

Impartiality

Standard Operating Procedure

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1 Purpose of this document

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

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

2 Area of Application

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

Each FLOCERT staff member needs to be aware of the details of this Standard Operating Procedure and its annex(es) in order to support the company's attempt to ensure the impartiality of certification and assurance activities.

The process of handling Impartiality is under the responsibility of the Credibility Assurance Manager. They gather cases, ensure that a decision on each case is taken, documents the proceedings and presents the cases to the Impartiality Committee for supervision of the implemented process.

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

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

3 Definitions

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

ISO/IEC 17065: 2012 (E) outlines in Annex A2

"Risks to impartiality include bias that may arise from the following:

- a) *self-interest: self-interest (e.g. overdependence on a contract for service or the fees, or fear of losing the client or fear of becoming unemployed, to an extent that adversely affects impartiality in carrying out conformity assessment activities);*
- b) *self-review: self-review (e.g. performing a conformity assessment activity in which the certification body evaluates the results of other services it has already provided, such as consultancy);*
- c) *advocacy: advocacy (e.g. a certification body or its personnel acting in support of, or in opposition to, a given company which is at the same time its client);*
- d) *over-familiarity: over-familiarity, i.e. risks that arise from a certification body or its personnel being overly familiar or too trusting, instead of seeking evidence of conformity (in the product certification context, this risk is more difficult to manage because the need for personnel with very specific expertise often limits the availability of qualified personnel);*
- e) *intimidation: intimidation (e.g. the certification body or its personnel can be deterred from acting impartiality by risks from, or fear of, a client or other interested party);*
- f) *competition: competition (e.g. between the client and a contracted person)"*

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

While ISO addresses the concept of impartiality, it does not specifically mandate independence. In the context of FLOCERT, legal independence is essential to ensure that impartiality is maintained. This is particularly important for FLOCERT, as Fairtrade International operates as a membership organization, where members are certified and thus customers of FLOCERT. Without legal independence, this structure could result in a conflict of interest.

Certification The provision of written assurance (a certificate) by an independent body that either product, service or system in question meets specific requirements. Certification also makes an attestation about the future, attesting that a customer's system is in a shape to allow for compliance in future. Therefore, a certificate with a certain duration may be issued, and relevant monitoring activities conducted.

Assurance FLOCERT provides independent and impartial assurance services. This requires the following five components:

- A three-party relationship the responsible party who prepares the information to be assured; the independent practitioner who assures the information; and the users who are expected to rely on the information. In the case of a Fairtrade audit, the responsible party is the management of the Fairtrade-certified organisation, the practitioner is FLOCERT as the audit firm and the users are primarily the Fairtrade stakeholders.
- An agreed subject matter in the case of a Fairtrade audit, this would be all aspects of the organisation relating to relevant Fairtrade Standards. And on a more general level, it could be almost anything the systems operated by a state lottery, a company's greenhouse gas emissions, controls over a supply chain etc.
- Suitable criteria this means that there must be some agreed framework to which the information may be compared. In the case of Fairtrade, this will be the form of the Fairtrade Standards and the relevant compliance criteria.
- Sufficient appropriate evidence. The practitioner (i.e. FLOCERT) must obtain sufficient appropriate evidence that the subject matter information is in line with the criteria.
- A conclusion expressed in a written report.

4 Process to safeguard Impartiality

Safeguarding impartiality is a continuous process. To ensure the robustness of this process FLOCERT has established a toolbox with the elements outlined in this chapter.

4.1 Auditor Independence

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

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

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

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

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

4.2 Random case review

The Credibility Assurance Unit will perform a random check on cases that were not brought before proactively to identify potential or existing risks or violations. This will be done once a year on a sample basis as part of the Internal QM audit.

The cases should be drawn from Intact Platform, represent cases from different regions and Fairtrade services and analyse at least the following parameters:

- number of non-conformities raised during an audit has dropped significantly from one renewal audit to another,
- during evaluation of the audit results, a significant number of non-conformities has been dropped by the analyst,
- exceptions have been granted repeatedly to the same customer.

4.3 Analysis of FLOCERT sales

To assess of the risk to impartiality posed by major (or key) customers, the Credibility Assurance Unit will perform an analysis of FLOCERT sales based on FLOCERT's SAP system .

As a reference, the total annual revenue in EURO as also included in the approved Annual Financial Report and audited by financial auditors will be documented, respectively for analysis conducted during the year the formal monthly financial closing.

