FSSC 24000

GUIDANCE DOCUMENT ASSESSMENT OF RISKS AND OPPORTUNITIES

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TRANSLATIONS

Please be aware that in the case of translations of the FSSC 24000 Scheme or Guidance documents, the English version is the official and binding version.

DISCLAIMER

The information in these guidance documents is intended to assist with the interpretation, implementation, and auditing of the requirements contained in the PAS 24000. While this information addresses and is consistent with these requirements, it is not intended to add to, subtract from, or in any way modify them.

The requirements in the PAS 24000 need to be viewed from a systems perspective and should not be considered in isolation, i.e., there can be an interrelationship between the requirements in one clause with the requirements in other clauses.

CONTENTS

1. INTRODUCTION

The intent of this subclause is that the organization gains insight into what needs to be considered and what needs to be addressed to ensure that the intended results of the SMS can be achieved, and desirable effects are enhanced. When an organization plans the social management system (SMS) processes, the organization should determine its risks and opportunities and plan actions to address them. Its purpose is to prevent nonconformities, including adverse social impacts, and to determine opportunities that might enhance worker health and satisfaction or achieve the organization's social objectives.

As mentioned in the title of Clause 6, "Planning," this clause is the Plan-step of the overall Plan-Do-Check-Act (PDCA) cycle in the standard. To be able to plan what an organization wants and needs to achieve, it should first identify and assess the risks and opportunities of adverse social impact. The Organisation for Economic Co-operation and Development (OECD) describes the identification and assessment of adverse social impact as an important step in the due diligence process1. As such, the different steps of the PDCA cycle, which is the core of the PAS 24000, form a due diligence process in the social area (human rights, occupational health, and safety (OH&S), labor conditions, and ethics and business integrity.

Risk assessment and management can be used by organizations to properly identify and mitigate risks in various areas, such as financial, food safety, environmental, OH&S, and human rights, within both their own operation and the associated supply chain.

Organizations may have a task or specific risk assessment for different topics or processes within the social area, e.g., OH&S or procurement. This subclause overarches all risk assessments in the social area of the organization. Through the requirements of this subclause, the organization should address the different impacts of their operation and ensure eventual relationships and interaction of risk management approaches are in accordance with the standard and their own policy. For example, the pressure of (too) long working hours (part of human rights) and the possibility of hiring a certain contractor (part of social procurement) or not can have a close relation in avoiding work accidents, which is part of OH&S. This all should be an integral part of the SMS.

Specific guidance has been established on the risk assessment and mitigation measures of social risks in the supply chain (PAS 24000: subclause 8.1.3). ISO 45001, the international standard for occupational health and safety management systems, contains guidance for use, including guiding on the assessment of OH&S risks and opportunities, in Annex A.

