



Impartiality

Standard Operating Procedure

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1 Purpose of this document

Impartiality is a fundamental element of any credible assurance system. The overall aim of assurance is to give confidence to all parties that a product or a management system fulfils specified requirements. The value of assurance is the degree of public confidence and trust that is established by an impartial and competent assessment by a third-party. Being impartial, and being perceived to be impartial, is necessary for an assurance body to deliver services that provide confidence.

This Standard Operating Procedure explains FLOCERT's approach towards impartiality and describes the mechanisms in place which shall prevent us from partial decision-taking.

2 Area of Application

This Standard Operating Procedure applies to all FLOCERT employees, freelance auditors, the Leadership Team and the FLOCERT Supervisory Board in its function as Impartiality Committee.

3 Definitions

Impartiality is in place when decisions are based on objective criteria, rather than on the basis of bias, prejudice, or preferring the benefit of one party over another. In other words impartiality is the result of the actual and perceived presence of objectivity.

Partiality: Conversely, partiality arises in assurance services when the assurance body's decisions are not based on objective evidence of conformity (or non-conformity), but instead its decisions are influenced by other interests or by other parties. Partiality may arise where there are:

1. Self-interest threats: threats that arise from a person or body acting in their own interest. By way of example, a concern related to assurance, as a threat to impartiality, would be financial self-interest.
2. Self-review threats: threats that arise from a person or body reviewing the work done by themselves. Auditing the client to whom the assurance body provided consultancy would be a self-review threat.
3. Familiarity (or trust) threats: threats that arise from a person or body being too familiar with or trusting of another person instead of seeking audit evidence.
4. Intimidation threats: threats that arise from a person or body having a perception of being coerced openly or secretly, such as a threat from a person in a position of power, such as a superior in the organization.

Independence is freedom from situations and relationships which make it probable that a reasonable and informed third party would conclude that objectivity either is impaired or could be impaired. Examples for these situations and relationships are: ownership, governance, management, personnel, shared resources, finances, contracts, marketing and payment of a sales commission or other inducement for the referral of new clients. Independence is connected to and supports objectivity (more in section 6).

Certification is granted to organizations that participate in Fairtrade Certification. It is based on the fulfilment of the Fairtrade Standards. The certification entitles organizations to trade in the Fairtrade system and to receive the Fairtrade benefits. All Fairtrade organizations receive a Certificate and are listed in the Fairtrade Customer Search that is open to the public.

Verification Services are offered by FLOCERT for several Sustainability Standards and Programs such as EDGE..

4 Public Statement of Commitment

FLOCERT's Leadership Team is committed to impartiality in auditing, certification and verification activities and has the overall responsibility to ensure that all decisions are taken in accordance with the corresponding applied standards, the FLOCERT internal procedures and ISO 17065 requirements. It declares that it understands the importance of impartiality in carrying out its auditing, certification and verification activities and has mechanisms in place to identify and manage risks to impartiality.

5 Responsibilities

Each FLOCERT staff member needs to be aware of the details of this Standard Operating Procedure and its attached Impartiality Matrix in order to support the Leadership Team in their attempt to ensure the impartiality of certification activities.

The process of handling Impartiality is under the responsibility of the Credibility Assurance Manager. She gathers cases, ensures that a decision on each case is taken, documents the proceedings and presents the cases to the Supervisory Board in its function as Impartiality Committee for supervision of the implemented process.

More details to the process can be found in the following sections of this Standard Operating Procedure.

The responsibilities of the Impartiality Committee are described in the Terms of References of the committee (EXE ToImpartialityCommittee ED).

6 Auditor Independence

Auditor independence is a prerequisite for impartial certification and verification work, as information from the field is gathered and lays the foundation for the further process. Independence relates to the circumstances surrounding e.g. an audit, including the financial, employment, business and personal relationships between the auditor and the audited customer.

