



## Impactt Audit Process Guideline

This document outlines how an Impactt audit should be conducted and gives guidelines on:

- how the process is managed
- what to expect from Impactt staff and Associates

Impactt will ensure that staff and associates have the skills to perform an audit in accordance with these guidelines. These guidelines do not cover the technical aspects of an Impactt audit.

### Part I Guiding Principles

- Impactt believes that audits alone do not improve supply chain working conditions. However, we acknowledge that high quality audits can be useful in benchmarking current performance and can be a catalyst for longer-term improvements.
- Impactt believes that good relationships with production sites are vital to improving working conditions.
- All Impactt auditors will conduct themselves in a professional and courteous manner at all times.
- Impactt recognises that a truth-seeking approach to auditing can result in difficult and tense situations. When these arise, Impactt auditors will involve their line manager and other stakeholders to maximise the effectiveness of the audit.

### Part II Pre-Requisites for an Impactt Audit

#### 1. Impactt Personnel

- All Impactt personnel are bound by a confidentiality agreement
- All Impactt lead auditors, regardless of their previous experience, will have received theoretical and on-site training in Impactt's methods of auditing. They will be approved by Impactt as able to lead audits in accordance with Impactt's approach and standards.

#### 2. General Role of the Impactt Lead Auditor and Audit Team

- Throughout the audit, the lead auditor and the audit team will work closely together and share information to ensure that all aspects are covered, client expectations met, escalation procedures followed and Impactt's quality standards maintained.
- The role of the **lead auditor** is to:
  - Act as the key point of contact with the production site representatives
  - Direct, supervise and facilitate audits:
    - Liaise with the Project Manager to make sure that client requirements are understood and met
    - Tailor the audit approach to ensure it is appropriate to site/context/industry.
    - Ensure the audit team is clear about their role and objectives.
    - Ensure the audit team is well coordinated and that all team members have all necessary information before and during the audit.
    - Ensure the audit team is equipped with the necessary health and safety equipment and does NOT take health and safety risks at any time during the audit. If any member of the audit team feels unsafe at any time, the lead auditor will raise the issue with site management, and suspend the audit if the risks cannot be sufficiently mitigated.
    - Lead all communications and meetings with production site management
    - Provide necessary support to all team members
    - Escalate to the relevant Impactt and client/brand personnel any urgent issues or difficult situations including:
      - Discovery of child workers
      - Physical abuse of workers
      - Sexual harassment



- Production site managers' persistent refusal to be open and transparent
  - Denial of access to workers/key areas of the production site/documents
  - Disputes with production site representatives, etc.
  - Attempts to bribe audit team member(s)
  - Abuse of audit team member(s)

(see section IV)

  - Provide appropriate advice on next steps for production sites
  - Write the audit report in the correct format
- The role of **audit team members** is to:
  - Ensure they understand their role in the audit and have the necessary local information to complete their work
  - Relay information to the lead auditor in a timely manner
  - Discuss findings and make recommendations to the lead auditor
  - Act under the direction and supervision of the lead auditor
  - Provide all necessary support to other team members
  - Undertake such other tasks as may be required

### 3. Conflict of Interest

- All audit team members are required to report any possible conflict of interests to the relevant Project Manager and Country/Regional Director. This might include close relatives being employed at the production site to be audited, or the auditor himself/herself having been previously employed by the production site or having previously audited the site for another client. Any previous contacts with the site or its management should be reported. These will not necessarily be conflicts, but a clear understanding of the position will ensure any potential conflict to be managed to maintain Impactt's quality standards and deliver client expectations.

## Part III Conducting an Impactt Audit

### I. Preparing for an Impactt Audit

- Before the audit, the lead auditor will meet with the Project Manager to understand:
  - Basic contractual information
  - Agreed methodology
  - Client expectations
  - Any anticipated issues or sensitivities
  - Any client-specific escalation processes and contacts
  - Reporting requirements
- The lead auditor will work with the Project Management team to:
  - Ensure that sufficient information is gathered at least 1 week before audit date, including (but not limited to):
    - The local and English name/address of the production site (eg in China, the name of the factory would be required in Chinese characters)
    - The relationship of the production site to the buying company and any intermediaries (agents) relevant to the audit
    - Relevant buying company/client's codes of conduct
    - Information about specific concerns expressed by the buying company or the production site
    - Relevant local laws and regulations (i.e. The most recent local legal minimum wage regulations, etc.)
  - Brief the audit team to clarify the audit objectives and assign roles and responsibilities to each team member
  - Ensure that all team members are aware of the project plan and time available for each element of the audit
  - Arrange logistics with the production site



- Ensure that the Memorandum of Understanding (MOU) for an Impactt audit is signed and returned by the production site representatives at least 5 working days before the audit
- Send the production site the 'Impactt Audit Agenda' (at least 5 working days before the audit)
- Remind all audit team members to bring all necessary documentation, functioning and charged cameras and cell phones with sufficient credit to enable communications throughout the day.