This document provides guidance on the assessment of risks and opportunities as required in subclause 6.1.1 (and related requirements) of the PAS 24000.
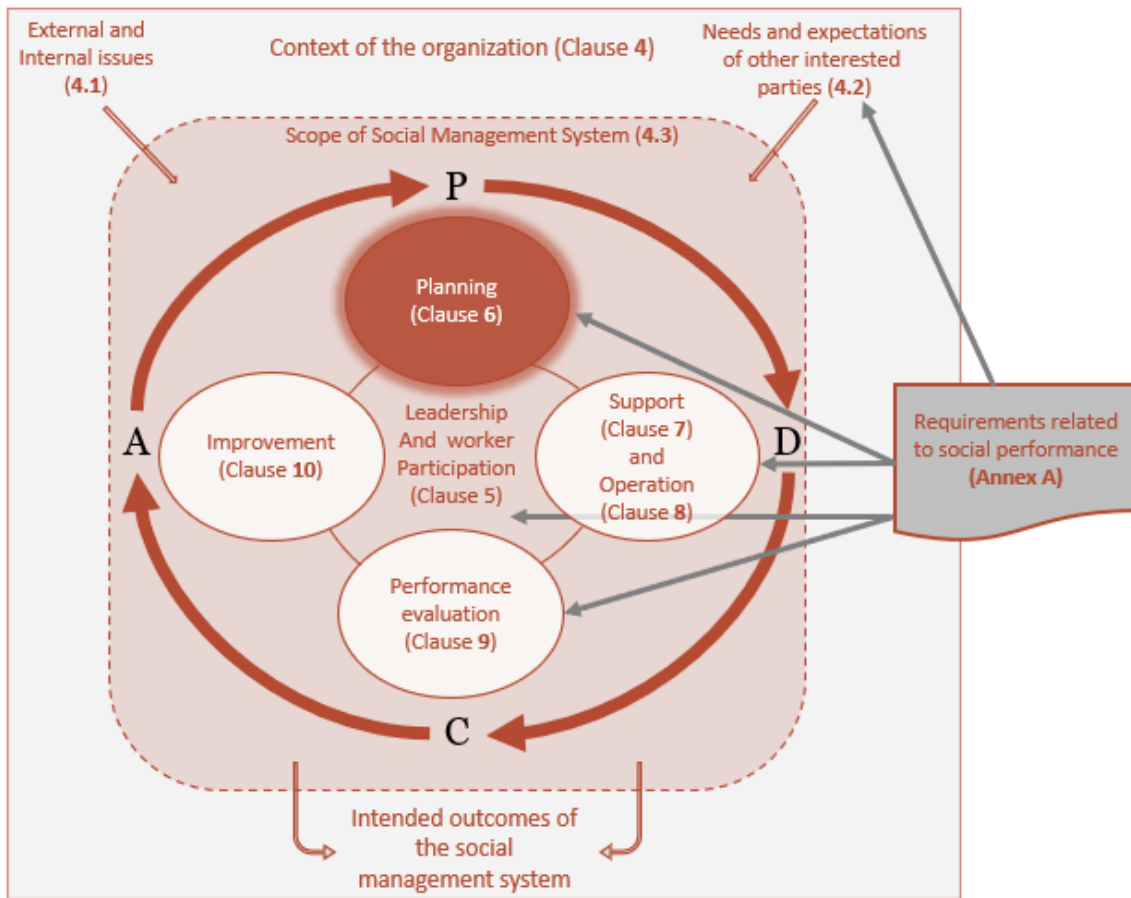
"A true person does not preach what one practices till one has practiced what one preaches."
Confucius

2. EXACT WORDING OF THE REQUIREMENT

PAS 24000: 6.1.1 ASSESSMENT OF RISKS AND OPPORTUNITIES

When planning for the SMS, the organization shall consider the issues referred to in **4.1** (context), the requirements referred to in **4.2** (interested parties), and the scope of the management system referred to in **4.3** and determine the risks and opportunities that need to be addressed to:

a) give assurance that the SMS can achieve its intended result(s);

b) enhance desirable effects;

c) prevent or reduce undesired effects;

d) achieve continual improvement.

Documented information shall be available on:

1) risks and opportunities;

2) the process(es) and actions needed to determine and address the risks and opportunities to the extent necessary to have confidence that they are carried out as planned.

RELATED CLAUSES

PAS 24000: 5.4 CONSULTATION AND PARTICIPATION OF WORKERS

The organization shall emphasize the consultation of non-managerial workers on the following:

1. ………

2. assessing risks and opportunities (see **6.1.1**);

PAS 24000: A.1 HUMAN RIGHTS POLICY

The SMS shall ensure that the requirements in Table A.1 are satisfied.

1	A risk inventory is made of human right issues.
2	No adverse human rights impacts are caused by the organization's activities. Any such impacts that occur are addressed.
3	No adverse human rights impacts are contributed to by the organization's activities. Any such impacts that occur are addressed.

3. IMPLEMENTATION OF SUBCLAUSE 6.1.1 "ASSESSMENT OF RISKS AND OPPORTUNITIES"

To ensure that its operations are controlled and conform to the (applicable) requirements (including the requirements of Annex A), the organization should implement a risk assessment and actions to address the identified risks and opportunities. Anticipating changing circumstances and continually determining risks and opportunities is an ongoing process, both for the workers and for the SMS as a whole.

When implementing this clause, the organization should consider the relationships and interactions between the activities and requirements for the management system as a whole. To do so, the organization should consider identified external and internal issues (clause 4.1) and the identified interested parties (clause 4.2) within the scope of the management system. As such, the impact of the organization on areas and activities that are important to the community in which it operates, both socially and culturally, and legal and other requirements should be included in the risk and opportunity assessment.

