

Social Responsibility Best Practices	SUBJECT	LAST UPDATE
	APPLIES TO	FOCUS ON
	QUICK LINKS	

Intended for advanced compliance programs

Social Responsibility Audits For Suppliers

July 2019

APPLIES TO

- Suppliers

FOCUS ON

Auditing Vendor Factories For Compliance With Social Responsibility Requirements

QUICK LINKS

- PPAI Social Responsibility: <https://www.ppai.org/corporate-responsibility/social-responsibility/>
- UL Responsible Sourcing: industries.ul.com/responsible-sourcing
- Fair Labor Association: www.fairlabor.org/

Italic grey text indicates a hyperlink listed in the Online Resources section of this document.

Overview

A social responsibility audit will identify areas of concern with regard to facility safety, worker safety, working conditions, waste, and human rights. Audits are necessary for ensuring compliance with baseline expectations and stated requirements. Knowing what policies and procedures you need to implement and what standards to apply will aid in the establishment and continued success of a social responsibility program.

factory as it prepares for the audit. This list is intended to act as guidance, rather than a specific checklist of requirements, as the documents and processes within each factory are unique and certain policies or records may not be applicable to each operation.

Request that the factory identify the types of documents (as listed below) that are relevant to their factory operations and to ensure their availability during the assessment process

Conformity Assessment

A conformity assessment of both the product and the production process go hand-in-hand. This best practice will focus on the production process as it relates to social responsibility standards (aka labor standards or working conditions) under which the products are manufactured. For more information on conformity assessment criteria, refer to our best practice: *social compliance basic factory audit checklist*.

EMPLOYEE DOCUMENTATION	
1	Employment contracts/terms & conditions of employment (including temporary/contract employees)
2	Employee files (including employment application, disciplinary notices, etc.)
3	Proof of age documentation (copies of identification cards, birth certificates, medical clearance, etc.)
4	Records of issuance of employee benefits, i.e. annual leave, maternity leave, etc

Audit Procedures

Step One: Scheduling

Contact the factory to confirm the location where products are manufactured, and to arrange the factory assessment. At least one member of the factory’s management team who can provide the appropriate documents and factory access required to complete the assessment must be present on the appointed date. Make clear that the factory should be in full production.

ENVIRONMENTAL HEALTH AND SAFETY (EHS)	
1	Factory layout or factory evacuation plot plan
2	EHS employee training records (sign-in sheets, agendas, training materials)
3	EHS manual and/or written EHS programs
4	EHS Committee records (agendas, meeting minutes, activity logs)
5	Inspection records (fire extinguisher, first aid, eyewash, etc.)

Preparation

In preparation for the auditors’ site visit, prepare a list of documents as an example of the records, licenses, and documents normally reviewed during an assessment to aid the

FACTORY POLICIES AND PROCEDURES	
1	Internal operating policies and procedures
2	Business licenses
3	Wage and hour policies
4	Employment at-will policy
5	Anti-discrimination policy
6	Employee/Management grievance policy
7	Freedom of association policy
8	Any other government license, certificates of operation, etc.

ENVIRONMENTAL	
1	Air emission permits
2	Air emission monitoring records
3	Reports of analysis of drinking water
4	Wastewater discharge monitoring reports
5	Wastewater discharge permits
6	Hazardous waste manifests or shipping papers
7	Waste profiles/test results/waste analyses

PAYROLL DOCUMENTS	
1	Payroll records for peak/off-peak/most recent pay periods (up to 1 year may be requested for review). This should include records of all salary payments, including regular and overtime payments, as well as deductions from the salary.
2	Time records for peak/off-peak/most recent pay periods (up to 1 year may be requested for review). These records should show daily start and stop times for workers during the pay period and should include regular and overtime work.
3	Payment receipts for mandatory social insurance payments and other such government contribution schedules.
4	Production records, if workers are paid by production or piece rate.
5	Any government waivers or special permissions used to conduct work hours or pay schedules outside of the standard legal limits.

HEALTH & SAFETY	
1	Records of industrial safety monitoring (exposure to chemicals, noise, temperature and measurements of ventilation)
2	Job/task hazard assessments/determinations
3	List of required/approved personal protective equipment
4	Emergency response plan
5	Testing, inspection and maintenance records for fixed and portable fire suppression equipment
6	Evacuation
7	Accident investigation forms
8	Accident or injury reports
9	Chemical inventory
10	Material safety data sheets (MSDS)

Step Two: Audit Process

Auditors arrive at the factory at the appointed day/time, with proper identification badges and business cards. The auditors will explain the assessment process to factory management and address any questions or concerns prior to the assessment commencing. During the assessment, full cooperation from factory management is to be expected.

The factory should be in full production to provide the most accurate results. The auditors must be given access to all areas of production, all relevant documentation, and randomly selected employees for interviews. Denying access to these requirements may result in a failing grade.

The factory manager and human resource personnel should be present or anyone whom the factory deems to have the authority to provide the documents needed and to answer the questions from the consultants.

