
General Regulation of the Qualification Program of Retail Suppliers

Brazilian Association of Textile Retail (ABVTEX)

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1. Introduction

Established in August 1999 by companies from the large area retail segment, the Brazilian Association of Textile Retail (ABVTEX) came after finding the lack of an entity that effectively represented this industry before the government bodies, as well as acted as centre of debates and experience exchanges among professionals from the segment. The entity has by principle ethics and respects to the legislation, supporting actions aimed at social responsibility, the formalization in commercial relations and combating against fraudulent competition.

The ABVTEX is an entity dedicated to the large national retailers' interests in the commercialization area of clothing and accessories, strongly committed to the national market.

The retailers companies associated to ABVTEX have a huge number of suppliers, responsible for assembling the items which are commercialized by them. Therewith comes the challenge of ensuring the technical quality of the products, keeping high standard of production and, at the same time, ensure properly work conditions to the employed workforce.

For this reason, the sector entity has structured the Qualification Program of Retail Suppliers – **ABVTEX**. The program aims to deal with issues related to the work conditions of the textile retail supplier chain, by the qualification both of its suppliers and subcontractors, promoting a unified control of this qualification. In other words, a supplier or subcontractor qualified by the program would be - from the point of view of the requirements related to the working conditions on its facilities – able to participate in the supplier chain of any Program retail signatory companies.

The Program comprises the fulfillment of an independent and impartial audit, with the purpose of verifying the accession of the suppliers and their subcontractors to the criteria and requirements established on the Program.

The Program covers practices, commitments and management aspects related to the following subjects:

- Child Labor;
- Hard Labor or Analogous to Slavery;
- Irregular Foreign Labor;
- Freedom of Association;
- Discrimination;
- Abuse and Harassment;

- Health and Work Safety;
- Monitoring and Documentation;
- Compensation;
- Worked Hours;
- Benefits;
- Productive Chain Monitoring; and
- Environment.

The Program Textile Retail signatory companies understand that working together is one of the most effective ways to advance on the subjects listed above, whereas a sector action has the potential to cause structural changes, which benefits the whole chain instead of one single company. In an assertive and coordinated way, the **Qualification Program of the Retail Suppliers - ABVETX** will provide social responsibility practices in the supply chain sector.

2. Glossary of Terms

- **Corrective action** - Action taken in order to eliminate the cause, as well as avoiding the re-occurrence of non-compliances.
- **Audit** – Systematic Process, documented and independent to obtain evidences related to the required requirements and to objectively evaluate them to determine the extension in which the audit criteria are attended.
- **Initial Audit of Qualification** – The first Audit to be performed, applicable to all suppliers and their subcontractors, which already have or will have commercial relationship with the Program signatory companies associated to ABVTEX. The supplier or its subcontractor is responsible for its schedule before the term stipulated by the Program.
- **Monitoring audit of Corrective Action Plan** - Audit specifically scheduled to verify the implementation of the corrective action plan determined on the Initial, Maintenance or Requalification Audit.
- **Maintenance Audit** - Audit performed after 12 months from the Initial Audit of Qualification with the purpose of confirming that the audited organization continues to attend the Program requirements. The Maintenance Audit is not previously scheduled by the Qualification Body and will be performed, with no advance notice, at any time, within 60 (sixty) calendar days after the first anniversary of the Initial Audit. The aim of this Audit is to portray the local in their usual operating conditions and ensure that the program requirements continue to be respected. In case of the Qualification Body do not have access to the local to be audited the supplier will have its Qualification suspended until the performance of the Maintenance Audit.
- **Requalification Audit** – Periodical Audit to be performed by the suppliers or their subcontractors to renovate the Qualification already obtained, when its termination date expires (2 years). It is the responsibility of the supplier or its subcontractor to schedule it before the expiration of the Qualification termination date.
- **Supply Chain** – Direct or indirect (subcontractors) suppliers from the textile area who are involved in the productive process, except for the raw-material suppliers. It will be only considered on this Program clothing suppliers (general clothing, underwear and socks) and the suppliers of textile household line (bed, table and bathroom). It is not included on this Program the suppliers and subcontractors of accessories and shoes.
- **Compliance** – Attendance of the requirements provided on this Regulation.
- **Audit Dimensioning** – Time required of audit to the implementation of the necessary checks and verifications. The time is always set per plant, ranging from one location to another according to the number of employees allocated at that production plant.

- **Supplier** – The Supplier who has supplied to the retail sector, textile articles (as specified on the item "Supply Chain") in the last 12 months, since there is a predictable continuation of the supplying relationship, or to the supplier which will start the retail supply.
- **Non-Compliance** – Deviation on the fulfillment of a requirement provided on these Rules.
- **Improvement Opportunity** - It is a potential non-compliance, in other words, there is no evidence of non-compliance at the auditing moment, although the know-how of the assessment team indicates that actions must be done in order to avoid the incidence of a real problem.
- **Qualification Body** – Independent Organization, accredited by the Program, to perform the audit and to take the decision of qualification based on objective evidences obtained throughout the auditing process.
- **Plants** – The place where a process, manipulation or service occurs, adding value to a raw-material, semi-product or final product. One single company may have many plants or production units which shall be independently audited.
- **Qualification** – Declaration of an independent Qualification Body accredited by the Program, that the audited plant of the organization fulfills the established requirements on this regulation. The statement takes the form of a Qualification Document issued by the Qualification Body behalf the organization. The document may be canceled by the Qualification Body, in accordance with the rules established on this Regulation. In case of a direct retail supplier, the Qualification of its plant and its subcontractors is prerequisite to continue the supplying to the retail signatory companies.
- **Audit Final Report** - Document which reports the performed audit and points the referrals agreed.
- **Subcontractors** - Previous link in the chain of direct retail suppliers.
- **Term of Membership** - The term individually signed by each of the ABVTEX retailers companies who chose to join the Qualification Program of Retail Suppliers – ABVTEX. By signing this term, the companies become signatories to the Program, taking responsibilities for their compliance. The terms signed by the companies will remain under power of ABVTEX.
- **Term of Participation** – The term completed and signed by each of the suppliers and subcontractors, who are participants of the Qualification Program of Retail Suppliers– ABVTEX. By signing it, the suppliers and subcontractors formalize their agreement with what is provided on this Regulation. The model of this Term is attached to this Regulation.
- **Associated Retailer** – Company from the textile retail sector associated to ABVETX, responsible for selling to the final consumer.

- **Signatory Retailer** – Company associated to ABVTEX, who has formalized its accession to the Qualification Program of Retail Suppliers – ABVTEX.

3. Program Features

3.1 Goals and Benefits

The **Qualification Program of Retail Suppliers** – ABVTEX aims to:

- Develop a unique qualification which allows to the signatory retailers to control their suppliers and respective subcontractors regarding their accomplishment of aspects related to social responsibility and labor relationships;
- Establish the principles and criteria for conducting audits of suppliers and subcontractors in the textile retail supply chain;
- Create qualification criteria to the suppliers and their subcontractors;
- Promote, through evolutionary engagement and continuous improvement, the best practices on the textile retail sector coverage by the ABVTEX;

With the goals achieved, the Program provides benefits to all links involved

- **ABVTEX** – to offer a structured program to the associated companies, bringing the main players from the large retail area;
- **Program Signatory Retailers** - to adopt social responsibility practices in its supply chain, preventing any irregular work and promoting better work conditions to all people involved;
- **Suppliers** - to adopt social responsibility practices in its company and on the commercial relationship with their subcontractors, to adopt better conditions of working for their labors and be able to supply to the Program retail signatory companies;
- **Subcontractors** – to adopt better conditions of working for their labors and be able to participate in the supply chain of textile retail.

3.2 Responsibilities

The responsibilities of each party involved directly in the Program are:

ABVTEX

- The management of the Program activities;
- To establish the technical guidelines and to decide on any issues or situations non-provided;
- To assess, accredit and disqualify the Qualification Bodies;
- To promote the disclosure of the Program;
- To provide resources for the development and maintenance of the Program.

Retailer Companies signatories to the Program

- To formally notify their suppliers about the Program;
- To support ABVTEX in conducting the Program and follow-up of the established guidelines;
- To encourage and support the suppliers adhesion and suitability to the Program;
- To control the adherence and suitability of their suppliers to the Program;
- To rescind the agreement of the suppliers who do not obtain the Program Qualification, in accordance with the established deadlines on this Regulation;
- To follow the commitments assumed on the Program Adhesion Term.