To ensure the participation and consultation of workers, a Multidisciplinary Social Team (MST) could be implemented. This team should consist of a balanced representation of manager(s) and non-managerial workers from relevant parts of the organization. To enhance worker engagement, the organization could arrange that only (non-)managerial workers, elected by the workers, are part of the team. The organization may decide to make the MST responsible for the risk and opportunity assessment only or for the overall development, implementation, and maintenance of the SMS.

Either way, the standard requires consultation and participation of non-managerial workers in the assessment of risks and opportunities, and a team-based approach can be an important step in building an internal understanding of human rights and their importance to the company. It can help engage colleagues within the company who may be skeptical about the relevance of human rights but whose support might be essential for effective actions to address the risks and opportunities.

In addition, the involvement or consultation of other stakeholders, such as trade unions or leaders of the local community, will increase the engagement of workers and the credibility of the assessment. This can be facilitated through an impact assessment workshop with the MST and other stakeholders supported by an expert facilitator, for example.

For the assessment of adverse social impacts and opportunities, the organization should:

1. Identify the (actual and potential) adverse social impact of their operation.

2. Prioritize the social impact by:

   a. Determining the risk, e.g., severity and the likelihood of occurrence, of the adverse social impact
   b. Determining the opportunities, benefits, and potential to improve social performance
   c. Ranking the risks of the adverse social impact

3. Document the methodology (process) used and the ranked risks and opportunities to be addressed.

IDENTIFYING THE (ACTUAL AND POTENTIAL) ADVERSE SOCIAL IMPACT OF THE OPERATION

The organization can either cause, contribute to, or be linked to adverse social impact. To be able to decide how to address these situations after assessment, the organization should identify whether their involvement with the adverse social impact is through their own activities and omissions (cause) or as a result of their relationship with a third party (contribute). Finally, the adverse impact can be the result of a connection of a third party to the organization's operations, products, or services (linked to). A third party is understood to include relationships with business partners, entities in its value chain, and any other (non-)governmental or regulatory entity directly connected with its business operations, products, or services[3].
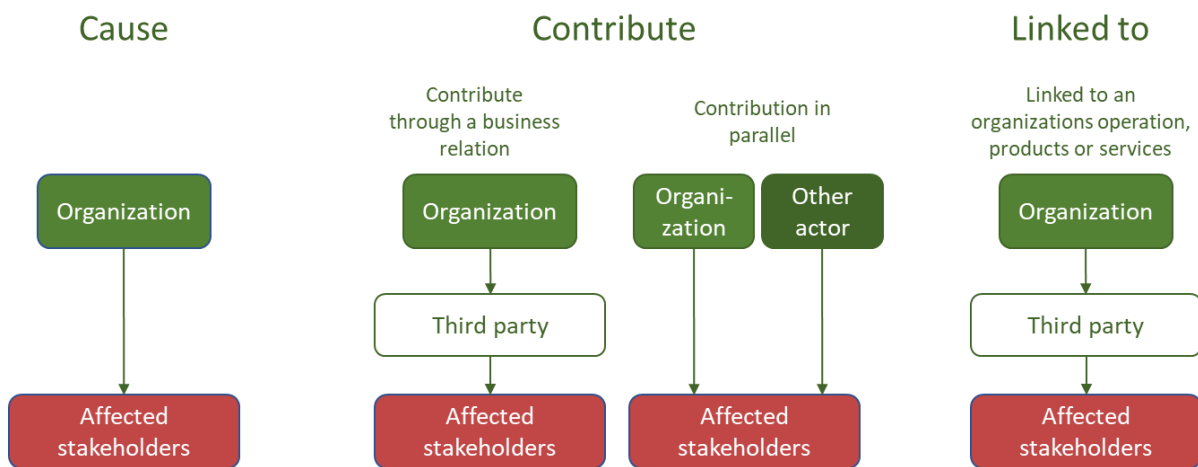
Source: Shift, Oxfam, and Global Compact Network Netherlands, "Doing Business with Respect for Human Rights: A Guidance Tool for Companies,"

2016

To identify the (actual and potential) adverse social impact, the organization should:

1. List the topics to be assessed, mentioned in the Scheme requirements (and more specifically in the annex to the standard) and other topics relevant to their organization arising from the identified issues in the organizational context (clause 4.1), relevant legal requirements and those of other interested parties (clause 4.2), which are found to be of interest based on the decisions taken regarding the scope of the SMS (clause 4.3).