Relationships with parties whose interests may be contrary to the interests of the audited entity (for example, a competitor) may also be relevant to the appearance of the auditor's independence. The need for independence arises because, in most cases, users of certificates and other results of verification work do not have all the information necessary for judging whether the auditor is, in fact, objective.

Although the auditor may be satisfied that his/her objectivity is not impaired by a particular situation, a third party may reach a different conclusion. For example, if a third party were aware that the auditor had certain financial, employment, business or personal relationships with the audited entity, that individual might reasonably conclude that the auditor could be subject to undue influence or would not be impartial or unbiased. Public confidence in the auditor's objectivity could therefore suffer as a result of this perception, irrespective of whether there is any actual impairment.

Therefore FLOCERT actively manages the independence of its auditors. The following structures and measures are implemented:

- 1) **Awareness raising:** the topic of independence is regularly raised and discussed during auditor trainings (workshops, webinars, etc.).
- 2) **Independence declaration:** by contract the auditor is requested to disclose any problems with independence. Violations will lead to a contract termination. This Independence Declaration is renewed every three years during the auditor on-site evaluation.
- 3) **Audit assignment:** auditors are solely selected by FLOCERT. The customer has no influence on the selection, except if an Independence Risk is disguised.
- 4) **Auditor rotation:** no auditor will be auditing a customer more than 3 consecutive times (follow-up audits excluded).
- 5) **Prohibition of consultancy:** after consulting an organisation or performing training on the application of a standard, an auditor is not allowed to audit the same organization for the same standard for a period of three years.
- 6) **Fees:** auditor fees are solely paid by FLOCERT. The customer thus has no direct relation with the auditor and therefore the economic independence is not a threat as there is no economic bond between the auditor and the customer.
- 7) **Disclosure:** the audit report as signed by the (main) auditor is fully documented in the software system. Parts of the system are accessible to the customer.
- 8) **Market forces:** there is no incentive for an auditor to have a customer certified or not, as the auditor has no influence on the audit assignments by FLOCERT.

- 9) **Oversight:** in FLOCERT monitoring of the auditors is performed in accordance with the auditor competence system. To ensure that this is effectively working, the auditors' work is examined by an independent body, our accreditation body DAkkS.

7 Impartiality Risk Matrix

7.1 Approach

A crucial step in safeguarding the impartiality of our services is to find an appropriate way to identify, analyse and document possible threats to impartiality arising from provision of certification and the provision of other services – both related to, and independent from, Fairtrade certification services. When possible risks are identified and analysed, appropriate mitigation measures can be developed and applied thus serve as preventive actions to avoid the negative effect of partiality on the quality of our services.

Basis of this Standard Operating Procedure is the attached Impartiality Risk Matrix which more precisely sets out possible risks, the assessed severity of the risk and the tools employed to mitigate the risk.

7.2 Methodology Risk Priority Number

The Risk Priority Number (RPN) method is part of the Failure Mode and Effect Analysis (FMEA) to identify potential failure modes for a product/process.

- Severity, which rates the severity of the potential effect of the failure.
- Occurrence, which rates the likelihood that the failure will occur.
- Detection, which rates the likelihood that the problem will be detected before it reaches the end-user/customer.

The RPN method requires the analysis team to use past experience to rate each identified area according to three rating scales:

$$\text{Severity} \times \text{Occurrence} \times \text{Detection} = \text{RPN}$$

Rating scales range from 1 to 10, with the higher number representing higher risk.

7.3 Frequency

The Risk Matrix will be revised at least every 2 years as the nature and severity of risks change. CA will invite for a cross-departmental workshop ensuring a representation of affected activities such as certification, account development and service coordination. As a result of the workshop an updated list together with list of recommendations will be presented to the leadership team of FLOCERT.

8 General approach

Below the general approach in addressing potential Impartiality Risks is described:

1. Recognize a potential or existing impartiality risk;
2. Judge the chance of it leading to harm;
3. Decide what level of risk is acceptable;
4. Reduce the risk to a tolerable level;
5. Eliminate the situation if the risk cannot be managed.

