International Federation of Inspection Agencies

Social Auditing Committee

Code of Practice

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PREAMBLE

More than ever in today's ethically conscientious economy, businesses and enterprises are experiencing the urgent need to diligently ensure their business partners in the supply chain operate in a socially responsible manner in countries and communities where their products are sourced.

But guaranteeing good working conditions in a global supply chain can be a complex challenge. In seeking to ensure that products are manufactured and services are provided in lawful, safe and decent working conditions, and without exploiting employees, responsible companies engage the services of social compliance audit companies. In order to provide assurance that such audits are being undertaken by reliable and professional audit firms, using appropriately qualified personnel, in a consistent manner and complying with integrity procedures, IFIA members have come together to create this Code of Practice for Social Compliance Auditing.

Social compliance audits are undertaken through visits to the facilities at which the companies produce products or provide services. These audits assess compliance with applicable local laws and regulations, focusing on employee working conditions along with codes of conduct specified by the purchasing companies. Many of these codes of conduct are based on ILO Conventions, which are widely accepted as the international reference point.

In conducting these audits, social auditors use a range of techniques including documentary reviews, on-site observations and interviews with management and employees. The information obtained from these various sources is cross-referenced and the data obtained are used by the auditors to establish reports of factual findings pertaining to local legal requirements and corresponding codes of conduct in any given facility. While the auditor will review the underlying processes and systems that underpin the company's performance and ability to manage the issues, such audits can only be based on the evidence observed and collected during the course of audit.

Auditors search for evidence that the requirements are being met and report any discrepancy found. If required by the audit requestor or audit scheme, the auditing company

will verify the elimination of the non-conformities through effective implementation of corrective actions.

The scope of social compliance audits covers a number of core topics, which are explained in the following document. It is important to recognise that this scope is based on the skills and competences of the professionals executing these evaluations. To ensure that the full scope of the audit can be covered in a balanced and professional manner, the auditor will take a representative sample of documents to review and employees to interview. The auditor's skills, the level of sampling and the underpinning support of the social audit company are the key elements for ensuring that reliance can be placed on the findings.

The scope of a social compliance audit is defined by the contractual terms applying to the relevant engagement and normally covers the general safety, working conditions and experience in a workplace; however, it cannot encompass all aspects or subjects which may ultimately affect the workers or the broader community. Notably, elements such as poverty alleviation, the structural integrity of the facility itself or detailed environmental concerns would be considered out of scope, particularly as a social compliance auditor would not have the training or skills to properly perform such specialised assessments. While, in some instances, other parts of social compliance audit companies may provide such services, these are the province of specialised professionals and would be covered by other standards and requirements.

Social compliance auditors, therefore, provide important factual information to support purchasing companies to make informed business decisions, to help them understand current issues with codes of conduct, and to provide a foundation for efforts to improve working conditions in their supply chain. This factual information plays a critical role both in measuring social compliance of facilities and in providing an essential factual basis for the purchasing companies to drive and quantify factory improvements in the area of working conditions over time. The auditor's competences, the audit methodology and the underpinning support of the social audit companies are key elements in ensuring the reliability of a social compliance audit.

This document provides a framework for IFIA members and for their clients and other interested stakeholders to understand the expectations concerning the scope of social compliance audits, normal requirements, and expectations concerning the qualifications of auditors who influence the output from these audits, which are so critical to responsible supply chain and reputational risk management.

This document supplements, but does not supersede, any contractual terms applying to the relevant engagement. IFIA has no responsibility or liability for acts or omissions of members or others making use of this Code of Practice.

1. SCOPE OF A SOCIAL AUDIT

1.1 Introduction

The scope of the social compliance audit is generally based on the requirements in the associated code of conduct of the client or industry stakeholder, which establishes the performance standards for the facility. The scope is further impacted by the skills and competences of a standard social compliance auditor – as more fully described in **Section 2.** The elements considered in connection with an industry standard audit are outlined as minimum standards in **Section 1.3**. In all cases, through the performance of audit procedures – as more fully described in **Section 1.2** auditors search for evidence that the requirements are being met or that processes designed to attain the noted requirement do not exist. Generally, consideration by a qualified auditor of all of the elements outlined in **Section 1.3.** would be required for any assessment to be considered an industry-standard social compliance audit.

1.2 Methodology and sampling

1.2.1 Overview of a social audit process

A social audit typically consists of three stages: audit preparation, audit execution on-site, and post-audit activities.

Audits may be requested by the auditee itself, or by any other party such as the auditee's client, parent company or audit scheme operator, or any other party with a legitimate interest in the social performance of the auditee.

Audits may be announced, unannounced or semi-announced (within a certain time period announced to the auditee).

1.2.2 Audit Preparation

After an audit has been requested of the auditing company, the auditing company collects information necessary for planning and executing the audit. This typically includes:

- Name and physical address of the auditee
- Scope of activities
- Number of employees at the audit site and breakdown by gender and employment status
- Languages spoken
- Operating hours
- Contact person at the facility/auditee
- Applicable full scope audit reports in the case of follow-up audits

In the case of unannounced audits, this information cannot be obtained by the auditing company from the auditee directly but from the third party requesting the audit.

Based on the information obtained and the rules of the applicable audit scheme, the auditing company calculates the necessary audit time and assigns the audit team according to the required qualifications, such as accreditation/approval for the applicable audit scheme, industry scope, language skills, gender, etc.

The audit team may perform background research about the auditee by review of previous audit reports, internet research or consultation with knowledgeable parties. The aim is to better understand the situation of the auditee, e.g. a history of violations against certain audit criteria, or concerns known in the public domain, and to set a focus for the audit.

The audit team prepares an audit plan which defines the sequence and timing of the individual audit steps, and the work distribution among the members of the audit team. In the case of announced audits, this plan is sent to the auditee before the start of the audit; in the case of unannounced audits the plan is not sent. The audit plan may be modified, if needed, to accommodate the auditee´s production needs.