2. Create a high-level overview of the organization's areas of operation and types of business relationships and list the organization's areas of operation (including buildings, dormitories, canteens, workplaces), types of business relationships, processes, and product lines to enable a full assessment of the situations workers or other interested parties (e.g., the community) may face.

3. Identify any topics (e.g., OH&S) and processes or types of business relationships (e.g., procurement/providers) that have been assessed for actual and potential risks through a task/specific risk assessment, if applicable.

4. Assess the actual and potential adverse impact on the remaining topics caused, contributed by, or linked to the organization. It is important to:

    a. Involve non-managerial workers in this assessment;

    b. Include tailored approaches to specific risks and consider how these risks affect different groups, such as applying a gender, young worker, or migrant perspective in the identification of possible adverse social impact;

    c. Consider routine and non-routine activities and situations;

    d. Consider potential emergency situations:
- unplanned situations that require an immediate response (e.g., fire in the workplace, emission of dangerous fluids or gases, a natural disaster in the vicinity of a location where workers are performing work-related activities) or;
- situations such as civil unrest at a location at which workers are performing work-related activities.

    e. Consider information raised through whistleblower and/or grievance mechanisms.

    f. Evaluate own data gathered, e.g., through a walk around, audits such as:
- Accident, incident, and near-miss reports;
- Absenteeism records.
- Safety alerts
- Known instances of corruption or misconduct
- Feedback from workers

    g. Evaluate own data gathered through other sources from known actors (e.g., Governments, international organizations, trade unions, media) such as:
- Governance and the rule of law,
- Conflict,
- Pervasive human rights
- Published literature

    h. Consult with relevant stakeholders and experts;

DETERMINING THE RISK, E.G., SEVERITY AND THE LIKELIHOOD OF OCCURRENCE, OF THE ADVERSE SOCIAL IMPACT

Assess the severity and the likelihood of the actual or potential adverse social impact by taking the following into account:

The impact on people should be the center of the process. Risk to people is relevant in two ways:

1. the relevant severity is the severity of the impact on people rather than on the business;

2. severity has a greater weight than likelihood, so severe risks to people should always be prioritized for attention.

The UN Guiding Principles define severity by its scale, scope, and remediability. The table below explains these concepts with some examples:[4]

Table: Understanding severity

Dimensions	Definition	Examples	
		Potentially less severe	**More severe**
Scale:	How grave or serious the impact would be	A 14-year-old helping out behind the counter in the family store	A 10-year-old child working in artisanal mining
Scope:	How widespread the impact would be (i.e., how many people would be affected)	One or two individuals	A whole community
Remediability:	How hard it would be to put right the resulting harm	A worker is fired on a discriminatory basis but can be promptly reinstated with appropriate compensation, apologies and guarantee of non-repetition	A worker contracts an incurable disease due to a lack of appropriate health and safety measures

Source: Shift, Oxfam, and Global Compact Network Netherlands, "Doing Business with Respect for Human Rights: A Guidance Tool for Companies," 2016

An impact can be severe even if it would only apply to one of the above dimensions of scale, scope, and remediability – it does not need to be severe against all three.

In addition to severity, organizations should consider likelihood too: how likely is it that the impact exists or will occur? This means that the operational context of the organization and the organization's effort to effectively manage human rights risks should be taken into account.

