Guidance

DEVELOPMENT OF A FOREST STEWARDSHIP STANDARD RISK ASSESSMENT

FSC-GUI-60-010 V2-0

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FSC FORESTS FOR ALL FOREVER™

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OBJECTIVE

The objective of this Guidance is to provide support to FSC Network Partners and Regional Offices in implementing <FSC-PRO-60-010 Development of a Forest Stewardship Standard Risk Assessment> (FSS). Through a step-wise approach, guiding questions, examples of tools and descriptions of case studies the users of the procedure will be able to define a methodology for risk-assessment in their national context, choose sources of information and ensure the quality of the assessment and of the risk designation. The guidance also gives information on risk-based evaluation and the implementation by FSC of other risk mitigation measures (section 4).

SCOPE

This guidance is for use by FSC Network Partners when implementing <FSC-PRO-60-010 Development of a Forest Stewardship Standard Risk Assessment>. The decision to incorporate a risk-based approach is at the discretion of the FSC Network Partners.

As part of a learning phase, this revised guidance – as well as the revised FSC-PRO-60-010 – is to be applied only by FSC Network Partners where a national board of directors performs the function of the national decision body.

Additional information regarding the learning phase:

The learning phase shall cover the development of at least three FSS risk assessments in different regions and their application by certification bodies for at least one main evaluation and one surveillance audit in each of the respective countries. PSU can grant targeted exceptions to the scope limitation to enable the application of the procedure in all FSC regions during the learning phase (e.g. if there are no Network Partners with national board in a region).

The secretariat shall develop the criteria which will be monitored during this learning phase prior to the application of the procedure.

After the completion of the learning phase, the relevant results shall be assessed by the secretariat and presented to the Board to determine whether any further amendments should be made to the procedure or the relevant auditing requirements, and whether the learning phase should be further extended or whether the procedure should be made fully applicable to any FSS process as originally foreseen.

REFERENCES

The following referenced documents are relevant 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-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-PRO-60-006	Development and Transfer of National Forest Stewardship Standards to the FSC Principles and Criteria Version 5-1
FSC-PRO-60-010	Development of a National Forest Stewardship Standard Risk Assessment

ABBREVIATIONS

CAR Corrective Action Request

CB Certification Body

CNRA Centralized National Risk Assessment

FM Forest Management

FSC Forest Stewardship Council

IGI International Generic Indicator

MU Management Unit

FSS National Forest Stewardship Standard

NRA National Risk Assessment

PSU Performance and Standards Unit

RCA Root Cause Analysis

SDG Standard Development Group

TWG Technical Working Group

1. A RISK APPROACH IN OUR FSS PROCESS? DO WE NEED ONE?

1.1. What does risk mean?

The notion of risk can be framed by the likelihood and the seriousness of the potential negative impact of a problem or threat.

1. The likelihood of negative impact could be influenced by national contexts and organizational characteristics.
   National context could be: adequate and enforced regulation, widely used best practices, etc.
   Organizational characteristics could be: forest size, type of ownership, type of forest operation, etc.
2. The seriousness of negative impact could be influenced by the importance and vulnerability of the value and organizational characteristics.

FSC requirements are designed to protect – or at least to prevent and mitigate negative impact to – environmental, social and economic values. During the development phase of a FSS, many factors influencing the seriousness of a potential impact on a value, like the scale and the intensity of the management, the occurrence or sensitivity of the value, are therefore dealt with directly through the design of the FSS requirements (see <FSC-GUI-60-002 Guideline for Standard Developers for addressing risk of unacceptable activities in regard to scale and intensity>). If the potential impact of forest management on a value is high, the requirement will probably be stricter than for other less impacted values.

Once an indicator has been approved, the risk of unacceptable impact to the value can therefore be considered as a combination of the likelihood of non-conformity with the impact of the non-conformity.

1.2. What is a risk-based approach?

A risk-based approach is a tool for effectiveness and efficiency. A high level of risk can be negative as it implies a significant threat to an FSC value, however it can also be positive in that it identifies an opportunity for FSC to bring added value to forest management. A low risk level identifies low-added value areas and presents streamlining opportunities.

The perception of risk is by nature subjective and depends on personal experiences, expertise and values. Some stakeholders will have a low tolerance to any risks and may consider that risk levels are high for most indicators. Others may tend to see low risk everywhere. The success of a risk approach resides in our capacity to manage and balance different levels of risk tolerance.

A risk approach can therefore be considered to maintain the balance between affordability (uptake), confidence (market access) and the conformity with FSC's values and mission. It aims at risk management and not at risk elimination – as affordable. An assurance level of 100% is impossible to achieve.

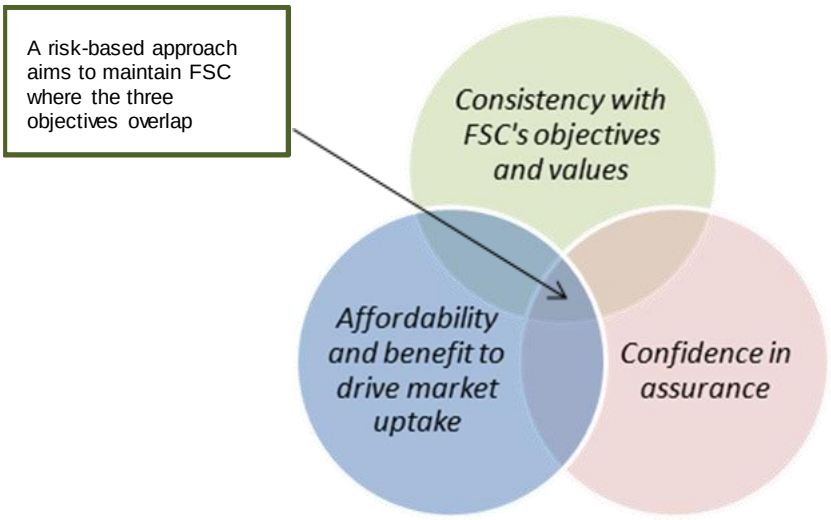

Figure 1: The goal of a risk-based approach

1.3. How do we decide to implement a risk approach?

Incorporating a risk-based approach in a FSS process is a voluntary decision and should be based on need as evaluated by the responsible Network Partner.

The scope of the risk assessment is also at the discretion of the Network Partner and can focus on a specific subset of indicators or criteria. For example, the Network Partner can decide to invest time only on specific areas of the FSS which are known to cause concern among stakeholders, and/or on those considered close to common practice. However, the Network Partner also needs to consider the scope of risk assessments that were developed in neighboring countries, in their region or in countries with similar ecological or social context. This will enable the calibration of different risk assessments and help maintain FSC credibility.

The scope of the assessment will be agreed upon with PSU when registering the process, and described and justified in the final version of the risk assessment (see section 3.2). Indicators that are out of the assessment scope will be identified as “undesignated”. The decision to implement the procedure <FSC-PRO-60-010> and the scope of it may be guided by answering positively to one or more of the following questions.

