Certification Body Requirements for the Woolworths Ethical Audit Program

The objective of this document is to establish requirements for Approved Third Party Certification Bodies conducting Ethical Audits against the Woolworths Ethical Audit requirements. The information contained follows the requirements of the GSCP (Global Social Compliance Programme) Reference Tool for Auditing Competence – in main with slight modifications to meet the needs of our business.

We strongly encourage all Certification Bodies to conduct the GSCP Equivalence Process to assist with the identification and assessment of capability and plans for ongoing process improvement. Whilst not mandatory, this requirement may be modified to assist us with promotion of our ongoing best practice approach to audit.

This document aims to assure the appropriate assessment of the capability and suitability of auditing bodies and auditors.

Following the conditions specified within this document will promote:

- Conformance to the requirements of Woolworths Ltd.
- Consistency in achieving objectives
- Compliance with standards, procedure and systems.

Scope

This document includes the requirements for competency, consistency, relevance and impartiality of any auditing body in charge of auditing against the Woolworths Ltd Ethical Audit requirements.

The document also details the competence of the personnel auditing and assessing suppliers of Woolworth’s products.

Requirements

To gain approval to audit certification bodies must meet the requirements as outlined in this document including:

1. Core principles of certification bodies
2. Requirements for certification bodies
3. Audit standards, scope and process
4. Alerts and sensitive information
5. Appeals
6. Complaints against auditor/s or a certification body.
7. Fraud prevention
8. Support in the event of an external challenge
1. Core Principles of Auditing Bodies

The core principles for operation are as follows:

- impartiality
- competence
- responsibility
- openness
- confidentiality
- responsiveness to complaints
- professional integrity

**Impartiality**

Certification Bodies engaged by Woolworths Ltd must be impartial in policy making and operation. The Certification Body and its employees (including contracted auditors) must base their decisions and opinions on objective evidence. These opinions and decisions must not be influenced by other interests, parties or prejudice.

**Competence**

Competence of personnel involved in the audit process for Woolworths Ltd Ethical audits must be of a sufficient level for Woolworths Ltd to be absolutely confident of audit findings and decisions arising from an audit. (See appendix 1 – requirements for Auditors and Lead auditors).

**Responsibility**

Auditors and technical personnel have the responsibility to assess effectively and provide objective evidence upon which to base their findings and reports.

**Openness**

Certification Bodies shall make clear and unambiguous information publicly available with respect to its governance structure and operation. Certification Bodies, in accordance with its confidentiality policy, agrees to the shadow auditing and documentation review of its personnel at the request of Woolworths Ltd.

**Confidentiality**

Certification Bodies have clearly defined confidentiality policies regarding the sites audited and the divulgence of information to any party outside of the audit site and/or Woolworths Ltd.

**Responsiveness to Complaints**

Certification Bodies shall have effective and responsive procedures in place for dealing with complaints irrespective of the source.

**Professional Integrity**

Certification Bodies must adhere to good governance. Good governance should by definition be Consensus Oriented, Participatory, following the Rule of Law, Effective and Efficient, Accountable,
2. Requirements of Certification Bodies

2.1 Organisation and Management

a. General requirements

2.1.1 The Certification Body is a legal entity (or part of a legal entity) and has a constitution which clearly defines its activities and responsibilities.

2.1.2 The Certification Body, in line with the Woolworths Ltd contract for certification bodies, has adequate and appropriate arrangements in place to cover any liabilities. The Certification Body will ensure they maintain a position of impartiality.

b. Structure

2.1.3 The Certification Body has a clearly defined organisational and reporting structure including job descriptions, scope of operations and expertise of personnel. They will be thoroughly documented, maintained and updated and presented at each Quarterly Business Meeting or as required.

2.1.4 The Certification Body has a designated manager with overall responsibility for ensuring the competency of personnel and the consistency of the operations of audits.

