



Joint Audit Cooperation (JAC)



Audit Process Overview Information for Suppliers

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1. Audit Context

The Joint Audit Cooperation (JAC) considers that through the application of social responsibility standards we can enhance the economic and environmental conditions for those involved in the Information and Communication Technology (ICT) supply chains. This includes (but is not limited to) increased efficiency and productivity for companies and suppliers, improved conditions for workers, economic development, and understanding/reducing risk to ensure continuity of supply.

In the framework of the JAC, all member companies are working together with the objective, through a shared approach, to implement supply chain standards in a manner that while reducing duplication, focuses efforts on positive social and environmental change, builds supply chain capacity, and solicits feedback from stakeholders.

This document describes the JAC Audit Process more in detail for both, the 3. party audit firm and the supplier.

The audit process will be undertaken in accordance with the following principles:

- The **philosophy** of the audit is a joint and collaborative effort between the supplier and the audit firm.
- The **purpose** of the audit is to identify the level of conformance with the JAC CSR principles and/or other applicable standards equivalents.
- The **objective** of the audit is to identify areas for continuous improvement over time and to focus efforts where the maximum positive difference can be made.

2. Audit Criteria

The Audit will be undertaken according to the JAC's CSR principles which are based on international recognized CSR standards and applicable equivalents. The audit will cover five main areas:

- ❑ Labor
- ❑ Health & Safety
- ❑ Environmental
- ❑ Ethics
- ❑ Management Systems

3. Audit Team

The audit will be performed by a 3.party audit firm who also assigns responsibility for the establishment of an audit team and the generation of an audit report including all necessary follow-up activities.

The commissioned audit firm will align the estimated audit team with the JAC Leading member for the Supplier prior to the audit. The constitution of the audit team and the audit time period will depend on a number of factors such as the size of the facility and whether the engagement is a first audit or follow-up audit.

However, in general the audit team shall consist of 2-3 auditors including the lead auditor and the audit time period shall be normally in average of two days (ordinary working hours).

The audit team will meet frequently throughout the audit to exchange information and gauge the audit progress. The audit team typically will meet at the beginning and end of each day to discuss findings, exchange information, determine audit follow-up trails and strategies, and note areas that need attention.

4. Audit Preparation

To improve the efficiency of the on-site evaluation, auditors will prepare an audit plan covering their assigned sections and areas. The plan will consider:

- Physical locations to be visited
- Estimated time requirements
- Records and documents to be reviewed
- Personnel to be interviewed
- Key questions and areas of discussion

Supplier specific actions required in advance of the audit:

- Appoint appropriate staff to interface with and accompany the audit team
- Establish an agenda and schedule for the audit with the Audit Team Leader
- Make appointments with appropriate management staff and ensure they are prepared for the audit
- Ensure that all relevant information is available for the audit team upon its arrival (e.g. maps of the facility; names and numbers of key people etc)
- Ensure that auditors have access to all facilities (e.g. manufacturing, assembly, distribution, canteens, dormitories, chemical storage etc)
- Locate and collate all the requested records and documentation (set out in section 8) and ensure that these are up to date and readily available on the day of the audit.
- Arrange for language interpreters if necessary
- Provide the auditors with a meeting room

5. Audit Process

The Audit Process will involve nine stages:

- | | |
|------------------------------------------------|-------------------------------------------------------|
| <input type="checkbox"/> Opening Meeting | <input type="checkbox"/> Closing Meeting |
| <input type="checkbox"/> Facility Evaluation | <input type="checkbox"/> Audit Report |
| <input type="checkbox"/> Documentation Review | <input type="checkbox"/> Supplier Management Response |
| <input type="checkbox"/> Management Interviews | <input type="checkbox"/> Follow-up Verification |
| <input type="checkbox"/> Worker Interviews | |

6. Opening Meeting

The purpose of the opening meeting is for the audit team to meet with supplier management, confirm important aspects of the audit such as the schedule and the specific areas to be addressed.

At this meeting the supplier should present a brief summary of the business including operational issues that help the audit team understand the labor, health & safety, ethical and environmental organization, management, processes, responsibilities, goals and performance of the supplier.

7. Facility Evaluation

A tour of all relevant areas of the facility including:

- Production areas
- Office areas
- Material, chemical and waste storage areas
- Distribution centers / shipping and receiving
- Worker canteens and kitchens
- Dormitories
- Recreational facilities
- Clinic or Medical center

The purpose of the tour is to:

- Understand the production processes
- Observe general physical and working conditions and work practices
- The tour will also provide insight into policies and practices, implementation of procedures, awareness of roles and responsibilities, and management involvement

With consent from the facility management, digital photographs might be taken to further support the data obtained.

