



Forest Stewardship Council®



## Incorporating a risk-based approach in National Forest Stewardship Standards

FSC-PRO-60-010 V1-0 EN


**Title:** Incorporating a risk-based approach in National Forest Stewardship Standards


**Document code:** FSC-PRO-60-010 V1-0 EN


**Approval:** 21 August 2018

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The Forest Stewardship Council® (FSC) is an independent, not for profit, non-government organization established to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests.

FSC's vision is that the world's forests meet the social, ecological, and economic rights and needs of the present generation without compromising those of future generations.

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## A. Objective

The objective of this Procedure is to provide the process steps for conducting and incorporating a risk-based approach in National Forest Stewardship Standards (NFSS), to assess, identify and designate risk considering the likelihood and impact of nonconformity with indicators of the NFSS. This procedure thereby aims to focus the FSC certification system for forest management on the most relevant aspects of the NFSS, thereby making the system more cost-effective, while maintaining credibility and integrity.

## B. Scope

This Procedure is for use by registered Standard Development Groups (SDGs) when incorporating a risk-based approach in their NFSS. The decision to incorporate a risk-based approach is at the discretion of the SDG. SDGs may conduct this process during the development of a new NFSS, during the transfer of an existing NFSS to the P&C V5-2, or retroactively incorporate it into an approved NFSS.

Other normative documents regulating the standard setting and transfer process (FSC-STD-60-002, FSC-STD-60-006, FSC-PRO-60-006) shall be used together with this Procedure.

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.

## C. Effective Date

Approval date	21 August 2018
Publication date	08 November 2018
Effective date	08 November 2018
Period of validity	until replaced or withdrawn

## D. References

The following documents are relevant for the application of this Procedure. For references without a version number, the latest edition 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-GUI-60-002 Guideline for Standard Developers for addressing risk of unacceptable activities in regard to scale and intensity*
- FSC-GUI-60-010 Guideline for Standard Developers on incorporating a risk-based approach in National Forest Stewardship Standards*

**E. Terms and Definitions**

The terms and definitions given in *FSC-STD-01-002 FSC Glossary of Terms*, *FSC-STD-01-001 FSC Principles and Criteria for Forest Stewardship* and *FSC-STD-60-004 V1-0 EN FSC International Generic Indicators*, and the following apply:

**Risk:** A combination of the likelihood of nonconformity with the potential negative impact of nonconformity on one or more values associated with FSC’s Principles and Criteria.

The matrix below is an illustration of a risk classification according to likelihood and negative impact of risks.

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

**Risk characteristics:** descriptions that serve to classify indicators into categories of very low risk, low risk, moderate risk and high risk:

**Very low risk (Grey):**

List of risk characteristics associated with very low risk indicators:

- a) Very low likelihood of occurrence; and
- b) The value represented by the indicator is sufficiently evaluated and controlled by regulatory authorities; and
- c) 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 (either through a corrective action request (CAR) issued by a certification body in an FSC audit, or through a formal complaint by a stakeholder); and
- d) There is demonstrated key stakeholder support across all chambers.

Note: An indicator may only be classified as 'very low risk' if all of the above listed risk characteristics are met.

**Low risk (Green):**

Examples of risk characteristics associated with 'low risk' indicators:

- a) Low likelihood that the value represented by the indicator occurs in the forest,
- b) The value represented by the indicator is addressed well by regulatory instruments,
- c) The value represented by the indicator is common and not affected by forest management,
- d) Negative effects carry little repercussion,
- e) There is low concern to stakeholders,
- f) The value represented by the indicator is common practice for foresters.

**Moderate risk (Amber):**

Examples of risk characteristics associated with 'moderate risk' indicators:

- a) An important social, ecological or economical value represented by the indicator.

**High risk (Red):**

Examples of risk characteristics associated with 'high risk' indicators:

- a) The value represented by the indicator is known to be affected by forest management,
- b) The value represented by the indicator is of considerable social significance,
- c) The value represented by the indicator causes stakeholder concern or is considered a national priority,
- d) The value represented by the indicator is the subject of legal proceedings,
- e) The value represented by the indicator is declining in abundance / prevalence,
- f) Little is known about the value represented by the indicator,
- g) There is a history of poor management of the value represented by the indicator,
- h) There is a history of contention regarding the value's status represented by the indicator,
- i) The value represented by the indicator is a challenge for forest management in the national context.

## **F Preamble**

FSC is developing and incorporating risk-based and outcome-oriented approaches in the National Forest Stewardship Standards (NFSS) as part of the process to 'Streamline the FSC Normative Framework', as outlined in the FSC Global Strategic Plan 2015-2020 and the related Implementation Plan.