2.1.5 The Certification Body immediately notifies Woolworths of any significant changes within its organisational structure (e.g. change of ownership, relevant staff changes, change of location or physical address). The Certification Body will provide adequate notice (minimum 2 weeks) of closure periods and leave period for key staff.

c. Personnel

2.1.6 The Certification Body has a system in place to ensure employees and sub-contracted personnel enjoy rights granted by local and national legislation as well as ratified international labour standards. The Certification Body shall apply whichever affords the highest level of protection.

2.1.7 The Certification Body ensures that impartiality and confidentiality of information obtained at audit is maintained and monitored. The Certification Body has a policy and a management control process in place to ensure impartiality. This policy must clearly define what constitutes a conflict of interest. In the event that the Certification Body, employees or contractors have links to, or relationships with organisations or persons offering consultancy services, these links or relationships are clearly
defined and controls are in place to ensure that there is no compromise of the impartiality of the Certification Body.

2.1.8 The Certification Body has the responsibility of ensuring the overall management of the auditors time/schedule so that they are adequately maintaining audit, travel, reporting and training time.

2.1.9 The Certification Body has effective systems in place to ensure the safety, protection and security of its auditors.

d. Audit Management and Quality Assurance

2.1.10 A Quality Assurance System is in place to control and manage audits including the following;

- The Certification Body’s policy and commitment to quality
- A system of internal audit
- A formal review process for review of quality systems
- A formal process for communication, review and adherence of quality systems to all staff
- A formal process for ensuring consistency of quality and standards across the Certification Body
- A formal process of periodic shadow audits’ of each auditor by a senior / more experienced auditor within the Certification Body to review competency and quality

2.1.11 The Certification Body has an internal audit system in place under the direct control of the audit bodies management.

2.1.12 The Certification Body has an audit review process in place. This review checks the integrity of the audit process and the correct completion of documentation. In the event that changes to findings (i.e. changes, additions or removals of non-compliances or observations) are made by the reviewer, these are signed off by the original auditor as well as the Auditee. Notes of changes are kept by the Certification Body and made available in request to Woolworths Ltd. Changes or enquiries raised by Woolworths Ltd personnel will be retained within the PLMS.

e. Record of findings and use of results

2.1.13 Full records of all audits are retained for a minimum of 6 years including reports/completed checklists, auditor field notes, non-conformances, images and any other supporting evidence found on the day of the audit as well as any follow-up actions.

2.1.14 The Certification Body maintains a list of planned audits where relevant within the PLMS.
2.2 Competency of Personnel

2.2.1 The Certification Body employs personnel that demonstrate the required/relevant competences to fulfil the management, administrative and auditing functions relevant to their position/functions within the organisation.

2.2.2 The Certification Body employs auditors and lead auditor that meet the requirements as compiled in the GSCP reference requirements for auditors and lead auditors.

2.2.3 The Certification Body is able to demonstrate that individuals involved in reviewing audit reports have the appropriate experience and knowledge of, inter alia:

- The current version of audit checklist and grading matrix (of the Woolworths Ltd Ethical Audit)
- On-site training of the audit process (i.e. shadow auditing)
- Local laws, relevant standards and regulations
- Existing relevant developments projects taking place in the country of operation of the site or relating to the sector in which the site operates
- Appropriate experience prior to being nominated which includes, for audit reviewers, having successfully reviewed a minimum of 3 audit reports under the guidance of an experienced reviewer.

The Certification Body is able to provide evidence of competency assessment of the reviewers.

2.2.4 The Certification Body maintains up-to-date personnel records, including relevant qualifications, training, experience, affiliations, professional status, competence and any relevant consultancy services that may have been provided. This includes management and administrative personnel as well as those conducting audits or audit review.