1.2.3 Arrival on site and opening meeting

Upon arrival on site, the audit team identifies itself to the site management and gains access. In the case of unannounced audits, gaining access is supported by an authorisation issued in advance of the audit, e.g. via the auditee's customer or the audit scheme operator.

The audit starts with an opening meeting. This meeting is usually attended by the auditee's management, worker representatives and the audit team. The main purpose of this meeting is to explain the scope, purpose and criteria of the audit, the audit activities, their sequence and timing, and any related details and logistics, such as:

- Introduction of participants
- Review and acknowledgement of integrity policies
- Guides and contact persons
- Requirement for selection of employees for interviews and confidentiality of this process
- Requirement to take photographs and any limitations to access for these
- Communication process
- Review of data obtained before the audit
- Reconfirmation of the audit time schedule
- Confidentiality and report distribution (agreement should be in place prior to arrival)
- Emergency procedures
- Any special policies/procedures
- Emphasise audit is based on sampling
- H&S requirements of the facility and whether PPE is required.

1.2.4 Facility tour

Usually at the beginning of an audit, the audit team will take a tour of the facility, preferably visiting all areas. The facility tour has several aims:

- To enable the audit team to become familiar with the layout of the site and operations on-site and verify that access is available to all areas
- To observe physical conditions, practices and processes and compare them with the audit criteria, and to identify conformity or non-conformities
- To take photographs of physical conditions, practices and processes

- To hold informal interviews with workers and management staff for the purpose of information gathering
- To review documentation that is only accessible on a walkthrough, such as maintenance records, etc.
- To select workers for separate interviews without management present later in the audit.

The facility tour can be split into several phases, e.g. a short tour at the beginning of the audit for a quick overview and a longer tour later, e.g. after management interviews, to observe conditions and processes in detail.

The site tour should be held while normal operations of the site are going on, to get a realistic understanding of conditions and operations. In the case that a site operates several shifts, or during day- and night-time, the auditors might have to cover all shifts and both day- and night-time, if this is required by the customer or contract. This aims to identify any differences in conditions and practices between the shifts and operation times.

1.2.5 Worker interviews

During the audit the audit team tries to verify the level of the auditee's conformance with audit criteria by collecting evidence from various independent sources. Those sources include workers, management, documents and site observations. As the objective of social audits is to verify labour standards, particular attention is paid to worker interviews to obtain first-hand testimony on the prevailing conditions.

For worker interviews, a sample representative of the composition of the workforce on site is selected but with particular reference to vulnerable workers. During selection of the sample, aspects such as gender, age, race, job nature, contract type, department, and seniority are considered. The number of workers interviewed is proportional to the total number of workers at the auditee, but can be capped at a certain number for sites with a large number of workers.

Workers to be interviewed are selected by the audit team with no involvement from the site management and are interviewed individually and in groups in a secure and confidential setting without management being present and in their own language – where necessary, through the use of an interpreter. Worker interviews are usually conducted on the site premises but can also be conducted off-site and outside normal working hours, to make workers feel more at ease and less afraid of being monitored by management.

The responses of individual interviewees and the questions asked are kept confidential, to assure interviewees of the confidentiality of the process and avoid any reprisals from the auditee's management.

1.2.6 Management interviews

Interviews with the auditee's management serve to gain understanding of the auditee's management system structure and implementation, policies and procedures. Management interviews can be combined with review of documents. In contrast to worker interviews, the identities of the persons interviewed do not need to be kept confidential.

1.2.7 Management processes and systems

The company's management system, which defines processes and responsibilities related to social compliance, is assessed to provide information on the ability of the company to ensure compliance on a longer-term basis. Without a proper management system, compliance depends only on individual persons' knowledge, experience and actions, and cannot be ensured in times of change, such as job handover from one person to another.

During a social audit, the audit team will check what management system has been established, review the processes and responsibilities related to social compliance, and verify their implementation via record review, interviews of management and workers, and personal observation during the site tour.

Typical components of the management system are:

- Appointment of a senior management representative as the main person responsible for the management system
- System to identify and keep up to date with applicable laws, regulations, standards and client-specific requirements concerning workplace requirements and labour standards
- Definition of policies and procedures to ensure compliance with the defined applicable laws, regulations, standards and client-specific requirements
- System of training of responsible persons and workers
- System to check the implementation and effectiveness of the defined policies and procedures, such as internal audit
- System to correct identified deviations from the defined policies and procedures
- Channels for communication between workers and management, e.g. to inform workers of the auditee's policies and procedures and to allow workers to raise complaints and concerns.

1.2.8 Documentation and record review

During a social audit, the audit team will review records related to the social compliance of the auditee, to verify compliance with the audit criteria and with the auditee's policies and procedures.

Typical records to be reviewed include:

- Permits, licences and enforcement records (eg business licences, environmental permits, building plans)
- Records of working hours
- Records of wages, overtime payments and social insurance contributions, legally required deductions and payments
- Production records
- Health and safety records
- Supplier and subcontractor records
- Management system records
- Training records
- Employee contracts and related documents
- Employee data including age records, contracts, training records, disciplinary and grievance records.

For a social audit, records of wages and working hours of a period of a minimum of 12 months prior to the audit should be available. For the record review, a month during normal season, a peak season month and a low season month will be selected.

Not all the records of the above time periods will be reviewed but, instead, a representative sample will be examined.

1.2.9 Information processing

After the collection of audit evidence has finished, the audit team will meet to discuss the findings of the audit and identify inconsistencies, non-conformities, observations, and good practice. The audit team will prepare for the closing meeting by documenting findings including their evidence. At this stage, the audit team can also discuss their findings with the representative of the auditee's management to ensure that any additional evidence can be reviewed.