The following table gives some examples of both elements of likelihood:[3]

Table: Understanding likelihood

Several factors can make negative impacts more likely in a particular country context, such as:	The following factors can increase or decrease the likelihood of negative human rights impacts arising through a company's business relationships:
Existence and enforcement of national laws and regulations	Whether their policies address respect for human rights
Conflicts between national laws and international human rights	Whether they have effective processes for meeting their responsibility to respect
Social customs and practices	Their record for upholding or breaching human rights
Presence of corruption	Their practices with regard to corruption
Presence of conflict	Whether they are in conflict with local stakeholders

Source: Shift, Oxfam, and Global Compact Network Netherlands, "Doing Business with Respect for Human Rights: A Guidance Tool for Companies," 2016

DETERMINING THE OPPORTUNITIES, THEIR BENEFITS, AND POTENTIAL TO IMPROVE THE ORGANIZATION'S SOCIAL PERFORMANCE

Assess the opportunity to address:

- The identification of potential adverse social impact,
- How adverse social impact is communicated,
- The analysis, mitigation, and remediation of actual adverse impact and
- System improvement strategies

Examples of opportunities to improve the social performance[5]:

a) Inspection and auditing functions;
b) Incident or nonconformity investigations and corrective actions;
c) Integrating social requirements at the earliest stage in the life cycle of facilities, equipment, or process planning for facilities relocation, process re-design, or replacement of machinery and plant;
d) Using new technologies to improve social performance;
e) Improving the social culture, such as by extending competence related to social performance beyond requirements or encouraging workers to report incidents in a timely manner;
f) Improving the visibility of top management's support for the SMS;
g) Enhancing the incident investigation process(es).

RANKING THE ADVERSE SOCIAL IMPACT ISSUES

Most organizations can be involved with a large number of actual or potential impacts and, due to legitimate resource constraints, will need to decide which ones to focus on first. If it is necessary to prioritize social impacts for attention and action, then organizations need to do so by focusing on the severity (and risk) of harm to people.[3] Secondly, to be as effective as possible, the organization could rank the adverse impact based on the significance of the business relation or product(line) for the core business.

The results of the different risk assessments, if applicable, could be merged to enable a complete overview of all social risks and opportunities and one ranking of the adverse social impact issues. Where the organization decides not to merge different risk assessments, the organization should ensure that the ranking of risks and the relationship and interaction of risk management approaches are balanced and consistent with the standard and their own policy.

Ranking the identified actual and potential adverse social impact issues could be in the following order:

1. highest impact
2. highest likelihood
3. biggest significance for the core business.

Prioritizing severe impacts for attention does not mean that low-severity impacts should remain unaddressed. The determination of opportunities might result in the insight that some low-severity impacts may be relatively easy to address or require few additional resources, in which case there is no reason for the organization not to proceed to deal with them.

The result is a prioritization of social impacts, which might be used as input for stakeholder consultation, that could help to make the prioritization more robust and an organization's social choices more credible. After stakeholder consultation, actions should be determined to:

- address the risks and opportunities;
- address legal requirements and other requirements;
- prepare for emergency situations.

When determining

- the actions to reduce social risks and
- how to fulfill legal requirements and other requirements,

the organization should involve non-managerial workers either through consultation or participation (clause 5.4). Again, an MST is a way to ensure this consultation or participation.

The actions expected of the organization to reduce social risks depend on the organization's involvement: caused by, contributed by, or linked to the negative social impact. Annex 1 provides an example of the different involvement and actions expected of the organization.

The actions determined to prepare for emergency situations should be included in the process of preparing for and responding to an emergency situation. Clause 8.2 holds further requirements regarding emergency preparedness and response.

Finally, objectives can be set to realize continual improvement. Monitoring and evaluating the results achieved on the objectives is again the starting point for the next planning step, making this risk assessment a continuous process.

DOCUMENT THE METHODOLOGY (PROCESS) USED AND THE RANKED RISKS AND OPPORTUNITIES TO BE ADDRESSED.

The organization should document at least:

- The ranked risks and opportunities;

- The process or methodology used for the assessment of risks and opportunities

As explained in the introduction, the risk and opportunity assessment are part of the planning step of the PDCA cycle. For continual improvement, the risk and opportunity assessment should be repeated with the outcome of the performance evaluation as input and at a frequency that is appropriate for the organization. For this, it is helpful to document any justifications for risk and opportunity assessment and ranking, understand the rationale in future iterations of risk and opportunity assessment, and respond to changing circumstances.

4. AUDITING SUBCLAUSE 6.1.1 "ASSESSMENT OF RISKS AND OPPORTUNITIES"

This requirement consists of the assessment of risk and opportunity resulting from the

- context of the organization (issues and expectations, including legal requirements)
- scope of SMS and
- adverse social impact.

