# AIMprogress

## 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[1]**

The companies listed on the following page are part of AIM-Progress, a global forum of branded consumer goods manufacturers and common suppliers established under AIM – European Brands Association. AIM-Progress seeks to promote responsible sourcing while reducing the duplication of supplier audits. These companies have responsible sourcing programmes which may include the request for on-site audits of suppliers. The companies listed below agree, in principle, to recognise supplier audits (be they physical or virtual) completed on behalf of another company and will review submitted audit reports to confirm whether they meet internal company requirements. Our common benchmark for the mutual recognition of physical audits is based on the SMETA 4-pillar audit protocol or equivalent standards[2]. Our common benchmark for virtual audits is based on the Sedex Virtual Assessment (SVA) or equivalent standard.

Suppliers are encouraged to share their audit reports directly with these companies upon request (for instance via SEDEX or otherdata sharing platform). Suppliers may only share audit reports[3] which they own the rights to or for which they have received prior authorisation 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

In line with the principle of Mutual Recognition, companies will endeavour to reduce audit duplication where possible and avoid unnecessary or excessive auditing of suppliers.

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.

## Member companies participating in Mutual Recognition

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[1] Social compliance audits cover the four pillars of responsible sourcing: Labour Standards & Human Rights, Health & Safety, Environmental Management and Business Integrity.

[2] AIM-Progress uses a bespoke internal tool, based on the ITC Sustainability Map, to compare audit protocols used by member companies. If the majority of elements are common to our benchmark (85% commonality) a company protocol is deemed acceptable and therefore mutually recognisable.

[3] 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.

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

| | | | |
|---|---|---|---|
| Associated British Foods | | Haleon | |
| AB Inbev | | Henkel | |
| Amcor | | The Hershey Company | |
| Barry Callebaut | | Kellanova | |
| Beiersdorf | | Kimberly-Clark | |
| Britvic | | Mars | |
| Carlsberg | | McDonald's | |
| Church & Dwight | | Mondelez International | |
| The Clorox Company | | Nestlé | |
| The Coca-Cola Company | | Orkla | |
| Colgate-Palmolive | | PepsiCo | |
| Coty | | Procter & Gamble | |
| Danone | | Reckitt | |
| Diageo | | SC Johnson | |
| Estée Lauder Companies | | SIG | |
| Ferrero | | Symrise | |
| General Mills | | Unilever | |
| Givaudan | | Smurfit 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, with the aim of reducing audit duplication, cost and fatigue where possible, and supporting focus on continuous improvement and remediation.

**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 the following key topic areas[4]:

| | |
|---|---|
| o Human Rights | o Land Rights |
| o Environmental compliance | o Discrimination/harassment |
| o Freedom of association | o Forced labour/Migrant workers |
| o Physical and mental abuse | o Health and safety |
| o Working hours and overtime | o Wages and benefits |
| o Business Integrity | o Child Labour |
| o Grievance mechanisms | o Responsible Recruitment |

- Audit is also 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.
- Audit companies should be accredited or approved by organisations such as APSCA, FLA, ICTI, SEDEX[5], SAI.
- AIM-Progress recommends, in particular, that acceptable audit companies/auditors are APSCA registered and/or preferably certified.[6]

> **Caveats**
> 1. Companies will retain right to recognise (or not recognise) 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

- In line with the principle of Mutual Recognition, suppliers should be able to choose an audit body provided that they are paying for the audit, that the audit company complies with the aforementioned criteria and meets customers' expectations.

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[4] Based on coverage of 4-Pillar SMETA and requirements of leading AIM-Progress members

[5] Members of SEDEX requesting SMETA audits will require auditors to be affiliated

[6] The auditor's full APSCA Membership Number enables you to validate the credentials of the auditor, incl. level and membership status.