2.2.5 When appointing a new employee or subcontracted auditor whose duty is connected with the auditing process, the Certification Body must request a reference from a previous employer or organisation on behalf of which the auditor has conducted audits or undertaken audit review. This reference which includes details of relevant experience is fully reviewed by a senior member of the Certification Body’s management and formally approved. Where appropriate, the Certification Body undertakes searches of official data to verify the personal integrity of the new employee or subcontractor. This extends to a discussion with the Woolworths Ltd Auditor Qualifications Specialist for final sign-off.
2.3 Continuous Professional Development

The Certification Body ensures that all auditors, lead auditors and reviewers are provided with the resources to maintain their knowledge of existing requirements as specified by Woolworths Ltd, the GSCP Reference Code or its equivalent, in the international Labour Conventions and ILO Labour Conventions.

2.3.1 The Certification Body ensures that all auditors and lead auditors involved in the authorising of the final report:

a) Continue to meet the requirements requisites stated in the GSCP reference requirements for auditors and lead auditors

b) Maintain their knowledge of relevant standards and schemes

c) Have access to facilities and organisations that will enable them to familiarise themselves with national laws, relevant standards and regulations

d) Have been assessed and trained to meet the GSCP requirements for auditors and lead auditors or its equivalent. Records of qualifications, experience, training and assessment are maintained; these records confirm the tasks each staff member has been approved to undertake

2.3.2 The Certification Body has in place an ongoing program to ensure that their staff are able to develop their knowledge and skills. To this end the Certification Body ensures ongoing professional development for all auditors and lead auditors involved in authorising the audit report, which includes training on audit methodology and best practice, building familiarity with country legislation and industry practices, and training on action planning.

2.3.3 The Certification Body ensures that personnel are given formal updates as appropriate and undergo collective development workshops at least annually to ensure personnel are fully updated with information and that interpretative matters are discussed and clarified.

2.3.4 The Certification Body ensures that all personnel are subject to a systematic review and assessment program at least annually to ensure satisfactory performance. This review will include shadow assessments and report review with immediate notification to the Auditor Quality Specialist/ Audit Program Manager advising of any unsatisfactory performance.

2.4 Sub-contracting

2.4.1 Sub-contracting Woolworths Ltd Ethical Audits supplied by Woolworths Ltd to the Certification Body to any other party is strictly prohibited.
3. **Audit Standards, Scope and Process**

3.1 Audits are carried out using the Woolworths Ltd Ethical Audit Report/Checklist and Grading Matrix and Woolworths Ltd Ethical Sourcing Policy.

4. **Alerts and Sensitive Information**

4.1 The Certification Body has a procedure in place to immediately report to Woolworths Ltd:

- Any information regarding abuse or harassment of workers or breach of law at the site being audited where the auditor has been unable to verify the information
- Any information regarding abuse or harassment of workers or breach of law at the site being audited where reporting the issue directly to management risks putting workers or other staff in danger
- Any information regarding Critical Non Compliance within 24 hours of audit
- Any attempt to bribe, coerce or threaten an auditor, audit reviewer or audit administrator

The Certification Body ensures that information is treated with sensitivity and in accordance with its confidentiality policy

4.2 In the event that abuses of rights of workers are reported after the audit to the Certification Body, the Certification Body will report this information to Woolworths Ltd.

5. **Appeals**

5.1 The Certification Body has a documented procedure to receive, evaluate and make decisions on appeals by Auditees.

5.2 Details of the Certification body's appeal handling procedure are publicly accessible.

5.3 In the event of an appeal, the Certification Body ensures that staff engaged in the appeal handling process is different from those who carried out the audits and undertook the audit review.

5.4 In the event that an appeal process is not resolved and as a last resort, the Certification Body has a procedure in place to refer it to an independent third party.

5.5 The Certification Body ensures that the submission, investigation of and decision on appeals do not result in any discriminatory actions against the Auditee or any other party.

