

EICC Validated Audit Process (VAP) VAP Operations Manual

Revision 5.1 – January 2016

Information and communication technology companies working through the Electronics Industry Citizenship Coalition (EICC) www.eiccoalition.org are working to improve sustainability and social responsibility within the global supply chain.

These companies recognize a mutual responsibility to ensure working conditions in the Information and Communication Technology (ICT) industry are safe, workers are treated with respect and dignity, and that manufacturing practices are environmentally responsible. The Validated Audit Process (VAP) is a collaborative approach to auditing to reduce the burden on supply chain companies from multiple requests for social audits. The VAP meets the need for a high quality, consistent and cost-effective standard industry assessment for labor, ethics, health, safety and environmental practices based on the EICC code of conduct, laws, and regulations.

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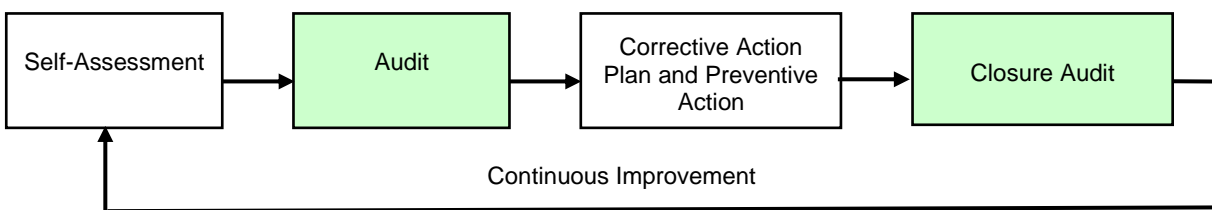
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9. Auditee Preparation

A successful audit depends on careful preparation by both the auditors and the auditee. In advance of the audit, the auditee should work to prepare its location and management team and staff for the audit. Doing so will increase audit efficiencies and will make the audit easier for both the auditors and auditee. The goal of the audit program is to work in partnership with suppliers to foster corporate responsibility (CR) performance improvement and build CR capability within the supply base.

The audit provides EICC member companies and other customers with an evaluation of a supplier's labor, ethics, occupational health and safety, and environmental practices relative to the EICC Code of Conduct. The audit also identifies CR practices and/or suppliers that may require improvement in order to be in compliance with the EICC Code of Conduct.



9.1 The EICC Validated Audit Process (VAP) Overview

The EICC audit will generally be a multi-day event with multiple auditors. The exact number of audit days and number of auditors depends on the factors listed in the Audit Team chapter.

The specific audit duration and number of auditors is determined jointly between the VAP Audit Program Manager (APM) and audit firm at the time the audit is scheduled.

The EICC audit includes observations from physical inspections; reviews of programs, procedures, and policies; and gathering information from management and workers.

Facility walkthroughs and gathering information from workers and management are intended to provide insight into CR policies, practices, and implementation of procedures, awareness of roles and responsibilities, and management involvement.

Documentation and records review provides information on how well CR management systems are defined, implemented and sustained, and of their performance.

An observer may accompany the auditors. See the chapter on Observer Guidance and Feedback for details.

9.2 EICC Validated Audit Process Criteria

The EICC audit criteria are based on the EICC Code of Conduct and local legal requirements. These criteria are the basic CR performance expectations for suppliers.

The criteria cover five main areas:

- Labor
- Health & Safety
- Environmental
- Ethics
- Management Systems for Labor, Health & Safety, Environmental, and Ethics

9.3 Audit Overview

The audit includes the following elements:

- Auditor preparation (auditors review information provided by auditee and conduct a pre-audit meeting with the auditee)
- Opening meeting
- Perimeter survey
- Facility evaluation
 - Facility tour and inspection
 - Documentation reviews
 - Information gathering from management and worker interviews and discussions
- Daily wrap-up meetings
- Closing meeting
- Draft report
- Validated Audit Report (VAR), the final audit report

The closure audit focuses exclusively on nonconformances and is shorter in duration.