Guiding questions: Is a risk-based approach need in our national context?

- □ Are there areas in the FSS that stakeholders complain about because they have no added value compared to common forestry practice in the national context?
- □ Are there areas in the FSS that represent a significant improvement over common forestry practices?
- □ Are there areas in the FSS that concentrate concerns and criticisms from key stakeholders?
- □ Is diverse FSS interpretation by CBs considered a problem by stakeholders?
- □ Is a need to help foresters’ comprehension and implementation of the FSS, and/or its consistent evaluation by CBs a key aspect to support FSC? development in the country?
- □ Have other countries in my region or with a similar context already implemented a risk-based approach? What is their scope? What is their experience and feedback?

2. A RISK ASSESSMENT? HOW?

This section will provide information on how to conduct a risk assessment and make a risk designation. Four aspects will be covered:

1. The composition of the Technical Working Group (TWG)
2. Different approaches to decide on the risk designation
3. Possible levels of analysis
4. Sources of information available to justify the risk designation

Keep in mind that the FSC-PRO-60-010 and this guidance focus on approved FSS. However, a risk-based approach can also be useful at earlier stages of a FSS development or revision process – e.g. to focus the SDG time and resources on specific issues/requirements of the FSS.

2.1. Who should be part of the Technical Working Group?

A risk assessment is not a negotiation process. It's a technical analysis based on the best available information and expertise, among which:

- Information and expertise on the FSS requirements: Even though the TWG is not chamber-balanced, the SDG members are the best experts regarding the FSS requirements and the background information that was used for their development. It is critical that at least some of its members (if possible from all chambers) participate in the identification of the risks of non-conformity;

- Information and expertise on the evaluation process, auditing techniques and performance of certified organization: Both certification bodies managers and field auditors operating in the country will have extremely valuable input for the FSS Risk Assessment process, and as first users of this tool they need to be represented in the TWG;

- Information and expertise on the potential applicants to FSC certification: Knowledge of the different types of organizations that could seek to achieve FSC certification (e.g. different types of public and private forest managers or owners) will be fundamental to determine if risk can be designated homogenously over the national or at a subnational level;

- Information and expertise on the forest management, environmental and social issues in the national context. In many cases, the issues that may lead to specified risk designation can be pre-identified and respective experts located. Additional experts can also be interviewed/consulted by the TWG.

2.2. How can we make a risk designation?

As described in section 1.1, many factors influencing the potential impact have already been considered during the design phase of the FSS requirements. The assessment of the risks of non-conformity can therefore be simplified by focusing on:

1. The factors influencing the likelihood of non-conformity;
2. The level of concern of stakeholders as a key factor influencing the potential impact of the non-conformity. A non-conformity can indeed 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.

Other risk factors influencing the potential impact of non-conformities can also be assessed if relevant, but this might complexify the methodology of the risk assessment.

Different methodologies can be used to decide which level of risk to assign to the indicators. This section suggests number of options. Remember that whatever the methodology used, the decision of the TWG for a proposed designation has to be made in consensus.

Using a Matrix

Risk designations can be determined through a risk matrix, rating both the likelihood and the seriousness of the potential negative impact.

The likelihood of non-conformity with an indicator has to be evaluated over a period of time consistent within the risk assessment. Likelihood within the next month or the next ten years will give different answers. So the same time scale should be used for all indicators and criteria. A period of five years - tied into the certification cycle – is recommended to maximise equivalence between countries and enable calibration.

The evaluation of the seriousness of negative impact is specific to each value. Examples of scales of impacts for different values are presented in Annex C (Case study South Africa).

	IMPACT			
LIKELIHOOD	Very low	Low	Moderate	High
Very low				
Low				
Moderate				
High				

Table 1: Example of a simple risk matrix

Numerical approach

A numerical approach assigns a score to each level of likelihood (L) and impact (I). The risk designation then becomes a simple mathematical result (LxI), although assigning the likelihood and impact scores remains a subjective decision. Table 2 below presents an example where likelihood has been scored from 1 to 3 and impact from 1 to 5 – other scales may be chosen. The risk designation (colors) can then be linked to the result, in this case:

- Low = 1 to 4
- Specified = 5 to 15

LIKELIHOOD	IMPACT				
	1	2	3	4	5
1	1	2	3	4	5
2	2	4	6	8	10
3	3	6	9	12	15

Table 2: Example of a risk matrix using a numerical approach

A case study from South Africa gives more information on this approach in Annex A.

Qualitative approach through risk factors or characteristics

This option considers the reasons behind risk ratings, which are described as risk factors in FSC-PRO-60-010 and in Box 1 below. Risk factors can be described and/or combined into risk characteristics related to either low or specified risk. Those characteristics (see Table 3) can focus on likelihood (e.g. 'addressed and enforced well by regulatory instruments'), and/or to seriousness of potential impacts (e.g. 'value declining in abundance' or 'negative affects carry little repercussion'), or to a combination of both (e.g. 'history of poor management').

An easy starting point to identify low and specified risk requirements is to remember that they are linked to the degree of added value to the performance of forest management in the country. Low risk requirements may be characterized as areas where FSC requirements are considered common practice, while specified risk requirements characterize areas of opportunity for FSC to make a significant difference, for example where some values and/or requirements cause a high level of concern among stakeholders or have a specific importance in the national or regional context. Other examples might relate to management activities with low social acceptance, or to requirements that are new and difficult to implement by forest managers.

Note that several risk characteristics belonging to different categories can be related to a single requirement. The overall designation (low or specified) will depend on consensus among TWG members regarding how those different risk characteristics interrelate and balance each other.

Box 1 lists some factors influencing the risk of non-conformity in a national context, while Table 3 shows examples of risk characteristics. Other factors and/or characteristics can be identified by the TWG.

Box 1: Factors influencing the risk of non-conformity in a national context

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 on the value by stakeholders and/or civil society (sensitivity of stakeholders/civil society)
- 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 MU)

Low Risk	**Specified Risk**
Low likelihood that the value represented by the indicator occurs in the forest	The value represented by the indicator is known to be affected by forest management
The value represented by the indicator is well addressed, evaluated and controlled by regulatory authorities and instruments	The value represented by the indicator is of considerable social, environmental, or economic significance
The value represented by the indicator is common and not affected by forest management	The value represented by the indicator is of high concern to one or more stakeholder groups
Negative affects carry little repercussion	The value represented by the indicator is the subject of legal proceedings
There is low concern to stakeholders on the value represented by the indicator	The value represented by the indicator is declining in abundance / prevalence
The value represented by the indicator is common practice for Organizations	There is a history of poor management of the value represented by the indicator
No incidents of negative impact on the value represented by the indicator by forest management have been reported in the country within the last 5 years through a corrective action request (CAR) issued by a certification body in an FSC audit.	There is a history of contention regarding the value's status represented by the indicator

No incidents of negative impact on the value represented by the indicator by forest management have been reported in the country within the last 5 years through a formal complaint by a stakeholder.	The value represented by the indicator is a challenge for forest management in the national context.