6. **Complaints**

6.1 The Certification Body has an independent and documented procedure to manage, resolve and record all complaints.

a. Complaints are any expressions of grievance or dissatisfaction with a service provided and can relate to:

- A specific action of service provided by the Certification Body
- Violations of laws and/or administrative rules
  
  b. Complaints can be filed by individuals and/or organisations such as Woolworths Ltd personnel, the auditor, the Woolworths Ltd Supplier/worker, trade unions

Examples of complaints are as follows:

- Failure to provide service within the agreed Service Level Agreement or to the expected standard
- Expression of dissatisfaction in answering a query or responding to a request
- Failure to follow The Certification Body’s own policy, orders or procedures
- Failure to take proper account of relevant matters in coming to a decision
- Discourteous or dishonest behaviour by a member of staff

This may include, but is not limited to fraud, bribery and all issues relating to the behaviour of auditors and other staff.

  c. Every Compliant requires an investigation and, if confirmed as warranted, appropriate follow-up action.

6.2 The complaint procedure of the Certification Body is transparent and publicly accessible.

6.3 Requests for clarification, further information and/or timescales do not constitute a complaint.

However, the Certification Body has a documented procedure to manage any requests which require follow-up and/ or further action.

6.4 The Certification Body ensures that the submission, investigation of and decision on complaints do not result in any discriminatory actions against any party involved in the complaint procedure.

6.5 In the event that a complaint is not resolved and as a last resort, the Certification Body has a procedure in place to refer it to an independent third party.

6.6 The Certification Body has a procedure in place for periodic analysis of complaints to identify systemic problems and develop appropriate solutions.

7. Fraud Prevention

7.1 The Certification Body has policies in place setting out the behaviour required of all staff involved in performing audits, reviewing audits and audit administration. This policy prohibits the acceptance of payments, samples, gifts or any other benefit.

7.2 All staff involved in performing audits and audit administration receives training on this policy and sign to indicate that they understand and abide by the policy.

7.3 The Certification Body has a process in place to analyse the findings of auditors and identify abnormal results
7.4 The Certification Body takes appropriate action to carry out a full investigation in the event of any allegations of fraud or attempted fraud involving an auditor or staff involved with audit review or administration. The result of the investigation is known to and where appropriate acted upon by the Certification Bodies senior management, which may include formal communication with Woolworths.

8. Support in the Event of External Challenge

8.1 The Certification Body undertakes to provide any necessary information and support that may be required by Woolworths in the event of a claim, action, demand or proceedings involving any site that it may have audited for Woolworths Ltd in accordance with it confidentiality policy.
Appendix 1: Requirements for Auditors and Lead Auditors

These requirements will ensure the relevant level of competency is established both for auditors and lead auditors and will enhance the professionalism of individuals carrying out the assessment of suppliers.