1.2.10 Closing meeting

The audit is concluded with a closing meeting. This meeting is usually attended by the auditee's management, worker representatives and the audit team. The main purpose of this meeting is to inform and agree with the auditee's management the findings of the audit and explain the post-audit activities, including any necessary action to address the audit findings. Any identified non-conformities are documented and acknowledged by signature. If the auditee´s management representatives do not agree with any item they may make their comments before signing.

During the closing meeting, auditors shall emphasise the confidentiality policy and the nature of random sampling.

1.2.11 Post-audit activities

After the on-site audit activities are completed, the audit team prepares an audit report which will be distributed in accordance with the programme requirements. Further audit distribution should be clarified prior to the audit and may include either the auditee or the auditee's client, as appropriate.

It is the responsibility of the auditee to process any identified non-conformities as agreed or explained in the closing meeting. This should include analysis of the root causes of non-conformities and defining and implementing appropriate corrective actions to remedy the non-conformities and prevent recurrence.

If required by the audit requestor, the auditing company will verify the elimination of the non-conformities through effective implementation of corrective actions.

1.3 Minimum provisions

All social audits cover as a minimum the topics listed in the following sections. The requirements are in general based on applicable local laws and International Labour Organization Conventions. Additional audit criteria can be added according to specific requirements of the client or audit programme.

Before accepting an order for an audit, the auditing company needs to review whether it has the competence, capability and capacity to perform the audit as

requested. The auditing company will select an audit team which has the required skills and competences to perform a competent audit.

1.3.1 Child labour

The common requirements related to child labour are principally based on applicable local laws and International Labour Organization Conventions. The topics covered comprise as a minimum:

- Statutory requirements relating to age and compulsory education in the engagement of workers – through direct employment or employment agency provision
- Requirements relating to a stated age standard – generally 15 years of age except in those countries where the ILO developing geography exemption would allow for employment at 14 years of age
- Age of individuals – employees or otherwise – participating in production processes
- Registration and record-keeping processes for juvenile workers – typically workers between the minimum age and 18 years of age
- Benefits and protections for juvenile workers as required by applicable local laws and regulations – including health exams, registrations, etc.

1.3.2 Forced labour

The common requirements related to forced labour are principally based on applicable local laws and International Labour Organization Conventions. The topics covered comprise as a minimum:

- Employment/engagement of workers of their own free will
- Ability of workers to leave their employment
- Freedom of movement of workers in the facility.

1.3.3 Harassment and abuse

The common requirements relating to harassment and abuse are principally based on applicable local laws and International Labour Organization Conventions. The topics covered comprise as a minimum:

- All forms of physical punishment or abuse
- All forms of sexual harassment or abuse
- Verbal abuse, mental abuse, coercion or harassment
- Monetary fines as a form of discipline.

1.3.4 Wages and benefits

The common requirements related to wages and benefits are principally based on applicable local laws and International Labour Organization Conventions. The topics covered comprise as a minimum:

- Wages paid for hours worked – including payment for overtime wages paid against contractual terms, including piece-rate computations or other contractual terms
- Timeliness and method of payment
- Statutory benefits

- Information provided about wages to enable workers to check the accuracy of their pay.

1.3.5 Hours of work

The common requirements related to hours of work are principally based on applicable local laws and International Labour Organization Conventions. The topics covered comprise as a minimum:

The level of working hours against statutory requirements and code of conduct standards – generally 60 hours per week

- Overtime hours
- Provision of weekly rest days in accordance with legal requirements or at a minimum of one day off in each working week.

1.3.6 Health and safety

The common requirements relating to health and safety are principally based on applicable local laws. Areas of consideration in this element include:

Fire safety

- Emergency exits
- Routes of egress
- Emergency exit signage
- Firefighting equipment
- Fire extinguishers
- Fire safety training
- Emergency exit lighting
- Evacuation plans
- Fire safety personnel/staff training/certification

Machine and chemical safety

- Machine guards
- Machine licences/certificates
- Personal protective equipment
- Chemical safety
- Chemical storage

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<u>Hygiene</u>

- Drinking water
- Toilet facilities
- Canteen facilities
- Dormitory facilities
- Canteen licences/certificates

<u>General conditions</u>

- Ventilation
- Temperature control
- Lighting.

1.3.7 Non-discrimination

The common requirements related to non-discrimination are principally based on applicable local laws and International Labour Organization Conventions. The topics covered comprise as a minimum:

- Employment elements – including hiring, training, assignments, advancement and disciplinary measures – based on individual ability
- Equal opportunities for work activities and benefits – including overtime – regardless of personal characteristics
- Recruitment practices that do not involve discriminatory practices including intrusive medical checks or pregnancy testing
- Fair employment practices including in relation to reproductive and sexual matters and treatment of pregnant workers.

1.3.8 Freedom of association and collective bargaining

The common requirements related to freedom of association and collective bargaining are principally based on applicable local laws and International Labour Organization Conventions. The topics covered comprise as a minimum:

- Attitude of management towards worker attempts to organise
- Collective bargaining agreements with legal workers' representatives
- Terms of collective bargaining agreements
- Mechanisms for employees to raise grievances or workplace issues to management.

1.3.9 Environment

The common requirements related to the environment are principally based on applicable local laws. Compliance issues – which are the focus of the audit process – comprise:

- Waste water discharge
- Disposal of chemical or solid waste
- Environmental permits.

1.3.10 Subcontracting

Social audits cover the topics of subcontracting where a subcontractor is an individual or an entity to whom a facility outsources the manufacture of a product or

a significant component thereof. Compliance issues which are the focus of this audit process comprise:

- Completion of production of orders at other facilities
- Performance of key production activities by other facilities
- Homework.

