
Risk management — Guidelines for the management of legal risk

*Management du risque — Lignes directrices relatives au management
du risque juridique*



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Contents

Page

Foreword	iv
Introduction	v
1 Scope	1
2 Normative references	1
3 Terms and definitions	1
4 Principles	2
5 Legal risk management process	4
5.1 General.....	4
5.2 Establishing the relevant context and criteria.....	5
5.2.1 General.....	5
5.2.2 External context of legal risk.....	5
5.2.3 Internal context of legal risk.....	5
5.2.4 Defining the legal risk criteria.....	6
5.3 Assessment of legal risk.....	7
5.3.1 General.....	7
5.3.2 Identification of legal risk.....	7
5.3.3 Analysis of legal risk.....	10
5.3.4 Evaluation of legal risk.....	11
5.4 Treatment of legal risk.....	11
5.4.1 General.....	11
5.4.2 Choosing options for the treatment of legal risk.....	11
5.4.3 Evaluation of the current practices for the treatment of legal risk.....	12
5.4.4 Development and implementation of the risk treatment plan.....	12
5.5 Communication (internal and external), consultation and reporting mechanisms for the management of legal risk.....	13
5.5.1 General.....	13
5.5.2 Communication, consultation and learning.....	13
5.5.3 Monitoring and review.....	14
5.5.4 Recording and reporting.....	14
6 Implementation of the management of legal risk	15
6.1 General.....	15
6.2 Policy for the management of legal risk.....	15
6.3 Roles and functions for the management of legal risk.....	15
6.4 Integrating the management of legal risk.....	16
6.5 Resource allocation for the management of legal risk.....	16
6.6 Awareness of legal risk.....	16
Annex A (informative) An example of a legal risk identification method — Legal risk identification matrix (LRIM)	17
Annex B (informative) An example of a legal risk register	19
Annex C (informative) An example for estimating the likelihood of events related to legal risk	21
Annex D (informative) An example for estimating the consequences of events related to legal risk	23
Annex E (informative) Key clauses to consider when reviewing contracts	25
Bibliography	31

Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO documents should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT) see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 262, *Risk management*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

Introduction

Organizations operate in a complex environment with a variety of legal risks. Not only are organizations required to comply with the laws of all the countries within which they operate, legal and regulatory requirements can vary between different countries, strengthening the need for organizations to understand and have confidence in their processes. Organizations need to keep pace with legal and regulatory environment changes and review their needs as new activities and operations are developed. Organizations face considerable uncertainty when making decisions and taking actions that can have significant legal consequences. The management of legal risk helps organizations to protect and increase value.

This document provides guidance on activities that support organizations to manage legal risk efficiently and cost effectively to meet the expectations of a wide range of stakeholders. By developing an improved understanding of the external and internal legal context, organizations may be able to develop new opportunities or improve operational performance. However, failure to meet the requirements and expectations of stakeholders can have considerable and immediate negative consequences that could affect an organization's performance and reputation and might lead to criminal prosecution of top management.

ISO 31000 provides a generic framework for the management of all types of risks, including legal risk. This document is aligned with ISO 31000 and provides more specific guidelines applicable to the management of legal risk. The purpose of this document is to develop an improved understanding of the management of legal risk faced by an organization applying the principles of ISO 31000. These guidelines are intended to help organizations and their top management to:

- achieve the strategic outcomes and objectives of the organization;
- encourage a more systematic and consistent approach to the management of legal risk, and to identify and analyse a comprehensive range of issues so that legal risks are proactively treated with the appropriate resources and supported by top management and by the right level of expertise;
- better understand and assess the extent and consequence of legal issues and risk, and to exercise proper due diligence;
- identify, analyse and evaluate legal risks, and to provide a systematic way to make informed decisions;
- enhance and encourage the identification of opportunities for continual improvement.

It should be noted that legal risk within this document is broadly defined and is not limited to, for example, risk related to compliance or contractual matters. It includes these, but legal risk is deliberately defined to also include risks from or to third parties where there is not necessarily a contractual relationship with such third parties but where there is a possibility of litigation or other action depending on the third parties' contractual obligations with their stakeholders.

This document:

- provides guidance for the management of legal risk so it aligns with compliance activities and provides the assurance needed to meet the obligations and objectives of the organization;
- can be used by organizations of all types and sizes to deliver a more structured and consistent approach to the management of legal risk for the benefit of the organization and its stakeholders across all processes;
- offers an integrated management approach to the identification, anticipation and management of legal risk;
- supports and complements existing approaches, enhancing them by providing better information and insight on potential issues that the organization could face;