Suppliers

- To join the Program ;
- To follow the guidelines and attend the criteria and requirements described on this Regulation;
- To schedule the Qualification and Requalification Audits;
- To formally communicate its subcontractors regarding the Program;
- To encourage and support the subcontractors to join and be adequate to the Program;
- To control the adherence and suitability of their subcontractors to the Program;
- To provide resources to the suitability of its company to the Program requirements;

- To provide resources to the recruitment of the audits predicted on the Program;
- To properly inform to the Program about its subcontractors list who produce goods for retail signatory companies, submitting it to a validation during the audit process;
- To maintain commercial relationship only with those subcontractors who qualify on the Program, according to the criteria and deadlines established on this Regulation;
- To inform the retail signatory companies, with whom have commercial relationship, about the results of its qualification process as well as of its subcontractors;

Subcontractors

- To join the Program;
- To follow the guidelines and attend the criteria and requirements described on this Regulation;
- To schedule the Qualification and Requalification Audits;
- To provide resources to the suitability of its company to the Program requirements;
- To provide resources to the recruitment of the audits provided on the Program (except in cases where the supplier chooses to assume its subcontractors' audit costs);
- To inform their service takers (direct retail suppliers) about the results of its qualification process;

Qualification Bodies

- To maintain evidences of agreement with all auditors engaged to the Qualification Program of Retail Suppliers – ABVTEX, as well as confidentiality agreement signed with them;
- Only indicate to the Program auditors whose qualification attend the minimum of what is set on this Regulation;
- To write and signing agreement with the supplier or subcontractor who has required the Qualification Audit , and provide on the agreement the realization of the Maintenance Audit, which will not be scheduled;
- To maintain secrecy about information of the suppliers and subcontractors obtained during the audits;
- To quote the activities to be performed, based on the reference values agreed with the ABVTEX (available on the Program Portal);

- To schedule the date for Qualification and Requalification Audits within a maximum period of 30 days after receiving the supplier's or subcontractor's request;
- To agree with the audited location (supplier and subcontractor), the action plan and deadlines for its implementation, in case of being detected non-compliance which must be solved before obtaining the qualification or renovating it;
- To schedule with the audited company (supplier or subcontractor) the Action Plan Monitoring Audit or documentary analyze in order to verify the implementation of corrective actions, within a maximum period of 90 days after issuing the fulfilled report audit ;
- To schedule and fulfill the Maintenance Audits, which will not been previously scheduled, but will be done within 60 calendar days after the first Qualification Audit anniversary;
- To fulfill the audits in accordance with the explained rules on this General Regulation, adopting the check-lists established herein;
- To respect the period scaled to the audits fulfillment in accordance with is set on this Regulation;
- To prepare the audit final report and insert it into the Program system (access by the Program Portal) within 10 calendar days after the audit date;
- To recommend or not the Qualification of the audited company (supplier or subcontractor);
- To record all the process, documentation and audit results on the Program system (participation term, validated subcontractors' list, audit report and further audit documents) ;

3.3 Coverage

This program has a national coverage and is applicable to all suppliers and their subcontractors who aims being party of the retail signatory companies' supply chain of the **Qualification Program of Retail Suppliers – ABVTEX**.

This Program is exclusively applicable to the retail suppliers from the textile branch and their subcontractors, who are involved in the productive process, except for the raw-material suppliers and subcontractors, as well as those involved in the fabric processing before cutting it.

For the Program purpose, it will be considered only the clothing suppliers (general cloths, underwear and socks) and textile household items (bed, table and bathroom). It is not included on the Program suppliers and subcontractors from the accessories and shoes branch. For accessories and shoes, the adherence and participation on it will be voluntary, in case of the supplier's interest.

3.4 Operational Structure

The Program will be coordinate, in all its phases, by a permanent Steering Committee, who will establish the meetings schedule in agreement with its members, composed by one representative designated by each associated company (who might not be replaced), with a two-year mandate, elected by the **ABVTEX** board. The company might substitute, at any time, the representative who is disconnected from it.

For approval of the referred Committee's decisions it will be necessary, at least, 6 votes.

When the first term expires, the ABVTEX Board will elect the Steering Committee for the next period, whose indication will be done by the companies and so on, successively.

It is the Steering Committees' responsibilities:

1. To promote, monthly, the Program Coordination meetings and to solve the demands that arises;
2. To perform activities for the development, maintenance and coordination of the Program;
 - To detail and review the Program Rules;
 - To establish the Program requirements and periodically review it by listening to the memberships;
 - To receive and analyze criticism and suggestions made by the memberships;
 - To monitor, through regular assessment, the Program performance;

- To establish verification plans complementary to the Audits, if necessary;
- To monitor the permanent requirements fulfillment and to evaluate eventual breaches;
- To recommend the permanent exclusion of the Program signatory companies, when appropriate;
- To debate omissions and non-predictable situations;
- To debate appellate and complaining cases from suppliers and subcontractors concerning the results of the qualification process.

The competences not conferred or considered insoluble by the Steering Committee will be taken to deliberation on meetings done by the ABVTEX memberships. The Steering Committee's memberships shall maintain the confidentiality of information they have access to, not using them for any estrange purpose to the Program goals.

The ABVTEX also provides a technological structure through the ABVTEX Portal (www.abvtex.org.br) where there is information about the Qualification Program of Retail Suppliers - ABVTEX (www.abvtex.org.br/programaquali). The provided information is:

- Program Regulation;
- Program Book;
- List of the Program Retail Signatory Companies;
- List of the Qualification Bodies accredited to the Program;
- Participation Term;
- Solicitation Form for Qualification;
- List of documents which will be requested in the Audits;
- Results of the Qualification Audits (through login and password) ;
 - Participation term properly filled and signed;
 - Supplier's qualification;
 - Subcontractors' list informed by the supplier;
 - Subcontractors' Qualification;
 - Final Report Audit (with photos and opinions) ;
 - Action Plan established by the Audit.

Important *In order to the retailer company has knowledge of its supplier and respective subcontractor's qualification process result, the supplier shall inform its process number to access such information on the Program system. This method aims to preserve the confidentiality of suppliers' data. In other words, only the supplier itself might authorize who will access such information.*

4. Qualification Process

Important *It will be necessary to fulfill a qualification process for each plant. In the event of the company has more than one plant, a separated qualification process must be performed for each of them, separately.*

4.1 Program Adherence

To accomplish the adherence to the **Qualification Program of Retail Suppliers – ABVTEX**, the supplier and its subcontractors must:

1. Formalize the adherence to the Program:
 - To download the Program Participation Term, available on the Program Portal (www.abvtex.org.br/programaquali), and fill in with relevant information regarding its company;
 - To sign the document (the commitment must be signed by the head of the company, owner, partner, president, director or other denomination for equal position);
2. Define the type of Qualification Audit:
 - An Initial Qualification Audit is applicable if it is entering to the Program for the first time; or
 - Requalification Audit - to renovate the Qualification already obtained.
3. Request the Qualification Audit
 - To download and fill in the form of Qualification Request, available on the Program Portal;
 - To sign the document (the commitment must be signed by the head of the company, owner, partner, president, director or other denomination of equal position);
 - To define the Qualification Body that will perform the audit (in accordance with the Accredited Bodies' list available on the Program Portal)
 - To send to the Qualification Body the Solicitation Form for Qualification, along with the signed Participation Term.

The decision about which Qualification Body the supplier or subcontractor will hire is free, provided that the choice is made from a selection of accredited bodies (list available on the Program Portal).

It is part of the choice process to analyze the term of service given by the body, as well as the presented costs (to know the reference values, check the Program Portal). There is no requirement for the subcontractor hires the same Qualification Body of its supplier.

4. Schedule the Qualification Audit :

- To agree and define contracting procedure directly with the Qualification Body;
- To schedule the Qualification Audit date directly with the Qualification Body.

***Hint** - To optimize the process and reduce the offsetting costs of the Qualification Body auditors, the supplier may, jointly with its subcontractors, plan the audits of nearby locations to be schedule at the same date or week.*

4.2 Audit Results

Following the audit realization, the Qualification Body will produce the referred report with the following possible results

- The audited company has obtained the **Qualification**: It occurs when the supplier or subcontractor submitted to the qualification process has obtained a positive result during the audit process, reaching the minimum required score for its qualification. Even though the qualification has been obtained, it is possible that the audit report points improvement opportunities, which shall be treated in a preventive way before the Requalification Audit, under the risk of a non-renewal of it.
- The audited company needs to implant corrective actions before obtaining the **Qualification**: It occurs when the supplier or subcontractor submitted to the qualification process has not reached the minimum required score to its qualification, due to one or more detected non-compliances regarding to the Program requirements. However, in the understanding of the Qualification Body, corrective actions and a new analyze are relevant. On this situation, the supplier or subcontractor shall prepare an action plan, with specific corrective actions for each one of non-compliance found. Once concluded the plan, the supplier or subcontractor shall send the evidences to the Qualification Body or schedule a Monitoring Audit of Corrective Action Plan with the same Body, in case of the changes made by the audited should be checked on the plant itself (leaving this decision to the discretion of the Qualification Body).