Auditees that want to request help with their Corrective Action Plans (CAPs) may follow the process in the chapter for Corrective Action Preparation for Auditees.

9.4 Auditee Preparation Requirements

The auditee's advance preparation duties include:

- Confirm the audit dates and audit duration with the audit firm.
- Establish, together with the Lead Auditor, the on-site audit agenda.
- Provide information on travel logistics: preferred hotels and airports, travel restrictions and any special considerations.
- Participate in pre-audit documentation review.
- Review information about the EICC's Code of Conduct and interpretation guidance offered in this Operations Manual.
- Complete the audit scoping document or the EICC Self-Assessment Questionnaire (SAQ).

- Provide all of the requested manuals, records and documentation. Make them available and up-to-date on the day of the audit.
- Ensure that relevant information is available for the auditors when they arrive:
 - Names, phone numbers and locations of the audited facility's key people
 - Maps of the site and surrounding area
- Ensure that auditors have access to the facilities (i.e., dormitories, canteens, manufacturing, assembly and chemical storage areas).
- Ensure staff members are available that have a thorough knowledge of the facility's Labor, Health & Safety, Environmental and Ethics policies, procedures, work instructions and records.
- Ensure staff members are ready and able to pull sample working hour and wage data and populate the working hours template.
- Make appointments with individuals whom the Lead Auditor has requested for gathering information from workers/staff sessions.
- Appoint staff to interface with and accompany the auditors.
- Invite appropriate staff members to the opening and closing meetings and daily wrap-ups.
- Brief management and staff on the audit process so they can effectively participate.
- Provide the auditors with meeting room(s), preferably with access to a telephone/internet line, printer and copy machine.

The APM is available for additional guidance and to answer questions if required.

9.4 Auditee Process

The audit will follow the process as outlined below.

9.4.1 Audit Start

When arriving on site, the auditors will present identification prior to the start of the on-site audit process.

The auditor(s) will bring with them all audit tools and equipment necessary for the audit. The auditee will ensure all documents that were requested in advance by the auditor are available and appropriate staff members are available.

NOTE: Auditor(s) will arrange their own transportation and accommodation for the audit.

9.4.2 Opening Meeting

All audits begin with an opening meeting. The purpose of the meeting is for the auditors to meet with the auditee's management and other personnel involved in the audit. The opening meeting will follow standard EICC audit procedures and templates including:

- Purpose and objectives of audit
- Audit schedule
- Audit scope
- Audit approach

- Discussion of facility tours, interviews, record reviews, taking field notes
- Emphasize the fact that not every record or operation will necessarily be reviewed in detail and that the auditors may only look at a representative sample of items to determine conformance
- Schedule the daily wrap-ups and closing meeting
- Report preparation and QA process
- Auditee management response process
- Audit process flow chart making certain that the Auditee understands the timeline

The Lead Auditor will provide answers any questions the auditee may have. The Lead Auditor should use the PowerPoint presentation template, "EICC Audit Opening Meeting Template." The slide set can be modified as needed.

The auditee should present a summary of business and operational issues and other information that helps the auditors understand:

- CR program organization
- Assignment of responsibilities
- CR issues, goals and performance
- The business climate for the organization
- A summary review of facility operations
- Identification of important site activities occurring during the week
- Major changes since the last audit
- A review of the pre-audit documentation including the SAQ and any previous audit reports
- Identification of key interview candidates and availability (including relevant organization charts)
- Identification of the auditor work room
- Phone & internet protocol and support
- Identification of the site work hours
- Visitor safety and security protocols
- Discussion of the site escort protocol for visitors
- Other information of potential interest to the auditors and attendees

The opening meeting with auditee management should be conducted as efficiently as possible.