Designing and implementing risk-based approaches within the FSC Normative Framework and NFSS aims to focus the FSC certification system on efficiency. Assurance efforts could be reduced where appropriate, on identified lower risk aspects. On the other hand, those aspects with a higher likelihood and impact of nonconformity, would receive more attention, as these are areas of opportunity for FSC to add value. The aim is to increase the relevance of the certification system and to make it more cost-effective, thus reducing the overall cost for certificate holders while maintaining credibility and integrity.

The conceptual model named 'ADAM' (**A**ssessment of risk, **D**esignation of risk for indicators, **A**dapted risk response, and **M**onitoring and Evaluation) translates risk-based approaches to the NFSS and is implemented in a step-wise approach. The 'ADAM' model is designed to be consistent with ISEAL guidance, itself based on ISO requirements and the Plan – Do – Check – Act cycle of ISO 9001.

This document focusses on risk assessment and risk designation, being the first and second steps of the 'ADAM' model (see Annex 1). FSC is developing an approach for risk adapted response (step three) and for how to monitor effectiveness of the 'ADAM' model (step four). The adapted risk response will be based on the risk designations developed by Standard Development Groups according to this Procedure.

The process described in this Procedure will later be incorporated in a consolidated document for the development and revision of National Forest Stewardship Standards.

The Procedure is complemented by a Guideline for Standard Developers on incorporating a risk-based approach in National Forest Stewardship Standards (FSC-GUI-60-010). The Guideline provides support for Standard Developers when conducting risk assessments and proposing risk designations for indicators of NFSS.

**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 certification body can meet these requirements 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.



## 1. General requirement

- 1.1 Prior to applying a risk-based approach according to this Procedure, Standard Development Groups (SDGs) shall notify the FSC Performance and Standards Unit (PSU) and agree with PSU on the scope of the risk assessment.

NOTE 1: SDGs may choose to assess only selected indicators of national standards and/ or may choose to only designate risks for selected risk categories (e.g. only for low risk and very low risk).

NOTE 2: Risk may be assigned separately for indicators according to scale and intensity of Management Units according to FSC-GUI-60-002 '*Guideline for Standard Developers for addressing risk of unacceptable activities in regard to scale and intensity*'.

## 2. Development and approval of risk assessments

- 2.1 SDGs shall designate risks associated with NFSS indicators according to risk characteristics and classifying risks into 'very low risk', 'low risk', 'moderate risk' and 'high risk'.

NOTE 1: FSC-GUI-60-010 supports SDGs in conducting risk assessments and making risk designations.

NOTE 2: Indicators may only be designated as 'very low risk' if all associated risk characteristics provided in this document are fulfilled.

- 2.2 SDGs shall classify indicators where no risk designation was made as 'non-designated' and should indicate a reason for not making a risk designation (e.g. insufficient information, difference of opinion, intentionally excluded).
- 2.3 Decisions on risk designation shall be made by consensus, which is defined as general agreement to the risk designation, with the absence of sustained objection from any member of the SDG.
- 2.4 SDGs shall conduct a public consultation on the risk designation of 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*'.
- 2.5 When a NFSS is submitted for approval, SDGs shall add a report on the risk assessment. The report shall include:
- a) a description of the scope of the risk assessment (e.g. full assessment or partial assessment of NFSS indicators) and the selected risk categories;

- b) a brief description of the risk assessment process, including the methodology chosen, the consultation process and feedback provided by stakeholders;
- c) a brief justification for the risk designations per indicator that relates to the potential impact on the associated value and includes the risk characteristics used.

NOTE: Justifications may address multiple indicators simultaneously if the conditions and rationale is uniform.

2.6 The approval process of risk assessments is conducted in accordance with FSC-STD-60-006 *'Process requirements for the development and maintenance of National Forest Stewardship Standards'*.

### **3. Review and revision of risk assessments**

3.1 Risk designations shall be reviewed and revised in accordance with the requirements of FSC-STD-60-006 *'Process requirements for the development and maintenance of National Forest Stewardship Standards'*.

3.2 SDGs shall be required to conduct an extraordinary review and if needed revision of risk designations based on evidence for a need to change, including: new or changed legislation, complaints, implementation problems, threats to FSC's credibility, or new emerging technologies that have an impact on the risk designation.

## Annex 1 Description of the 'ADAM' model (Informative)

ADAM consists of the following steps:

- **Step 1** "Assessment of risks" and **Step 2** "Designations of risk for indicators" are part of the development or revision process of a NFSS: A risk approach is used to streamline the requirements and put greater attention on areas where FSC has the opportunity to achieve the most positive impacts.
- **Step 3** "Adapted risk-response" is related to the treatment of risks: Risk levels identified in the NFSS process (Step 1 and 2) affect the assurance (auditing) process to be applied to the different risk categories.
- **Step 4** "Monitoring & Evaluation" is the continuous improvement link that closes the loop: Regular monitoring is key to ensure the effectiveness of the previous steps and take corrective actions as needed.

Figure 1. Illustration of the 'ADAM' model

