

1. Independence

- 1.1. Being independent and being perceived to be independent is necessary for an APSCA Member Firm to deliver independent social compliance audits that provide confidence. It is important that all audit firm personnel are aware of the need for independence to conduct social compliance audits.
- 1.2. It is recognized that the source of revenue for an APSCA Member Firm is its client paying for social compliance audit services, and this is a potential threat to independence.
- 1.3. It is essential that an APSCA Member Firm's decisions be based on objective evidence obtained by the Member Firm through Member Auditors, and that its decisions are not influenced by other interests.
- 1.4. Threats to independence may include, but are not limited to, the following:
 - 1.4.1. **Self-interest:** a Member Firm and/or Member Auditor acting in their own interest, including financial interests and interests relating to the provision of social compliance audit services to clients where other services are also provided.
 - 1.4.2. **Self-review:** a Member Auditor reviewing the work done by themselves or another member of the same firm; e.g., auditing the management systems of a client for whom the Member Firm and/ or Member Auditor provided management systems consultancy on related topics.
 - 1.4.3. **Familiarity** (and trust): a Member Firm and/ or Member Auditor being too familiar with or trusting of another person instead of seeking audit evidence.
 - 1.4.4. **Intimidation:** a Member Firm and/ or Member Auditor having a perception of being coerced openly or covertly, such as a threat to be replaced or reported to a supervisor.

2. Management of independence

- 2.1. Social compliance audit services shall be undertaken independently. All audit firm personnel, who could influence social compliance audit services, shall act independently and shall not allow commercial, financial or other pressures to compromise their independence.
- 2.2. The Member Firm shall have top management commitment to independence in social compliance audit services. The Member Firm shall have a policy stating that it understands the importance of independence in carrying out its social compliance audit services, manages conflicts of interest and ensures the objectivity and effectiveness of same. The Member Firm shall require all audit firm personnel to reveal any situation which can present them or the Member Firm with a conflict of interest. Member Firms shall record and use this information as input to identify threats to independence raised by the activities of audit firm personnel or by their relationship with organizations that commission their services.
- 2.3. The Member Firm shall have a process to:
 - 2.3.1. Identify, analyze, evaluate, treat, monitor, and document the risks related to conflict of interest arising from provision of social compliance audit services including any conflict which arises from its relationships on an ongoing basis. Sources of threats to independence of the Member Firm can be based on ownership, governance, management, personnel, shared resources, finances, contracts, training, marketing and payment of a sales commission or other inducement for the referral of new clients.
 - 2.3.2. Where there are threats to independence, the Member Firm shall document and demonstrate how it eliminates or minimizes such threats and document any residual risk. The demonstration shall cover all potential threats that are identified, whether they arise from within the Member Firm or from the activities of other persons, bodies or organizations.
- 2.4. The Member Firm shall not conduct an audit when the Member Firm (including, but not limited to, owners, managers, or auditors) has a business interest in the outcome of the audit (this includes, but is not limited to, fees or other business contingent on the outcome of the audit).
- 2.5. The Member Firm shall not perform social compliance audit services at any facility where the Member Firm, its owners or managers have provided social compliance consultancy within the preceding two (2) years.

- 2.6. To ensure there is no conflict of interest, audit firm personnel who have provided consultancy, including those acting in a managerial capacity, shall not be used by the Member Firm to take part in a social compliance audit or other social compliance audit services if they have been involved in social compliance consultancy for the client in the preceding two (2) years.

GLOSSARY OF TERMS

ASCA: An APSCA Associate Social Compliance Auditor (ASCA) is an auditor who has been signed off by their member firm as meeting the criteria noted within APSCA Competency Framework; has been registered with APSCA; and is working towards sitting the CSCA exam. Throughout this document an APSCA ASCA will be noted as an ASCA.

Audit Firm: Companies or organizations offering and carrying out social compliance audit services. This definition does not include internal audit functions.

Audit Firm Personnel: All audit personnel who are involved in the co-ordination, execution, report writing and report quality review of the audit, including auditors.

Auditor: Any individual who conducts social compliance audits, i.e. employed, freelance, or subcontract auditor who is a registered and a paid member of APSCA in either an ASCA or CSCA capacity.

Client: The original requestor of the work, the person/ organisation that is owed the duty of care.

CSCA: Certified Social Compliance Auditor designation signifies that an individual demonstrates specific experience, knowledge and skills within the field of social compliance auditing. Through a rigorous certification process - including experience, education, examination and assessment - the CSCA candidate must demonstrate the core competencies relevant to the profession.

Freelance Auditor: – see Subcontractor.

Member(s): Audit firm, individual auditors (ASCA and CSCA) including sub-contractors and freelancers who have submitted an application and been accepted, to be part of APSCA.

Other Interest: May include all audit firm personnel and clients of the Member Firm, customers of organizations whose management systems are certified, representatives of industry trade associations, representatives of governmental regulatory bodies or other governmental services, or representatives of non-governmental organizations, including consumer organizations

Ownership:

- Public Company: any level of ownership requiring legal disclosure under applicable securities laws.
- Private Company: any level of ownership

Social Compliance Audit: A means of evaluating, measuring, understanding and reporting an organization's social and ethical performance.

Social Compliance Consultancy: Any form of assistance with the implementation of any processes or management systems that relates to the requirements of a Social Compliance Audit. This includes, but is not limited to, tailored training, document development or provision of advice that would specifically assist an entity to work towards meeting requirements or to achieve compliance. Consultancy does not include the customary exchange of information at the conclusion of or following an audit including clarifying requirements or explaining findings either to an entity undergoing an audit or to an organization commissioning an audit. Training open to the public, not specific to a client and held at a public forum, is not considered consulting.

Subcontractor: Any audit firm and/ or individual auditor that is not under the direct employment of the Member Firm which has been contracted to conduct a social compliance audit on their behalf or on behalf of their client.