The corrective action plan shall be implemented within 90 days. The Qualification Body will evaluate, locally or through documentary analyze the result of the implemented corrective action. The maximum deadline of 90 days for the Monitoring Audit for Corrective Action Plan begins from the issue date of the Initial Audit Report of Qualification. The schedule of this new audit and/or the sending of missing documents within the deadline are responsibility of the audited whether the supplier or the subcontractor.

In the case of non-performance of the Monitoring Audit for Corrective Action Plan within 90 days, the performed Qualification Initial Audit will lose its validity. On this case, to obtain the qualification, a new complete audit shall be scheduled. Meanwhile, the supplier or subcontractor is not qualified.

- The audited company has received a **Critical Non-compliance** – The Critical Non-compliance, which results in the supplier’s or subcontractor’s disapproval, happens always that the qualification Body detects an unacceptable infringement. In this situation, the supplier will be under the retail signatory companies’ commercial sanctions with who has commercial relationship. Similarly, the subcontractor might be excluded from the supply chain. In both cases, the audited location shall wait 6 (six) months to schedule a new audit, being, during this period, under the condition of non-qualified. Infractions which are considered unacceptable to all those connected themes: Child Labor, Hard Labor or Analogous to Slavery and Irregular Foreign Work.

The Program retail signatory companies will be warned by the Qualification Program if there is an unacceptable Critical Non-compliance of some of its suppliers and/or respective subcontractors, in order to the appropriate measures related to the maintenance of goods supplying be taken by them. This notification will be directly done by the Qualification Body, confidentially. It shall not be on the audit final report the information for which retail company the supplier or subcontractor renders service.

Hint – *At any time the supplier or subcontractor may schedule a pre-audit with the purpose of having a previous or periodic analyze of its conditions. This type of diagnosis action is optional and may help the company on its frequent management monitoring, avoiding an unexpected non-qualification. The hiring process is the same and for this type of activity the results are only reported to the supplier and/or subcontractor. In other words, the report is not sent to the retailers, unless a Critical Non-compliance is presented, which will be reported to the retailers in any situation.*

4.3 Qualification Deadlines

The Qualification Program of Retail Suppliers – ABVTEX provides different deadlines in accordance with the Country area where the suppliers or subcontractors are:

Table 1: Implantation Timetable for the Qualification Program of Retail Suppliers – ABVTEX		
Area	Deadline to obtain the initial Qualification	Qualification Validity
State of São Paulo	Until 12/31/2012	2 (two) years
Other Brazilian areas	Until 12/31/2013	2 (two) years

The deadline established above is the maximum period for the suppliers and subcontractors to obtain the Qualification Document and the whole process is concluded. Therefore, the audits must be scheduled until 4 months before the deadline above, so there is necessary time to implement possible corrective action plans and to fulfill a monitoring audit.

The subcontractors that supply for the suppliers who are located in the State of São Paulo shall follow the stipulated deadline for this State, no matter its location.

Important – In order to the supplier may supply to the Program retail signatory companies (new or current suppliers) both the **supplier and all its subcontractors** must be qualified within the established deadline above. Therefore, the supplier is responsible for coordinate both its qualification, and the necessary referrals to its subcontractors also obtain the qualification within the maximum established deadline. Through the Program Portal, the supplier has the control of the qualification status of its subcontractors. It is the supplier's responsibility to maintain an updated record of its subcontractors' list, which may be analyzed during audits.

Hint – Once the subcontractor obtains its own qualification, it might supply for any other direct supplier of the signatory retailers, since this also includes it on its own subcontractors' list.

The supplier must be aware to the following conditions, under penalty of having its own qualification canceled and commercial sanctions from the Program signatory companies:

- In case the supplier decides to work with subcontractors who are not confirmed on the list initially presented on the audit, this might be done only if the subcontractor previously qualifies itself to the Program. To this purpose, the new subcontractor shall schedule an audit with some of the Qualification Bodies, before starting to work with the supplier.
- If any of the subcontractors informed by the supplier fails in obtaining the Program Qualification or has its qualification canceled or suspended by any reason, it can no longer

participate in this supplier's productive chain, producing goods which are designated to the program retail signatory companies.

5. Qualification Audit

5.1 Audit Dimensioning

There are some criteria for time dimensioning concerning the audits fulfillment. In the specific case of the **Qualification Program of Retail Suppliers – ABVTEX**, the dimensioning agreed with the Qualification Bodies is described on the tables below.

Table 2: Dimensioning the audit days (valid for suppliers* and subcontractors)	
Number of employees on the plant	Audit duration ** (Initial, Maintenance or Requalification)
Until 10	0,5 man/day
From 11 to 50	1 man/day
From 51 to 75	1,5 man/day
Above 75	2 men/day

* Regarding the direct retail suppliers, it will be necessary more than 0, 5 man/day, beyond what is provided on the above list, to validate the informed subcontractors' list.

** Moving time and preparation of the report are already included on the dimensioning above. If there is more than one company installed on the same plant, the preparation of each report will be charged apart (by CNPJ).

Table 3: Dimensioning the days of Monitoring Audits of Corrective Action Plan (valid for suppliers and subcontractors)	
The Qualification Body will dimension the necessary time for this monitoring, which might vary*	From 0,25 to 1 man/day

* It depends on the quantity and type of corrective actions.

By accrediting the Qualification Bodies to the Program, the ABVTEX held a previous negotiation of the referential values for the audits fulfillment (value “man/day”). The table with this information is available on the Program Portal (www.abvtex.org.br/programaquali). There are also other costs related, which will be specified on the commercial proposal of the Qualification Body:

- Taxes
- Auditor's travel expenses (if applicable)
- Cancellations and rescheduling of the activities within 10 calendar days, from the scheduled audit date, will cause penalty.

5.2 Field Audit

The Qualification Audit (Initial, Maintenance or Requalification) has some previous steps to be followed in the **Qualification Program of Retail Suppliers – ABVTEX**.

The purpose of the field audit is to confirm that the organization management and its activities are in accordance to the Program requirements. This confirmation occurs through the following actions:

- At the beginning of the audit, a brief opening meeting is conducted by the auditor;
- The audit begins following its plan, in which the auditor is accompanied by the audited representative, during the whole process;
- Objective evidences and documents must be verified in order to substantiate the compliance suitability related to the Program requirements (the documents list which will be verified is available on the Program Portal).
- Cases of identified non-compliances must be reported to the organization's representative at the moment in which are identified and recorded through photo reportage, when permitted by the audited. If this permission is not provided, such fact will be reported on the final report.
- The audit follows as check-list (questionnaire) that includes requirements both for supplier and subcontractor (See **Appendixes 5 and 6**). The check-list is organized on thematic blocks and for each one there is a minimum score required for the qualification, as follow detailed;
- A closing meeting occurs as further presented.

5.2.1 Program Thematic Blocks

The audits will be based on the requirements specified on the audit's check-list.

It there will a specific check-list to be applied on the suppliers' audit and other to be applied on the subcontractors' audit. Both check-lists are divided into thematic blocks. The requirements for both questionnaires are similar. However, there is a major level of demand related to the suppliers, due to the degree of influence that retail signatory companies have on them.

The following table presents the thematic blocks of the Program requirements. The check-lists complete versions may be consulted on the **Appendixes 5 and 6**.