An assessment consists of five components:

1. An opening meeting
2. A health and safety tour
3. A payroll and documentation inspection
4. Employee interviews
5. A closing meeting

Opening Meeting

After the auditors have passed all security requirements and are given access to the factory, an opening meeting is held with the contact person, preferably a member of management. During this meeting, the format of the assessment is described. The production manager and human resource personnel also are needed to answer a series of questions regarding production capacity, machines, lead times, and hiring practices.

Health And Safety Tour

A walk-through of the factory is to be conducted to ensure adequate measures are in place to protect the health of workers and guarantee their safety. Production capacity is also evaluated during the walk-through. The eating area used by the workers is viewed, as is the kitchen if cooking takes place on-site.

Security of the factory will be evaluated, with attention to physical security features as well as to factory policies concerning security. Photographs of the factory are taken (with permission from management).

Payroll And Documentation Inspection

Payroll documentation is reviewed. Payroll journals, timecards, production records, attendance books, proof of insurance payment or tax payment (if applicable) must all be provided to the auditors for a complete assessment to take place. The auditors are to ensure that the regional minimum wage is provided to all employees for all hours worked, including overtime compensation. Also evaluated is whether maximum hours authorized to work, including weekend and evening hours, are in compliance with regional labor laws.

Copies of operating licenses and other government issued permits are also reviewed. Company policy handbooks and management systems are reviewed. Employee records are reviewed and proof of age documentation must be available.

Note: this applies to company employees, as well as workers contracted from an outside agency.

Employee Interviews

The auditors will randomly select employees from various production areas for interviews, away from the presence of management or other employees. Auditors will require the use of a private room in which to conduct these interviews. These interviews are conducted on a voluntary basis and only employees who accept to participate will be interviewed.

Employees are asked questions regarding hours of work, length of employment, their understanding of disciplinary policies of the factory, hiring policies, and working conditions.

Closing Meeting

The audit is a fact-finding process, designed to help you identify areas within the factory's operations that could be improved to ensure you are in compliance with country-specific legal requirements related to the factory's production. Upon completion of the audit, the auditors will draft a comprehensive assessment report documenting their findings in the form of a Corrective Action Plan (CAP).

The assessment visit concludes with a closing meeting. During the closing meeting, factory management receives an explanation from the auditors of the findings and corrective actions. At the closing meeting, factory management has an opportunity to ask questions and discuss the CAP. Factory management signs the CAP to confirm their understanding of the assessment findings. Factory management receives a copy of the CAP to assist them in addressing areas of improvement.

Step Three: Corrective Actions

The factory is required to complete the corrective actions listed on the CAP within the recommended timeframes and to report such actions to the company for its approval. The factory is required to communicate with factory management, and ensure that corrective actions are fully implemented.

Factories are also asked to inform the company of any corrective actions that cannot be completed in the recommended timeframes, and provide a revised CAP to management.

Step Four: Verify Corrective Actions

In order for a vendor or factory to continue any future work a company-appointed representative must verify that corrective actions have been implemented. Unless photographs can be taken as evidence that corrective actions have been implemented (e.g., minor health and safety concerns), a re-audit will be scheduled using the same audit procedures described used in the original audit. *Note: The auditing company generally pays for the first audit. Vendors/factories are generally required to pay for re-audits, if necessary.*

In preparation for the auditors' site visit, this list of documents has been prepared as an example of the records, licenses, and documents normally reviewed during an assessment to aid the factory as it prepares for the audit. This list is intended to act as guidance, rather than a specific checklist of requirements, as the documents and processes within each factory are unique and certain policies or records may not be applicable to each operation.

Online Resources:

PPAI Corporate Responsibility: <https://www.ppai.org/corporate-responsibility/>

PPAI Product Responsibility Frequently Asked Questions: <https://www.ppai.org/corporate-responsibility/product-responsibility/product-responsibility-faqs/>

PPAI Business Partner QIMA: <https://www.ppai.org/members/affinity-partners/#8ed9d94d-cb76-488a-9919-c94f8345d123>

PPAI Code of Conduct: <https://www.ppai.org/corporate-responsibility/ppai-code-of-conduct/>

PPAI Social Compliance Basic Factory Audit Checklist Best Practice: <https://www.ppai.org/media/1898/sr-bp-basic-audit.pdf>

PPAI Social Responsibility Policy for Suppliers Best Practice: <https://www.ppai.org/media/1906/sr-bp-policy-for-suppliers.pdf>

PPAI Social Responsibility Corrective Action Plan Best Practice: <https://www.ppai.org/media/1900/sr-bp-cap.pdf>

United Nations Global Compact: www.unglobalcompact.org/

International Labour Organization (ILO): www.ilo.org/global/lang--en/index.htm

International Organization for Standardization (ISO) 26000: www.iso.org/iso/home/standards/iso26000.htm

Social Accountability International (SAI) SA8000: www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937

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