Table 3: Examples of risk characteristics describing and/or combining risk factors

2.3. Where do we start?

<FSC-PRO-60-010> states that the result of an assessment has to be a risk designation at the indicator or criterion level. However, this does not prevent to start the analysis at another level. The choice for the starting level of assessment may depend on several factors, including the stage of the FSS development process.

The different levels can also be tackled in a sequential manner, from a broader scope (national context, P&C) to a more detailed one (criteria, indicators, values). The analysis at a broader level could be a means to prioritize action and determine when a finer level of analysis is necessary.

A description of the national (and international) debate around forestry activities in the country is in any case a recommended first step. It can help to identify the challenges posed and faced by forestry activities and enables to quickly prioritize important issues for national stakeholders. It can also help to identify what systems are already in place to meet or support conformance with FSC requirements. See Box 2 (below) for more details.

Guiding questions: Where are the risks?

- ☐ What are the challenges for FM in my country?
- ☐ What are the biggest opportunities for FSC to make a difference?
- ☐ Where are the gaps between common forestry practice and FSC requirements?
- ☐ Which areas of our FSS cause more concerns among stakeholders?
- ☐ Where may unnecessary effort be reduced?

Additionally, a national profile gives an important background to understand the TWG decisions for risk designation and indicator adaptation. This will support and facilitate the approval process, as well as enable calibration of risk designations between countries within a region.

Possible starting levels for the assessment include:

- **FSC Principles and Criteria level:** Starting the analysis at a higher level than the indicators can enable a more strategic assessment of where risks and opportunities lie for the national process. A gap analysis between the FSC P&C and the national profile could be developed and even consulted with the Consultative Forum or during a public consultation. This could help to clarify priorities.
- **Indicator level:** In cases where the FSS is already approved, it might be convenient to directly start the assessment at the criteria or indicator level. However, as several indicators are linked across criteria, it may be convenient to support an assessment at this level with a national context profiling that can help stakeholders understand better the risk designations.
- **Values and management activities level**: Depending on the national context, it could be convenient to break down normal management activities to analyse the specific risks they pose

to environmental, social and economic values. This could for example be an option in contexts where the management activities are quite homogenous across both the country and forest managers (see section Annex A Case study 1 South Africa).

Whatever the level of analysis chosen, the risk refers to a combination of **the likelihood of non-conformity with the potential negative impact of non-conformity with a defined indicator or criterion**.

Guiding questions: Where do we start?

- ☐ What seems logical to TWG members? Which level are they more comfortable with?
- ☐ What approach will make sense to stakeholders? How will this be easier for them to see the benefits of the approach?
- ☐ Can we foresee a sequence where several layers of analysis will potentially be combined?

2.4.What information can we use?

This section lists some sources of information that can be used to assess risk levels and reach a designation.

Stakeholder engagement: FSC requirements already provide a range of possible ways to engage with key stakeholders during the FSS development process, (e.g. the Consultative Forum and public consultations). Collecting views among experts and key stakeholders is particularly important when undertaking a risk assessment as incorporating different opinions should help reduce the subjectivity of the risk assessment. First steps of risk assessment can also help identify specific stakeholder groups linked to high-risk issues, and resources can be devoted at different stages of the process to target stakeholder engagement.

Internationally recognized indices: Several international indices exist that can give general information on the national context of an issue of concern. Most of these indices likely do not have the level of detail that is required for FSS development. However, they can be helpful to understand the national context, and to position it in relation to neighbouring countries and at regional level. Controlled Wood National Risk Assessments (NRAs), even though developed for other purposes, could inform this process.

Controlled Wood National Risk Assessment: Controlled Wood Risk Assessment, either National or Centralized (NRAs and CNRAs) provide a good source of information, detailed especially on legal aspects. They may also be useful to understand the sequential logic that needs to guide a risk assessment. It has to be remembered however that a NRA/CNRA will have a much broader scope (national, sometimes sub-national) than a FSS (MUs) and that Controlled Wood is not equivalent to responsible forest management and risk tolerance levels are therefore not the same. These differences in scale and tolerance levels may lead to differences in risk designation.

Corrective Action Requests (CARs) analysis: A number of FSC National Offices and other stakeholders have already conducted CARs analysis (e.g. Russia, Germany, UK, USA, Canada, CIRAD in Brazil, ASI, etc.) as a means to evaluate FSS conformity levels. This type of analysis will become more centralized and easily accessible in coming years with development of an online report format to be used by auditors and CBs. At present it still requires digging into each certification report and/or approaching each CB operating in the country to identify for which requirements CARs are issued, and why. Box 2 proposes several elements to consider when developing such an analysis.

Box 2: CARs analysis

CARs analysis can be used to provide some information about conformity levels and effectiveness of the FSS requirements. The purpose of the analysis is to suggest indicators or criteria with high risk of non-conformity. Regarding the identification of very low and low risk indicators or criteria, the absence of CARs has to be considered as one risk characteristic among others. To interpret CAR-data is not as straightforward as it may look. Here follows a list of components that needs to be considered in a CARs analysis:

Number of CARs: If the analysis is based on criteria, the number of indicators per criteria needs to be considered, since more indicators increase the likelihood of CARs.

Indicators difficult to audit: Some indicators are harder to audit, thus possibly leading to fewer CARs being issued or recurrent gaps between CHs' and auditors' interpretation. For example, the indicators may be poorly written and unclear, or more complex requirements may lead to a wide range of interpretation.

Different audit intensity and frequency: A CB usually assesses the risk of non-conformity of the requirements – even informally - and then varies the audit intensity and frequency accordingly. Higher intensity or frequency increases the chance of detecting a CAR.

Stakeholder complaints: A CB may use a sampling method to select MUs from which they extrapolate conclusions. The investigation of complaints is not part of this sampling process. Hence, these topics can get over-represented in an audit. Indicators with high stakeholder interest can influence the auditor to put more focus on these topics.

Different interpretations between CBs and auditors: If CBs and auditors are not well calibrated this will influence the CARs issued. CAR analysis can be a tool for detecting differences between CBs on interpretations of the standard requirements. Different auditors have different personal motivation or skills making them focus on different topics. Therefore, new no-conformities are normally detected following changes of CBs or even auditors.

New standard or new CH: When a standard is new, or a CH is new to the FSC system the rate of nonconformities will often rise for the first 2 years and then stabilize.

Annual variation: Since all indicators shall be audited within five years some auditors may focus on certain principles or criteria one year, and others on another year. This may skew the results between years.

Limitations of CAR analysis: FSC has still no method in place to evaluate the total number of nonconformities (NCs) present. There is therefore unclear whether CARs are comprehensive or representative of all NCs. Methods are being proposed to investigate this issue, with the aim of increasing the efficiency of audits and consequently of CAR analysis.