1.4 Out of scope

The following are considered out of the scope of a social audit:

1.4.1 Subject areas that are not directly associated with labour practices and workplace conditions

Issues that are associated with the facility security, product quality, the surrounding environment or community in which it operates are considered out of scope. This includes, but is not limited to, the following:

a. Sustainability (e.g. carbon footprinting, water footprinting, life cycle assessment, etc.)
b. Supply chain security (e.g. C-TPAT)
c. Product quality and processes
d. Product inspections (e.g. final shipment inspections)
   Environment (e.g. air pollution, waste water emissions, waste inventory, energy management, noise pollution, soil pollution, biodiversity, etc.).

1.4.2 Subject areas that cannot be assessed on site by one or more of the following methods: visual observation, documentation review, and employee/management interviews

Issues within the audit must be verifiable utilising one or more of the aforementioned audit techniques within the competences of a social auditor. This includes, but is not limited to, testing of equipment and the use of additional tools (i.e. air quality testing, noise monitors, multimeters, etc.).

1.4.3 Testing and inspection of functionality of equipment

This includes, but is not limited to, the following:

a. Fire-safety-related equipment (i.e. alarms, exit doors, fire extinguishers, etc.)
b. Air ventilation equipment (i.e. ducts, air conditioning units, ventilation hoods, air filters, etc.)
c. Noise monitoring equipment
d. Drinking water filtration systems.

1.4.4 Subject areas that require entering areas that require specialised safety training and/or equipment

This includes, but is not limited to, the following:

a. Confined spaces
b. Hazardous waste operations areas
c. Construction zones

d.   Radiation areas
e.   Assessment of noise levels, water quality, food safety, etc.

1.4.5   Subject areas that require specialised technical skills or expertise that is beyond the competences of a social auditor

This includes but is not limited to, the following:

a.   Structural integrity (e.g. architectural design, structural design, construction quality and building safety)
b.   Product testing for restricted substances
c.   Product subject expertise
d.   Remediation consultancy services
e.   Poverty assessment

1.4.6   Providing legal advice or interpretation of legal citations, or legal citations that require cross-referencing or measurements

Non-licensed attorneys may not engage in the practice of law. This includes, but is not limited to:

a.   Written or verbal legal counsel, interpretation, and/or advice as to their rights and obligations under the law
b.   Written or verbal counsel about a legal matter that requires legal knowledge, skill, and education
c.   Legal citations that require more than one specific law to address the circumstances

d.   Legal citations that require measurements to address the circumstances.

This does not prevent the ability of a person or entity to provide information of a general nature about the law and legal procedures to members of the public. This does not prevent the ability of non-lawyer assistants to act under the supervision of a lawyer.

1.4.7   Subject areas that require personal opinions/judgements or audit questions that are subjective within a subject area

This includes queries that contain subjective language such as adequate, effective, sufficient, appropriate, proper, etc., that require the auditor to make a subjective judgement. Subject areas must be assessed by visual observation, documentation review, and employee/management interviews. Audit questions should be clear and objective, and should not lead to more questions or require further clarification.

1.4.8   Sweeping generalisations and emphatic statements are considered out of scope

This includes but is not limited to queries such as:

a.   Is this a safe facility?
b.   Are workers treated fairly?

The scope of an audit must be limited to random sampling as an auditor cannot usually assess all items/employees at a facility within the time allotted for an audit.

Audit questions that do not indicate the specific aspects to assess a general condition are considered out of scope.

1.4.9   Subject areas or inquiries that are out of scope should remain out of scope

Out of scope items or findings should not be included in the audit report or audit recap report and should only be included in separate documentation that specifically indicates that the finding was out of the scope of the audit.

The focus of a social audit is on labour practices and workplace conditions at the evaluated facility. Audits provide a summary of the conditions at the facility and the audit conducted on a specific date only, and do not officially confirm or certify compliance with any legal regulations, industry standards, or other criteria specified on an ongoing basis. The social audit process requires that information be gathered and considered from record review, worker and management interviews, and visual observation. The audit process is a random sampling exercise only. The audit applies only to matters that were evident at the time of the audit within the audit scope.

2.   AUDITOR COMPETENCY AND QUALIFICATION

2.1   Definition of characteristics, skills and competences

Social compliance auditors must meet the minimum requirements of any codes or other third-party systems that they are auditing against. In the absence of specific requirements, certain attributes of auditor competence should be met in order to ensure an effective audit.

2.1.1   Personal attributes

A social auditor should be open-minded and mature; possess sound judgement, analytical skills and tenacity; and have the ability to handle situations in a pragmatic manner, to understand complex operations from a broad perspective, and to understand the role of individual units within the overall organisation.

A social auditor should possess the following minimum competences and personal attributes:

- Demonstrate a high level of integrity and impartiality according to IFIA Compliance Principles when making judgements during an audit
- Obtain and assess objective information fairly
- Be vigilant and observant of the physical surroundings and activities throughout the audit process
- Be professional, courteous, logical, decisive and reasonable throughout the audit
- Understand and be able to apply management system principles
- Have the ability to provide constructive feedback, briefing notes and improvement opportunities
- Be sensitive to the national conventions of the country in which the audit is performed
- Carry out audit processes according to the audit requirement
- Remain truthful to the conclusion of the audit results despite pressure to change what is not based on evidence
- Have the ability to control and manage time effectively during an audit

- Have the ability to lead and manage an audit effectively under challenging circumstances
- Be knowledgeable of applicable legal requirements, audit codes, and international standards.

2.1.2 Auditing skills

In terms of audit-related skills, a social auditor should obtain a set of minimum professional skills in order to perform an audit prescribed in this Code. Auditors should

- Have the ability to apply audit principles, procedures, and techniques
- Possess knowledge of social compliance discipline, including but not limited to the minimum provisions of a social audit, audit methodology, sampling, terminologies, and other areas outline within this Code of Practice
- Be equipped with skills to plan and conduct all the audit components including pre-audit preparation, opening meeting, employee interviews, management interviews, environmental health and safety assessment, record and documentation review, risk assessment, closing meeting and report writing.
- Be able to reach informed decisions based on the evidence provided, logical reasoning and analysis
- Comprehend and be able to apply management systems in various types of organisational structure
- Have effective writing and verbal communication skills to articulate complex concepts and thoughts.

