



**Handbook
of
Integrity Operating Procedures**

***for the use of IFIA Member Companies
providing Social Auditing Services***

**IFIA Handbook of Integrity Operating Procedures:
Social Auditing Services**

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Introduction

Trust and integrity are critical components of IFIA members' brand equity. In order to protect this in the market of social auditing, the IFIA members delivering this service have agreed to implement common operating procedures designed to underpin the integrity of the service. This has resulted in development of the following suite of documents. IFIA members agree to implement these procedures for their Social Auditing operations, but also can where willing extend these procedures to Inspection operations as well.

These documents outline working procedures that support the provision of Social Auditing services. They do not detract from, or take precedence over, any legal or contractual duties undertaken by the IFIA member company, and IFIA accepts no responsibility for acts or omissions of members or others who may make use of the Procedures.

1. The **Basic CSR Audit Integrity Guidelines** set out the basic parameters of an IFIA Audit and should be communicated to all clients.
2. The **CSR Auditor Training Guidelines** should be used when establishing a training programme.
3. The **Integrity Presentation** is for use with employees, customers and other stakeholders and sets out the basics of IFIA members' integrity compliance programmes.
4. The **IFIA Compliance Code** is a requirement of IFIA membership and all IFIA member companies must abide by it (for full Code documentation please see www.ifia-federation.org).

Supporting Operating Procedures (not publicly available)

Annex A: **Standard letter to clients**

Annex B: the **Factory Integrity Acknowledgment** for use on arrival at an audit

Annex C: the **Factory Integrity Declaration Form** for use on departure from an audit

Annex D: the **Employee Integrity Declaration Form** for use if non-compliant behaviour is detected

Annex E: the **Company Standard Letter: Factory Integrity Non Compliance** for use where non-compliance of the subject company has been detected during an audit

Annex F: the **Integrity Complaint Form** for use where a complaint has been made against an IFIA member auditor

IFIA Basic CSR Audit Integrity Guidelines

The following IFIA Member companies, as listed below:

- Bureau Veritas
- Intertek
- RINA
- SGS
- TÜV Rheinland
- TÜV SUD
- UL

commit to having procedures in place to manage and govern Integrity Compliance of CSR Audits process. These procedures cover the following three intents:

Intent 1: Integrity Compliance Measures

Intent 2: Integrity Non Compliance Reporting

Intent 3: Integrity Complaint and Investigation

Intent 1: Integrity Compliance Measures

XYZ Company Factory Integrity Acknowledgement and Declaration Form:

The Acknowledgment and Declaration Form is issued to factories every time an XYZ Company employee executes a CSR Audit service. This Acknowledgement and Declaration Form stipulates XYZ Company's policy on integrity. The XYZ Company employee, on arrival, presents the Acknowledgment and Declaration Form. We ask suppliers to read it, understand it, sign it and adhere to it. The intent of this Acknowledgment and Declaration is to get the factory's commitment to abide by the IFIA and XYZ Company policy, be honest in its declaration and not to provide benefits to our employees. Should the need arise, suppliers should contact the XYZ Company Compliance Team to raise any concerns over the conduct of their employees.

Random Factory Telephone Follow-up Calls:

Random telephone calls shall be conducted in selected countries based on our risk assessment. The objective of these activities is to:

- Provide surveillance and effective implementation of the XYZ Company Integrity Compliance Program.
- Monitor the performance and integrity conduct of XYZ Company employees and the factory
- Re-enforce and educate factories on the XYZ Company Integrity Compliance Policy and
- Provide an avenue for factories to report and comment on the performance of XYZ Company employees

Unannounced or Surprise Onsite Integrity Audit – These shall be done to verify the Integrity performance of the auditor against the XYZ Company Compliance Procedures.

Mystery Audits – An approved Mystery Auditor will be sent to a factory to conduct a normal Audit, who is unknown to the factory. The Auditor will observe the integrity practices of the factories. Factories observed colluding to offer or give benefits to the XYZ Company representative shall be reported to the clients.

The purpose of this activity is to understand what is happening in the industry and provide a strong deterrent against non-complying factories that give benefits and do not follow the intent and spirit of the XYZ Company Factory Integrity Declaration policy.

Compliance Education: All XYZ Company employees sign a code of conduct and are trained and inducted on the Integrity and Bribery Policy of the Company when they join it. In addition to this standard training, all auditors are re-trained and inducted AT LEAST once every year.

Intent 2: Integrity Non Compliance Reporting

Specific guidelines have been developed to handle Integrity Non Compliance cases to ensure that a formal and fact based investigation is able to take place.

Intent 3: Integrity Complaint and Investigation

All IFIA Members shall have a formal Integrity Complaint Handling Procedure to ensure that all investigations are conducted in an impartial manner and based on facts and evidence. In order to achieve this IFIA Members have adopted the IFIA Member Integrity Complaint Form in order to collect the necessary information for a fact based investigation.