Table 4: Program Thematic Blocks	
Topic	Description
Company Formalization	The company shall be legally constituted in accordance with the Brazilian legislation.
Child Labor	The company must not be involved in or support the use of child labor (minor under 16 years – except as Apprentice Minor). In the event of hiring minors between 16 and 18 years old, it must be respected what is established by the Brazilian legislation) CLT – Consolidated Labor Laws)
Hard Labor or analogous to Slavery Labor	The company must not be involved in or support the use of Hard Labor or analogous to Slavery Labor, characterized as degrading labor – exhaustive labor journey, which extends beyond what is permitted by law and in a continuing way, leading the employee to fatigue, precarious conditions of hygiene and safety ,which threaten the health and safety of the employee, and unregistered work – added to situations of freedom deprivation – either by debt, withholding employee's documents or personal belongs, by being in a location geographically isolated, or by the presence of overt vigilance on the workplace with the purpose of withholding the employee there.
Irregular Foreign Work	The company must not be involved in or support the use of work or service that is extracted from any person in a residence or work situation in Brazil that is not settled before the competent bodies.
Freedom of Association	The employees must have the right to joint themselves or to constitute labor unions by their choice and to bargain collectively. The employees' representatives must not be discriminated and must be able to exert their representative functions on their workplace.
Discrimination	The company must not be involved in or support discrimination in hiring, compensation, training access, promotion, contract termination or retirement, based on race, social class, nationality, religion, deficiency, sex, sexual orientation, age, pregnancy, association to labor unions or party affiliation.
Abuse and Harassment	It is forbidden the physical or disciplinary abuse, the threat of physical, sexual or other type of harassment, the verbal abuse and other forms of intimidation.

Health and Labor Security	The company must provide a safety and hygienic work environment, bearing in mind the prevailing of the industry knowledge, as well as any specific danger. Practical measures will be taken in order to prevent accidents and health damage that might arise, associated or caused by dangers inherent to the work environment.
Monitoring and Documentation	The company must demonstrate respect to the Brazilian laws and regulations.
Compensation	All employees must work in accordance with the provisions of labor legislation and registration at the Social Security Card (CTPS). Salaries and worked hours shall be paid in accordance to the national legal base, or as defined in collective bargain. The higher one shall prevail.
Worked Hours	The worked hours (including overtime) must be done and paid in accordance to the national legal base, or as defined in collective bargain.
Benefits	Additional Benefits (beyond salary) may be offered by the company to its employees, providing to them better life quality and incentive to work, or as defined in collective bargain.
Monitoring of Productive Chain <i>(only for suppliers)</i>	The company must maintain mechanisms to monitor its subcontractors to assure decent working conditions for its employees. The company must also maintain an updated data base of its subcontractors, as well as the tracking of the parts sent to them.
Environment <i>(only for suppliers)</i>	The company must properly treat its effluents and solid wastes. It is desirable that the company develops efforts to the environment improvement.

Important – Most of the Program requirements are compliance demands with the legislation. It is possible that throughout the Program, the legislation is updated, creating new demands for the organizations. It is the suppliers' and subcontractors' duty to maintain themselves updated regarding the new demands and to ensure its compliance, independently if a determined legal requirement is or not on this Program.

5.2.2 Qualification Performance (Score)

Each thematic block (presented on the previous item of this Regulation) includes requirement sets, which are structured in form of questions. For each question it has been set a weight that may vary from 1 to 3, in accordance with the importance of the requirement for this Program. The weight of each question may be known on the **Appendixes 5 and 6** that present the suppliers' and subcontractors' check-lists.

The Qualification Body, when fulfills the Audit, will evaluate the company's compliance with each one of the requirements (questions). As the presented evidence, the auditor will score that requirement as follows:

Table 5: Requirements Score (or questions),obtained by the audited
(valid to suppliers and subcontractors)

0	Not complied Requirement
1	Requirement partially complied
2	Requirement completely complied

In this way, the obtained score by the audited, in a determined requirement, will be calculated by multiplying the weight of that question (1, 2 or 3) by the obtained score by the audited on that question (**Table 5**). On the table bellow, it is exemplified the total score of a requirement for each one of the compliance situations to the requirement:

<i>Question from the block Health and Labor Safety</i>	<i>Compliance to the Requirement</i>	<i>Requirement Score obtained at the Audit</i>	<i>Question Weight</i>	<i>Total Score obtained by the audited on that requirement</i>
Are the electrical installations appropriate?	Not complied Requirement	0	2	0
	Requirement partially complied	1	2	2
	Requirement completely complied	2	2	4

On the example above, the audited could achieve a maximum score of 4 points at the requirement (question) in case it has been evaluated as completely complied. On the other extreme, it could obtain a score equal to zero, in case of not complied requirement.

For each one of the questions from the check-lists the same process will be used.

The tables bellow show what is the minimum performance needed for each one of the blocks in order to the supplier or subcontractor obtain the qualification to the Program. This percentage will be calculated upon the maximum score possible of that block.

Table 6: Minimum performance for the Supplier 's Qualification	
Related Themes	Minimum performance needed* (score obtained by the audited regarding the maximum score possible of that block)
Company Formalization	100%
Child Labor	100% (unacceptable infraction – it will be considered as Critical Non-Compliance)
Hard Labor or analogous to Slavery Labor	100% (unacceptable infraction – it will be considered as Critical Non-Compliance)
Irregular Foreign Work	100% (unacceptable infraction – it will be considered as Critical Non-Compliance)
Freedom of Association	100%
Discrimination	100%
Abuse and Harassment	100%
Health and Labor Security	50%
Monitoring and Documentation	60%
Compensation	100%
Worked Hours	70%
Benefits	There is no minimum required score
Monitoring of Productive Chain	70%
Environment	There is no minimum required score
TOTAL	THE TOTAL SCORE MIGHT NOT BE UNDER 70 %

* It will not be considered on the maximum score calculation, the questions which are not applicable on the audited location, as the auditor`s observation.

Table 7: Minimum performance for the Subcontractor's Qualification	
Related Themes	Minimum performance needed* (score obtained by the audited regarding the maximum score possible of that block)
Company Formalization	100%
Child Labor	100% (unacceptable infraction – it will be considered as Critical Non-Compliance)
Hard Labor or analogous to Slavery Labor	100% (unacceptable infraction – it will be considered as Critical Non-Compliance)
Irregular Foreign Work	100% (unacceptable infraction – it will be considered as Critical Non-Compliance)
Freedom of Association	100%
Discrimination	100%
Abuse and Harassment	100%
Health and Labor Security	50%
Monitoring and Documentation	60%
Compensation	100%
Worked Hours	70%
TOTAL	THE TOTAL SCORE MIGHT NOT BE UNDER 70 %

* It will not be considered on the maximum score calculation, the questions which are not applicable on the audited location, as the auditor`s observation.

5.2.3 Interviews

In an audit process, some interviews are made as complement of the collected documentary information. The interviews are individual and shall occur privately, that is, it will not be authorized a monitoring of the interview by any other employee, neither by his superiors. In the specific case of this Program, the quantity of interviewed people is established on the table below:

Table 8: Minimum quantity of interviewed people (valid to suppliers and subcontractors)	
Number of the plant employees	Quantity of conducted interviews
Until 10	40% of production employees
11 – 30	30% of production employees
31 – 100	25% of production employees
Over 100	25 of production employees

5.2.4 Validation of the Subcontractors' List

Specifically for the direct retail suppliers, other type of verification is required during the audit: the validation of the subcontractors' list that are on its own supply chain.

This list shall be filled in by the supplier and sent to the Qualification Body previously to the audit fulfillment (see model on the **Appendix 3**).

The purpose of this validation is to assure that the supplier is reporting correctly and completely its subcontractors' list, that produce goods for any one of the signatory retail companies of this Program. For that, it will be analyzed the movement of materials, sub products and products through invoices.

This validation will be done within the process of Initial Audit of Qualification, and then in the Maintenance and Requalification Audits. The Program Retail Signatory Companies may also lead an independent traceability audit with this purpose, at any time, and report to ABVTEX about conflicting information to what has been reported to the Program by the supplier.

5.2.5 Audit Interruption

The auditor may decide by the audit interruption if:

- There is a failure by the organization in cooperating properly with the audit process;
- Identifies that its safety is under risk. It is known that a visitation in areas considered risky may be needed and the viability of it shall be analyzed case by case;
- At the moment that he arrives at the unit to be audited, finds other public officer supervision on the location.

Anyway, at any situation of audit interruption, it must not have any loss concerning the remuneration agreed on the contract with the Qualification Body. A brief report must be prepared by the auditor where he explains what has happened, and formalizes his decision and conditions agreed with the audited company representative.

5.2.6 Private Meeting

The organization must provide a place on its facilities in order to give to the auditor a private moment, before the closing meeting to:

- Ensure that the process is complete and all Program requirements have been audited;
- Review the audit observations (compliance and non-compliance);
- Confirm that the audit records are present and complete.

5.2.7 Closing Meeting

The auditor must lead the closing meeting with the organization representative by showing an audit preliminary report and reporting the found non-compliances.