Legislation gap analysis: The content of national legislation – and therefore its overlap with FSC P&Cs – and levels of law enforcement vary between countries. An analysis can identify potential redundancies as well as added value brought by FSC certification. This could inform risk levels of non-conformity to FSC P&Cs. The TWG expertise can help focus the efforts of conducting a gap analysis. To assess the levels of law enforcement, several indices can be consulted like the

World Bank's Worldwide Governance Indicators, the World Justice Project's Rule of Law Index, or the Transparency International's Corruption Perception Index.

Smallholders, communities and other specific land tenure: For a specific issue, the level of risk can also vary with the MU size and/or land tenure. Factors may include:

- specific management techniques applied;
- different sizes lead to different harvest and intervention patterns;
- different types of owners might have distinct behaviour patterns recorded through scientific studies;
- different levels of forest owner control over management activity;
- different access to resources, technology and information.

Is has to be noted that the connection between small size and low risk is not as immediate as might be thought. For example, harvests in small MUs are often happening only every 10 to 20 years but tend to be more intensive (clear-cuts). It may also involve people and technology which are less experienced / safe than in a larger commercial operation.

Complaints: Complaints may be important to understanding where there is stakeholder dissatisfaction with the effectiveness of the FSC system, including both certificate holders (CHs) and CBs. Analysis of complaints may be valuable for risk assessment and complementary to other risk assessment tools.

Regional assessment: The sensitivity of some issues may vary from one country to another in a defined region. However, market competitiveness as well as public credibility lead to a degree of inter-connection of sensitive issues at regional level. The regional context tends then to influence the risk level of specific national issues. Therefore, risk assessment developed for neighbouring countries should be considered as a source of information. Regional offices and/or FSC International will have a strong role to play in calibration of national risk designations to ensure the overall credibility of the system.

2.5. What happens if consensus is not reached?

Consensus between TWG members might not always be reached for each indicator or criteria within the scope of the assessment. This might be because:

- The information available for is not sufficient to reach a conclusion.
- It appears through the assessment that a designation cannot be made at a national level because the likelihood and/or impact are too heterogenous:
    - In this case remember that, whenever relevant you can try to reach a consensus on a designation of risk at a subnational level (regional or else). This will increase the efficiency of the approach.

    - However, if the risk is too dependent on factors related to local context and/or Organization structure, it may be more efficient to list the risk factors at Organization level (see Box 3) that you have identified as impacting the risk level on those requirements and to leave the assessment to be conducted at Organization level by the certification body.
- The different indicators of a criteria have been designated with different levels of risk.

The indicators (or the criteria) are then identified as “undesignated”. The reasons why consensus was not reached are recorded in the same way as the justifications and specifications for designated indicators. Remember that the indicators and criteria which were not included in the scope of the assessment are identified as “undesignated” as well.

Box 3: Factors influencing the risk of non-conformity at an organization level (informative guidance)

Factors influencing the likelihood of non-conformity:

- Occurrence of the value in the forest managed by the organization (common vs. rare)
- Level of effective implementation of regulatory requirements by the organization
- Gap level between FSC requirement and the common practice of the organization
- History of complaints on the organization’s operations
- History of non-conformities and corrective action requests of the organization
- Specific forest management systems (e.g. plantation, even-aged or uneven-aged forest management, etc.)
- Specific tenure systems
- Specific internal management system (e.g. human resources, chain of command, etc.)

Factors influencing the potential impact of non-conformity:

- Occurrence of the value in the forest managed by the organization (common vs. rare)
- Conservation status of the value
- Sensitivity of the value to forest management
- Intensity of specific forest management systems put in place by the organization
- Magnitude/Scale (size of the MU)
- Level of concern on the value by stakeholders and/or civil society (sensitivity of stakeholders/civil society)
- Visibility of the organization in the local context

REMINDER: 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 and the visibility of the organisation in the local context are key factors to take into consideration.

3. HOW TO GET IT RIGHT?

This section will provide information on the ways to evaluate the quality of an assessment before its submission for process review to the National Board of Directors and the Performance and Standards Unit (PSU).

3.1. Subjectivity of risk perception and quality of the assessment

The perception of risk is by nature subjective and depends on personal experiences, expertise and values. Therefore, different stakeholders will have different levels of tolerance to risk. There are several key actions that can reduce the subjectivity in risk determination and balance different tolerance levels:

1. Use professional expertise, scientific evidence and other credible sources of information;

2. Acknowledge controversies and do not hesitate to consult several experts on the same topic;

3. Increase the number of points of view collected (e.g. during stakeholders' consultation or targeted engagement);

4. Be rigorous and consistent regarding the methodology used for the assessment;

5. Be rigorous and consistent regarding the logic of the justification of the risk designation.

These actions will be the bridge between members of the TWG enabling them to reach consensus, between the TWG and the stakeholders during public consultations, as well as between the TWG and the reviewers during the process review. Make sure the bridge is solid.

3.2. What level of detail do we need to provide?

In addition to the need to provide credible and transparent justifications to the stakeholders, the level of detail of the justifications to the risk designations is essential to support the certification bodies and auditors when evaluating risks at the Organization level according to <FSC-STD-20-007>.

This information, as well as the list of key factors and/or characteristics influencing risk at a local level (especially when no designation was possible at the national level due to the heterogeneity of risk) will enable them to efficiently assess the Organization and its context and adapt the risk levels as relevant.

Box 4: Evaluating the quality of the sources of information

The quality of the sources of information used to support the risk designation is essential to the credibility of the FSS Risk assessment. Experience gathered by the Controlled Wood team of reviewers during the approval process of NRAs and CNRAs shows that there are 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, an opinion based on personal expertise? Scientific publications are better rated.
3. Is the source publicly available or confidential? Public availability enable verification.
4. Is the source less than five years old? We must strive to use up-to-date information.

Furthermore, a simple numerical scale rating those factors would enable stakeholders and reviewers to quickly grasp the quality of the information used.

Note that information from lower quality sources can still be used but need to be considered accordingly.

For more information about the quality of sources of information, check section 2.2.2 of <FSC-PRO-60-002A V1-0 FSC NATIONAL RISK ASSESSMENT FRAMEWORK>.

3.3. How do we submit the risk assessment and designation?

The clarity of information presented will allow stakeholders and evaluators to understand the logical process followed by the TWG to make a risk designation. Therefore, as per the procedure FSC-PRO-60-010, the final version of the risk assessment needs to include:

a) A description of the scope of the risk assessment (e.g. full assessment or partial assessment of FSS indicators);

b) The risk designation for each criterion or indicator (including those with 'undesignated risk' status);

c) The justification for each designation, with reference to the supporting information;

d) The identified factors/ characteristics influencing risk at the Organization level (those can be similar or different for each criterion or indicator);

e) A description and explanation of the differences in risk designations compared to similar processes approved or under development in neighbouring countries, in their region, and/or in countries with similar ecological or social context.

