

Social Audits Guidance and FAQS

Human Rights Resources and Energy Collaborative (HRREc)

HRREc is a group of companies in the energy and resources sector that are collaborating to share knowledge and develop practical tools to identify and address human rights, including modern slavery and labour exploitation in supply chains. In 2019, HRREc members worked on a shared modern slavery supplier self-assessment questionnaire (SAQ) template. HRREc members are committed to developing practical tools and guidance for suppliers to promote best practice and respect for human rights.



**Human Rights Resource
and Energy Collaborative**



Objectives

Recognising the different sizes, operating contexts and risk profiles of each member, HRREc members are all at varying stages of conducting social audits. The intent is not to create a “one-size fits all approach” to social audits. Rather, HRREc’s objectives in releasing this Social Audits Guidance and FAQs include:

1. Providing clarity to suppliers as to why HRREc members may request social audits and what is involved in a social audit process.
2. Promoting awareness of social audits within the mining, energy and resources sector, in a way that recognises both the benefits and limitations of social audits.
3. Encouraging companies and suppliers to support and participate in social audits to help reduce the risk of modern slavery and related labour exploitation within sector supply chains.

Our Commitment

As a group of companies, HRREc members are committed to the following core modern slavery principles: ¹

1. **No forced labour.** Work should be freely chosen without threat of penalty or abuse. No worker should be forced or coerced to work to repay a debt. Workers should be free to leave their employment and their movement should not be restricted.
2. **No worker should pay for a job.** Fees and costs associated with recruitment and employment should be paid by the employer. Workers should not be charged recruitment fees or other costs associated with their migration or employment.
3. **Workers should be treated and paid fairly for the work they do.** Workers should be treated and paid fairly without any kind of discrimination and in accordance with all local laws, including those relating to minimum wage, leave entitlements and other benefits. Employers should take steps towards paying workers a living wage. Overtime hours should be voluntary, not be excessive and should be compensated appropriately.
4. **Preventing the worst forms of child labour.** No workers shall be under the age of 15 years, under the local legal minimum age for work, or mandatory schooling age, whichever is the higher. Young workers under the age of 18 years must not do work that is mentally, physically, socially, or morally dangerous or harmful. Work should not interfere with children’s schooling, or their ability to benefit from it.
5. **Respect rights of workers to freedom of association.** All workers must be able to choose whether to form or join trade unions, to bargain collectively and to engage in peaceful assembly. This includes the option to refrain from joining if the worker so chooses.
6. **Workers should be able to raise grievances safely.** Workers should have access to an effective grievance mechanism to raise concerns, which allows for confidential and anonymous reporting and protects workers from reprisal. Companies should support development of effective grievance mechanisms within their supply chain.

¹ These are not an exhaustive list of harms but rather provided as an overview of the most common harms linked to modern slavery and related exploitation. The principles are informed by core human right standards including the Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights and the ILO Core Conventions on Labour Standards. These modern slavery principles should be reviewed in context of broader principles – in particular health and safety principles. HRREc members see social audits as one important way to deliver on these commitments.

Frequently Asked Questions

Understanding Social Audits	<p>1. What is a social audit?</p>	<p>A <i>social audit</i> is a means of evaluating, measuring, understanding and reporting on an organisation’s social and ethical performance, and how it respects the rights of its workers.² The core elements of a social audit include:</p> <ol style="list-style-type: none"> 1. a physical inspection of the supplier’s site or facility to observe conditions of relevant work areas;³ 2. review of relevant books and records (including the supplier’s <i>due diligence</i> on its own supply chain); 3. management interviews and adequate sample of interviews with affected workers (employees, contractors, temporary workers or others onsite). <p>This information is triangulated (cross-checked) against each other. For example, if management says workers are paid a certain rate, the auditor will ask workers what they are paid, and also review pay slips or other relevant records.</p>
	<p>2. Why do we need social audits?</p>	<p>Social audits are part of a company’s broader <i>human rights due diligence</i> approach and provide an “on-the-ground” perspective to validate desktop risk assessments or identify issues which may be impossible to find by other means.</p>
	<p>3. How do social audits work with the SAQ?</p>	<p>A social audit complements a self-assessment questionnaire (SAQ). The SAQ is a desktop-based exercise, based on a supplier’s own self-certification and understanding of their risks, systems, processes and policies. A social audit builds upon an SAQ and is designed to verify supplier responses and identify human rights risks.</p>
	<p>4. What topics are covered in a social audit, and why is there a focus on modern slavery?</p>	<p>The scope of the social audit is set by the company and auditor on a case-by-case basis. HRREc members will be guided by the <i>Modern Slavery Principles</i> (page 1) as many members are conducting social audits as part of their commitments under modern slavery laws.⁴ For more information on modern slavery, please visit Walk Free and BeSlaveryFree.</p>
	<p>5. What will trigger a social audit?</p>	<p>Each HRREc member will have its own evaluation criteria and process for inviting suppliers to participate in a social audit, but typically criteria include:</p> <ul style="list-style-type: none"> • findings from desktop supplier risk assessments; • existing or emerging higher human rights risk regions or categories of goods or services; • actual or suspected non-compliance by a supplier (e.g. on a company’s code of conduct or human rights terms and conditions); and • whether a supplier is being cooperative in providing information or action relating to human rights.
	<p>6. What are the responsibilities of the Supplier?</p>	<p>The responsibility of the supplier (auditee) includes to:</p> <ul style="list-style-type: none"> • allow access to the site or facility requested by the auditor; • provide access to any books, records and interviews upon reasonable request; • provide accurate and transparent information; • encourage the cooperation of their management teams and workers.
Understanding the Process	<p>7. Will a social audit disrupt my business?</p>	<p>HRREc members will always work with suppliers in a reasonable manner and not adversely impact the auditee’s commercial performance or operations, nor put any individual at risk.</p> <p>HRREc members set their own schedule for how often it will request a social audit of a supplier. The intent is not to burden suppliers with social audit requests, but rather drive positive commercial outcomes and social improvements through strategic planning.</p> <p>Participating in a social audit is a valuable opportunity to improve social and commercial performance. This may be set out in contract terms, as negotiated between the HRREc company and the supplier.</p>
	<p>8. How long does a social audit take?</p>	<p>The length of a social audit is set on a case-by-case basis. <i>Association of Professional Social Compliance Auditors (APSCA)</i> indicates an audit generally involves a visit to the suppliers locations and facilities, an assessment of documentation and interviews with an appropriate sample size of the supplier’s employees.</p>

