



# Instructions and Process Description: Onboarding Audit for Spinning Mills applying for the Hard Identity Preserved (HIP) Standard

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# 1. Objective, Scope of Work and Responsibilities

## Objective

The onboarding audit aims to verify the applicant spinning mill's compliance with the segregation and transparency requirements of the Aid by Trade Foundation Transparency Standard (AbTF Transparency Standard) (link to Standard document).

Spinning mills applying for yarn productions<sup>1</sup> under the HIP implementation system<sup>2</sup> must have the necessary management systems, tools, technical equipment, and setups to produce yarns according to the Chain of Custody requirements of Cotton made in Africa (CmiA) and Regenerative Cotton Standard (RCS), specifically focusing on the segregation and separation of CmiA or RCS verified cotton origins throughout the production processes. The onboarding audit focuses on ensuring that CmiA or RCS cotton and yarns are handled separately from other materials and that accurate documentation is maintained to support transparency and traceability along the supply chain.

The spinning mill must demonstrate:

- Compliance with HIP segregation requirements as outlined in the AbTF Transparency Standard.
- A transparent and reliable traceability system.
- Comprehensive documentation supporting segregation and transparency.

If any non-conformities are identified, they must be addressed through corrective actions before the HIP application can be approved.

If a spinning mill successfully passed the HIP onboarding audit, they will receive a Letter of Confirmation valid for two (2) years.

## Scope of Work and Responsibilities

The control body will be responsible for:

- Contacting the applying spinning mill, arrange respective on-site visit and review relevant documents provided by the spinning mill prior and/or during the on-site audit.
- Follow up with company if they do not respond.
- Performing comprehensive audits in spinning mills. The audits will assess the following areas:
  - **Management Systems**
    - Documentation and Records: Spinning mill maintains accurate and up-to-date documentation and records of all processes related to the production of certified yarns.
    - Training Programs: Spinning mill must have a robust training program for employees on adhering to content claim requirements for traceable raw materials.
    - Sufficient Management: Spinning mill has a management system in place to ensure compliance with sustainable/traceable production standards.
  - **Operational Procedures**
    - Segregation and Separation Processes: Spinning mill has established processes to

<sup>1</sup> This refers also to vertical set ups with a yarn production unit.

<sup>2</sup> [https://cottonmadeinafrica.org/wp-content/uploads/CmiA\\_HIP\\_Implementation.pdf](https://cottonmadeinafrica.org/wp-content/uploads/CmiA_HIP_Implementation.pdf)

segregate different cotton origins effectively in the warehouse and throughout the different production processes.

- Traceability Systems: Spinning mill has a traceability system in place to track verified cotton from intake to finished yarn.

➤ **Compliance with CmiA and RCS Chain of Custody**

- Standard Adherence: Spinning mill adheres to CmiA/RCS implementation requirements and Chain of Custody standards.

- Corrective Actions: Spinning mill has processes in place for identifying and addressing non-compliance issues.

- Conduct a closing meeting to discuss audit findings and recommendations with the spinning mill management.
- Provide a detailed audit report highlighting findings, compliance levels, and suggestions for improvement to Aid by Trade Foundation and the spinning mill.
- Being the contact person for the audited company during the audit process.

The Business Development team of the Aid by Trade Foundation will, based on the audit report, approve or refuse the HIP application of the spinning mill (see chapter 6).

## Key Focus Areas for Auditors

Auditors reviewing the application and additional documents and conducting the on-site audits should focus on the requirements below:

- Physical Segregation: Ensure CmiA or RCS cotton is not mixed with other raw materials, and that segregation is followed throughout all production processes (incl. comber waste).
- Documentation Accuracy: Verify that records are complete, accurate, and up to date.
- Traceability: Confirm that systems are in place to track CmiA/RCS cotton throughout the production process.
- Staff Awareness: Assess whether employees are trained and understand how to meet the HIP requirements.

An auditor inspecting a factory should also monitor violations of general guidelines regarding human rights, environmental protection, occupational safety, labor rights, and child labor, documenting and reporting any such violations to Aid by Trade Foundation.

