

## AIM-Progress Mutual Recognition of Audits

### To reduce audit fatigue and align on key issues of responsible sourcing, several AIM-Progress members agree to mutual recognition of social compliance audits<sup>1</sup>

The companies listed on the following page are part of a forum under AIM - the European Brands Association, called AIM-Progress which seeks to promote responsible sourcing while reducing the duplication of supplier audits. These companies have responsible sourcing programs which may include the request for on-site audits of suppliers. The companies listed below agree, in principle, to recognize supplier audits completed on behalf of another company and will review submitted audit reports to confirm whether they meet internal company requirements.

Suppliers are therefore encouraged to share their audit reports directly with these companies upon request or upload them via a data sharing platform. A supplier may only share audit reports<sup>2</sup> which they own the rights to or which they have received prior authorization to share.

The companies listed below promote suppliers' sharing of audit results while retaining the following rights:

1. To accept or not accept any audit or part of an audit.
2. To require additional follow-up or conduct a full audit at a timing of their choosing

To verify the scope and integrity of a report the audit report must have the auditor's name, affiliation and contact information. Other relevant information such as the standards used to measure compliance may be deemed necessary for a company to accept any report.

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<sup>1</sup> Social compliance audits covers the four pillars of responsible sourcing: Labor Standards & Human Rights, Health & Safety, Environmental Management and Business Integrity.

<sup>2</sup> The data contained in such reports must be free of information confidential to the supplier-buyer relationships, such as any reference to commercial terms (prices, volumes) and indeed free of any descriptions of materials or services provided etc.

## Member companies participating in Mutual Recognition

Companies that agree to consider mutually recognizing social compliance audits include:

Associated British Foods		Heineken	
AB Inbev		Henkel	
Amcor		Hershey's	
Barry Callebaut		Kellogg's	
Beiersdorf		Kimberly-Clark	
Britvic		Mars	
Campbell Soup Company		McDonald's	
Church & Dwight		Mondelez International	
The Clorox Company		Nestlé	
The Coca-Cola Company		Orkla	
Colgate-Palmolive		PepsiCo	
Danone		Procter & Gamble	
Diageo		Reckitt	
Estée Lauder Companies		SC Johnson	
Ferrero		SIG	
General Mills		Unilever	
Givaudan		WestRock	

# Mutual Recognition Criteria

**Objective:** Create a set of base criteria to facilitate companies' acceptance and use of supplier audits completed on behalf of other companies while respecting code differences.

**Four Criteria:**

- Acceptable Audit Coverage
- Acceptable Auditor
- Acceptable Process
- Audit Integrity

<b>Relevant Information included on Audit Form</b>
1. Date of audit
2. Auditor Firm Name; Auditor Name
3. Announced or unannounced
4. Number of person- days spent at supplier
5. Sample size methodology used

**I. Acceptable Audit Coverage**

- Verify compliance against the following key topic areas<sup>3</sup>:

○ Human Rights/Universal Rights	○ Land Rights
○ Environmental compliance	○ Discrimination/harassment
○ Freedom of association	○ Forced labor/Migrant workers
○ Physical and mental abuse	○ Health and safety
○ Workers hours and overtime	○ Wages and benefits
○ Business Integrity	○ Child Labor
○ Grievance mechanisms	○ Responsible Recruitment

- Audit is expected to verify compliance with local law in all subject areas
- Standard being verified is clearly stated so as to facilitate individual company decisions
- Details of key subject areas are listed in Appendix

**II. Acceptable Auditor**

- Use of external third-party auditors provides an assurance of objectivity which facilitates sharing among companies
  - Recognized leading accrediting bodies for audit firms include: The APSCA, FLA, ICTI, WRAP, SAI  
AIM-Progress recommends in particular that audit companies are APSCA registered and/or certified.

**III. Audit Process**

- The methodology used by an auditor to determine non-compliance is based on visual inspection, documentation review and interviews. The audit process includes, at a minimum, the following components:
  - All regular workers on-site are considered in-scope (migrant, contract, seasonal, etc.)
  - Minimum 2 person-days for facilities >100 workers with potential to increase with number of workers
  - Opening and closing meetings
  - Review of relevant documents
  - Facility inspection
  - Confidential employee interviews

<b>Caveats</b>
1. Companies will retain right to recognize (or not recognize any audit or part of an audit
2. Companies will retain right to require additional follow-up
3. Companies are not responsible for audits they sponsor

**IV. Audit Integrity**

- An acceptable audit report is complete and not redacted (except confidential information concerning production or the supplier-buyer relationship)
- Audit firm and auditor name listed to facilitate verification
- Suggested means to obtain audit report is directly from audited supplier, auditor or by means of an audit sharing platform.

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<sup>3</sup> Based on coverage of 4Pillar SMETA and requirements of leading AIM-Progress members

**APPENDIX: AUDIT COVERAGE:** Below each of the topic areas are the key elements which represent the collective expectations of AIM-Progress members. Audit tools are suggested to contain information pertaining to these elements where feasible to enable other companies to make informed decisions with regard to their internal standards.