IFIA Integrity Compliance Program

- Trust and Integrity are critical components of IFIA members' brand equity
- We will not tolerate breaches of our Integrity Compliance policy which provides the basis for honesty and transparency
- IFIA Members regard a facilitator, a receiver and a giver of a bribe or benefit equally guilty through association of such transaction
- Integrity issues must be managed by all parties in the supply chain

Integrity Basics – Program Pre-requisites

- **Human Resources**
 - Recruitment check and background screening between IFIA members
 - Check previous employer and industry network for integrity
 - Integrity Induction Training
- **Culture**
 - Code of Conduct signed by all employees

- Zero Tolerance policy
- **Independence**
 - Dedicated Compliance and Risk Management team independent from daily operations
- **Effective Implementation and Rules**
 - Integrity Compliance Handling Procedure
 - Job scheduling – Independent and Rotational based on Skills and Competency matrix
 - Final findings and reports are NOT issued and concluded by Auditors
 - All findings MUST have objective evidence. Factories are able to challenge results.

IFIA Member Integrity - Golden Rules

- Compliance to IFIA Integrity Policy guidelines is the responsibility of everyone in the supply chain
- IFIA members view all parties guilty of non-compliance irrespective whether facilitator, giver or receiver of benefits
- Individuals are duty bound by the Codes of Conduct and declarations they sign
- IFIA members company employees MUST never collude, demand, request or be involved in a facilitation payment, bribe, gift or benefit
- Factories should NEVER under any circumstances give in to requests for benefits or payments from auditors
- IFIA member employees MUST never ask for money, benefits or gifts
- All meals and travel benefits provided for whatever reason must be declared for full transparency purposes
- Factories must not offer to give benefits
- If clients or suppliers have any doubt or concerns with any suspicious demands and integrity behaviour, please contact XYZ Compliance hotline or the contact details provided in the IFIA member Factory Integrity declaration form WITHOUT DELAY

IFIA Guidelines - Key Integrity Tools

- Letter to client for introducing IFIA Member Integrity Compliance procedure
- Compliance Education
- IFIA Factory Integrity Acknowledgment and Declaration Form
- Telephone Audit
- On-site Integrity Audit
- Mystery Audit
- Employee Integrity Declaration Form
- Letter to customer to report factory integrity non-compliance issue
- IFIA Member Integrity Complaint Form
- Compliance Investigation process

Integrity Presentation

Slide One

XYZ Company

INTEGRITY COMPLIANCE CSR AUDIT SERVICES

By:

Date:

Slide Two

IFIA Integrity Compliance Program

- Trust and Integrity are critical components of IFIA Members' brand equity
- We will not tolerate breaches of our Integrity Compliance policy
- It provides the basis for honesty & transparency
- IFIA Members regard a **facilitator**, a **receiver** and a **giver** of a bribe or benefit equally guilty through association of such transaction
- Integrity issues must be managed by all parties in the supply chain

Integrity Basics – Program Pre-requisites

- **Human Resources**
 - Recruitment check & background screening between IFIA Members
 - Check previous employer and industry network for Integrity
 - Integrity Induction Training
- **Culture**
 - Code of Conduct signed by all employees
 - Zero Tolerance policy
- **Independence**
 - Dedicated Compliance & Risk Management team
 - Independent from daily operations
- **Effective Implementation and Rules**
 - Integrity Compliance Handling Procedure
 - Job scheduling
 - Independence and Rotation based on Skills and Competency Matrix
 - Final findings and reports NOT issued and concluded by Inspectors or Auditors
 - All findings MUST have objective evidence. Factories are able to challenge results.

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IFIA Membership Integrity – The Golden Rules

- Compliance to IFIA's Integrity Policy guidelines is the responsibility of everyone throughout the supply chain
- IFIA Members views all parties guilty of non-compliance irrespective whether the facilitator, giver or receiver of a benefits
- Individuals are duty bound by the Codes of Conduct and Declarations that they sign
- Employees of IFIA Members MUST never collude, demand, request or be involved in a facilitation payment, bribe, gift or benefit.
- Factories should NEVER under any circumstances give in to request for benefits or payments from inspector and auditor
- Employees of IFIA Members MUST never ask for money, benefits or gifts
- All meals and travel benefits provided for whatever reason MUST be declared for full transparency purposes.
- Factories must not offer to give benefits

If clients or suppliers have any doubt or concerns with any suspicious demands and integrity behavior, please contact [XYZ] Compliance hotline OR use the contact details provided in the IFIA Member Factory Declaration Form WITHOUT DELAY

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IFIA Guidelines – The Key Integrity Tools

- Letter to client introducing the IFIA Member Integrity Compliance procedure
- Compliance Education
- IFIA Factory Integrity Acknowledgment and Declaration Form
- Telephone Audit
- On-site Integrity Audit
- Mystery Audit
- Employee Integrity Declaration Form
- Letter to customer to report factory integrity non compliance issue(s)
- Integrity Complaint Form
- Compliance Investigation Process

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IFIA – “Integrity Message Triangle”



IFIA Compliance Code



IFIA Compliance Code

Third Edition

April 2007

This Third Edition of the IFIA Compliance Code and its supporting Guidelines enter into force on 1 April 2007 and supersede the Second Edition published in July 2005.