The first two steps were addressed by the creation of the Impartiality Risk Matrix which serves as an appendix to this Standard Operating Procedure and which is updated annually.

Steps 3 to 5 are addressed by the Leadership Team as described under section 10.3 below.

9 Procedure

Before any case can be processed according to this Standard Operating Procedure, the possible Impartiality cases need to become visible thus they need to be reported to Credibility Assurance. The awareness and sensitivity on the topic of impartiality needs to be well trained and understood by all FLOCERT staff. As a

basic measure, all new and returning staff is trained on the importance of impartiality and the procedure at hand during the Credibility Assurance Introduction Session.

In the following two paragraphs is described how Impartiality cases are brought forward to Credibility Assurance for further processing:

9.1 Whistleblowing

Staff and auditors are asked to report to Credibility Assurance:

- any cases where they identified political or some other type of interference in certification or verification decision-making; examples for this can be found in the Impartiality Risk Matrix. Please also refer to definitions under section 3.
- any other case where they identified a potential Impartiality Risk; examples for this can as well be found in the Impartiality Risk Matrix. Please also refer to definitions under section 3.

Any staff member or auditor can report these cases to Credibility Assurance in the way they find most convenient. If the concerned staff member or auditor feels uncomfortable in formalizing his/her concerns in writing (e.g. via email) he/she can also ask for a confidential talk with the Credibility Assurance manager. The case would then be followed up by Credibility Assurance anonymously.

The Operations Department is handling Impartiality cases under its remit on an operational level. Often cases are directly managed within the teams. In case of uncertainty there is always the chance to escalate a case to the managers within the Operations Department. Alternatively, the Director of Operations brings it to the attention of the Leadership Team in order to seek for advice. Therefore proactively reported cases will usually be logged as concluded cases.

9.2 Random case review

In addition to the above, the Credibility Assurance Manager will perform a random check on cases that were not brought before proactively. This will be done once a year.

The cases should be drawn from Ecert, Qlikview and SAP according to the following parameters:

1. extra-ordinary short processing time for an audit order, i.e. the time needed by the analyst to evaluate the audit report provided by the auditor is significantly shorter than the average time needed.
2. number of non-conformities raised during an audit has dropped significantly from one year to another,
3. during evaluation of the audit results, a significant number of non-conformities has been dropped by the analyst,
4. exceptions have been granted,
5. both certification and additional services have been sold,
6. accumulation of income on one customer,
7. clients with modified certification contracts.

The drawn cases should at least fulfil one of the above parameters and should represent cases from all 5 regions. The review of the case will concentrate on the last audit order, but can be extended further into the certification history in case irregularities are detected.

9.3 Engagement of the FLOCERT Leadership Team

All reported cases are centrally documented by Credibility Assurance. In the event the logged case shows that exerted pressures have led us to overstep the borders of the Quality Management System, the Credibility Assurance Manager has the responsibility to report to the Director of the Business & IT Services. He will then analyse the incident and decide on a case-to-case basis on an appropriate escalation method: he either directs his concerns to the Director of Operations or directly to the Leadership Team in case of high severity. In any way all proceedings must be centrally documented by Credibility Assurance to be presented to the Impartiality Committee (see section 9.4).

9.4 Engagement of the Impartiality Committee

The Credibility Assurance Manager will include a summary of all logged Impartiality cases and observations into the Submission Report for the Management Review. The final Management Review Report will be presented to the Supervisory Board in its function as Impartiality Committee.

The Chair of the Impartiality Committee will then pick up to three cases from the list which will be presented in further details in the Q1 meeting of the Supervisory Board. The Board in its function as Impartiality Committee reviews the process as described in this Standard Operating Procedure by hearing the chosen cases. Further details are provided in the EXE ToRImpartialityCommittee ED.

10 References

- INTERNATIONAL STANDARD ISO/IEC 17065
- Impartiality Risk Matrix (Annex to EXE Impartiality SOP)
- Terms of Reference of the Impartiality Committee (EXE ToRImpartialityCommittee ED)