in the forest (common vs. rare)
- Conservation status of the value
- Sensitivity of the value to forest management
- Intensity of specific forest management systems
- Magnitude/Scale (size of the Management Unit)

NOTE: These other factors influencing the potential impact of the non-conformity are in general dealt with through the design of the FSS requirements (see <FSC-GUI-60-002>).

2.2 Risks of non-conformity shall be assessed and justified by the technical working group, based on objective evidence obtained through objective, verifiable and reliable sources of information.

Box 2: Examples of reliable sources of information (informative guidance):

- Stakeholder engagement;
- Internationally recognized indices;
- Controlled Wood National Risk Assessment;
- Corrective action requests analysis;
- Legislation gap analysis;
- Analysis of smallholders, communities and other specific land tenure;
- Complaints;
- FSS Risk Assessments from countries in the same region or with similar context.

More details on the above sources of information are provided in <FSC-GUI-60-010>.

Four main factors characterizing the quality of a source of information:

1. Is the source international, national or local? Information coming from international agencies or organizations might be considered more reliable. Local information might however be more precise and relevant for specific issues. A combination of sources from different levels might be needed.
2. Is the source a scientific publication, a report based on investigation or literature review, or an opinion based on personal expertise? Scientific publications are better rated and personal opinions insufficient.
3. Is the source publicly available or confidential? Public availability enables verification.
4. Is the source less than five years old? The assessment must strive to use up-to-date information.

2.3 Risks shall be designated as either 'low risk', 'specified risk' or 'undesignated risk' (see the terms and definitions section).

2.4 Risk may be designated at criterion level if risk is homogeneous for all indicators.

2.5 Risk shall be designated at indicator level where risk is heterogeneous among indicators.

NOTE: Risk may be assigned separately for each indicator or criterion according to different risk factors, e.g. for different land tenure systems or different forest management systems (see Box 1).

2.6 Risk may be assessed and designated at national level if risk is homogeneous.

2.7 Risk shall be designated at sub-national level whenever needed to increase the efficiency of the risk-based approach, or where risk is geographically heterogeneous.

2.8 The factors that can influence risk at the Organization level in the national context shall be identified.

NOTE: These factors might include scale of the Management Unit and/or the intensity of management (see <FSC-GUI-60-010> for more details).

2.9 Decisions of the technical working group on risk designations shall be made by consensus. When no consensus is reached, the requirement shall be considered as 'undesignated risk'.

2.10 The responsible body shall conduct a public consultation on the FSS Risk Assessment for a minimum of sixty (60) days in accordance with <FSC-STD-60-006 Process requirements for the development and maintenance of National Forest Stewardship Standards>.

- 2.11 The responsible body shall consult PSU and other responsible bodies with FSS Risk Assessments processes approved or under development in neighbouring countries, in their region, and/or in countries with similar ecological or social context.
- 2.12 The technical working group shall review the public consultation results and refine the risk assessment as needed according to Clause 2.2.
- 2.13 A Consultation Report shall be produced which includes:
- a. A description of the consultation process and activities;
 - b. An analysis of the feedback provided by stakeholders;
 - c. An explanation of how the feedback was considered by the technical working group.
- 2.14 Prior to the start of the approval process, the responsible body shall engage with PSU to identify alignment needs on the following:
- a. The information used for the assessment and the justifications provided fulfil the requirements of Clauses 1.7 and 2.2;
 - b. The description and explanation of the differences in risk designations compared to FSS Risk Assessments approved or under development in neighbouring countries, in their region, and/or in countries with similar ecological or social context.

3. Approval of risk assessments

- 3.1 The responsible body shall submit the following for approval to the national decision body:
- a. The complete FSS Risk Assessment (see Clauses 1.7 and 1.8);
 - b. A description and explanation of the differences in risk designations compared to FSS Risk Assessments approved or under development in neighbouring countries, in their region, and/or in countries with similar ecological or social context;
 - c. The Consultation Report;
 - d. A description of the alignment needs identified with PSU according to Clause 2.14 and the steps taken to address them.
- 3.2 When evaluating the FSS Risk Assessment, the national decision body shall verify that the requirements of this procedure were met.
- NOTE: This verification includes whether the information used for the assessment and the justifications provided fulfil the requirements of Clauses 1.7 and 2.2.
- 3.3 The national decision body shall not modify the risk designations agreed by the technical working group.
- NOTE: Specific observations regarding risk designations may be communicated to PSU separately.
- 3.4 The national decision body shall either:

- a. Approve the FSS Risk Assessment; or
- b. Reject the FSS Risk Assessment explaining the reasons leading to the rejection.

NOTE: In the case of rejection, the responsible body may further work on the NFSS Risk Assessment and re-submit it upon addressing the gaps identified by the national decision body in the rejection.

3.5 The approved FSS Risk Assessment as well as the other elements listed in Clause 3.1 and written confirmation of approval by the national decision body shall be sent to PSU for final approval by the PSG.

3.6 PSG shall either:

- a. Approve the FSS Risk Assessment; or
- b. Reject the FSS Risk Assessment explaining the reasons leading to the rejection.

NOTE: In the case of rejection, the responsible body may further work on the FSS Risk Assessment and re-submit it upon addressing the gaps identified by PSG in the rejection.