It may also include information on additional risk mitigation measures (see section 4.2).

As a suggestion, the Transfer Matrix used for the transfer to and development of FSS under the V5-2 of the Principles and Criteria can easily be modified to incorporate the risk designations and corresponding justifications, including the risk characteristics, through added columns. When further information is needed, a reference to specific sections of the report may be added.

A consultation report shall also be produced, describing the consultation process, analyzing the feedback received and explaining how it has been considered by the TWG.

3.4. How will our work be evaluated?

The designations resulting from the assessment are the responsibility of the TWG because risks of non-conformities are better assessed at the national than international level. However, prior to the start of the approval process, you will have to engage with PSU to ensure the quality of the information used, the quality of the justifications and the coherence/calibration with risk designations from countries with similar contexts, especially within the same region. No formal approval of PSU is expected at this stage, but there are high benefits in aligning perceptions and expectations at a technical level before engaging with the decision-making bodies.

The first step of approval will happen at national level by the National Board of Directors (when existing), which will verify that the requirements of the procedure have been met. This includes for example the quality of information used, the quality of justifications, how the stakeholders' comments have been considered. The National Board of Directors cannot however change the risk designations themselves.

The second and final approval of the risk assessment will be made by the Policy Steering Group, which is composed of FSC global and regional high management team members. This process is meant to ensure the global calibration of the risk assessments and strengthen their credibility as effective tools for risk-based evaluations.

3.5. How long do the risk assessment and designations remain valid?

The risks (nature and levels) are likely to change as the national context evolves (change in legislation, techniques, social acceptability, etc.) or as new information becomes available (research, complaints, CAR analysis, CBs and stakeholders' feedback, etc.).

Risk assessment and designations have to be reviewed, and if needed revised, at least every five years, following the review cycle of the FSS. However, Network Partners need to monitor changes that could trigger an extraordinary review. An extraordinary revision can be performed any time based on the evidence gathered, and may focus on specific sections (criteria, indicators) of the FSS risk assessment and designations as needed. PSU can also request a revision based on the above.

The establishment of a standing FSS Risk Assessment TWG, meeting once or twice a year to analyze the evolution of the national context and review new information, can be an effective mechanism to ensure timely update of the risk designations and maintain the integrity of FSC system.

The need for such extraordinary revision might in some cases be urgent (e.g. a change in legislation) and this might request to justify and agree with PSU a streamlined revision process. If there is enough evidence for the need to change a selected number of risk designations, it might for example be justified to skip the public consultation to speed up the publication of the updated FSS Risk Assessment.

Note that when rapidly changing circumstances in your country pose a serious risk to the integrity or reputation for the FSC certification scheme, FSC International may unilaterally decide to revise the FSS Risk Assessment by applying urgent revisions. It can do so even without your involvement as the responsible body. The updated risk designations would be clearly identified in the revised FSS Risk Assessment document and you would be informed before its publication.

Guiding questions: What are the check points to evaluate the quality of the risk assessment process?

- ☐ Is the nature of the risks well identified, i.e. the likelihood and potential impact?
- ☐ How were decisions reached? Were all decisions taken following the same clear logic? Does the same combination of risk characteristics lead to the same risk designation for different indicators?
- ☐ Were experts consulted? Have several experts been consulted on the same issue? Does the assessment reference credible sources of information?
- ☐ What has been done to ensure engagement with stakeholders? Have the key stakeholders been identified, with targeted engagement? Were the means of engagement effective and did all key stakeholders respond?
- ☐ Is the quality of the sources of information high enough to support the designations?
- ☐ Can the logic of risk designations and justifications be understood easily by someone external to the national context?
- ☐ Is there a clear process in place to ensure timely review and when needed extraordinary revision of the risk assessment?

4. DONE!... NOW WHAT?

4.1. Risk-based evaluations

Now that your FSS Risk Assessment has been approved, it will be used by certification bodies and auditors as a key component of their information gathering to assess the risks of non-conformity at the applicant or certified organization level[1]. Risk levels can vary with many factors, and not all can be assessed adequately at national level. This can be due for example to specific elements of the local context or to some particular characteristics of the organization, which only a direct contact can provide knowledge of. That is why risks need ultimately to be assessed and designated by the certification body at the organization level. To be able to achieve this, a certification body needs to know an organization, its management system and its context.

[1] See *FSC-STD-20-007 V4-0 Forest Management Evaluation* for more details.

Therefore, during the first certification cycle, the certification body will use the risk designations from the FSS Risk assessment to plan the audits and ensure an effective effort allocation (preparation time, time on field, audit team members, etc.) and/or audit techniques (stakeholders' interviews, remote sensing tools, etc.). This will enable the auditors to better focus on specified risk issues during the audits. On the other hand, if low risk requirements are confirmed as such at the organization level during the main audit, the auditor will not have to actively seek evidence of conformity to those requirements during the surveillance audits, thus focusing time and efforts.

After the re-evaluation audit of the second certification cycle, the certification body will also be able to adjust the risk designations at organization level, in order to reflect its knowledge of the organization, as well as changes in the organization (structure, staff turnover, implementation of effective mitigation measures, results of precedent audits, etc.) or in the context. This mechanism is designed to acknowledge the continuous evolution of the performance of the organization in the implementation of the FSS.

Box 5: Summary of the risk-adapted evaluation process (as per FSC-STD-20-007 v4-0)

First certification cycle

- **Main audit:** The certification body actively seek evidence of conformity for all applicable criteria and indicators
- **Surveillance audits – following the National risk assessment designations:**
  - Specified risk criteria and indicator: The certification body actively seek evidence of conformity **annually.**
  - Undesignated risk: The certification body actively seek evidence of conformity **at least once** per certification cycle.
  - Low risk: The certification body **doesn't need** to actively seek evidence of conformity **unless** there are substantiated allegations from stakeholders or evidence of non-conformity about the low-risk designation for The Organization.

Second certification cycle

- **Re-evaluation:**
  - Specified **and** undesignated risk criteria and indicator: The certification body actively seek evidence of conformity.
  - Low risk: The certification body **doesn't need** to actively seek evidence of conformity **unless** there are substantiated allegations from stakeholders or evidence of non-conformity about the low-risk designation for The Organization

What about other risk mitigations measures?

Risk-based evaluations are a tool to increase the efficiency and credibility of FSC certification system, but they are not the only one. Depending on the root cause of the risks (see box 5 below), FSC can develop other mitigation measure to reduce the risks of non-conformity with the requirements of the corresponding FSS.

Requirements designated as specified risk will in many cases correspond to challenging issues for organizations seeking to implement FSC FSS. The root cause of those challenges may vary and can include among others the absence of available scientific information, socio-cultural norms or political policies that are not aligned with FSC values, or shared responsibility (with governments or other resources users) or overlapping rights over a value or territory.