- Identification of major customers: high revenue: any customer not exceeding 1% of the annual revenue will not be categorized as “major customer”.
- Identification of revenue architecture: the customer number is relevant for analysing the potential dependency on one customer or customer group. The customer number is defined by the number of customers who pay an invoice in the respective period.
- The relevance of the accredited services versus other services will be identified by the percentage(s) of revenue generated.

For all data, details on sales by customer are generated in a report based on SAP data and released by FLOCERT's Controlling Unit ([Y:\2_CS\2.3.1_Finance Public\Credibility Assurance\CA_Customer sales monitoring.xlsx](#)).

4.4 Impartiality Risk Matrix

Annex 1 to this Standard Operating Procedure is the so-called “Impartiality Risk Matrix” which more precisely sets out possible risks, the assessed severity of the risks and the tools employed to mitigate the risks.

The methodology applied requires the analysis team to use past experience to rate each identified area according to two rating scales:

- Severity, which rates the severity of the potential effect of the failure Rating scales range: high, medium, low.
- Occurrence, which rates the likelihood that the failure will occur. Rating scales range: high, medium, low.
- Effectiveness Mitigation, which rates the effectiveness of the mitigation measures implemented by the organisation. Rating scales range: not sufficiently effective, effective, highly effective

As the nature and severity of risks change, the Risk Matrix will be revised at least two times a year and additionally when the following indicators require additional assessments (on all or parts of the risks):

- New major customers for not accredited services
- Structural change in Executive Management
- Structural change in Governance
- New legal requirements relating to impartiality

. CA conducts interviews and/or requests written statements from staff members ensuring a representation of affected activities such as certification, diversification and service coordination. The results together with list of recommendations for approval will be presented to the managing director of FLOCERT. CA will set up an implementation plan for new or amended mitigation measures (if applicable).

4.5 Whistleblowing

Before any specific case can be processed according to this Standard Operating Procedure, the possible Impartiality cases need to become visible thus they need to be reported / whistle-blown to Credibility Assurance.

Staff and auditors are asked to report to Credibility Assurance any cases where they identified risks to impartiality. Examples for risks can be found in the Impartiality Risk Matrix.

Any staff member or auditor can whistle-blow or report these cases to Credibility Assurance in the way they find most convenient.

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

It is also possible that other interested parties such as stakeholders, customers or other third parties report risks of impartiality to the Credibility Assurance Unit. Such reported cases follow the same process logic.

The reported cases are recorded in the Impartiality log.

The follow-up on such reports will be handled as outlined below:

- The Credibility Assurance Unit, in collaboration with the involved reporting and other relevant parties, will consult to determine whether a violation has occurred or if such a risk exists.
- To protect the reporting party, they will be asked to confirm whether their identity can be shared with other relevant individuals. If so, they will specify who these individuals are (e.g., colleagues, line managers, or department directors).
- The Credibility Assurance Unit, together with the reporting party and, if necessary, subject matter experts, will decide on the appropriate steps to either mitigate a potential or existing risk or to address a violation.
- The Credibility Assurance Unit will be responsible for executing the agreed-upon actions.
- In cases of extreme severity, the matter may be brought directly to the attention of the Impartiality Committee.

5 FLOCERT's Impartiality Committee as mechanism to safeguard Impartiality

The Credibility Assurance Manager will submit a report to the Impartiality Committee including an anonymized summary of all logged Impartiality cases and observations at least once per year.

The Chair of the Impartiality Committee will decide what should be presented in further details in the meeting(s) of the Impartiality Committee. The Impartiality Committee will discuss and review the provided information, give advise and decide if further activities are required to safeguard FLOCERT's impartiality.

The final annual report of the Credibility Assurance manager is subject to the approval of the Impartiality Committee.

Further details are provided in the EXE ToR Impartiality Committee ED.

6 Commitment of Management

FLOCERT's Managing Director and Management Team are committed to safeguard FLOCERT's impartiality according to ISO/IEC 17065: 2012/4.2.5.

They are thus committed to impartiality in auditing, certification, assurance and verification activities and have the overall responsibility to ensure that all decisions are taken in accordance with the corresponding applied standards, the FLOCERT internal procedures and ISO 17065 requirements. They declare that they understand the importance of impartiality in carrying out auditing, certification, assurance and verification activities and have processes in place to identify and manage risks to impartiality.

Furthermore, they are committed to follow the input of the mechanism for safeguarding impartiality, the FLOCERT independent Impartiality Committee.



7 References

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