These requirements for the competence of auditors are the minimum necessary to ensure auditors are able to carry out an audit professionally. Additional competence may be required for specific audit programmes and advanced levels.

2.2 Minimum requirements/provisions

Auditors shall complete tertiary-level education or obtain equivalent experience through their work history related to the field of auditing.

2.2.1 Languages

Auditors shall be fluent speakers and readers of the language(s) spoken by facility management and/or workers of the auditee. In situations where the linguistic skills of the auditor(s) are limited or where several languages are used, the auditing team may need to communicate through translator(s). The translator must work as a neutral party and not have any conflict of interest that could affect the performance of the audit. The translator will need to receive a briefing from the auditing team on the audit plan prior to audit to ensure he/she:

- Has an understanding of and is familiar with the topics for translation
- Understands the nature and operations of the site to be visited
- Meets any requirements the audited site may have (e.g. safety rules and facility regulations)
- Covers the correct language(s)
- Understands and agrees to any confidentiality/integrity requirements.

2.2.2 Baseline training

Auditors shall be properly trained to carry out audits according to the minimum competence requirements of this Code of Practice.

Auditors should receive formal training to ensure they have the practical competence and knowledge required for an audit according to this Code of Practice. Auditor training shall be composed of classroom training and on-site practical training, which covers code of conduct elements, audit processes, legislation, codes and international conventions, client requirements, integrity management, interview techniques, report writing, negotiation and other necessary skills.

2.2.2.1 Baseline training – theoretical/knowledge-based training

i. Definition – introduction of social compliance audit

ii. Obtaining objective evidence – describe the main methods of obtaining objective evidence in a social compliance audit:

- Management interviews
- Employee interviews
- Document and record review
- Facility observation
- Triangulation of evidence and evaluation of findings
- Communication with management representatives

iii. Audit criteria/standards:

- Understanding of country and regional regulation and laws
- International conventions and best practice
- Social compliance audit criteria and standards
- Stakeholder expectations

iv. Scope of social audit

Auditors should be trained based on the scope defined in this Code of Practice, including but not limited to the evaluation of each element listed below:

- Child labour
- Forced labour
- Harassment and abuse
- Wages and benefits
- Hours of work
- Health and safety
- Non-discrimination
- Freedom of association and collective bargaining
- The environment
- Subcontracting
- Limitations to scope

v. Auditor professionalism

The training should reiterate the main characteristics of auditor professionalism and explain in detail:

- Impartiality and objectivity
- Integrity
- Independence
- Confidentiality
vi. - Audit methodology

- The training should provide an in-depth understanding of the overall audit processes based on a sampling methodology:

- Audit preparation
- Opening meeting
- Management interviews
- Document review
- Facility tour
- Selection of employees for interviews (including individual and group interviews)
- Pre-closing meeting
- Closing meeting
- Reporting

vii. Audit tools

The training should introduce the various types of general tools in a social compliance audit, including but not limited to:

- Document checklist
- Interview questionnaire/guidelines
- Corrective (preventive) action plan
- Audit report(s)
- Facility integrity declaration form (refer to IFIA documents and process)
- Self-assessment questionnaire

viii. Report writing

The training should include reporting requirements to ensure audit reports encompass the minimum information outline according to **Section 3** of this Code of Practice.

2.2.2.2 Baseline training – on-site field training

On-site field training should be arranged for all auditors to gain practical experience after completing the classroom training. This can be gained through participating in supervised audits. Auditors should observe and perform audits with trainers or designated experienced auditors. The trainers/experienced auditors should demonstrate and explain the necessary skills to conduct a social audit without diminishing its quality. The trainers should also comment on auditors' performance and provide appropriate advice for their improvement. Through the on-site field training, auditors should consolidate and summarise their learning points in order to

improve their social compliance auditing skills. Auditors should only be allowed to work independently after successfully undergoing evaluation to demonstrate the levels of competence and knowledge prescribed in this Code of Practice.

The requirements defined herein are considered to be the minimum, and any client- or programme-specific requirements will be in addition to those established herein.

2.2.3 Baseline mandate for observations

Auditors should have gained experience by observing and participating in supervised audits. Auditors should be prepared to learn the audit process through thorough observation including but not limited to the following aspects of an audit:

- Opening meeting: introduction of the audit, explanation of the scope of the audit, audit processes, employee private interviews, request to review documentation, confidentiality of the audit, and any other relevant information
- Facility tour: all environmental health and safety requirements specified in this Code are covered, observation of any potential signs of labour issues, random selection of employees for private interviews
- Employee interviews: introduction of interview process, confirmation of confidentiality to the interviewees, all necessary interview questions are covered
- Wages, hours and benefits review: review of documents based on the audit protocol, validation and assessment of wages, hours and benefits, calculation of wages and hours
- Document review: review of labour, health and safety, environmental, management system and other relevant documents
- Management interviews: discussion of policies, procedures and implementation of systems within the company and review of supporting documentation
- Pre-closing meeting: final review to ensure all outstanding issues are addressed, preparation of the corrective action plan or audit summary report
- Closing meeting: discuss audit findings with management.

Auditors' observations should be documented and recorded.

2.2.4 Evaluation of competency (witness audit)

Prior to approval of an auditor to be able to perform audits independently, the auditor should undergo competence evaluation to demonstrate a level of knowledge and skills meeting the minimum requirements outlined in this Code. The evaluation should include assessment based on familiarity with industry knowledge and relevant legal requirements, understanding of industry trends and emerging issues, ability to complete audit process, objectivity and impartiality, ability to communicate effectively on audit findings and throughout the audit, leadership ability, time management, technical competence, and report-writing ability. These are the minimum requirements to be implemented in the evaluation of auditors.