## 2. Overview

This table provides a concise, yet thorough overview of the audit process stages.

Phase	Step	Details
<b>1. Pre-Audit Preparation</b>	1.1. Review Documentation	<ul style="list-style-type: none"> <li>• Familiarization with CmiA HIP requirements on segregation and transparency</li> <li>• Review of the spinning mill's application and documents</li> </ul>

	1.2. Audit Scope	<ul style="list-style-type: none"> <li>• Confirmation of the audit scope</li> <li>• Identification of key processes like raw cotton storage and record-keeping</li> </ul>
	1.3. Checklist and Tools	<ul style="list-style-type: none"> <li>• Preparation of audit checklist</li> <li>• Preparing tools such as a camera, notepad, and reporting templates</li> </ul>
<b>2. On-Site Audit Activities</b>	2.1. Opening Meeting	<ul style="list-style-type: none"> <li>• Introduction of auditor, auditees and key personnel to confirm audit scope and schedule</li> </ul>
	2.2. Physical Segregation Assessment	<ul style="list-style-type: none"> <li>• Inspect storage areas and production lines for segregation of certified and non-certified material</li> <li>• Check for clear labels and no cross-contamination</li> </ul>
	2.3. Documentation Review	<ul style="list-style-type: none"> <li>• Examination of records for handling of certified material to ensure accuracy and updates</li> </ul>
	2.4. Transparency and Traceability	<ul style="list-style-type: none"> <li>• Access to the traceability system</li> <li>• Review of purchase, sales and production data</li> </ul>
	2.5. Staff Training and Awareness	<ul style="list-style-type: none"> <li>• Interview of staff on their understanding of CmiA HIP</li> </ul>
<b>3. Post-Audit Activities</b>	3.1. Closing Meeting	<ul style="list-style-type: none"> <li>• Presentation of preliminary findings, non-compliances and next steps with the spinning mill's management.</li> </ul>
	3.2. Reporting	<ul style="list-style-type: none"> <li>• Providing detailed audit report with findings, compliance status, and audit result recommendation to AbTF.</li> </ul>

## 3. Pre-Audit Preparation

### Appointment

The auditor should contact the applying company within five working days via email or phone to arrange the date and time for the on-site inspection. Additionally, the auditor should confirm the scope of the audit with the applicant, including the specific facility or facilities to be audited.

## Audit Scope and Review of Documentation

The auditor should familiarize themselves with the requirements of the AbTF Transparency Standard, especially focusing on segregation and transparency. The auditor should review the application and Self-Assessment information submitted by the spinning mill, along with any accompanying documentation. Additionally, key processes at the spinning mill, including raw cotton storage, processing, and record-keeping, should be identified.

## Checklist and Tools

The auditor should prepare an audit checklist aligned with the requirements of the AbTF Transparency Standard and bring tools such as a camera for evidence collection, a notepad for observations, and any templates for reporting findings.

# 4. On-Site Audit Activities

## Opening Meeting

During the opening meeting at the facility the audit team and auditees should introduce to each other, clarify roles and responsibilities and confirm the scope and schedule of the audit to the spinning mill's management team.

Key personnel and areas for inspection should be introduced by the spinning mill to the audit team.

## Physical Segregation Assessment

During the on-site inspection the auditor should get access and examine the raw cotton storage areas (warehouses), all further production lines (incl. comber waste) and the yarn storage areas.

The auditor should inspect the raw cotton storage areas to verify that CmiA or RCS cotton is physically segregated from non-verified cotton.

Also, it should be investigated if and how in general the segregation of certified material is followed by clearly marking cotton bales, production lines and yarn cones with labels, signs, or other identifiers. The auditor should also observe production lines and check how the facility ensures that no cross-contamination between different raw materials occurs during processing.

Additionally, it should be investigated how cotton comber waste/noils are processed, stored and labeled.

