### What/Why is Supplier Sustainability Audit?

**Sustainability Audit is based on company’s code of conduct for Business partner, which is part of contractual agreement with suppliers.**

**To ensure the business is executed in a responsible and sustainable way across the whole supply chain, different sustainability activities, such as sustainability audit are incorporated and adapted into procurement or supply chain management process.**

**The Audit covers areas such as working condition and human rights, health and safety, caring for environment. It also includes business integrity, risk management as well as legal compliance. All these areas are consistent with sustainability requirements.**

**Regarding sustainability process I divide into 4 steps. The starting point is on site sustainability audit is necessary, also called as audit selection phase. And then audit preparation and execution phase. Last step is audit and report and corrective action plan report.**

**Company should select and prioritize on- site sustainability audit based on its own assessment or analysis. There are different Criteria/tools (such Responsible Business Alliance RBA risk model) to evaluate the risk of suppliers. Company could select and prioritize on site sustainability audit based on its own assessment or analysis.**

* **Preparation:**

**Once sustainability audit is confirmed. Next step is to prepare and schedule sustainability audit.**

**On one hand, sustainability audits are announced to the relevant suppliers beforehand as a rule, so Audit agenda and will be shared with supplier in advance. But company reserves the right to conduct unannounced audits.**

**The composition and qualification of the audit team will be determined the audit firm. Whether the sustainability audit could be conduct by internal qualified sustainability expert with related team like procurement or quality.**

**Or audit only could done by a third- party audit firm and company sustainability export participate as observer.**

**On other hand. The supplier is encouraged to perform the RBA self- assessment or go through Self-Assessment Questionnaire as audit preparation.**

**This will enable supplier to prepare the audit properly, to have necessary document and relevant information available during onsite audit.**

* **Execution**

**Sustainability audit will include the following standard elements: Opening meeting, factory site tour, management and employee interviews, documentation review and audit team pre-close meeting and close meeting.**

**In the opening meeting, the audit team should**

1. **Introduce the audit team etc.**

**The purpose of factory site tour is to enable the audit team to observe physical conditions and current practice in all area and to have an overview how physical conditions measure up to sustainability requirements.**

**The finding from the tour will be concluded with evidence from management and document review.**

**The audit team should walk around the factory site, production areas, storage rooms, dispatch areas, all other areas with managers.**

**The audit team should raise issues during the factory site tour, giving management the opportunity to seek clarification, respond, and provide explanations or further evidence. Auditors should focus on:**

1. **Fire equipment and emergency equipment**
2. **Machine protection and maintenance**
3. **Hazardous substances storage, handling and disposal**
4. **Storage of fluid**
5. **Waste management( recycling and disposal)**
6. **Wastewater management**

**The documentation requested by auditor should be available on site, including management system, record keeping and training document. The auditor should go through a comprehensive document trail.**

**The audit team should meet before the closing meeting to discuss the findings of the audit and identify non-conformance finding, observation and good practice. The analysis of evidence gathered is a prerequisite to the closing meeting.**

**The purpose of the closing meeting is to go through the findings, agree on them and agree on a corrective action plan.**

**Once an audit has been conducted, non- conformances finding could be categorized into ZT, Critical non- conformance , major non- conformance, and minor conformance.**

**Supplier will be rated as red , organge or green color to reflect its sustainability audit performance based on it is non- conformance findings and score calication method.**

**By using the color rating method, company can drive systematic improvement on sustainability performance. And it could also be part of final audit report which documented in the system.**

## For those spare parts two findings at supplier sites. One is overtime. The other is liquid management.