In those cases, it may very difficult – and sometimes even outside a certificate holder's sphere of influence – to independently advance an issue and reach full conformity with FSC requirements. By identifying and understanding those challenging and important topics through the FSS Risk Assessment development process, FSC can identify mitigation measure – including non-assurance responses (i.e. actions that are not directly linked with audits and assurance techniques and processes) – that will strengthen, support and extend FSC's influence and impact and as such, respond to those challenges more effectively. Those actions, which should be implemented or supported by FSC (Network partner, Regional office or FSC International), may include:

- Advocacy, e.g.: FSC as such or with other groups of stakeholders may promote the discussion of an issue to raise awareness, gather interest and drive policy.
- Building partnerships with other organizations who share some common objectives, e.g. with universities, non-profit organizations, companies and/or government agencies.
- Monitoring the impact of prioritized challenging topics will help determine if we are progressing towards an intended outcome.
- Supporting a consistent understanding about the expectations of the FSS and its implementation among CH, candidates, stakeholders, certification bodies and auditors (verifiers, training, implementation guidance, interpretations or clarifications, calibration meetings etc.).

Box 5: Identifying the root cause of a risk

A problem well stated is a problem half-solved. The TWG could produce, for each specified risk indicator identified during the assessment, a description which identifies the causes of the problem. The potential solutions and therefore the way to develop/revise requirements and audit them can be very different depending on whether the problem is related to information availability or gathering, implementation, capacity or technical issue or socio-cultural representation and behaviour.

A Root Cause Analysis is a method of problem analysis, based on the idea that it is at least as important to address the causes of a problem as its immediate effects. The primary aim of RCA is to identify the critical underlying factor (or factors) that resulted in past events - or what lies behind perceived threats. Focusing on addressing root causes can then have the goal of managing risk at optimum levels.

Additionally, it can help identity not only the root cause of one problem but also the few underlying causes of many problems. It can then as well support the design of efficient monitoring systems. Guidance on RCA, compiling information from different sources, is included in Annex D.

ANNEXES: CASE STUDIES

The two case studies presented in annexes are very different one from another. They range from a methodology develop by an expert working group (Case study South Africa), to a technical and partial methodological exercise performed for the sake of this guidance (Case study Canada).

South African case study is not the result of the implementation of <FSC-PRO-60-010> and this guidance but on the contrary have provided extremely valuable input for its development. As these two case studies were developed before the first approval and revision of the procedure, they do not fit exactly all its process requirements. However, they are included here as concrete examples providing points of attention and illustrating opportunities and benefits of risk-based approaches.

Annex A: Case study South Africa:

Key characteristics of the case study:

- This case study is the result of a project conducted by a South African working group with representation from the local SDG and CBs in 2017. The first results were presented at the General Assembly 2017;
- Large country with small to medium Management Units dedicated to plantation management of exotic species;
- Mixed land tenure – state, private and communal;
- Risk assessment focused on the relationship between plantation management activities and a defined set of values;
- The way different MU sizes or tenures impact the risk assessment was not analysed at the national level, but could be evaluated by CBs at the CH level;
- Risk assessment was conducted prior to IGI adaptation process which provided guidance to the SDG in the FSS process;
- The methodology developed by the working group is described in the graphic 2 below.

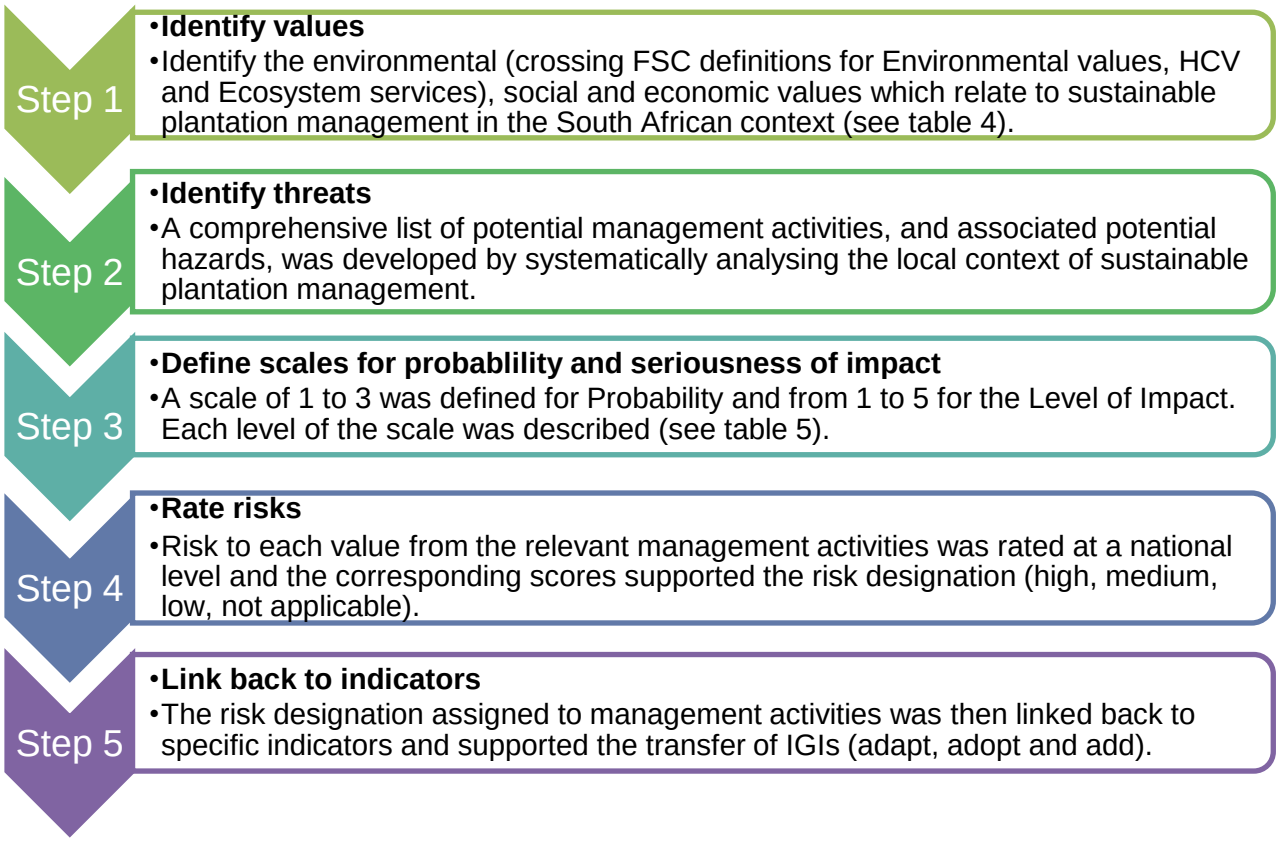

Figure 2: Methodological steps including logical decision-making process summarized from the case study submitted by the South African working group