8. Documentation Review

- ❑ The audit team will read, review and analyze all relevant company documentation necessary to understand whether the supplier is conforming to the JAC CSR principles which are based on international recognized CSR standards and applicable equivalents. The following documents and records must be available on-site for auditors to review covering at least the previous 24 months:

Freely Chosen Employment

- ❑ Personnel records
- ❑ Labor contracts
- ❑ Contracts with recruiting agencies

Child Labor Avoidance

- ❑ Personnel records
- ❑ Proof of age documentation
- ❑ Identity documents
- ❑ Permits for young workers

Working Hours

- ❑ Timecards and Timesheets covering the same period as the wage / payroll records
- ❑ Non-traditional work hour permits
- ❑ Overtime waivers
- ❑ Information provided to workers describing legal requirements for working hours and overtime
- ❑ Time slips signed by employees confirming the hours they worked

Wages and Benefits

- ❑ Local Minimum Wage definition
- ❑ Wage and Payroll records covering the last 24 months, to include: (1) most current period, (2) peak production times, and (3) low production times
- ❑ If piece rates are used, piece rate records and production records for the same periods
- ❑ Information provided to workers describing wages, deductions, calculations, and provided benefits
- ❑ Worker pay receipt examples
- ❑ Proof of insurance payments
- ❑ Tax registration and proof of payment

Humane Treatment

- ❑ Disciplinary log book
- ❑ Facility rules and regulations on acceptable worker practices and disciplinary measures
- ❑ Grievance

Non-Discrimination

- ❑ Pre-employment/pre-placement medical examination requirements
- ❑ Current job advertisements and postings
- ❑ Job descriptions and qualifications for factory workers
- ❑ Grievance files

Freedom of Association

- Information provided to workers describing local laws and regulations pertaining to freedom of association and labour unions
- Evidence of regular communications with workers
- Minutes from management-worker meetings

Health and Safety

- Emergency Evacuation Plan
- Fire/Evacuation Drill records
- Chemical spill/release emergency response plan
- Industrial hygiene monitoring reports
- Worker health and safety training records
- Work Accident Records / Accident log book/records
- Documents describing the proper use of safety equipment
- Records of communication of industrial hygiene data to exposed workers
- Preventive maintenance records
- Permits/certifications to operate machinery (forklifts, etc.)
- Records of evaluation of worker exposure to the hazards of physically demanding work.
- Medical Records for workers involved in hazardous work

Environmental

- Copies of environmental permits
- Regulatory citations over the past three years
- Chemical inventory
- Hazardous waste manifests (shipping records)
- Air emissions and wastewater monitoring reports
- Process and records to ensure conformance to legal and customer requirements for product content restrictions.

Management Systems

- Organizational chart
- Description of responsibilities for the management system representatives
- Facility layout
- Documents describing the production process
- Policy manuals
- Relevant legal requirements
- Exemptions from legal requirements
- Audit reports, including verification of compliance with applicable laws and regulations
- Training records
- Factory Regulation / Employee Handbook

Ethics

- Business Registration
- Business Conduct Guidelines
- Intellectual Property Policies
- Non-Disclosure Agreements

Certifications

- Any certification obtained by the Supplier in the CSR area (for ex. SA8000, ISO 14001, Emas, OHSAS 18001).
- Any official work in progress to achieve CSR certifications of any type

9. Management Interviews

The Audit Team will conduct interviews with:

- Site manager(s)
- Production manager(s)
- Environment, Health and Safety manager(s)
- Quality manager(s)
- Human resources manager(s)
- Finance manager / payroll manager (s)

10. Worker Interviews

Worker interviews provide the audit team with a critical complement to the opening meeting, facility evaluation and documentation review. Listening to and understanding the workers can provide an accurate and realistic view of working conditions.

The audit team will select workers for interview throughout the audit, and will require a confidential space to conduct the interviews. Interviewees will be drawn from a range of workers including permanent, temporary, subcontract labour, security, cleaners, food preparation, etc. The pool of workers to be interviewed will include new workers at less skilled positions, workers from various departments and shifts, and workers of both genders.

The total number of workers interviewed will be proportionate to the size of the facility. Supplier management is asked not to be present during the worker interviews.

11. Closing Meeting

The closing meeting will take place at the end of the last day of the audit. The audit team will summarize the on-site assessment and report more in detail at the next stage of the audit process – e.g. the formal audit report containing findings and opportunities for improvement.

12. Audit Report

The audit report is a formal document describing the audit findings – non-compliances and good practices observed - based on objective evidence. It will be sent to the supplier within 30 days at the latest and will form the basis for supplier management to create improvement plans.

While the audit process is a collaborative effort between the supplier and the audit team, ultimately the audit findings are based on the judgment of the audit team. The audit team will ensure that findings are:

- ❑ Based upon objective evidence obtained during the audit sampling, relative to:
 - Intent (whether all audit criteria have been addressed)
 - Implementation (how well the practice meets the defined criteria)
 - Effectiveness (whether the policies and practices deliver the intended results).
- ❑ Related to the provisions of the JAC CSR principles which are based on international recognized CSR standards and applicable equivalents, and root cause
 - For example, if the auditor observes workers not wearing hearing protection in a high noise area, it may be easy to conclude that the reason was that hearing protection was not provided. However, upon a more thorough evaluation of the evidence, the auditor may find that the supplier was unaware of the regulation requiring the use of hearing protection.
- ❑ Structured to make it easy for management to determine a response (corrective and preventive action)

13. Supplier Management Response

It is the responsibility of the supplier's management to prepare for its customers a "Management Response" to the Audit Report. The purpose of the response is to define operative plans for resolving any issues raised in the Audit Report, including:

- ❑ Corrective Action Plans
- ❑ Preventative Action Plans
- ❑ Timeframe and Implementation Schedule
- ❑ Ownership and Accountability

14. Follow-up Verification

The follow-up verification plays an important role in JAC audits. It closes the loop in the auditing process by reporting on action(s) the supplier has taken in response to audit findings and recommendations and on the progress made toward the implementation of corrective measures. If all findings and recommendations in relation to the current JAC audit are effectively resolved and all corrective actions are completed and reported in a timely manner, the audit will be considered as completed.