9.4.3 Audit scope

The auditors will inspect:

- Production areas
- Common areas
- Office areas
- Facilities areas (equipment rooms, wastewater treatment, maintenance shops, etc.)
- Material, chemical and waste storage and processing areas
- Warehouse/distribution/storage room(s); shipping and receiving

- Canteens and kitchens
- Dormitories, hostels and any off site housing of workers/migrant workers (if company or labor agent owns/rents accommodation for workers)
- Surrounding land (within border of factory property)
- Security room(s)

9.4.4 Worker and Management Interviews

9.4.4.1 Worker Interviews

Proper interviewing is an important element of the audit process. Auditors should focus on obtaining responses that enable accurate evaluation of past and current operating practices. Interviews should be done in a manner that is sensitive to interviewee apprehension and nervousness.

Throughout the audit, the auditors will interact with workers to gather information in both formal and informal situations. Formal interaction means that the auditors select and interview certain individuals; these workers will come from different areas of the facility, different shifts or positions and have different responsibilities. Informal interactions occur as the auditors have brief interactions with individuals at their place of work or in other areas of the factory during the course of the audit.

Worker interviews are a particularly sensitive topic. Auditors should always ask auditee management to ensure that worker interviews can be conducted privately, without the presence of auditee managers or other staff. Worker input is confidential. The auditee must agree at a senior level to encourage workers to be open and honest during interviews and they must actively protect any interviewed worker from retaliation (i.e., no reduction in pay or other penalties) for any information that leads to a nonconformance finding.

The number of workers selected for a formal gathering or information session will depend on facility size. Interviews may last 20 minutes or more, and will be conducted in two ways: individually or in group settings. In order to provide statistically valid results, the number of worker interviews conducted and the number of worker records reviewed depends on the number of workers at the facility.

Interviewees will be drawn from a range of workers including permanent, temporary, subcontract labor, security, cleaners, food preparation and other staff. The pool of workers to be interviewed should vary, including new and experienced workers, those in more and less skilled positions, workers from various departments and shifts, and workers of both genders. When appropriate, the interviewees should include worker representatives.

The number of interviews conducted should equal approximately the square root of the total number of workers (direct and indirect employed people excluding management staff) (e.g. 55 interviews for a factory with 3000 workers). Where this is not possible, a clear explanation for a lower number of interviews should be given in the report. NOTE: If half or more of the required interviews are completed and all feedback is consistent with information provided by management and documents reviewed, then it is not necessary to perform additional interviews.

Worker interviews are private meetings between the auditor and the interviewees. Auditee management and observers cannot be present during interviews in order to ensure worker privacy and confidentiality, nor can the interviewees be punished in any way for the comments made during an interview.

The APM should be immediately informed if site management is unwilling to allow interviews, or if the auditors feel that workers talking openly with auditors will compromise the workers. The APM will assess the situation, including contacting the auditee, in order to determine if the audit should continue.

The following information is to be documented:

- Gender breakdown of interviews (e.g. 36 female, 32 male and 12 juveniles)
- The shift on which workers are engaged (if applicable)
- Any issues with privacy and confidentiality of interviews
- Whether workers attended interviews freely
- Workers were not coerced
- Age range of interviews undertaken
- Number of individual and group interviews undertaken
- Total number of interviews undertaken
- Whether interviews were undertaken by the auditor or professional interviewer

9.4.4.2 Management Interviews

Gathering information from managers provides the auditors with an understanding of how the auditee's CR programs were developed and are implemented. Auditors should verify statements made by site staff through a review of documents, records, physical observations and worker interviews. This verification step is used routinely in auditing, and auditors should ensure that those who are interviewed are aware that it is not meant to be a challenge to the veracity of their statements.

Typically, the auditors interact with:

- Site manager(s)
- Production manager(s)
- Maintenance staff
- Environmental manager(s)
- Health & Safety manager(s)
- Quality manager(s)
- Internal Audit manager(s)
- Human Resources manager(s)
- Onsite services staff such as canteen, dormitory supervisors, security staff
- Finance manager/payroll manager(s)
- Procurement manager/supply chain manager(s)
- Warehouse and chemical store manager(s)
- Onsite medical staff (as appropriate)
- Legal
- Other personnel (as appropriate)

9.4.5 Facility Walk through

The purpose of the facility walkthrough is for the auditors to observe physical conditions and current practices in all areas of the facility.