Environmental values	Social values (community and workplace)	Economic values
Biodiversity, (HCV1)	Indigenous people rights Opportunities for employment	Reputation of the organisation
Landscape level ecosystems, (HCV2)	Indigenous knowledge	Productivity of the plantation, especially for the long term
Ecological integrity (conservation zones), (HCV3)	Opportunities for employment	
Recreational and aesthetic values, (HCV 4)	Economic development	
Water quality, (HCV 4)	Community harmony	
Water supply or quantity, (HCV 4)	Fundamental rights at work	
Soil retention, (HCV 4)	Health and safety	
Local climate and air quality, (HCV 4)	Wages	
Carbon storage and the carbon cycle (HCV 4)	Work performance	
Water use locally, (HCV 5)	Workers accommodation	
Grazing (HCV 5)	Working conditions	
Spiritual and religious sites, (HCV 6) and	Workplace harmony	
Archaeological and historical sites (HCV 6)		

Table 4: List of values developed by South African SDG as first step of the risk assessment

Environmental	Community	Workplace	Economic	Score
Impact Irreversible or over a large scale (MU and beyond)	Destruction of entire community	Inability of individual or workforce to work	Bankruptcy or inability to continue with land-use activity	5
long term impact (5yrs or more) over large scale (MU and beyond)	Severe impact on livelihoods of many in community	long term impact on worker (s) (< 1 year)	Major loss and disruption of business processes – requires reorganisation of business plans or a major change in land-use activities	4
Medium term impact (1-5yrs) over area of occurrence or adjacent areas within the MU	Moderate impact on livelihoods of the people affected	Moderate impact on workers for medium term (1-12 months)	Loss impacts profitability and may require adjustment of plans but without disruption to normal processes	3
Short term) impact (>1 year) at site of occurrence	Inconvenience but easily rectified	Short term impact on affected workers (>1 month)	Loss inconvenient but absorbable – no re-planning required	2
Easily reversible impact over limited area	Acceptable inconvenience	Acceptable inconvenience	Small loss which is considered business as usual	1

Table 5: Description for each score of the seriousness of impact to the four categories of values (social values as divided into community and workplace).

Conclusions from the case study:

- The detailed methodology and logical decision-making process enabled a smooth consensus on all indicators;
- The risk designation supported the IGI transfer process. Noting that the risk assessment was not used as sole justification for the dropping of IGIs;
- The methodology worked well in a national context with only one forest type requiring analysis. However, it has not yet been tested in more diverse national contexts;
- Further benefit in streamlining the FSS and focusing effort on high-risk indicators could be gained from CBs refining the national risk assessment at CH level through taking elements into consideration that are difficult to analyse at national level like MU sizes and tenures for example;
- A full report on this project can be downloaded on FSC Africa website.

Annex B: Case study Canada

Key characteristics of the case study:

- This case study is a desk test developed for the sake of this guidance. This is a hypothetical exercise and was not discussed at length with the SDG. Going forward more comprehensive work and discussions would be needed;
- Very large country with mainly very large management units (MU) ("concessions") of boreal forest, but also smaller private and community forests;
- Risk was assessed against draft indicators in Principle 1 and 6 only, with a focus on very large MU;
- The desk test methodology was developed including identifying risk characteristics (see graphic 3 below).

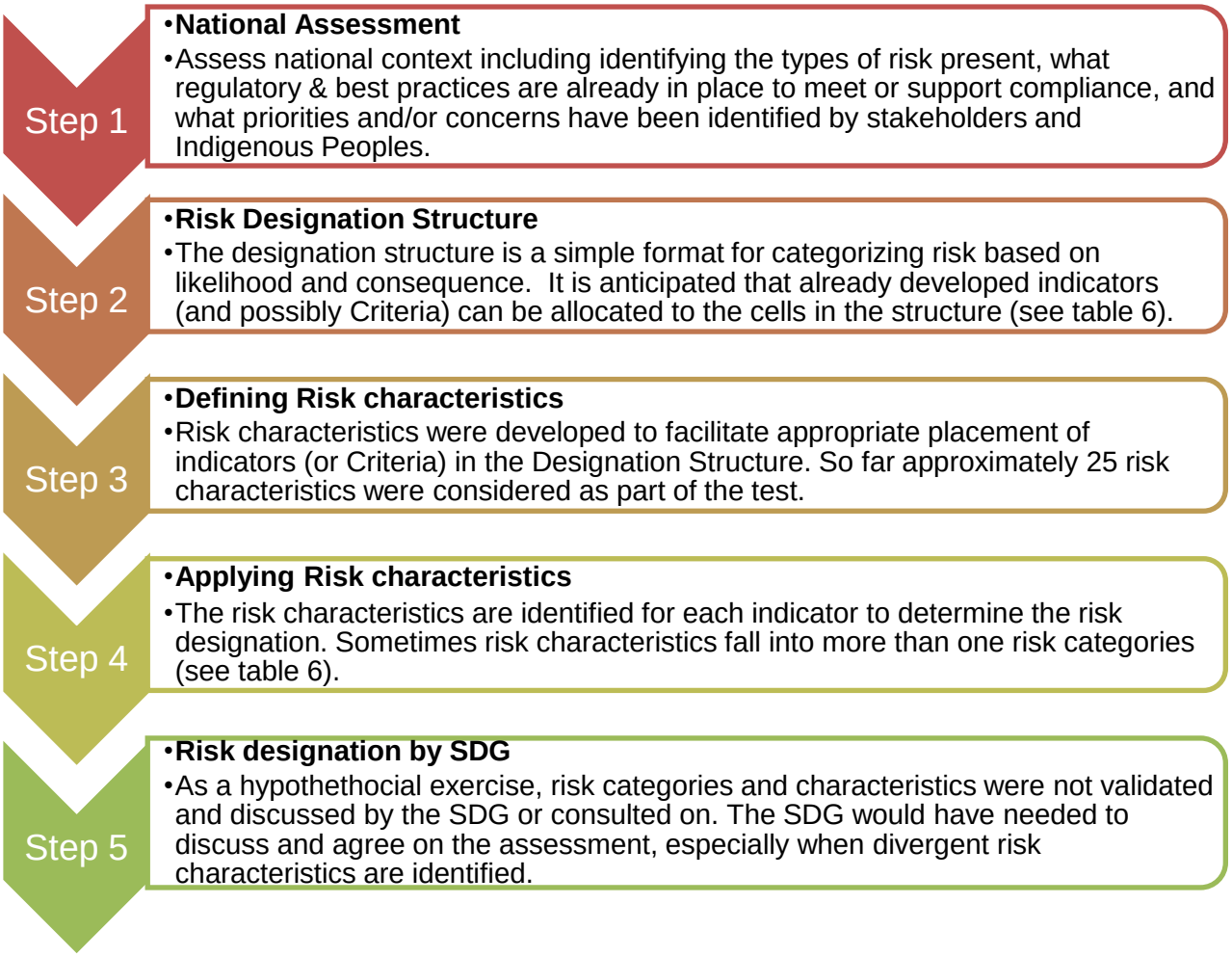

Figure 3: Methodological steps including decision-making summarized from the Canadian technical test