3.7 The approved FSS Risk Assessment shall be made publicly available.

4. Monitoring, review and revision of risk assessments

4.1 The responsible body shall periodically review the FSS Risk Assessment based on:

- a. A calibration request by PSU;
- b. The review and analysis of certification reports;
- c. Changes in the applicable legislation;
- d. Feedback from stakeholders (including certification bodies);
- e. Stakeholders' complaints;
- f. Threats to FSC's credibility;
- g. New emerging technologies that have an impact on the risk designations;
- h. Evolution of other identified risk factors.

4.2 Based on this periodical review, the responsible body shall determine the need to conduct extraordinary revision(s) to maintain the relevance of the FSS Risk Assessment.

4.3 For extraordinary revisions, the responsible body may agree with PSU to justified deviations from the procedure, in order to streamline the process and ensure a timely update of the FSS Risk Assessment (see <FSC-GUI-60-010> for more details).

4.4 The responsible body shall normally revise the FSS Risk Assessment as needed following the revision of the corresponding FSS.

Box 3: Implementing and reviewing an FSS Risk Assessment (informative guidance)

When possible and relevant, effective collaboration between certification bodies, FSC Network Partners, FSC International and ASI is a key aspect of the quality of a FSS Risk Assessment and its implementation. Most FSC Network Partners organize national certification body calibration meetings annually or on an as-needed basis to collect feedback about the FSS, the comprehension and capacity to audit its requirements and conformity issues observed during audits. Those meetings could be a good space to evaluate the implementation of FSS Risk Assessments and the need for review.

- 4.5 In the event of rapidly changing circumstances within the area covered by a valid FSS Risk Assessment, and when those changing circumstances pose a serious risk to the integrity or reputation of the FSC certification scheme, FSC may revise the FSS Risk Assessment by applying urgent revisions without the involvement of the responsible body.
- 4.6 FSC will inform the responsible body before publishing the revised FSS Risk Assessment.
- 4.7 The extraordinary changes to risk designations introduced by FSC shall be attributed to FSC throughout the revised FSS Risk Assessment, as applicable.

TERMS AND DEFINITIONS

For the purposes of this document, the terms and definitions included in <FSC-STD-01-002 FSC Glossary of Terms>, and the following apply:

Consensus: General agreement with the absence of sustained objection from any member of the technical working group.

Low risk: A conclusion, following a risk assessment, that there is a low risk of non-conformity with a specific indicator or criterion of a FSS. Adapted from <FSC-PRO-60-002a V1-0>.

National decision body: The Board of Directors of the relevant FSC Network Partner which approves the FSS Risk Assessment at national level.

Performance and Standards Unit: A unit of FSC International responsible for managing the FSC normative framework in accordance with relevant procedures.

Policy Steering Group: A body with a fixed composition of FSC global and regional management team members established to guide and supervise the development and revision process of sets of requirements and to take decisions as delegated by the FSC Board of Directors, the Director General in accordance with FSC-PRO-01-001 and as indicated in this procedure.

Responsible body: The entity responsible for FSS Risk Assessment development and maintenance (FSC Network Partner).

The responsible body establishes the technical working group and submits the proposal to develop a risk assessment. The responsible body also collects relevant information on the risk assessment during its period of validity to assess its need for a revision.

Risk: In the context of this document, the term “risk” refers to a risk of non-conformity with an indicator or criterion of a FSS, defined as a combination of the likelihood of non-conformity with the potential negative impact of non-conformity with this indicator or criterion.

Specified risk: A conclusion, following a risk assessment, that there is a specified risk of non-conformity with a defined indicator or criterion of an FSS. The nature and extent of this risk is specified for the purpose of supporting FSS implementation by The Organization and assurance planning by certification bodies. Adapted from <FSC-PRO-60-002a V1-0>

Technical Working Group: The technical body established for the purpose of assessing and designating risks on identified requirements of a FSS. The technical working group is not chamber-balanced and consists of:

- At least three of the standard development group members,
- Individuals with expertise in auditing and/or certification in the country or region,
- Expertise and knowledge of the forest management, environmental, and social context in the country or region,
- Other national experts as needed (e.g. forest management legislation), and
- ASI representative, when relevant and feasible.

Undesignated risk: A conclusion, following a risk assessment, that neither low nor specified risk can be concluded either because:

- a. The criterion or indicator was not included in the scope of the risk assessment (default designation),
or

- b. No conclusion on risk designation was reached (i.e due to heterogeneity across the country or between different types of organizations, due to lack of consensus, etc.), or
- c. The different indicators of a criterion have been assessed and designated with different levels of risk.

Verbal forms for the expression of provisions:

[Adapted from <ISO/IEC Directives Part 2: Rules for the structure and drafting of International Standards>]

“shall”: indicates requirements strictly to be followed in order to conform with the standard.

“should”: indicates that among several possibilities one is recommended as particularly suitable, without mentioning or excluding others, or that a certain course of action is preferred but not necessarily required. A ‘should requirement’ can be met in an equivalent way provided this can be demonstrated and justified.

“may”: indicates a course of action permissible within the limits of the document.

“can”: is used for statements of possibility and capability, whether material, physical or causal.

ABBREVIATIONS

FSC	Forest Stewardship Council
NF	Normative Framework
FSS	Forest Stewardship Standard
PSG	Policy Steering Group
PSU	Performance and Standards Unit



FSC International gGmbH– Performance and Standards Unit

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