Table A: Core auditor competence and pre-requisite reference requirements

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<tr>
<th>Competence/Pre-requisite</th>
<th>Requirement</th>
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| Ethical                  | - The individual will be fair, truthful, unbiased, sincere, discreet, trustworthy and honest  
                          | - The individual will possess a high level of integrity, particularly in relation to bribery and corrupt practices |
| Open-Minded              | The individual will be open-minded, reasonable and will be willing to consider alternative ideas or points of view |
| Diplomatic               | The individual will be tactful in dealings with people, as appropriate to achieve the audit objectives |
| Observant                | The individual will be fully aware of physical surroundings and activities throughout the entire audit process |
| Perceptive               | The individual will instinctively be aware of and be able to understand situations |
| Versatile                | The individual will be able to adjust readily to different situations and to effectively resolve conflict and arrive at consensus agreement as far as possible |
| Tenacious                | The individual will be persistent and focused in their approach to achieve objectives |
| Decisive                 | The individual will be able to reach timely conclusions based on logical reasoning and analysis, and in the case of possible conflict, be confident to manage and control discussions. The individual will assume the leadership role during problematical discussions and situations in order to resolve issues. |
| Self-reliant             | The individual will be able to act effectively and function independently during audits |
| Ethically and Morally    | The individual will act professionally and ethically and make decisions even though these actions and decisions may result in disagreement, confrontation or appeal proceedings |
| Courageous               | The individual will be courteous, conscientious, discreet and business like in their approach to auditing  
                          | - The individual will have the ability to deal sensitively with people from different backgrounds and to make them feel at ease, in order to resolve conflict without losing composure  
                          | - The individual will be empathetic, respectful of others and will help to build trust during and following the audit  
                          | - The individual will keep relevant information confidential in accordance with non-disclosure or confidentiality agreements  
                          | - The individual will communicate confidently and with authority to secure agreement with Auditee management  
<pre><code>                      | - The individual will maintain strict independence from self interest or personal bias |
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<tr>
<th>Respectful</th>
<th>The individual will act respectfully, show politeness and good manners</th>
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| Organised                                           | - The individual will effectively plan, prioritise and adjust to the activities to Auditee needs as far as possible, without adversely affecting the audit  
|                                                     | - The individual will have good organisational and time management skills |
| Logical                                             | - The individual will make correct decisions based on objective and verifiable evidence |
| Audit principles, procedures and techniques         | - The individual will apply audit principles, procedures and techniques associated with management systems and possess a detailed knowledge of compliance issues commonly experienced in such systems  
|                                                     | - The individual will prioritise and focus on matters of significance and understand the appropriateness and consequences of using sampling techniques for auditing  
|                                                     | - The individual will be able to verify the accuracy of collected information and be aware of the significance and appropriateness of audit evidence to support audit findings and conclusions  
|                                                     | - The individual will understand and assess those factors that can affect the reliability of the audit findings and conclusions |
| Management Systems and reference Documents          | - The individual will have a detailed knowledge of management systems standards, applicable procedures or other management systems documents used as audit criteria  
|                                                     | - The individual will have the ability to apply management systems principles to different organisations and the interaction between components of the management system  
|                                                     | - The individual will understand and act upon differences between and the priority of reference documents and understand the need to apply specific reference documents to different audit situations  
|                                                     | - The individual will have knowledge of information systems and technology for authorisation, security, distribution and control of documents, data and records |
| Organisational situations                          | - The individual will have knowledge of general business processes and will understand the workings of organisations in relation to size, structure, function and relationships  
|                                                     | - The individual will have knowledge of specific functions with particular reference to Human Resource Management, payroll systems, productivity systems, union relationships, collective bargaining processes, relevant collective agreements, worker organisations (non-unionised) and worker grievance processes.  
|                                                     | - The individual will understand the social, economic and cultural relationships in worker communities |
| Applicable laws, regulations and other requirements relevant to the discipline | - The individual will have detailed knowledge of National and local laws that apply to the organisation being audited, with particular reference to one of the areas listed under social compliance:  
|                                                     | 1. Social Compliance Assessment  
|                                                     |   - Employment law related to wages, benefits, hours of working, remuneration codes of practice and standards, holidays and employment termination codes and standards, subcontracting and home working  
|                                                     |   - Child labour  
<p>|                                                     |   - Forced labour  |</p>
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<th>Reading</th>
<th>The individual will understand and interpret written material with particular referent to payroll, employment records and factory records.</th>
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<td>Writing</td>
<td>- The individual will have good written communication skills</td>