Annual evaluation of auditors should be performed to ensure consistency of performance and alignment with the required auditing skills and knowledge.

2.2.5 Auditor log

An auditor log is an on-going track record of an auditor's profiling and his/her auditing experience. This log documents an auditor's professional information, including audit observations, training courses and progress, evaluation of competency, continuing professional development, professional affiliations/memberships, certification and auditor registration, and audit experience (i.e. type of audit assessment, number of audits performed, industries, and areas of expertise). The auditing body should maintain an auditor log for each auditor for the entire duration of his/her employment.

2.2.6 Integrity and compliance education

2.2.6.1 Integrity

All auditors and auditing staff should follow the IFIA Compliance Code and the IFIA Basic CSR Audit Integrity Guidelines in the IFIA Social Auditing Operating Procedure. The IFIA Compliance Code can be reviewed at www.ifia-federation.org. The Basic CSR Audit Integrity Guidelines set out the basic parameters of an audit, including the three intents of integrity compliance measures, integrity non-compliance reporting, and integrity complaints and investigation. For more details, please refer to the IFIA Compliance Code and IFIA Handbook of Integrity Operating Procedures.

2.2.6.2 Compliance education

IFIA members will conduct compliance education for auditors and staff at least once every year to ensure their understanding of and alignment to the IFIA Compliance Code and IFIA Handbook of Integrity Operating Procedures.

2.3 Auditor grades and associates roles

Auditor – a person who is competent to conduct a social audit under the supervision of a lead auditor. He/she should have completed the classroom training and on-site field training/observation and been assessed as having the minimum skills necessary to perform an audit. The auditor is responsible for:

- Complying with the applicable audit requirements
- Carrying out assigned responsibilities effectively and efficiently
- Communicating observations and audit findings to the lead auditor
- Verifying the effectiveness of corrective actions taken as a result of a previous audit (applicable to the verification audits or follow-up audits)
- Submitting any relevant evidence to the lead auditor before the end of the audit
- Providing the lead auditor with the information needed to complete an audit report
- Adhering to all company policies relating to integrity and confidentiality of information.

Lead auditor – in addition to all the qualifications of an 'auditor' described above, this person has an understanding of all disciplines within the scope of this Code of Practice, has met all the skills and competences outlined in **Section 2.1**, and has the ability to successfully complete an audit in its entirety. He/she should have been

evaluated with satisfactory results to demonstrate his/her ability to perform an audit independently. His/her responsibilities during an audit process are:

-   Plan the audit according to audit requirements and facility profile
-   Carry out all components of the audit independently or assign responsibilities to team auditor(s) to carry out parts of the audit according to individual skills and abilities
-   Organise and manage the audit process independently or with the support of an audit team
-   Lead the audit team to reach its conclusions
-   Obtain a consensus from the auditing team to make final audit decisions based on objective evidence
-   Represent the audit team with the auditee during opening and closing meetings
-   Delegate tasks to team auditor(s)
-   Prepare and deliver the audit report
-   Adhere to all company policies relating to integrity and confidentiality of information.

Translator – an individual who is employed to translate in the event that the linguistic skills of the auditor(s) are limited or where several languages are used, and is required to:

-   Provide impartial and objective translation to the audit team
-   Avoid personal interpretation of the conversation or discussion
-   Avoid participating in audit assessment (unless also qualified as an auditor).

Report reviewer – a person who performs independent reviews of audit reports, corrective action plans and/or supporting evidence of an audit. He/she is responsible for:

-   Performing a quality review to ensure the report meets the programme requirements
-   Ensuring the report is effectively and accurately communicating the audit findings
-   Evaluating the audit report and ensuring it meets the quality standards.

2.4 Continuing professional development

All auditors should undergo annual continuing education and regular training to ensure their auditing skills and knowledge are up to date. Continuing professional development training should be documented. Based on the individual auditor's annual performance, additional classroom or field training should be arranged, if needed. The training methods and training schedule should be determined according to training needs assessment.

On-going training should be provided to auditors in an effort to maintain auditor competence, skills, knowledge of new requirements, updated knowledge of legislations and current and emerging issues, and any updates that are relevant to the successful completion of an audit.

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2.5 Mechanism for recognition of independent contracting auditors

The terms independent contracting auditors or independent contractors refer to an individual(s) and/or external company employed by the IFIA members, on a contractual basis, to provide auditing services.

The IFIA members should ensure that the independent contractors meet the competence requirement and comply with this Code of Practice and with the IFIA Compliance Code. IFIA members should also verify that the independent contractors are free from commercial and other interests, including any prior and/or present links with the auditee, prior to assignment. Independent contractors should not be involved, either directly or through their employer, with the design, implementation or maintenance of any audit programme in such a way that impartiality could be compromised.

A reference from a previous employer or organisation on behalf of which the subcontractor has conducted audits or undertaken an audit review shall be obtained. This reference, which includes details of relevant experience and personal integrity, shall be reviewed and approved.

Where independent contractors are used, the IFIA member retains responsibility for the conduct of the audit.

2.6 Auditor working conditions and compliance with local laws

In a continuous effort to ensure auditor work conditions and compliance with legal requirements, the auditing body should:

- Employ individuals on the basis of their qualifications with assurance of equal opportunity and treatment regardless of race, religion, colour, age, gender, sexual orientation, marital status, national origin, mental or physical disability, genetic make-up, social status or on any other basis protected by national, provincial/state, territorial, and/or local laws
- Compensate employees based on merit and provide employee benefits which are compatible with the industry
- Establish and maintain safe and healthy working conditions
- Establish mechanisms to receive reasonable, constructive suggestions which relate to methods, procedures, working conditions and the nature of the work performed
- Establish open channels of communication.

