

Guide for determining audit duration for the Responsible Living Wage Standard Version 1.0



Guide for determining audit duration for the Responsible Living Wage Standard (RLWS)

Reference document: Responsible Living Wage Standard Scheme Rules version 1.0

This document provides concise guidance for the CB to calculate the audit duration for a company applying for RLWS certification and therefore calculate and offer. The quotation includes the CB audit and certification fees (which depend on the audit duration and travel time) and the annual Scheme Fees. For the Scheme Fees please see Annex 4 of the RLWS Scheme Rules.

Certification cycle is 3-year i.e. the certificate is valid for 3 years. The audit cycle includes Initial audit, Surveillance #1., Surveillance #2., and Recertification audits.

1. Multi-site certification

The audit duration depends on the sample size which is depending on the risk classifications of the site groupings.

Step 1. Groupings of the sites

Identify the central site(s) vs other site groups. The other sites' (not central) grouping should be based on:

1. Similar functions,
2. Similar size,
3. Similar activity,
4. Permanent vs temporary sites.

For international client with multiple sites in several countries, it is recommended to do the site grouping per country.

Step 2. Apply risk classification to the site groupings

The site groupings should be classified as high, medium or low risk site groups. The risk classification should be based on the % of the living wage met by the lowest "base wage" at each site (see Table 2: Risk classification per site).

❖ **Table 2: Risk classification per site**

| Risk classification | % of living wage met by lowest base wage at site | Audit type | Worker engagement | Record-keeping by the site |
|---------------------|--|---|-------------------|---|
| Low | > 100% | Remote audit required | Not required | Base wage (no additional benefits required) |
| Medium | 70% - 100% | Remote audit required, or on-site audit (at the discretion of the certification body) | Required | Wages, bonuses, and in-kind benefits |
| High | < 70% | On-site audit required | Required | Wages, bonuses, and in-kind benefits |

Step 3. Define audit sample size

Central site(s) are always considered as high risk site(s).

- **High risk site(s) and central site(s)** ⇒ always on-site (in-person) audit for all sites (no sampling). This applies to Initial audit, Surveillance #1. and Surveillance #2. and to Recertification audit.
- **Medium risk site(s)** ⇒ remote or on-site (in-person) audit of minimum square root of the sites. This applies to Initial audit, Surveillance #1. and Surveillance #2. and to Recertification audit.
- **Low risk site(s)** ⇒ during a 3-year cycle audit some of the low-risk sites (i.e. not every low risk site are suited every year) should be audited remotely. An on-site (in-person) audit is also possible as decided by the certification body.

Step 4. Define audit duration

Worker interviews are necessary for sites classified as medium or high risk. The number of worker interviews and the number of file reviews depend on the number of workers per site.

❖ **Table 5: Number of workers' interviews to be conducted during the audit**

| Number of workers identified as medium and high-risk workers per audited site/facility | Individual workers' interviews | Files to review | Time spent on interviews |
|--|--|--|---------------------------------|
| 1 – 100 | 8 or all workers if <5 workers | 10 files | 0,5 day |
| 101 – 500 | 16 workers | 26 files | 1 days |
| 501 – 1,000 | 27 workers | 42 files | 1,6 days |
| 1,001 – 2,000 | 36 workers | 52 files | 2,2 days |
| 2,001 + | Minimum 50 or 2,5% of those workers who receive a base wage below the living wage benchmark, whichever is higher | 62 files or 3% of the number of workers, whichever is higher | 16-20 worker interviews per day |

Auditor days should include all necessary activities to carry out the audit, including the management systems review.

This serves as an indication for the auditor. Proper time calculations should be made according to the specific characteristics of the organization.

2. Single site certification

In this case the Step 1 Grouping of the sites is not applicable. Apply Step 2., 3. and 4. In this case, the table 2. and table 5. is referring to the single site.

3. Examples

Example 1. A single site company

A single site production company applies for RLWS certification, the site has 150 workers. The living wage, where the site is located, is 1000 \$, and the lowest wage is 800\$. The % of the living wage met by the lowest base wage at the site is 80%. This classifies the site as medium risk.

In the first year the CB must check the Management System and audit the production site by on-site or remote audit. We recommend doing an on-site the very first audit. During the site audit the CB auditor must interview 16 workers and check 26 files (see Table 5).

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The worker's interview is at least one full day. The 26 file review is an estimated 0,5-1 day. The Management System audit is an estimated 0,5-1 day. Therefore, the audit duration is minimum 2 days in the first year. The CB may increase the 2 days as this is only the minimum duration. It excludes the travel time, any additional administration time the CB charges, and a follow-up audit in case of non-conformities. The follow-up audit may be remote or on-site. The day fee is determined by the CB.

The Scheme Fee is 515 EUR (500 EUR Base fee and 15 EUR (150x0.1 EUR) Size related supplement, the Country Supplement is not applicable.) This is an annual fee.