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<td>- The individual will produce written documents that can be understood by the intended audience</td>
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<td></td>
<td>- The individual will produce clear and accurate reports on audit findings and clearly articulate these in relation to legal requirements and relevant codes</td>
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<td>Listening</td>
<td>- The individual will understand and interpret verbal communications</td>
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<td>- The individual will understand and interpret non verbal communication, such as gestures, and personal expression</td>
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<tr>
<td>Numeracy</td>
<td>The individual will understand and interpret number systems and their significance</td>
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<tr>
<td>Oral Presentation</td>
<td>- The individual will have good oral communication skills, which are appropriate and make him/her understood by the intended audience</td>
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<td>- The individual will provide clear and accurate oral representation on audit findings at closing meetings and clearly articulate these in relation to legal requirements and relevant codes</td>
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<td>Interviewing</td>
<td>- The individual will be experienced in different types of interviewing techniques</td>
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<td>- The individual will understand the principles of sampling techniques with respect to group or individual interviews and cultural considerations</td>
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<td>- The individual will have the ability to interview personnel without compromising the source of information</td>
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<td>- The individual will deal discreetly with personnel who may feel compromised or uncomfortable</td>
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<td><strong>Facilitate Meetings</strong></td>
<td>The individual will effectively control and manage meetings during the audit</td>
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| **Language**           | - The individual will be a fluent speaker and reader of the language(s) used by the managers, administrators and workers of the organisation being audited  
                          - Under circumstances where the individual’s linguistics skills are limited, the individual will communicate effectively through an interpreter |
| **Technical Language** | The auditors will have knowledge of the technical language employed on site, depending on the industry sector |
| **Fraud Detection**    | The individual will understand and has the skills to detect commonly used methods of document manipulation, fraudulent actions and fraudulent practices |
| **Action planning / advice** | The individual will have the capability to advise on ways to effectively resolve non-conformances in a practical way that meets Woolworths Ltd requirements |
| **Detection Skills**   | - The individual will be have knowledge and investigative skills to detect non conformances which may have been subject to manipulative practices by the Auditee to prevent detection  
                          - The individual will have the investigative skills to determine the authenticity of information and to verify possible allegations made by other sources |
| **Analytical Skills**  | The individual will effectively and systematically assess situations and information to make informed decisions on objective and verifiable evidence |
| **Interpersonal Skills** | - The individual will have skills to ensure effective communications between themselves and other people  
                              - The individual will have good people management skills  
                              - The individual will have good communication skills in relation to a situation which warrants careful information gathering such as issues relating to gender, race, culture, discrimination, and worker /management dispute. |
| **Education**          | The individual will have successfully completed secondary education to an appropriate level to comply with the personal skills requirement of this document |
| **Work experience**    | The individual will have industrial experience relevant to the business being audited |
| **Auditor Training**   | - The individual will have undertaken and successfully completed a course or courses in relation to the specific standards, codes or conventions  
                              - The individual will have undertaken and successfully completed courses which impart knowledge of effective auditing skills / methodology and other skills e.g. investigative and analytical skills  
                              - The individual will undertake additional training in the event that there is a change to legislation, specific standards, codes or conventions |
| **Audit Experience**   | - The individual will initially have completed a minimum of 10 days of onsite audit experience of conducting audits under the direction and guidance of a competent lead auditor |
Table B: Specific lead auditor competence and pre-requisite reference requirements

In addition to Table A, lead auditors shall possess the following competencies:

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<tr>
<th>Competence/Pre-requisite</th>
<th>Requirement</th>
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<tr>
<td>Generic Knowledge and skills of lead auditors</td>
<td>The individual will lead an audit team and will:</td>
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<td>- Plan the audit and make effective use of resources during the audit</td>
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<td>- Select appropriate competent audit team members with due regard to the knowledge and skills of individual audit team members</td>
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<td>- Represent the audit team in communications with the Auditee and other interested parties</td>
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<td>- Organise, direct and manage audit team members both during and after the audit</td>
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<td>- Provide direction and guidance to auditors in training</td>
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<td>- Lead the audit team to reach conclusions</td>
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<td>- Have skills for preventing and resolving conflicts</td>
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<td>- Prepare and complete the audit report</td>
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<td>- Have an understanding of all disciplines with the scope of the audit</td>
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<td>Audit experience (Lead Auditor)</td>
<td>- The individual will initially have completed 25 days of onsite audit experience in conducting audits under the direction and guidance of a competent lead auditor</td>
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<td>- The individual will have undertaken at least two satisfactory audits as an acting team leader, shadowed by and under the supervision of a competent lead auditor.</td>
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