The auditor also shall inform that the final audit report, eventual corrective action plan and other information will be available on the system (access through the Program Portal) and that the organization representative may access them with his process number, which will be sent by e-mail to the company representative.

5.3 Issuance of the Audit Final Report

The auditor will prepare an audit final report on completing the process. This report follows a report model established by the ABVTEX Program and must be completed in order to accurately describe the audit process.

The audit observations, resulting from diversion of attending the requirements specified on the Program, will be properly reported on the report and classified as non-compliance. The non-compliances, detected at any visit, which affect on the classification and result in scores under the cutoff score, require their correction within the established deadline on this Regulation before the recommendation to Qualification.

The audit final report presents the information if the organization is able to the Qualification Program.

Important – *In case of the supplier or subcontractor disagrees with the results presented on the audit final report, he shall send to the Manager of the Qualification Program (contacts available on the Program Portal), in writing and within 10 calendar days after the issuance of the report, a request of results review. In case of maintaining the disagreement, the audited shall communicate, in writing, to the ABVTEX that the case will be discussed with the Steering Committee. Further questionings shall be posted through the "Contact Us" available on the ABVTEX site. (www.abvtex.org.br).*

6. Rules and Criteria of the Qualification Document

The information regarding the suppliers ' and subcontractors ' qualification will be maintained on the Program Portal, indicating the Qualification Document status as:

- Qualified: companies who have gone through the audit process, have obtained the minimum score and are properly qualified;
- Pending action plan: companies with opened action plans, waiting for a new audit or documentary analyze in order to verify the corrective actions implementation;
- Disapproved: companies who have gone through the audit process, but have received a Critical Non-Compliance and could not obtain a Qualification Document to the Program;
- Canceled: companies who had already obtained the qualification to the Program, but due to some infraction concerning the contents of this regulation had its qualification canceled. The cancellation may also occur upon request of the supplier and /or subcontractor, if it no longer wants to continue on the Program signatory companies supply chain;
- Suspended: companies who had already obtained the qualification to the Program, but had his Qualification Document suspended due to not fulfilling its financial obligations to the Qualification Body or due to the unfavorable results of the Maintenance Audits.

6.1 Emission

In the event of the organization has gotten the necessary score to the Qualification, it will be issued a Qualification Document to the Program, which is the Qualification Body responsibility. See model of the Qualification Document on the **Appendix 4**.

Important – *It is the supplier's responsibility to inform to the retail company(ies) to whom it supplies, the conclusion both of its qualification process and of its subcontractors, reporting its process number to them in order to the respective Qualification Documents may be consulted on the system.*

Important – *If the company (supplier or subcontractor) changes its address during the validity process of its Qualification Document, it will be necessary to fulfill a new Qualification Audit to the Program, with duration provided by the Qualification Body. It is the supplier's responsibility to report to the Qualification Body about its address changes as well as of its subcontractors, so that a new audit is scheduled.*

6.2 Validity

The Qualification is validity for 2 (two) years, from the issue date of the Qualification Document. The validity date is printed on this document.

6.3 Maintenance Audit

After 12 months of the Qualification Document validity, a Maintenance Audit will be fulfilled, which the purpose of verifying whether the audited location continues to attend the Program requirements. In case of this no longer occurs the location will have its qualification suspended until the necessary corrective actions are done.

In case of any unacceptable infraction is evidenced during the Maintenance Audit (Child Labor, Hard Labor or analogous to Slavery, Irregular Foreign Labor), the qualification will be canceled and a new process will be ineligible for 06 (six) months, from the date of the Qualification Document cancellation.

The Maintenance Audit will not be previous scheduled and the principle might be held within 60 days after the Qualification Audit anniversary, with no previous advice by the Qualification Body. The purpose of performing this audit with no previous scheduling is to report the location on its usual operating conditions.

The Maintenance Audit shall occur with 12 months of the Qualification Document validity, with a flexibility of 60 (sixty) days after the validity expiration date of the Qualification Document (Initial audit).

Both the suppliers and the subcontractors will pass through this Audit and the costs for its fulfillment are responsibility of the audited location. Clauses regarding the fulfillment of this Audit will be on the established contract between the audited location and the Qualification Body when the Initial Audit of Qualification occurs. It is the supplier's discretion the decision whether it will pay the costs of its subcontractor's audits.

Important – *Regarding the direct retail suppliers, it will be also verified and validate on this Audit, again, the updated subcontractors' list, to guarantee that all subcontractors which the supplier works are Qualified by the Program. Inconsistencies on this list may cause the cancellation of the supplier's qualification and the suspension of supplying to the retail companies participants in the Program.*

6.4 Requalification Audit

An automatic notice will be sent by the program system to the company (supplier and subcontractor), 120 days before the end of the Qualification validity term, informing the need of scheduling a Requalification Audit. However, it is the company's (supplier or subcontractor) responsibility for monitoring the qualification validity term (date contained on the Qualification Document) and, therefore, the necessity of programming the Requalification Audit.

In case of the Qualification Document validity expires and the Requalification Audit is not fulfilled, the supplier or subcontractor is subject to the supply cancellation (direct or indirect) for the Program signatory companies. It will be allowed a maximum flexibility of 60 days counted from the document expiration date for the Qualification renewal.

In case of any unacceptable infraction is detected during the Requalification Audit (Child Labor, Hard Labor or analogous to Slavery, Irregular Foreign Labor), a recommendation to the Requalification will not occur and the location will not participate in a new process of Qualification for 6 (six) months, from the date of the Audit fulfillment.

6.5 Suspension

The Qualification Body shall report, in writing, to the company (supplier or subcontractor) the reason for suspending the already obtained Qualification Document. At the same time, this notice will be also reported to ABVTEX.

The Qualification Document will be suspended before any one of the following reasons:

- The company (supplier or subcontractor), already qualified, does not fulfill its financial obligations to the Qualification Body;
- The company (supplier or subcontractor), already qualified, is not fulfilling the Program requirements, as noted on the Maintenance Audit.

On these cases, until the company (supplier or subcontractor) takes the needed measures and corrective actions, the qualification will remain suspended.

During the period of qualification suspension, the company (supplier or subcontractor) might not supply (direct or indirectly) to the Program retail signatory companies.

6.6 Cancellation

The Qualification Body shall inform, in writing, the company (supplier or subcontractor) about the reason for the already obtained Qualification Document has been cancelled. At the same time, this notice will be also reported to ABVTEX.

The Qualification Document will be cancelled before any one of the following reasons:

- The qualified company (supplier or subcontractor) is out of business;
- The company does not renew its qualification by the moment that it expires;
- By the company's (supplier or subcontractor)solicitation , in case it no longer wish to belong to the signatory retailers chain;
- Even after its qualification, there are evidences of unacceptable violations in the company's (supplier or subcontractor)operations, connected to the themes: Child Labor, Hard Labor or analogous to Slavery, Irregular Foreign Labor;
- After the subcontractors' list is validated in Audit, the supplier continues to work, producing parts for the retail signatory companies, with other subcontractors which are not qualified by the Program or continues to work with subcontractors which have not already obtained the Program qualification.

The qualification cancellation also includes the suspension of providing to the Program retail signatory companies.

7. Qualification Bodies Applicable Requirements

7.1 Auditors' Qualification

The professionals hired by the Qualification Bodies have a minimum background and qualification which follows the requirements established by the Program. Such qualifications are described on the table below:

Table 9: Program Auditors' minimum qualification		
Education	Specific Courses	Professional Experience
Complete college or technical training	<p>Review of legal requirements for the concerned industry: labor, health and safety requirements</p> <p>Training at the Qualification Program of Retail Suppliers – ABVTEX*.</p>	<p>Experience, at least, of two years in the textile industry sector (example: manufacturing, production, purchasing, quality inspection) or in social responsibility audits.</p> <p>In case of he does not have the above experience; this may be compensated by, at least, 20 audits in social responsibility as leader.</p> <p>He has conducted, at least, 2 audits as observer and 2 as noted.</p>

* The program coach shall be, mandatorily, a leader auditor with, at least, two years of experience in the social responsibility area.

7.2 Auditors' Performance Monitoring

The Qualification Body must maintain an auditors' performance evaluation program with the purpose of continually monitoring them by methods that includes:

- Suppliers' or subcontractors' feedback: any negative feedback must be recorded, evaluated and answered by the responsible manager of the Qualification Body;
- Monitoring of the Audits;
- Audit Documents Analyzes;
- Continuous improvement system;
- Performance Analyze: His performance must be reported to the ABVTEX manager by the Qualification Body always it is required by the Committee. At least, the following indicators must be reported:
 - a) Complaints received in feedbacks reported by the audited companies;
 - b) Disputes solved within the Qualification Body;
 - c) Number of auditors who are qualified and active on the program with curriculum and qualification record.