The auditor should be free to review all physical areas of the facility and should set the pace and direction of the tour.

At the start of the audit, a perimeter survey may be conducted. Portions of this survey may take place prior to the opening meeting.

The objective of this survey is to identify a variety of data points that help provide context to the auditors of the auditee's operation and to help the auditors prepare questions for further investigation.

This survey may consist of:

- Looking at transportation infrastructure
- Emergency services such as fire department or outside security services
- Identifying potential local community impacts
- Identifying potential local environmental impacts

During the tour, the auditor typically inspects and observes:

- Work environment (space, temperature, lighting, etc.)
- Ergonomics and work stations
- Manufacturing and processing operations
- Fire and emergency equipment
- Machine protection and maintenance
- Emergency procedures
- Personal protective equipment
- First aid equipment and medical center/clinic
- Air emissions and emission control systems
- Hazardous materials storage and handling
- Hazardous waste generation and storage
- Waste (hazardous and non-hazardous) management
- Fuel, chemical and oil storage, transport and use
- Toilets and sanitation
- Canteen and kitchen hygiene and safety, when applicable
- Dormitory facilities including hygiene and safety
- Wastewater treatment, discharge and sludge disposal
- Recreational facilities
- Unreasonable restriction on workers' freedom of movement or rights
- Quality, production and time records

- Posting of relevant codes and any worker information relating to their rights
- Workers' notice boards and information relating to Union or workers committee meetings
- Any records or documents displayed that might show a discrepancy between operational activities and the protection of human rights

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

In some cases, for safety, security or commercial confidentiality reasons, the site management may prevent visitors from walking unaccompanied through portions the site. In such cases, auditors should follow the auditee policies, unless the management is willing to offer an exception.

It is the responsibility of the auditee to inform the auditors of the safety rules and requirements (such personal protective equipment – PPE in specific facility areas) and provide the auditors with necessary PPE where required.

Photos allow the auditors to quickly document certain situations. Auditors should obtain permission to take photos in the facility. Alternatively, the auditee can take photos as requested by the auditors and provide them by the end of each day to the audit team. If the management does not give such permission and will not take requested photos (either as a whole, or in certain areas), auditors will document this in the report. Photos are not intended to contain product, product information or other proprietary information.

The auditors shall disrupt the production flow as minimally as possible during the facility walk through.

9.4.6 Document Reviews:

As part of the audit, the auditors will review relevant records. Examples include, but are not limited to (for more information, see 'Critical Documents' chart):

- Working hour records, payroll, wages, deductions and benefits
- EHS management system documentation
- Permits
- Waste Records
- Written policies, programs, procedures
- Training records

The number of records to be reviewed, and what is to be reviewed, will be provided by the auditors during the audit. It is important for the auditors to spend some time reviewing the site's compliance records (e.g. permits, plans, procedures, records) before interviewing the staff or inspecting the operating facilities. This is because many of the compliance requirements are found in these records. The auditors will review the records for the applicable requirements and verify compliance through interviews and inspections.

The auditors should be thorough in the review of records, however, this does not mean that every record must be evaluated. The auditor is free to use statistical or other representative sampling in the review process. Where the auditor does not review every record and there is a nonconformance finding, the auditor must reflect the sampling method in the statement of finding.

The documents and records must be available on-site for auditors to review, and must cover at least the previous 12 months.

A minimum of three months of pay and time records (peak, valley and average month) will be reviewed for each worker for the 12-month period prior to the audit. In the case of a closure audit, three months of pay and time records will be reviewed for each worker from the period of corrective action implementation till date of audit (not exceeding one year).

The documents that auditors will review must be available at the start of the onsite audit process. If the documents are not available 4 hours into the audit, the audit may be determined as “Denied Access” or the documents may not be reviewed by the auditor and will be classified as not present, which may negatively impact the audit score and results.