Any words and expressions which are defined in the IFIA Articles of Association dated 12 October 2001 shall have the same meaning in this Code unless otherwise stated.

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International Federation of Inspection Agencies Ltd.,

1 Paternoster Square
London EC4M 7DX
United Kingdom.

Tel. : +44.20.7653.1604

E-mail : secretariat@ifia-federation.org

www.ifia-federation.org

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Introduction

The International Federation of Inspection Agencies (IFIA) is an association of companies whose business is to verify their clients', or third parties', products, services or systems.

The value that IFIA Members provide to their clients is trust. For this reason IFIA has chosen to adopt and implement a Compliance Code that enshrines the substance of the integrity that IFIA membership stands for.

The Compliance Principles address technical and business professional conduct and ethics in relation to the following areas:

- Integrity
- Conflicts of interest
- Confidentiality
- Anti-bribery
- Fair marketing.

It is a condition of IFIA membership that Members implement and abide by the Compliance Code. This entails:

- approval of the Member's implementation by IFIA
- a Compliance Programme throughout the Member's organisation
- policies and procedures in accordance with the Code
- training of staff globally, and
- regular monitoring of compliance with the Code.

To ensure the effectiveness of their implementation, Members are required to submit their Compliance Programme to an annual independent examination whose results are reported to IFIA.

The result is a sound and verified basis for trust.

IFIA Compliance Principles

1. Integrity

The Member shall operate in a professional, independent and impartial manner in all its activities.

The Member shall carry out its work honestly and shall not tolerate any deviation from its approved methods and procedures. Where approved test methods make provision for tolerances in results, the Member shall ensure that such tolerances are not abused to alter the actual test findings.

The Member shall report data, test results and other material facts in good faith and shall not improperly change them, and shall only issue reports and certificates that correctly present the actual findings, professional opinions or results obtained.

2. Conflicts of interest

The Member shall avoid conflicts of interest with any related entity in which it has a financial or commercial interest and to which it is required to provide services.

The Member shall avoid conflicts of interest between the Member's companies and/or divisions engaged in different activities but which may be providing services to either the same client or each other.

The Member shall ensure that its employees avoid conflicts of interest with the activities of the Member.

3. Confidentiality

The 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.

4. Anti-bribery

The Member shall prohibit the offer or acceptance of a bribe in any form, including kickbacks on any portion of a contract payment.

The Member shall prohibit the use of any routes or channels for provision of improper benefits to, or receipt of improper benefits from, customers, agents, contractors, suppliers, or employees of any such party, or government officials.

5. Fair marketing

The Member shall only present itself and conduct marketing, including any comparisons with or references to competitors or their services, in a manner that is truthful and not deceptive or misleading or likely to mislead.

Requirements for Implementation

Each Member of IFIA shall:

1. Commit itself at board level to implement the Compliance Principles throughout its organisation through operation of a Compliance Programme which has been approved by IFIA
2. Appoint a Compliance committee and Compliance officer to oversee and manage the Programme
3. Train staff, ensure their continuing understanding of the Compliance Programme and consult them on its development
4. Provide help lines for staff and encourage the reporting of violations on a confidential basis and free from reprisal except in malicious cases
5. Publicly disclose its Compliance Principles and facilitate enquiries, complaints and feedback
6. Investigate and record all reported violations and apply corrective and disciplinary measures.
7. Protect the security of confidential business information
8. Maintain accurate books and records which properly and fairly document all financial transactions
9. Ensure that its Compliance Programme is applied to the extent appropriate to its business partners
10. Monitor the effectiveness of its Programme through the use of annual management declarations and internal auditing
11. Arrange for the effectiveness of the implementation of the Programme to be examined at least annually by a competent independent external audit firm
12. Submit copies of the independent assurance report, including any reportable conditions, annually to IFIA within six months of the end of its financial year.

These requirements are supported by Implementation Guidelines which are published separately [see www.ifia-federation.org under Publications, Codes and Guidelines] and which provide IFIA Members with an approved means of meeting the requirements. Members whose Compliance Programmes do not follow the Guidelines in a particular respect may still have their Programme approved by IFIA so long as they can demonstrate to the Director General that their Programme meets the relevant requirements of the Code in an equivalent way to that set out in the Guidelines.

April 2007

[Ends here]