In the surveillance audit the CB cannot take a square root sample of the medium risk site because there is only one. However, because it is medium risk, the surveillance audit may be done remotely.

Example 2. A multi-site company

An international production company is working in 3 countries. Their head office is in country-A where they also have 1 storage and 2 production facility. In country-B they have another production facility. In country-C they have 3 production facility.

Step 1. Grouping of the sites

The head office in country-A, where the Management System is operated, will be the central site and therefore considered as a high risk site.

We have 8 sites:

- 1 central site in country-A,
- 1 storage site in country-A,
- 2 production sites in country-A,
- 1 production site in country-B,
- 3 production sites in country-C.

Groupings:

There are more grouping options possible.

This case may be grouped into 3 groups:

- 1 central site,
- 1 storage site and
- 6 production sites.

It may also be grouped into 5 groups, considering the countries:

- 1 central site,
- 1 country-A storage site,
- 2 country-A production sites,
- 1 country-B production site, and
- 3 country-C production sites.

Step 2. Risk assessment

Based on the preliminary assessment the CB should compare the lowest base wage per site or per site groupings compared to the living wage (see table 2.). In first year, this can only be done based on the data submitted by the applicant.

- The central site is considered a high risk site.
- The storage company is low risk because each worker's wage is above the living wage.
- The 2 production sites in country-A are medium risk, because each worker's wage is between 70-100% of the living wage.
- The 1 production site in country-B, is high risk, because one worker's wage is lower than 70% of the living wage.
- The 3 production sites in country-C, are medium risk, because each worker's wage is between 70-100% of the living wage.

In case you do not separate the production sites per country, but as one production site group, all the production sites will be considered as high risk. Consequently, if you made 3 groups (1 central site, 1 storage site and 6 production sites), you have 1 low risk site (country-A storage) and 7 high risk sites (1 central site and 6 production sites).

If you made 5 groups (1 central site, 1 country-A storage site, 2 country-A production sites, 1 country-B production site, and 3 country-C production sites), you have: 2 high risk sites (central site and country-B site), 5 medium risk sites and 1 low risk site.

Step 3. Define audit sample size

Based on the risk assessment in step 2, the number of sites to be audited must be calculated. The general sampling rule is:

⇒The central site needs to be audited every year on-site or remote. In the first year it is recommended to do it on-site.

⇒The high risk site needs to be audited on-site every year.

⇒The medium risk sites: the square root of the number sites should be audited on-site or remotely.

⇒The low-risk sites do not need to be audited every year, but some of them in a 3-year cycle. In this example there is only one low risk site. This site may be audited during one of the surveillance audits as a remote audit.

In the first year during initial certification, in case of 5 groupings, the number of sites to be audited is 5:

- 1 central site to audit the management system,
- 1 high risk production site (the country-B site),
- 3 medium risk sites (square root of 6 = 2,23⇒3),

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- No low risk site. You can audit the low risk storage site later, during the 3 year cycle.

In case of only 3 groupings, the number of sites to be audited is 7:

- 1 central site to audit the management system,
- All the 6 production sites (because they are collective high risk),
- No low risk site. You can audit the low risk storage site later, during the 3 year cycle.

Step 4. Define audit duration

In this step, calculate how much time (how many days) is needed to audit the number of selected sites. The duration depends on the number of worker interviews and file reviews which is determined by the number of workers per site (see table 5.).

In case each site has 100 workers, the CB auditor must interview 8 workers and check 10 files according to the Table 5. The worker's interview needs 0.5 day. The 10 file review is estimated to be another 0,5 day. So, each site needs minimum one day. The Management System audit is estimated to be another 1 day.

In case of 5 groupings:

- 1 central site to audit the management system \Rightarrow one day
- 1 high risk production site (the country-B site) \Rightarrow one day
- 3 medium risk sites (square root of 6 = 2,23 \Rightarrow 3) \Rightarrow 3 days
- No low risk site. You can audit the low risk storage site later, during the 3 year cycle.

Total: 5 days

In case of 3 groupings:

- 1 central site to audit the management system \Rightarrow one day
- 6 production sites \Rightarrow 6 days

Total: 7 days

The CB may increase the 5 or 7 days, as that is only the minimum duration. It excludes the travel time, any additional administration time the CB charges, and a follow-up audit in case of non-conformities. The follow-up audit may be remote or on-site. The day fee is determined by the CB.

The Scheme Fee is 1370 EUR (1000 EUR Base fee, and 300 EUR Country Supplement, and 70 EUR (700x0.1 EUR) Size related supplement.) This is an annual fee.

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In the surveillance audit the CB does not need to repeat the management system audit at the central site, but needs to audit the high risk site and the square root of medium risk sites. Additionally, during one of the surveillance audits, some of low risk site should be audited remotely.

The recertification audit should follow the same sample size as the initial audit.