² <https://www.theapsca.org/faqs/>

³ In this document “site” refers to the location that work is being carried out which may be a factory, office, warehouse etc.

⁴ Such as the *Australian Modern Slavery Act 2018* (Cth) and *Modern Slavery Act 2015* (UK) and similar laws emerging elsewhere.

Frequently Asked Questions Continued

Understanding the Process	<p>9. Can I share the results of a social audit? Is a social audit confidential?</p>	<p>A social audit is strictly confidential between the auditor, the company requesting the audit, and the supplier who is being audited (<i>auditee</i>).</p> <p>However, the auditee may choose to share the social audit results with other companies. Indeed, suppliers may find value in promoting that they've recently completed a social audit and share findings and action plans. HRREc members are committed to avoiding unnecessary duplication and tick box mentality approach to social auditing. However, in all cases the findings of a social audit will never be shared without the express mutual agreement between the company and the auditee.</p> <p>A company may choose to report, on an anonymised basis, the number of social audits conducted, common social auditing findings, or other aggregated data (that can in no way be attributed to a specific supplier or worker) in its annual sustainability reporting, including annual modern slavery statements.</p>
	<p>10. Can a social audit be virtual?</p>	<p>HRREc members do not consider virtual or remote audits as a best practice to conduct an effective social audit, but recognise in rare circumstances a virtual or remote audit may be utilised as a temporary or hybrid solution with appropriate controls to address the limitations of virtual or remote audits.</p>
	<p>11. What happens if issues are identified?</p>	<p>Recognising all companies and suppliers are on a journey of continual improvement, most audits will identify areas for improvement in partnership between HRREc member and audited supplier.</p> <p>If issues are identified during an audit, the Auditor may make recommendations for improvements. The supplier (auditee) and HRREc member will agree a final action plan to address those findings, with clear timings and responsibilities. Each HRREc member and auditor may agree upfront what are "zero tolerance" findings which require immediate action if identified during an audit.</p>
The Auditors	<p>12. Should an audit be independent?</p>	<p>A HRREc member may choose to conduct a social audit itself (using trained, in-house subject matter experts) or select an independent social auditor. Typically, an independent social audit by a certified, specialist auditor is the preferred approach.</p>
	<p>13. Are auditors accredited?</p>	<p>It is up to each HRREc member company to determine which auditor it uses and whether an auditor must be accredited and independent.</p> <p>HRREc does not endorse any one auditor, nor share any commercial details about social audit companies (including no sharing of pricing, commercial terms, or other sensitive information). Non-exhaustive examples of social audit platforms include SMETA, Amfori, BCS and Responsible Business Alliance. Audit companies who can supply certified audits include Verite, Elevate, SGS, Impactt and Intertek.</p>
Other	<p>14. Why has the industry taken a collaborative approach to audits?</p>	<p>We recognise social audits are relatively new for the mining, resources and energy sector, and may create confusion for suppliers. By working together, we hope to:</p> <ul style="list-style-type: none"> • provide consistent messaging and approach to suppliers within these sectors; • reduce the administrative burden on our suppliers; • improve efficiencies in managing social audits; and • ultimately, drive impact in addressing shared risks within our supply chains.

If you have any other questions, please speak to your company procurement contact.

Footnotes

APSCA

Association of Professional Social Compliance Auditors is an industry association whose members represent a substantial majority of the social compliance audit industry.

Human rights due diligence

The risk management process outlined in the [UN Guiding Principles on Business and Human Rights](#) for businesses to identify, prevent, mitigate and account for how they address their impacts on human rights. See further discussion in the Australian Government's [Guidance for Reporting Entities](#) under the *Modern Slavery Act 2018* (page 47).