<p><b>Child Labor</b></p> <ul style="list-style-type: none"> <li>- Local Law</li> <li>- Age Verification Records – cite minimum age of worker</li> <li>- Young Workers - Training/Apprentice Programs</li> <li>- Remediation Protocol</li> </ul>	<p><b>Discrimination/Harassment</b></p> <ul style="list-style-type: none"> <li>- Local Law</li> <li>- Employment decisions based on ability (Recruitment, Hiring Practices – cite HIV, pregnancy testing)</li> <li>- Non-discrimination Policy</li> <li>- Non-discrimination regarding unions</li> <li>- Grievance Procedure</li> </ul>
<p><b>Environmental compliance</b></p> <ul style="list-style-type: none"> <li>- Local Law</li> <li>- Environmental Policy/Management System</li> <li>- Relevant Training</li> <li>- Hazardous Material Handling</li> <li>- Chemical Handling</li> <li>- Waste Management</li> <li>- Relevant inspections/audits/certifications (legal Compliance)</li> <li>- Monitoring of air pollution/ GHG emissions / discharge</li> <li>- Monitoring of Water/Energy/natural resource usage</li> <li>- Reduction targets for water consumption &amp; discharge, waste, energy, GHG emissions</li> <li>- Environmental Policy communicated to sub-contractors</li> </ul>	<p><b>Forced Labor &amp; Responsible Recruitment</b></p> <ul style="list-style-type: none"> <li>- Local Law Compliance</li> <li>- Voluntary Employment Relationship</li> <li>- Right to Refuse Overtime</li> <li>- Freedom of movement – no retention of Identity and Travel documents, deposits, or valuable possessions</li> <li>- No use of Prison Labor</li> <li>- Role of Security Guards (ensure no abuse of labor)</li> <li>- No payment of recruitment fees by workers</li> <li>- Clear employment contracts in understandable language</li> <li>- Transparent recruitment processes, including through any labor intermediaries</li> </ul>
<p><b>Wages and benefits</b></p> <ul style="list-style-type: none"> <li>- Local Law – cite minimum wage</li> <li>- Payroll Records maintained</li> <li>- Pay slips provided</li> <li>- Regular Payment</li> <li>- Wage Calculation – cite Wage paid; Piece rate</li> <li>- Deductions</li> <li>- Benefits</li> <li>- Seasonal/Temp worker</li> <li>- Training/Probationary Programs</li> <li>- Equal &amp; fair remuneration</li> </ul>	<p><b>Health and safety</b></p> <ul style="list-style-type: none"> <li>- Local Law - Required Certificates/Licensees</li> <li>- H&amp;S Policy/Management System</li> <li>- H&amp;S Worker Training</li> <li>- Building structure integrity (permits)</li> <li>- Potable Water</li> <li>- Accidents</li> <li>- PPE</li> <li>- Equipment Safety</li> <li>- Air Quality</li> <li>- Emergency Preparedness – fire safety, exits</li> <li>- First Aid and medical provision</li> <li>- Sanitation</li> <li>- Dormitories</li> <li>- Canteen</li> <li>- Worker transport</li> <li>- Personal storage space</li> <li>- Other: Risk Assessment &amp; Mitigation/ Supplier Assessment</li> </ul>
<p><b>Workers hours and overtime</b></p> <ul style="list-style-type: none"> <li>- Local Law</li> <li>- Tracking system</li> <li>- Hours Calculation – cite max hours</li> <li>- Waivers</li> <li>- Rest Time</li> <li>- 1 day off in 7</li> </ul>	<p><b>Freedom of association</b></p> <ul style="list-style-type: none"> <li>- Local Law <ul style="list-style-type: none"> <li>o Limits on lawful activity</li> <li>o Free to join lawful union</li> </ul> </li> <li>- Grievance Procedures/Worker Feedback (in employment practices)</li> <li>- Discrimination</li> <li>- CBA (Collective Bargaining Agreement) Adherence</li> </ul>

<p><b>Physical and mental abuse</b></p> <ul style="list-style-type: none"> <li>- Local Law</li> <li>- Discipline Procedures</li> <li>- Policy</li> <li>- Role of Security Guards</li> </ul>	<p><b>Compliance with local law</b></p> <p>See sections above</p>
<p><b>Business Integrity</b></p> <ul style="list-style-type: none"> <li>- Business Ethics policy</li> <li>- Accountability</li> <li>- Fraudulent records/record keeping</li> <li>- Training for corruption &amp; bribery prevention (internal &amp; by business partners)</li> <li>- Allegations follow-up &amp; monitoring</li> </ul>	<p><b>Land Rights</b></p> <ul style="list-style-type: none"> <li>- Local Law (land title, licenses and permits)</li> <li>- Policy on land rights</li> <li>- No illegal appropriation</li> <li>- Impact assessment on local population</li> <li>- Legal due diligence process for acquisition of land aligned with free, prior, informed consent</li> <li>- Compensation</li> <li>- Land use change management (no net deforestation)</li> </ul>
<p><b>Grievance Mechanism</b></p> <ul style="list-style-type: none"> <li>- Provision of access to grievance aligned with UNGP (communities &amp; individuals)</li> <li>- Encouragement of business partners to provide access to grievance mechanism</li> </ul>	<p><b>Human Rights/Universal Rights</b></p> <ul style="list-style-type: none"> <li>- Policy covering human rights impacts and issues</li> <li>- Senior accountability for human rights</li> <li>- Identification of stakeholders, human rights impacts and salient issues</li> <li>- Procedures in place to address human rights impacts</li> <li>- Grievance mechanism</li> </ul>

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