The ABVTEX reserves, by its discretion, the right of following the suppliers' or subcontractors' audits, with the Steering Committee members, independent auditors or audit organization, always observing the aspects of interest conflicts.

At any time, the ABVTEX might request a Qualification Body audit, at time and date agreed by the parties, with the purpose of fulfillment evaluation of the requirements defined on this Regulation.

8. Regulation Appendixes

Appendix 1: Ethical Principles of the Qualification Program of Retail Suppliers - ABVTEX

1. Employment is freely chosen

1.1 There will not be involuntary, forced or slavery work.

1.2 The employees will not have to leave under the employer's custody, deposits or identity documents and will be free to leave the employer after reasonable notice.

2. The freedom of association and the right of collective bargaining will be respected

2.1 The employees, irrespective, will have the right of jointing themselves or constitute labor union by their choices and to make collective bargains.

2.2 The employer will have an open attitude before the labor unions activities as well as before their organizational activities.

2.3 The employees' representatives will not be discriminated and will have conditions to perform their representative activities on their workplace.

2.4 When the right of association and collective bargain were restricted by law, the employer shall facilitate, and not obstruct, the development of the parallel alternatives for association and free and independent negotiation.

3. The work conditions will be safe and hygienic

3.1 A safe and hygienic workplace will be provided, considering the predominant industry knowledge, as well as any specific dangerous.

Reasonable and practical measures will be taken to prevent accidents and health damages, which might arise associated or caused by dangerous inherent to the work environment.

3.2 The employees will regularly receive documented training about safety and health, which will be repeated to new and transferred ones.

3.3 The access to cleaning toilets and drinking water will be provided, and if necessary, suitable installations to food storage.

3.4 The company must nominate a management representative as responsible for health and safety, which has knowledge about conduct code.

4. Child workforce shall not be used

4.1 It shall not occur hiring of Child workforce.

4.2 The companies shall develop or participate in policies and programs which will provide a transition base for children who are found working, giving to them conditions to attend to school and keep themselves in quality education, until their majority. Children and Child workforce are defined on the appendixes.

4.3 Children and young people under 18 years shall not be hired for night shifts or risk conditions.

4.4 These policies and procedures shall be achieved in accordance to the OIT rules.

5. Worthy Salaries will be paid

5.1 Salaries and benefits shall, at least, be paid in accordance with the national legal base or the industrial sector base. The higher one shall prevail. However, the salaries shall always be enough to fulfill the basic needs as well as to provide free income.

5.2 Before starting to work, all employees will receive writing comprehensible information regarding work conditions and salaries, as well as salary details during the paid period at each time they receive.

5.3 Salaries deduction due to disciplinary measures, as even deductions which are not constituted on national laws, will not be allowed without previous express authorization from the concerned employee.

6. The working hours will not be excessive

6.1 The working hours must be in accordance with both the national laws and the base of the industry sector or that one which offers more protection.

6.2 The employees shall not exceed 44 regular hours + 10 extra hours per week. The employees shall have, at least, one day off for each period of 7 days. Extra hours will be voluntary and shall not exceed 10 hours per week or be regularly demanded. The extra hours will always be compensated by values higher than the salary itself. The replacement of extra hours by bank hours shall be reported to the labor union with the employees' agreement.

7. There will be no discrimination

7.1 There will be no discrimination in hiring, remuneration, training access, promotion, dismissal or isolation by reasons as race, social class, nationality, religion, age, deficiency, sex, marital status, sexual option, membership to labor union or politic party.

8. Regular work will be provided

8.1 By all possible conditions, the work shall be based on a recognized work relationship and established throughout national laws and rules.

8.2 The obligations to the employee which come from the employment regular relation might not be avoided by the use of employment contract, outsourcing or work at home. These obligations might not be avoided as well through trainee programs, where there is no intention of giving abilities or fixed jobs or even the excessive use of fixed-term contracts.

9. Harsh and inhumane treatment shall not be permitted

9.1 Physical or disciplinary abuse, the threat of physical or sexual abuse or other kind of verbal harassment or abuse or other forms of intimidation are prohibited.

9.2 The provision of this code constitutes minimum and not maximum standards. This code shall not be used to limit the companies to go beyond it. The companies who applies this code must fulfill the national laws and others rules, and when the law and the basic code deal with the same subject, that one which gives major protection must be followed.

Appendix 2: Participation Term

SUPPLIER OR SUBCONTRACTOR PARTICIPATION TERM

By this term, the company indicated below, declares to agree on joining to the **Qualification Program of Retail Suppliers – ABVTEX**, in accordance with the conditions specified on the Program General Regulation, available on the Portal Program.

The company recognizes that its Qualification Document might be cancelled or suspended in cases provided on the Regulation.

The company also recognizes that the qualification to the **Qualification Program of Retail Suppliers – ABVTEX**, in accordance with conditions and terms specified on the Regulation, is necessary condition to supply (direct or indirect) to any one of the Program retail signatory companies.

The direct retail supplier recognizes that, beyond its Program qualification, it still shall validate its Subcontractors' list during the audit process and ensure that they are also qualified to the Program – indispensable conditions to continue to supply to the Program retail signatory companies.

The ABVTEX clarifies that the whole information provided and found in the audits will be only used for monitoring purposes by ABVTEX and will not be used with commercial purposes. Such information will be treated in a restrict form, except in cases that politics authorities demand otherwise.

Corporate name: _____

CNPJ: _____

State Registration: _____ Municipal Registration: _____

Address: _____ Zip Code: _____

District: _____ City/State: _____

E-mail: _____ Telephone: _____

Sign herein your company condition:

() Direct Retail Supplier

() Subcontractor – Indicate herein which company(ies) has (have) requested you Program qualification _____

Sponsor's name: _____

Position: _____

Date: _____ Signature: _____

Appendix 3: Subcontractors' List

This list must be filled in by the supplier and physically sent to the Qualification Body before the date of the scheduled audit.

This document must be filled in, on an electronic format, printed, signed and bringing certified signature. Handwritten documents will not be accepted. The supplier shall always maintain this record, electronic updated, on its company.

A determined productive unit of the supplier itself must be on this list as well, highlighting this information (on this case, the model "supplier" of the check-list will be used in the audit).

Important: THIS INFORMATION REPLACES ALL THOSE PREVIOUSLY PROVIDED (if applicable) AND INDICATES THE NAMES AND ADDRESSES OF ALL SUBCONTRACTED UNITS THAT HAVE PARTICIPATED IN THE PRODUCTIVE PROCESS OF GOODS SUPPLIED TO THE ABVTEX RETAIL COMPANIES (SEE THE RETAIL COMPANIES' LIST ON: WWW.ABVTEX.ORG.BR)

Sign here in case of your company (supplier) does not have subcontractor or subsidiary that produces for one of the ABVTEX companies

SUPPLIER COMPANY 'S DATA

Corporate name :	
CNPJ:	
Legal representative or sponsor:	
Legal representative's or sponsor's signature:	
Date:	

SUBCONTRACTORS ' DATA

Corporate name:	
CNPJ:	
State Registration:	
Address:	
ZIP CODE :	
District:	
City/State:	
Telephone :	
Email:	
Contact Person:	

Corporate name:	
CNPJ:	
State Registration:	
Address:	
ZIP CODE :	
District:	
City/State:	
Telephone :	
Email:	
Contact Person:	

Corporate name:	
CNPJ:	
State Registration:	
Address:	
ZIP CODE :	
District:	
City/State:	
Telephone :	
Email:	
Contact Person:	

Appendix 4: Qualification Document Model

Qualification

Awarded to

Company

CNPJ

Address

The Qualification Body _____ formalizes that the company qualified above has participate in the **Qualification Program of Retail Companies – ABVTEX** and, in an independent qualification audit, fulfilled in __/__/__, its auditors have evaluated that the company attends the Program requirements at the above mentioned Unit (plant).

The **Qualification Program of Retail Companies – ABVTEX**, has as principles legal compliance of the operations and the promotion of decent working conditions.

This Qualification Document is validity until __/__/__. A Requalification Audit must be fulfilled in the same Plant until this date, renewing the attendance continuity of the Program requirements and Rules.

Its validity may be confirmed on the Program Portal, throughout the Process Number, informed bellow: www.abvtex.org.br/programaquali

São Paulo, XX, XX

Qualification Body

Process Number: XXXXXX:

Appendix 5: Check-list applicable to the Supplier and Score

It follows bellow, the check-list which will be used in the audit of the direct suppliers of signatory companies.