3. REPORTING SOCIAL AUDITS

Whilst relevant reporting requirements will be specified in the code against which the audit has been undertaken, this section covers the guiding principles for preparing a social audit report in order to ensure that it presents a full and balanced account of the findings from the audit and provides information to the audit requestor in a manner that can both be understood and used.

Reports should be produced in English or the language requested by the audit requestor. Where a bilingual report is required so as to also accommodate the language of the audit site's management this should be established during audit preparation.

Audit reports should be produced in a reasonable time period after the audit so as to ensure that an accurate account is presented and to enable prompt follow-up of any issues that require corrective action. This would normally be within 7 working days of the audit unless a different time frame is agreed with the audit requestor.

3.1 Minimum reporting provisions

As a minimum, the audit report will include an overview of the facility and reporting of the current situation and any non-compliance(s) against local law and non-conformities against the code used, as well as concerns/observations and good practice.

The overriding principle in reporting findings from an audit is the protection of the workforce and, given this, issues may not be included in the report if this could lead to retaliation against individuals. Reporting of these issues would be handled outside the audit report process as detailed below in the section on sensitive issues.

3.1.1 Executive summary and facility overview

An executive summary should be provided, clearly detailing the code against which the facility was assessed, the methodology applied, the audit team and length of audit and the overall compliance status of the facility. It should also clearly describe:

- The physical address of the facility
- Legal status and ownership
- Size and layout
- Activities undertaken
- Key personnel
- Workforce demographics
- Normal working hours per day and working days per week.

3.1.2 Reporting of non-compliances/non-conformances

Any areas where the facility is not complying with the requirements of the local law or the code being assessed should be detailed clearly and in such a way that the audit requestor, or someone who was not present at the audit, could clearly understand the issue. A non-conformity can only be documented where there is clear evidence to support such a finding. In cases where the evidence is in the form of worker testimony, this can be used to the extent that this does not conflict with the overriding concern of protecting the workers, as described in **Section 3.1.5.** below.

The description of the finding will include:

- Details of the practice that is not in conformance
- The evidence seen to support the finding – generally supported by photographic evidence where this is appropriate
- A description of the local legal requirement or the element of the code that is not being met.

3.1.3 Concerns/observations

Where practices are observed which, whilst not currently severe enough to constitute a non-conformity, might lead to a non-conformity if not managed

appropriately, the auditor may raise an observation to bring this point to the attention of the site management and the audit requestor.

3.1.4   Good/best practice

The report should also highlight any good practice observed. Good practice refers to areas where the site is exceeding requirements by providing additional benefits or managing issues in a particularly effective way.

3.1.5   Reporting sensitive issues

Where issues are identified through worker interviews or discussions and cannot be substantiated through other sources, and reporting such findings could lead to the identity of the informant being revealed, these will not be included in the report if this is being shared with the audited site so as to prevent potential retaliation. However, the issues will be documented and notified to the audit requestor through a sensitive reporting mechanism. Care will be taken in such cases to ensure that the concern is documented in a way that has the protection of the worker as a priority.

3.1.5.1   Worker privacy

Worker privacy must be respected in completing the report and particular concern should be taken to ensure that worker privacy and data protection are respected, especially where these are covered by legal requirements. In particular, the names of workers interviewed should not be detailed, nor should individual workers be named in reference to their wage rates.

3.1.6   Zero tolerance

Where a client or code against which the audit is being undertaken has defined zero tolerance issues, these will be reported in accordance with the pre-agreed requirements. Zero tolerance issues may include findings such as:

- Forced or bonded labour
- Child labour
- Evidence of physical coercion or harassment
- Severe health and safety violations such that the workers are exposed to immediate hazards to life, limb or function
- Attempts to bribe the auditor or otherwise to subvert the audit through

  o Denial of access to all or part of the site
  o Interference in the selection of workers for interview
  o Refusal to allow the auditor to interview workers privately etc.

In these circumstances the auditor will notify the audit requestor at the earliest opportunity or within one working day. Where the audit requestor is also the auditee, the auditor will seek guidance from their office on the appropriate action to take, which may include aborting the audit and, where legally required, notifying the appropriate authorities.

3.1.7   Report review

Prior to the issuance of the audit report, the audit report will be reviewed independently of the auditor. The audit report review will consider the following:

- Completeness
- Clarity
- Consistency

3.1.8 Disclaimer

Audit reports should contain a disclaimer indicating the ownership and confidentiality of the report and the level of reliance that can be placed on results given the sampling methodology applied. The points to be covered in the disclaimer include, but are not limited to:

- Confidentiality and ownership of the report data
- Ability to share the information or otherwise
- Limitation on reliance on results based on date of audit and scope of Instructions
- Sampling approach and guidance that other issues may exist which have not been found
- Statement precluding alteration or falsification of contents and appearance of report.

3.2 Findings summary and corrective action plan

At the end of the audit the site will be left with a findings summary as a minimum. This will be discussed with the site management at a closing meeting at the end of the audit and agreement over the factual nature of the findings will be obtained. Any response or comment from the site management will be recorded.

As part of the reporting process a corrective action plan will be produced which will, as a minimum, detail any findings of non-conformities and the corrective action required. It should also record any response from the facility management, any commitment to take action and the associated timescales agreed for this.

3.2.1 Reporting recommendations

It should be noted that, in order to preserve their independence and role as verifiers, auditors may not provide consultancy to the sites that they are auditing. Therefore, while general recommendations may be made concerning the actions to be taken to close out a non-compliance, specific recommendations which could be perceived as consultancy will not be given or recorded as part of the audit process. Where the audit company provides continuous improvement or other support services these should be provided by individuals who have not been involved in the audit process.

3.3 Distribution mechanism

The audit report and formal corrective action plan will be finalised in a protected and non-editable electronic format such as a secure pdf. . Where specific requirements concerning the production of the report have been established by the standard owner or client these would be followed. However, in the absence of such documented requirements the report and corrective action plan are sent to the audit requestor by email. Where the audit requestor is not also the paying party, permission will be obtained from the paying party to share the report with the requestor during the preparation stages.