## 2. Undertaking of an Impactt Audit

### • Basic principles

- The Impactt team will under all circumstances:
  - Be professional, polite and respectful
  - Encourage transparency
  - Be committed to understanding the true situation at the production site
  - Remain impartial and not express any premature opinions or judgements
  - Maintain a high level of integrity and firmly refuse any offer of gifts (for example, product samples)
  - Not accept reimbursement of expenses directly from the production site as the acceptance of monies for expenses is open to misinterpretation.
  - Immediately terminate the audit if bribery is attempted
  - NOT sign any documents at the request of the management unless with prior consent from the relevant country/regional director
  - NOT agree with production site management not to disclose information of any sort to the relevant buying companies involved in the audit
  - Remember that an audit is not an isolated event but can be an initial step to trigger a longer-term improvement project

### • Physical Assessment of Production site

- In order to conduct a robust audit, the Impactt team requires access to all areas of the site and all drawers, desks, boxes and cupboards.
- Impactt will ask production staff for permission to enter areas and will ask staff to unlock drawers and hand documents to the team. Impactt will NOT open locked draws or areas without the explicit consent of staff. However, Impactt will note and escalate any refusals and reserves the right to suspend the audit if access is denied to information or parts of the production site.
- After the initial walk-round (guided by management), Impactt reserves the right to visit areas of the production site unaccompanied by management.
- In certain circumstances, it may be possible to agree formally and in advance that certain documents or areas of the production site will not be assessed by the team, or that photographs of some areas will not be taken. In these cases this will be formalised in the MOU.

### • Communications with Workers

- Gathering testimony from workers is an integral part of an Impactt audit. The Impactt team may employ different approaches to communicate with workers depending on the situation. The Impactt team may talk to workers:
  - Individually and/or in groups
  - Formally and/or informally
  - Anywhere deemed appropriate inside the production site where workers feel relaxed and free to talk (including but not limited to the production areas, canteen, dormitory, etc.)
  - Outside the production site
  - Before, during and/or after the audit
- Worker interviews are always conducted without the presence of management
- The Impactt team prioritises the safety and well-being of workers and will:
  - Abide by a 'safety-in-numbers' principle. The team will speak to sufficient numbers of workers to mitigate the risk of production site managers being able to trace information to an individual worker.



- **Reviewing Documents**
  - The Impactt team may:
    - Review documents in paper form
    - Review documents in soft copy
    - Take hard or soft copies of documents so as to carry out further analysis, particularly of complex pay and hours spreadsheets or productivity information
  - The Impactt team will NOT remove any materials from the production site without managers' explicit knowledge and consent.
  - The Impactt team will always return such documents and all copies thereof at the request of management.
  
- **Interim Summary**
  - For audits lasting more than one day it is useful to give a brief summary of key concerns at the end of the first day following the principles outlined for the closing meeting below.
  
- **Closing meeting**
  - At end of the audit, the Impactt team will feed back key findings to the production site management. This will not necessarily include every issue found.
  - Before the closing meeting, the audit team members will meet to:
    - Clarify information and findings
    - Clarify any contradiction of information amongst team members
    - Decide on who should present findings and how to raise sensitive issues so as not to put workers at risk
    - In the case of particularly sensitive information, consult with the Project Manager or Country/Regional Director to agree how this should be handled
  - The team will ensure that information provided at the closing meeting cannot be used to identify individual workers. Information from worker sources will be generalized without reference to any particular worker or hints which might lead to identification of any worker. Impactt will give an indication of scale of the issue e.g. 'one worker said'...as opposed to 'all workers interviewed said'...
  - Some issues may not be shared with the production site at the closing meeting, pending further investigation and discussion with the Project Manager and client, (for example unverified child workers, prison labour, sexual harassment, unauthorized subcontracting, etc.)
  - During the closing meeting the whole Impactt team will be careful to maintain a highly professional attitude and will:
    - Remain well-mannered and polite
    - Encourage openness
    - Remain impartial
    - Be firm, clear and unambiguous
    - Listen to feedback from production site management