1. Company Formalization		Weight	Minimum needed Score on the Block
1.1	Is it constituted as legal entity, respecting the Brazilian legislation?	Yes / No	100%

2. Child Labor		Weight	Minimum needed Score on the Block
2.1	Has a learning contract, in accordance with legal requirements, been evidenced in case of the existence of 16 -year- old minor employees?	Yes / No	100% (Infractions to these questions will be considered as Critical Non-Compliance)
2.2	In case of employees who are between 16 and 18 years old, have the labor laws been attended such as: no exposure to hazardous / unhealthy work, non-performance of night work, work contract as allowed by law?	Yes / No	

3. Hard Labor or analogous to Slavery		Weight	Minimum needed Score on the Block
3.1	Is there evidence of no hard labor / analogous to slavery?	Yes / No	100% (Infractions to these questions will be considered as Critical Non-Compliance)
3.2	Is there evident absence of any kind of securities lending or retention of personal documents in exchange for manpower?	Yes / No	
3.3	Is the overtime fulfilled with the employees' consent?	Yes / No	
3.4	Is the employees' free circulation evidenced?	Yes / No	

4.1. Irregular Foreign Labor		Weight	Minimum needed Score on the Block
4.1.1	Is the absence of Irregular Immigrants work evidenced?	Yes / No	100% (Infractions to these questions will be considered as Critical Non-Compliance)

4.2. Housing integrated to the factory		Weight	Minimum needed Score on the Block
4.2.1	Is evident the absence of immigrants employees living at the same address of the factory?	Yes / No	100%

5. Freedom of Association		Weight	Minimum needed Score on the Block
5.1	Is evidenced the absence of intimidation concerning the right of free association and agreement of collective bargain?	3	100%

6. Discrimination		Weight	Minimum needed Score on the Block
6.1	Is evidenced the absence of discrimination by age, ethnic, sexual option, group, religion, politics or other specific reason?	3	100%
6.2	Is evidenced the absence of pregnancy testes when hiring the employee?	3	
6.3	Is it given to the pregnant a differential treatment in accordance with the necessity of each one?	3	

7. Abuse and Harassment		Weight	Minimum needed Score on the Block
7.1	Are there complaints or evidences of any kind of harassment against the employees considering the company hierarchy?	3	100%

8. Health and Work Safety		Weight	Minimum needed Score on the Block
8.1	Work Conditions and Infrastructure		50%
8.1.1	Do the facilities offer risk to the work conditions (cracks, holes, pronounced infiltration)?	3	
8.1.2	Are the internal areas designed (brickwork) in a way that the use of provisory installations is not observed?	2	

8.1.3	Are the company areas in hygienic and health good conditions?	2
8.1.4	Is there drinking water available for the employees?	2
8.1.5	Are the electrical installations appropriate?	3
8.1.6	Are the areas which present electrical risks under tension flagged as NR-10?	3
8.1.7	Does the location have a ventilation, exhaust and/or acclimatization system appropriate to the tasks done on each process level?	2
8.2	Toilets	
8.2.1	Do the changing rooms and toilets have appropriate ventilation?	1
8.2.2	Are the toilets equipped with toilet seat and lid?	2
8.2.3	Are there enough toilet seats for the number of employees?	1
8.2.4	Do the toilets have personal hygiene products: toilet paper, liquid soap, paper towels for hands or some other hygienic hand drying and trash can with lid?	2
8.2.5	Are the toilets/changing rooms separated for both sexes with door identifications?	2
8.2.6	Are there in the changing rooms sufficient lockers for personal belongings for the number of employees? Are the lockers in a hygienic and conservation good condition?	1
8.3	Cafeterias	
8.3.1	Are the meals taken in the company?	Yes / No
8.3.2	Does the company have cafeterias?	Yes / No

8.3.3	Is the cafeteria clean and with no food residues?	2
8.3.4	Are the food and dishes/pans properly stored and/or kept?	1
8.3.5	Is the cafeteria ventilated?	1
8.3.6	Are the meals made segregated from the productive area?	3
8.4	Health and Safety	
8.4.1	Does the company provide technical and legal requirements in the installation, maintenance and operation of boilers and under pressure vessels according to the NR-13?	3
8.4.2	Does the establishment have fire protection equipment, outputs for fast withdrawal of staff in service in case of emergency, preserved fire-fighting equipment with validity and appropriate numbers, people trained to use equipment and evacuation of the site? (according to NR-23)	3
8.4.3	Are the machines, tables and chairs in a satisfactory health and safety conditions, with no adaptations?	1
8.4.4	Does the company have and follow the recommendations of the PPRA (Environmental Risk Prevention Program) defined in accordance with all requirements of NR – 09 and updated (annually)?	3
8.4.5	Does the company have and follow the recommendations of the PCMSO (Medical Control and Occupational Health Program) defined in accordance with all requirements of NR – 07 and updated (annually)?	3
8.4.6	Is the ASO (Occupational Health Certificate) updated and does it cover exams provided on the PCMSO for the considered functions?	3
8.4.7	Is the CIPA (Internal Commission for Accident Prevention) is established according to NR-05? Are there recorded minutes of meetings and planned trainings? In cases of non-requirement of CIPA, is there a company's representative responsible for the health and safety issues?	2

8.4.8	Does the company have the minimum conservation and comfort requirements in the buildings according to NR - 08?	2
8.4.9	Does the local provide seats for ongoing work in which the employee may work seated?	2
8.4.10	Do the seats used in workstations attend the minimum comfort and ergonomics requirements (NR-17)?	2
8.4.11	Is there appropriated lighting to the activities fulfillment?	2
8.5	EPI's	
8.5.1	Are situations in which the employee is exposed to situations of risk, without adequate protection evidenced?	3
8.5.2	Does the local provide EPI's to its employees?	2
8.5.3	Are the EPI's (Personal Protection Equipment) appropriate, with CA (Approval Certificate), available and replaced when necessary (in the case of damage or loss) in accordance with the NR-6?	2
8.5.4	Are all employees aware about the adequate use, guard and conservation of the EPIs?	2
8.6	Handling Chemicals Products	
8.6.1	Are the FISPQ's (Security Identification Card of Chemicals Products) updated and available to the employees who handle chemical products, according to the Decree 2657/98?	2
8.6.2	In case of leaks or accidents involving chemical products, are the employees instructed and do they have resources to take the measures foreseen on the FISPQ's?	2
8.6.3	Are the dangerous and inflammable substances properly stored?	2
8.6.4	Are the dangerous and inflammable substances stored in appropriate containers and within validity?	2

8.6.5	Are the chemical products handling in appropriate form in the production area?	3	
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9. Monitoring and Documentation		Weight	Minimum needed Score on the Block
9.1	Is there INSS Negative Certificate and regularity along INSS?	3	60%
9.2	Are all employees registered on the CTPS?	3	
9.3	Is evidenced the absence of abusive disciplinary practices?	2	
9.4	Are there evidences of licenses for controlled products (Federal Police, Civil Police or Army)?	3	
9.5	Is there evidence of the CADRI (Approval Certificate for Industrial Waste Discard)?	2	
9.6	Environmental License?	3	
9.7	Is there AVCB (Fire Department Inspection Record) or equivalent document?	2	
9.8	Is the Operating License evidenced?	2	

10. Compensation		Weight	Minimum needed Score on the Block
10.1	Are the salaries, Christmas bonus, licenses, additional vacation pay and additional (Night shift, injurious exposure and occupational hazard) paid in accordance with the labor legislation and collective agreement?	3	100%
10.2	Are there pay slip/paycheck copies available to the employees?	2	
10.3	If the salary is calculated upon productivity does the employee have the right to check and compare the produced goods with the received value?	2	

10.4	Is there any salary deduction not allowed by law? (For example: Delays within tolerance or properly justified, faults properly justified, uniforms, EPI's and disciplinary practices)?	3	
10.5	Is there any evidence of salary deduction without the employee's agreement?	3	
10.6	Are the extra hours paid or compensated in accordance with the labor legislation or collective agreement?	2	

11. Worked Hours		Weight	Minimum needed Score on the Block
11.1	Is the absence of excessive working hours (beyond what is permitted by law, in continue way) evidenced?	3	70%
11.2	Is the accomplishment of working hours t in accordance with the labor legislation and collective agreement?	3	
11.3	Does the employee have the right to check the worked hours with the received ones? Are the working hours and hours of working registered on the same timecard?	2	