The auditor should examine the process the organization has used to identify and assess:

- the risks of the adverse impact caused or contributed to by the organization or linked to their operation, products, and services and
- the opportunities to enhance social performance.

The auditor should examine whether non-managerial workers participated in this process.

This risk and opportunity assessment can be conducted as a whole or for individual processes or topics within the social area. The auditor should examine whether the risk and opportunity assessment:

- is complete,
- covers the scope of the SMS and
- forms an integral part of the SMS.

Where an organization has prioritized the risks, auditors should examine the criteria used for this prioritization and determine its suitability.

POSSIBLE QUESTIONS PERTAINING TO RISK AND OPPORTUNITIES

- What methodology is used to identify risks and opportunities pertaining to the social management system?
- How does it relate to the context of the organization and legal requirements?
- How is it ensured that the process is consistent within the organization?
- What are the risk and opportunities related to the Context of the organization, adverse social impacts, and the scope of the SMS?

The auditor should note that the organization has to determine the extent of documented information needed to provide objective evidence of the process(es) and actions needed to determine and address the risks and opportunities to the extent necessary to have confidence that they are carried out as planned. In addition, documented information should be available on the identified risks and opportunities.

An organization's needs for and the extent and type of documented information will vary greatly due to the context of the organization, its size, culture, nature of products and services, applicable statutory and regulatory requirements, and/or customer requirements regarding the risks on products, etc.

ANNEX 1 EXAMPLE TO DIFFERENTIATE INVOLVEMENT OF THE ORGANIZATION WITH ADVERSE IMPACT
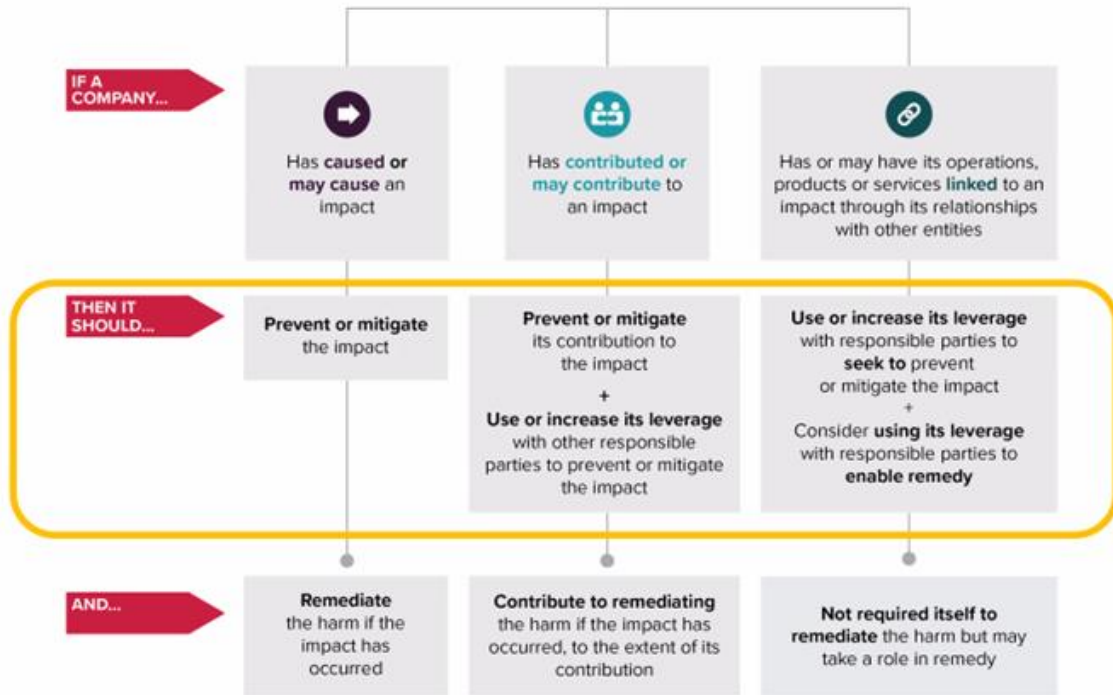
Source: Shift, Oxfam, and Global Compact Network Netherlands, "Doing Business with Respect for Human Rights: A Guidance Tool for Companies," 2016

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