INDICATOR ASSESSED & CONTEXT	RISK CATEGORY & CHARACTERISTICS		
	Low	Medium	High
1.1.1 Legal registration document	• The value or required process is addressed well by regulatory frameworks and enforcement regimes • There is low social concern • Negative affects carry little repercussion • There is a history of good conformance with related indicators in predecessor regional standards • Normal forest management practices should address the requirement		
6.3.1 Ground Rules for Physical Damage	• Normal forest management practices should address the requirement	• There is a history of occasional non-conformance with related indicators in predecessor regional standards • Requirement does not normally need annual action.	
6.4.3 - woodland caribou Understanding context: May be infeasible within the current conformity schedule Complex regulatory environment Science is evolving making it necessary to carefully track conformity, performance and outcomes.		• High economic repercussions	• Species at risk, known to be sensitive to FM • Subject of legal proceedings • Declining in abundance • History of poor management • Action outside the certificate holder normal sphere of influence required for treatment • Cultural significance • High social value • Unknown outcome • Requirement exceeds the IGI

Table 6: Designation structure supporting the identification of risk characteristics for 3 indicators of the Canadian draft FSS

<u>Conclusions from the case study:</u>

- The Canadian Forest Management Standard already incorporates risk assessment and mitigation techniques. Early in the transfer process the SDG, stakeholders and Indigenous Peoples were asked about the national context, including what were their concerns and where the perceived challenges and opportunities were to better address values. These early discussions helped to prioritize values, targeting work, research and discussions around perceived important, high risk or less understood values (e.g. Aboriginal rights, species at risk, landscape management);

- Assessing risk, importance and opportunity of values led to the development of better indicators including the adaption and adding of requirements for important and high-risk values. For example, while the IGIs have 5 indicators, FSC Canada has 11 requirements for protected areas (6.5);
- There are different types of indicators (procedural or administrative, performance etc.) and the appropriateness or benefit of assessing risk against these, varies considerably. For some requirements, like indicators related to planning or administrative tasks, other responses may be more beneficial for streamlining and making more outcome oriented, such as user-friendly digital reporting platforms;
- Applying <FSC-PRO-60-010> would mean additional work regarding development of risk designations and stakeholder consultations. Furthermore, monitoring the accuracy of risk characteristics and risk designations would be needed. The business model including costs for developing and maintaining risk identification and designation would need to be investigated;
- More formalized risk identification and designation has the potential to better legitimize and match effort to important and high-risk requirements while providing relief in effort for low risk values. It is also anticipated that greater coordination and calibration with CBs and ASI regarding audit treatment might also result.

Annex C Guidance on Root Cause Analysis

Root Cause Analysis (RCA) can be applied to averting threats and resolving problems related to FSC's Normative Framework, just as with any other threat to reaching FSC's objectives.

What is a Root Cause Analysis?

Root Cause Analysis (RCA) is based on the idea that it is at least as important to address the causes of a problem as its immediate effects. Just as with a medical diagnosis, it is often not enough to stop at the symptoms. You have to dig deeper to find the underlying issues that cause the problem in the first place. In a forestry context, perhaps soil erosion may be a problem, attributed to poor practice. Treating the immediate cause might lead to training on soil management, but if local economics prevent behaviour change then training may be a waste of resources. RCA might reveal that high-level advocacy for financial support to smallholders is a more effective way to prevent the problem re-occurring.

The primary aim of RCA is to identify the critical underlying factor (or factors) that resulted in past events, or what lies behind perceived threats.

If the root cause can be identified and addressed, then the associated problem will not happen. However, if the root cause cannot be identified and resolved then the problem will still be there even after any symptoms have apparently been addressed.

Why is it so valuable?

- RCA does not have to be used as a reactive method of identifying causes *after* an event has occurred. RCA can also be used to analyse identified threats, and significantly improve the efficiency of risk management. Indeed, RCA is especially powerful when combined with a Risk Management Plan.
- RCA can be expected to show that a number of threats share a single root cause. The treatment of that single root cause can thus have multiple benefits for FSC. A risk register - the first part of a risk management plan - might typically list 100 threats to meeting an organisation's objectives. An RCA might then be expected to identify 6-8 underlying problems that if resolved will adequately and efficiently deal with at least 90% of those 100 threats. Good RCA can thus contribute enormously to good risk management, focusing resources on areas critical to success, and avoiding the need for crisis management.
- By revealing the origin of a problem, RCA also facilitates treating the cause. It can help to identify what behaviours, actions, inactions, or conditions need to be changed to prevent recurrence or occurrence of harmful outcomes, and to identify lessons that may promote the achievement of better consequences.
- Root cause analysis can help transform a reactive culture into a forward-looking culture.

A good RCA will also:

- Result in a root cause associated with a process (rather than a person).
- Facilitate good monitoring and evaluation, especially identifying critical indicators.
- Facilitate impact management, identifying assumptions and bottlenecks in a Theory of Change.

- Help to identify solutions and mitigations. This may mean modification of a procedure, process, or responsibility, implementation of further training, stronger partnership, or better allocation of resources.

How to do it well – the 'five whys'

There is no single right way to carry out RCA. But generally, RCA requires a *re-iterative* inquiry procedure. The following tips and techniques are worth considering.

- One popular technique is called the 'five whys'. When performed systematically this drills deeper into the problem, past intermediate causal factors until the root cause is reached. Faced with a problem or threat, ask the question: 'Why did (or why might) this happen?' Take the answer and ask 'Why did/might that happen?' and continue until completing five whys. In theory the fifth answer is the root cause, although five is an arbitrary number, sometimes more or occasionally fewer will be necessary.
- The process will ideally lead to something within the organisation's control, i.e. a process that is not working well or does not exist. If answers seem to point towards not enough time, or resources, these answers may be true but they may not readily lead to a solution. In this case try asking the question 'what process is missing or has failed?' A key phrase to keep in mind in any 'five whys' exercise is 'people do not fail, processes do'.
- Ideally RCA should be performed systematically, with conclusions and root causes backed up wherever possible by documented evidence.
- There may be more than one root cause for an event or a problem, and a team effort is often required for the tool to work well. To uncover multiple root causes, RCA may be repeated asking a different sequence of questions.
- Clear articulation of a problem or a threat is helpful and usually required for a successful use of RCA. A question carefully phrased is often a question half-answered.
- Once the 'five whys' have identified root causes, using the same logic, 'five hows' can be asked until the best solution for a problem is found.

More advanced RCA techniques, beyond the scope of this guidance note, are available for difficult or deeply systemic problems. A number of books have been published on the subject and several websites, e.g. ASQ, offer further ideas.

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