As part of the documentation review, the auditors may need to record some information in order to complete their evaluation. The auditors will not include any confidential information, such as detailed product information, detailed process steps, or personal identifiers in the audit report. In addition, the APM screens all Validated Audit Reports (VAR) to ensure that any potentially confidential information is removed prior to releasing the reports to the auditee and the authorized recipients.

Note: The number of records per month reviewed must always equal at least the square root of the total number of “in-scope” workers at the site, even if auditors have interviewed less than that number.

Note: A closure audit cannot take place unless there are at least three months of implementation data (unless the closure audit is related to a Priority Nonconformance). A closure audit is also not permitted to take place AFTER the initial audit cycle has expired (2 years from the closing meeting of the initial audit). Any facility that tries to schedule a closure audit 18 months or more from the prior initial audit will be asked to schedule a new initial audit.

9.4.7 Daily ‘Wrap-up Meeting’

The auditors will meet at the end of each audit day with the auditee’s management to discuss the day’s findings, provide the opportunity for the auditee to present additional evidence and discuss issues where additional information may be needed to complete the evaluation.

The auditors will recap and agree upon the agenda for the remaining onsite audit with the auditee management and clarify any further needs to ensure the audit is performed as effectively and efficiently as possible. This is needed to prevent surprises at the closing meeting and to give auditee management the opportunity to provide evidence or information that the auditor may have overlooked.

Daily wrap-up meetings are approximately 30 minutes or less. During the meeting, the auditor should:

- Discuss any “Priority” findings, including need for immediate correction or containment of ones that constitute imminent danger to life.
- Inform auditee management that a formal communication of “Priority” items will be made to the APM, who will in turn notify the auditee’s EICC customers.
- Make the auditee aware of any issue where the auditors need additional information in order to make a determination of conformance.
- Encourage the auditee to present/prepare additional evidence as well as alternative approaches to compliance/conformance with the audit criteria and legal requirements.

- Discuss preliminary findings, providing the opportunity for the auditee to provide additional information in the case of a disputed finding. There may be evidence that could potentially amend or reverse a finding.

9.4.8 Closing Meeting

The closing meeting is held at the end of the last day of the audit. The same group of auditee personnel that participated in the opening meeting, as well as any others who would benefit from hearing from the audit team, should attend the closing meeting.

All Major and Priority audit findings must be presented during the closing meeting, ensuring that the auditee fully understands those issues. In instances where the auditors need to conduct further studies (e.g. review relevant legislation) to establish if an issue observed is indeed a finding, the facts of the pending issues must be discussed with the site management. The auditee is also given the opportunity to ask questions and provide additional evidence or clarification. If additional information or evidence is required, it must be provided at this stage.

The **Audit Finding Acknowledgement (AFA)** statement, which is a preliminary record of any Priority or Major audit findings as well as any other findings if the auditors have had time to detail them, is signed at the end of the Closing Meeting and emailed to the APM within 48 hours of the closing meeting.

The closing meeting will be conducted through a formal presentation. The auditor can use summary slides created from the EICC Closing Meeting Template. If the situation requires a Closing Meeting presentation, the Auditor should use the EICC Closing Meeting Template. If the meeting is not conducted or is cut short, auditees should please notify the APM.

The audit team will also describe the next stage of the audit process – i.e. the formal audit report containing all findings, and the requirement for the auditee to address the findings with a written improvement plan that must be provided to their approved customers upon request.

For Priority Nonconformances, during the closing meeting:

- Communicate to auditee management that immediate containment actions are mandatory
- Immediate containment actions should be completed by the end of the audit
- Auditor will list the status of the immediate containment actions as “auditor note” in the conclusion of the applicable question in the audit report.
 - NOTE: Containment does not apply for working hours and social insurance priority issues.

The closing meeting is also used to thank facility management for allowing the auditors to tour the facilities and for their cooperation during the Audit.

The Audit Finding Acknowledgement statement is signed at the end of the closing meeting and emailed to the APM within 48 hours of the meeting.