**III.** **<u>Audit Process</u>**
- The methodology used by an auditor to determine non-compliance is based on visual inspection, documentation, review, and group and individual interviews. The audit process includes, at a minimum, the following components:
  - All workers on-site are considered in-scope (migrant, contract, seasonal, hired through labour/service providers, 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 with workers selected randomly by the audit company

**IV.** **<u>Audit Integrity</u>**
- 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.

**APPENDIX: AUDIT COVERAGE:** Below each of the topic areas are the key elements which represent the collective expectations of AIM-Progress members and which are reflected in the SMETA 4-pillar audit standard. 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.

| Child Labor | Discrimination/Harassment |
|---|---|
| – Local Law<br>– Age Verification Records – cite minimum age of worker<br>– Young Workers - Training/Apprentice Programmes<br>– Remediation Protocol | – Local Law<br>– Employment decisions based on ability (Recruitment, Hiring Practices – cite HIV, pregnancy testing)<br>– Non-discrimination Policy<br>– Non-discrimination regarding unions<br>– Grievance Procedure |
| **Environmental compliance** | **Forced Labour & Responsible Recruitment** |
| – Local Law<br>– Environmental Policy/Management System<br>– Relevant Training<br>– Hazardous Material Handling<br>– Chemical Handling<br>– Waste Management<br>– Relevant inspections/audits/certifications (legal Compliance)<br>– Monitoring of air pollution/ GHG emissions / discharge<br>– Monitoring of Water/Energy/natural resource usage<br>– Reduction targets for water consumption & discharge, waste, energy, GHG emissions<br>– Environmental Policy communicated to sub-contractors | – Local Law Compliance<br>– Voluntary Employment Relationship<br>– Right to Refuse Overtime<br>– Freedom of movement – no retention of Identity and Travel documents, deposits, or valuable possessions<br>– No use of Prison Labour<br>– Role of Security Guards (ensure no abuse of labor)<br>– No payment of recruitment fees by workers<br>– Clear employment contracts in understandable language<br>– Transparent recruitment processes, including through any labor intermediaries |
| **Wages and benefits** | **Health and safety** |
| – Local Law – cite minimum wage<br>– Payroll Records maintained<br>– Pay slips provided<br>– Regular Payment<br>– Wage Calculation – cite Wage paid; Piece rate<br>– Deductions<br>– Benefits<br>– Seasonal/Temp worker<br>– Training/Probationary Programmes<br>– Equal & fair remuneration | – Local Law - Required Certificates/Licensees<br>– H&S Policy/Management System<br>– H&S Worker Training<br>– Building structure integrity (permits)<br>– Potable Water<br>– Accidents<br>– PPE<br>– Equipment Safety<br>– Air Quality<br>– Emergency Preparedness – fire safety, exits<br>– First Aid and medical provision<br>– Sanitation |

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| --- | --- |
|  | – Dormitories<br>– Canteen<br>– Worker transport<br>– Personal storage space<br>– Other: Risk Assessment & Mitigation/ Supplier Assessment |
| **Working hours and overtime**<br>– Local Law<br>– Tracking system<br>– Hours Calculation – cite max. hours<br>– Waivers<br>– Rest Time<br>– 1 day off in 7 | **Freedom of association**<br>– Local Law<br>    ○ Limits on lawful activity<br>    ○ Free to join lawful union<br>– Grievance Procedures/Worker Feedback (in employment practices)<br>– Discrimination<br>– CBA (Collective Bargaining Agreement) Adherence |
| **Physical and mental abuse**<br>– Local Law<br>– Discipline Procedures<br>– Policy<br>– Role of Security Guards | **Compliance with local law**<br><br>See sections above |
| **Business Integrity**<br>– Business Ethics policy<br>– Accountability<br>– Fraudulent records/record keeping<br>– Training for corruption & bribery prevention (internal & by business partners)<br>– Allegations follow-up & monitoring | **Land Rights**<br>– Local Law (land title, licenses and permits)<br>– Policy on land rights<br>– No illegal appropriation<br>– Impact assessment on local population<br>– Legal due diligence process for acquisition of land aligned with free, prior, informed consent<br>– Compensation<br>– Land use change management (no net deforestation) |
| **Grievance Mechanism**<br>– Provision of access to grievance mechanism aligned with UNGP (communities & individuals)<br>– Encouragement of business partners to provide access to grievance mechanism | **Human Rights**<br>– Policy covering human rights impacts and issues<br>– Senior accountability for human rights<br>– Identification of stakeholders, human rights impacts and salient issues<br>– Procedures in place to address human rights impacts<br>– Grievance mechanism |

June 2023 (updated Nov 2023)