3.4 Confidentiality of information

The auditor and the audit company are bound by confidentiality procedures and unless required by law the findings from the audit will only be shared with the parties to the specific intervention concerned. No discussion of the audit findings or further distribution of the report is permitted without the express permission of the audit owner (paying party), audit requestor and audit company consistent with the IFIA Member Confidentiality Principle

> *'The IFIA Member shall treat all information received in the course of the provision of its services as business confidential to the extent that such information is not already published, generally available to third parties or otherwise in the public domain.'*

This section sets out guiding principles regarding the protection of information/data. Auditing firms should implement security measures in their organisation to contain confidential information to ensure that access is restricted to authorised personnel only and that data are stored in designated secure areas and disposed of in a secure manner.

3.4.1 Governance

Data protection governance, and the necessary structures, policies and procedures, should be in place to ensure that data are stored in a secure location and are not available to others who are not authorised to have access. Auditing firms should also have a policy on backing up of soft-copy data, access rights and security.

3.4.2 Confidentiality

Auditing firms should take precautions to ensure and maintain confidentiality of information transmitted to others through the use of computers, electronic mail, fax machines, telephones and telephone answering machines. Auditing firms should implement processes for responding to requests for data, including requests by clients for copies of their data (subject access requests) as well as those made by third parties. The auditing firm should, through legally enforceable agreements, have a policy and arrangements to safeguard the confidentiality of the information obtained or created during the performance of auditing activities at all levels of its structure, including committees and external bodies or individuals acting on its behalf.

3.4.3 Technological and physical measures

Technical and organisational measures should be in place to ensure that there is security of data held in hard-copy or soft-copy (electronic) form. Physical security measures should be in place to protect data. This includes, but is not limited to, locking doors, securing filing cabinets containing confidential information, and protecting premises with alarms, security lighting and cameras. Data held on computers and computer systems (including any information held on backup systems) should be protected by the use of secure passwords, which should be changed regularly.

3.4.4 Training and monitoring

All individuals permitted to access data in line with their work duties should be provided with the organisation's data protection policies and trained in data

protection. Auditing firms should also monitor staff data protection training and their awareness of data protection. To ensure that the data protection principles are met, auditing firms should review the effectiveness of the training and governance policies annually.

The auditing firm is responsible for ensuring that any confidential data is kept secure, and that no data are disclosed either orally or in writing or accidentally or otherwise to any unauthorised party. Each auditing firm is responsible for the data that it holds. This responsibility extends to data that is processed by third parties or subcontractors on behalf of the auditing firm. All employees, staff, contractors, agents, consultants, third-party data processors and all those with access to data on behalf of the auditing firm are responsible for complying with the data protection principles.

3.5   Record keeping and document retention

The purpose of this section is to ensure that necessary information is recorded and documents are maintained, and to ensure that records that are no longer needed or are of no value are discarded at the proper time. This section applies to all physical and electronic records generated in the course of the auditing firm's operation, including both original documents and reproductions.

3.5.1   Record keeping

An audit record should contain the following documents:

- Employee and management interview sheets
- Photographic evidence
- Audit recap report or audit violations summary
- Audit report
- Flagged issues report
- Auditor field notes, and
- Completed audit templates, where applicable

3.5.2   Document retention

To comply with current regulations, an information management programme must include documented policies covering retention and disposal, as well as documented procedures covering proof of training, communication and implementation throughout the organisation. The following section provides some guiding principles for good data retention practices in terms of record retention, transmission and destruction.

3.5.2.1   Storing records

Records can be stored as audit reports, photo logs, employee interview sheets, etc. Auditing firms should take reasonable steps to ensure that records are stored in a secure location and are not available to others who are not authorised to have access. Auditing firms need to also have a policy on backing up of soft-copy data, access rights and security. Precautions should be taken to protect soft-copy records from electronic viruses or technical failure, and written records from damage due to fire, water or even pests (e.g. rodents or termites). Minimum and maximum retention period requirements for certain records vary by jurisdiction. Most records

are required to be retained for minimum of three years. Auditing firms should identify the regulatory environment that affects the activities in their jurisdiction.

3.5.2.2 Protecting records

Auditing firms should develop their own confidentiality policies to protect written and electronic records and other sensitive information and establish the obligations of all staff members and subcontractors.

3.5.2.3 Access to records

In certain jurisdictions auditing firms cannot review any employee-related documentation without the employee's express written and informed consent. Additionally, auditing firms cannot make any record that can identify an individual employee.

When providing clients with access to their records, auditing firms should take steps to protect the confidentiality of other individuals identified or discussed in such records. Both client requests and the rationale for withholding records should be documented in the client's files. Sensitive and confidential information must be released only to authorised parties, and with client consent, wherever applicable. Auditing firms should take precautions to ensure and maintain confidentiality of information transmitted to others through the use of computers, electronic mail, fax machines, telephones and telephone answering machines. Auditing firms should not disclose sensitive information when discussing clients, whether with the media or external consultants, unless there is a compelling reason to do so.

3.5.2.4 Termination of service

Auditing firms should develop their own internal policy on time frames for update of records. Auditing firms should store records following termination of services to ensure reasonable future access. As a general guide, records should be kept for at least three years, and financial records for seven years. Auditing firms should ensure that their record-keeping practices comply with all contractual, regulatory or legal requirements.

3.6 Third-party reliance and liability

As has been described above, the need to ensure the protection of vulnerable workers means that it may not be possible to include all information obtained during an audit in the report. Further, audit reports are issued subject to contractual terms and conditions agreed between the audit company and the party requesting the audit, which will define the scope of the audit and may set limits on the extent of the audit company's liability. As a result, third parties not originally involved in the audit request cannot rely on the audit report in their decision-making and the audit company cannot accept any liability for decisions taken by third parties based on the audit report.