In the end the auditor should also check on how the finished product, the certified yarn, will be stored and labeled to ensure that only yarn produced correctly under the HIP requirements will be sold as verified material.

## Documentation Review

The auditor should examine records related to the receipt, storage, and processing of CmiA/RCS cotton, production of CmiA/RCS yarns, and if applicable CmiA/RCS comber/noils, including:

- Purchase records
- Storage inventory logs (raw material and finished goods)
- Production records, Batch tracking records
- Sales and delivery records

- Stock reconciliation records
- Outsourcing records (input and output records)

Based on these documents the auditor should verify that the mill maintains accurate and updated documentation for verified cotton, yarn, and if applicable comber/noils, at every stage.

## Transparency and Traceability

The auditor should examine how the spinning mill ensures transparency and traceability at the audited facility. This might be done by the spinning mill with an IT software solution (e.g. SAP) or manual record keeping (e.g. xls, hand written documents).

The spinning mill has to provide the auditor with access to the traceability system in place and has to explain and document how CmiA/RCS cotton will be tracked from raw material to finished product, e.g. by reviewing purchase orders, production reports and supplier contracts to ensure they specify CmiA/RCS cotton. The spinning mill has to proof that data and information outlined in respective documents correspond to data displayed in the tracking software or record books.

It has to be clear that the spinning mill can maintain clear records linking CmiA/RCS cotton to specific production batches and sales.

## Staff Training and Awareness

The auditor should interview key staff to assess their understanding of the HIP requirements and verify whether training on segregation and transparency protocols has been conducted.

# 5. Post-Audit Activities

## Closing Meeting

The auditor should present the preliminary findings to the mill's management team, highlight any areas of non-compliance or opportunities for improvement, and provide an overview of the next steps, including the timeline for the final audit report.

## Reporting

The auditor has to provide a detailed audit report to Aid by Trade Foundation within 5 working days, including:

- Observations and findings (with supporting evidence)
- Areas of compliance and non-compliance
- Recommendations for corrective actions and audit result

## 6. Audit Result

### 6.1 Application approved

If the spinning mill can demonstrate:

- Compliance with HIP segregation requirements as outlined in the AbTF Transparency Standard
- A transparent and reliable traceability system.
- Comprehensive documentation supporting segregation and transparency

the HIP application will be approved Aid by Trade Foundation.

If a spinning mill successfully passed the HIP onboarding audit, they will receive a Letter of Confirmation valid for two (2) years.

### 6.2 Application failed

If any non-conformities are identified and they cannot be corrected within a given timeframe through corrective actions, the HIP application will be denied.

A spinning mill that has failed an onboarding audit can reapply after addressing the issues identified during the audit. The spinning mill can apply once they have made the necessary corrective actions, and they can demonstrate that they have implemented the required improvements before reapplying for the audit.

## 7. Review of Audits

The onboarding audits should be repeated if:

- The spinning mill has failed the initial audit,
- regularly every two (2) years when the Letter of Confirmation expired, or
- if there are significant changes to the spinning mill's processes, facilities, or management systems.

### **Failed Audit**

After corrective actions have been taken, the mill should request a follow-up audit. This should ideally be done within a few months, depending on the extent of the issues that were identified.

The mill should demonstrate the implementation of corrective actions before reapplying.

### **Regular Review Cycles**

As the Letter of Confirmation regularly expires after two (2) years, onboarding audits must be repeated periodically as part of ongoing compliance verification.



## Significant Changes

If there are substantial changes to processes, systems, or management (e.g., new facilities, equipment, or major procedural adjustments), an onboarding audit may need to be repeated to verify that the new systems still comply with the required standards.

During the time between audits, the spinning mill should maintain continuous monitoring of the processes and systems to ensure they remain compliant with the standards set.

# 8. References

### Related documents:

- Chain of Custody Standard
- Assurance Manual
- CmiA Registration Guideline
- RCS Registration Guideline
- CmiA MB Implementation Guideline
- CmiA HIP Implementation Guideline
- RCS Implementation Guideline
- SCOT User Manual
- Instructions for SAQ