12. Benefits		Weight	Minimum needed Score on the Block
12.1	Are there additional benefits to the employee (for example health insurance, life insurance, dental plan etc)?	2	There is no minimum score
12.2	Is there educational support and employees professional capacitating?	2	
12.3	Are there programs to benefit the employees and their families regarding life quality?	1	

13. Productive Chain monitoring		Weight	Minimum needed Score on the Block
13.1	Is there a subcontractors' selection process concerning questions related to the regular work?	1	70%

13.2	Does the organization have any formal document signed by the subcontractors covering questions related to work conditions?	2	
13.3	Does the organization maintain an updated list, in electronic format, of all subcontractors whom keeps commercial relationship, with, at least, the following information: registration data containing corporate name, address and CNPJ; type of fulfilled service; formalization of local conditions (CLT); among other relevant information?	2	
13.4	Does the organization monitor the subcontractors' activities concerning questions related to regular job and does it request copies of the INSS and FGTS payment guides?	2	
13.5	Does the supplier maintain a record with the order numbers of the Program retail companies and to which subcontractors have they been sent?	3	

14. Environment		Weight	Minimum needed Score on the Block
14.1	Is there a solid waste selective collect and proper destination to its production waste?	2	There is no minimum score
14.2	Does the organization have initiatives or tangible and effective proposals to the improvement of the environment which it is inserted aiming the community, flora and local fauna benefits?	1	

Total needed score - minimum: 70%

Appendix 6: Check-list applicable to the Subcontractor and Score

It follows bellow, the check-list which will be used in the subcontractor's audit.

1. Company Formalization		Weight	Minimum needed Score on the Block
1.1	Is it constituted as legal entity, respecting the Brazilian legislation?	Yes / No	100%

2. Child Labor		Weight	Minimum needed Score on the Block
2.1	Has a learning contract, in accordance with legal requirements, been evidenced in case of the existence of 16 -year- old minor employees?	Yes / No	100% (Infractions to these questions will be considered as Critical Non-Compliance)
2.2	In case of employees who are between 16 and 18 years old, have the labor laws been attended such as: no exposure to hazardous / unhealthy work, non-performance of night work, work contract as allowed by law?	Yes / No	

3. Hard Labor or analogous to Slavery		Weight	Minimum needed Score on the Block
3.1	Is there evidence of no hard labor / analogous to slavery?	Yes / No	100% (Infractions to these questions will be considered as Critical Non-Compliance)
3.2	Is there evident absence of any kind of securities lending or retention of personal documents in exchange for manpower?	Yes / No	
3.3	Is the overtime fulfilled with the employees' consent?	Yes / No	
3.4	Is the employees' free circulation evidenced?	Yes / No	

4.1. Irregular Foreign Labor		Weight	Minimum needed Score on the Block
4.1.1	Is the absence of Irregular Immigrants work evidenced?	Yes / No	100% (Infractions to these questions will be considered as Critical Non-Compliance)

4.2. Housing integrated to the factory		Weight	Minimum needed Score on the Block
4.2.1	Is evident the absence of immigrants employees living at the same address of the factory?	Yes / No	100%

5. Freedom of Association		Weight	Minimum needed Score on the Block
5.1	Is evidenced the absence of intimidation concerning the right of free association and agreement of collective bargain?	3	100%

6. Discrimination		Weight	Minimum needed Score on the Block
6.1	Is evidenced the absence of discrimination by age, ethnic, sexual option, group, religion, politics or other specific reason?	3	100%
6.2	Is evidenced the absence of pregnancy testes when hiring the employee?	3	
6.3	Is it given to the pregnant a differential treatment in accordance with the necessity of each one?	3	

7. Abuse and Harassment		Weight	Minimum needed Score on the Block
7.1	Are there complaints or evidences of any kind of harassment against the employees considering the company hierarchy?	3	100%

8. Health and Work Safety		Weight	Minimum needed Score on the Block
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8.1	Work Conditions and Infrastructure		
8.1.1	Do the facilities offer risk to the work conditions (cracks, holes, pronounced infiltration)?	3	
8.1.2	Are the internal areas designed (brickwork) in a way that the use of provisory installations is not observed?	2	
8.1.3	Are the company areas in hygienic and health good conditions?	2	
8.1.4	Is there drinking water available for the employees?	2	
8.1.5	Are the electrical installations appropriate?	3	
8.2	Toilets		
8.2.1	Do the changing rooms and toilets have appropriate ventilation?	1	
8.2.2	Are the toilets equipped with toilet seat and lid?	2	
8.2.3	Are there enough toilet seats for the number of employees?	1	
8.2.4	Do the toilets have personal hygiene products: toilet paper, liquid soap, paper towels for hands or some other hygienic hand drying and trash can with lid?	2	
8.3	Cafeterias		
8.3.1	Does the company have cafeterias?	Yes / No	
8.3.2	Is the cafeteria clean and with no food residues?	Yes / No	
8.3.3	Are the food and dishes/pans properly stored and/or kept?	2	
8.3.4	Is the cafeteria ventilated?	1	
8.3.5	Are the meals made segregated from the productive area?	1	
8.3.6	Are the meals taken in the company?	3	

50%

8.4	Health and Safety	
8.4.1	Does the company provide technical and legal requirements in the installation, maintenance and operation of boilers and under pressure vessels according to the NR-13?	3
8.4.2	Does the establishment have fire protection equipment, outputs for fast withdrawal of staff in service in case of emergency, preserved fire-fighting equipment with validity and appropriate numbers, people trained to use equipment and evacuation of the site? (according to NR-23)	3
8.4.3	Are the machines, tables and chairs in a satisfactory health and safety conditions, with no adaptations?	1
8.4.4	Does the company have and follow the recommendations of the PPRA (Environmental Risk Prevention Program) defined in accordance with all requirements of NR – 09 and updated (annually)?	2
8.4.5	Does the company have and follow the recommendations of the PCMSO (Medical Control and Occupational Health Program) defined in accordance with all requirements of NR – 07 and updated (annually)?	2
8.5	EPI's	
8.5.1	Are situations in which the employee is exposed to situations of risk, without adequate protection evidenced?	3
8.5.2	Does the local provide EPI's to its employees?	2
8.6	Handling Chemicals Products	
8.6.1	Are the FISPQ's (Security Identification Card of Chemicals Products) updated and available to the employees who handle chemical products, according to the Decree 2657/98?	2
8.6.2	In case of leaks or accidents involving chemical products, are the employees instructed and do they have resources to take the measures foreseen on the FISPQ's?	2
8.6.3	Are the dangerous and inflammable substances properly stored?	2

8.6.4	Are the dangerous and inflammable substances stored in appropriate containers and within validity?	2	
8.6.5	Are the chemical products handling in appropriate form in the production area?	3	

9. Monitoring and Documentation		Weight	Minimum needed Score on the Block
9.1	Is there INSS Negative Certificate and regularity along INSS?	3	60%
9.2	Are all employees registered on the CTPS?	3	
9.3	Is evidenced the absence of abusive disciplinary practices?	2	
9.4	Are there evidences of licenses for controlled products (Federal Police, Civil Police or Army)?	3	
9.5	Is there evidence of the CADRI (Approval Certificate for Industrial Waste Discard)?	2	
9.6	Environmental License?	3	

10. Compensation		Weight	Minimum needed Score on the Block
10.1	Are the salaries, Christmas bonus, licenses, additional vacation pay and additional (Night shift, injurious exposure and occupational hazard) paid in accordance with the labor legislation and collective agreement?	3	100%
10.2	Are there pay slip/paycheck copies available to the employees?	2	
10.3	If the salary is calculated upon productivity does the employee have the right to check and compare the produced goods with the received value?	2	
10.4		3	

	Is there any salary deduction not allowed by law? (For example: Delays within tolerance or properly justified, faults properly justified, uniforms, EPI's and disciplinary practices)?		
10.5	Is there any evidence of salary deduction without the employee's agreement?	3	
10.6	Are the extra hours paid or compensated in accordance with the labor legislation or collective agreement?	2	

11. Worked Hours		Weight	Minimum needed Score on the Block
11.1	Is the absence of excessive working hours (beyond what is permitted by law, in continue way) evidenced?	3	70%
11.2	Is the accomplishment of working hours t in accordance with the labor legislation and collective agreement?	3	
11.3	Does the employee have the right to check the worked hours with the received ones? Are the working hours and hours of working registered on the same timecard?	2	

Total needed score - minimum: 70%
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