

AIM-PROGRESS¹ Mutual Recognition

To reduce audit fatigue and align on key issues of responsible sourcing, several brand manufacturers agree to mutual recognition of social compliance assessments¹

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 assessments. These companies have responsible sourcing programs which may include the request for on-site assessments of suppliers. The companies listed below agree, in principle, to recognize supplier audits completed on behalf of another company and will review submitted assessment reports to confirm it meets internal company requirements.

Suppliers are therefore encouraged to share their assessment reports directly with these companies upon request or upload them via a data sharing platform (such as Sedex or EcoVadis, which provide a secure online data exchange between suppliers and customers). A supplier may only share assessment reports² which they own the rights to or which they have received prior authorization to share.

The companies listed below promote suppliers' sharing of assessment 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 assessment



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.

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

² The data contained in such reports must be confined to information on the four pillars only, and 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 mutually recognize responsible sourcing audits include:

Associated British Foods		Hershey's	
AB Inbev		Kellogg's	
Amcor		Kimberly-Clark	
Beiersdorf		Mars	
Britvic		McDonald's	
The Clorox Company		Mondelez International	
The Coca-Cola Company		Nestlé	
Colgate-Palmolive		Orkla	
Danone		PepsiCo	
Diageo		Pernod Ricard	
Estée Lauder Companies		Procter & Gamble	
Ferrero		Reckitt Benckiser	
General Mills		SC Johnson	
Givaudan		Unilever	
Heineken		Verallia	
Henkel		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.

How: Collect and report relevant information to enable individual companies to verify audit integrity and determine compliance with regards to their respective internal standards.

Four Criteria:

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

Relevant Information included on Audit Form

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 10 key topic areas³:
 - Environmental compliance
 - Freedom of association
 - Physical and mental abuse
 - Workers hours and overtime
 - Business Integrity
 - Discrimination/harassment
 - Forced labor
 - Health and safety
 - Wages and benefits
 - Child Labor
- 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
- Key subject areas and data collection points are suggested in Appendix (based on benchmarking of AIM-PROGRESS members' audit protocols)

II. Acceptable Auditor

- Use of external auditors provides an assurance of objectivity which facilitates sharing among companies
- Recognized leading accrediting bodies for audit firms include:
 - FLA, ICTI, WRAP, SAI
- Service providers with 3 of the 4 accreditations include BV, SGS, STR, ITS, ALGI

III. Audit Process

- The methodology used by an auditor to determine noncompliance 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

Caveats

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 auditor or by means of the Sedex data base or other such shared platform

³ Based on 4 Pillars of AIM-PROGRESS and protocol benchmarking

AUDIT COVERAGE: Below each of the 10 topic areas are the key elements included in at least 2 of the company protocols benchmarked. Audit tools are suggested to contain information pertaining to these elements where feasible to enable other companies to make informed decisions with regards to their internal standards.

<p>Child Labor</p> <ul style="list-style-type: none"> - Local Law - Age Verification Records – cite min age of worker - Young Workers - Training/Apprentice Programs - Remediation Protocol 	<p>Discrimination/harassment</p> <ul style="list-style-type: none"> - Local Law - Employment Decisions based on ability (Recruitment, Hiring Practices – cite HIV, pregnancy testing) - Nondiscrimination Policy - Nondiscrimination re: unions - Grievance Procedure
<p>Environmental compliance</p> <ul style="list-style-type: none"> - Local Law - Environmental Policy/Management System - Relevant Training - Hazardous Material Handling - Chemical Handling - Waste Management - Relevant inspections/audits/certifications (legal Compliance) - Air pollution monitoring - Water/Energy usage 	<p>Forced labor</p> <ul style="list-style-type: none"> - Local Law Compliance - Voluntary Employment Relationship - Right to Refuse OT - Document Retention & Deposits - Use of Prison Labor - Role of Security Guards (may be in abuse of labor) - Employee Mobility
<p>Wages and benefits</p> <ul style="list-style-type: none"> - Local Law – cite min. wage - Payroll Records maintained - Pay slips provided - Regular Payment - Wage Calculation – cite Wage paid; Piece rate - Deductions - Benefits - Seasonal/Temp worker - Training/Probationary Programs - Equal remuneration 	<p>Health and safety</p> <ul style="list-style-type: none"> - Local Law - Required Certificates/Licensees - H&S Policy/Management System - H&S Training - Potable Water - Accidents - PPE - Equipment Safety - Air Quality - Emergency Preparedness – fire safety, exits - First Aid - Sanitation - Dormitories - Canteen - Other: Risk Mitigation/ Supplier Assessment
<p>Workers hours and overtime</p> <ul style="list-style-type: none"> - Local Law - Tracking system - Hours Calculation – cite max hours - Waivers - Rest Time - 1 day off in 7 	<p>Freedom of association</p> <ul style="list-style-type: none"> - Local Law <ul style="list-style-type: none"> o Limits on Lawful activity o Free to join lawful union - Grievance Procedures/Worker Feedback(in employment practices) - Discrimination(*) - CBA Adherence
<p>Physical and mental abuse</p> <ul style="list-style-type: none"> - Local Law - Discipline Procedures - Policy - Role of Security Guards 	<p>Compliance with local law</p> <p>See sections above</p>
<p>Business Integrity</p> <ul style="list-style-type: none"> - Fraudulent records/record keeping - Corruption & bribery prevention - Allegations follow-up & monitoring - Business relationships & accountability 	