The rise of ethical consumerism continues to gain momentum as new technologies perceivably enhance consumer access to supply-chain information. While the influence of ethical sourcing is having a clear impact on intended consumer behavior, realized behaviors remain debatable and the ‘value-action gap’, while narrowing, is seemingly yet to close.

Despite this, whether driven by ‘consumer activism’ or evolving CG (‘corporate governance’) mechanisms, the reporting of CSR (‘corporate social responsibility’) performance to stakeholders is broadening beyond mandatory requirements. Companies are increasingly implementing measures to improve the perception of CSR reporting where concerns of credibility often discount results.

This proactive approach has seen the adoption of global reporting standards and more so the independent verification of reported performance. It is this trend that continues to endorse the role of social compliance auditing as a tool to advance workplace conditions globally and APSCA’s mission; to enhance the professionalism, consistency and credibility of individual auditors and organizations performing independent social compliance audits.

In a step toward realizing our objective, the Certified Social Compliance Auditor (‘CSCA’) examination program formed a key focus for 2019 with the exam pilots providing a strong foundation for the broader release of exams during the year.

Auditor performance has been commendable and we are buoyed by results to date.

In parallel with the commitment to uphold APSCA’s Code & Standards of Professional Conduct, the program has delivered growing consumer confidence where audit standardization, integrity and actionability remains a priority.

The engagement of an exam proctor has been key to the scalability of the examination program and we are excited by the opportunity to increase the rate of auditor certification through 2020.

As a means to preserve growing integrity, 2019 saw the introduction of our Disciplinary Board with a mandate to reinforce member accountability. As APSCA grows, the [Disciplinary] Board will continue to address allegations of misconduct and impose sanctions where necessary.

Following the release of a revised Member Firm application process last year, we were pleased to welcome eight new provisional Member Firms in 2019 and two full Member Firms. Since 2018, our membership base has grown significantly with a geographical and ethnical diversity considered to improve audit accessibility globally.

On behalf of APSCA I extend my gratitude to our Executive and Stakeholder Boards who have continued to drive our mission. Your collective guidance and support have been instrumental in delivering the tangible outcomes of our 2019 strategic plan.

We look forward to the coming year with renewed optimism and vigor - working today in preparation for tomorrow.

Rona Starr
APSCA, President & CEO
CSCA Examination & Auditor Certification

Recognition of auditor competencies formed a key focus in 2019 with the expansion of our CSCA examination program. During the year, over 1,700 auditors participated in examinations with strong performance across all three components.

Since the program’s inception, a total of 1,658 Part I and 115 Part II examinations have been completed with pass rates of 81% and 65% respectively.

Monitoring by our independent proctor, ProctorU continued to preserve exam integrity with 14 results disallowed during the year. In addition, a total of 208 scheduled exams were not completed due to participant forfeiture (failure to present for exam or provide valid identification) and IT issues.

Part III of the program was introduced in October - November with approximately 60 auditors participating in a pilot and soft-launch. Results of the launch were positive and delivered APSCA’s first Certified Social Compliance Auditors in November.

Expansion of the CSCA program will continue through 2020 with language accessibility to form a continuing focus. While all three components of the exam program are expected to be released in four languages, priorities have been derived from our existing Auditor demographic.

In addition to English, which services approximately 31% of our Member Auditors, Chinese (Simplified and Traditional) and Spanish will service an additional 40% of our Member Auditor base.

Member Firm Updates

In late 2018, APSCA’s Member Firm application process was formally released under a refined framework. With the new system, all Firms accepted as members prior to 2019 are required to re-apply by June 2020.

As we approach the anniversary of its release we are pleased to report two Firms have successfully completed the process to obtain full membership status in 2019. In addition, APSCA welcomed eight new provisional Firms during the year.

As at November, nine Member Firm applications are being processed.

Ethics & Integrity

In 2019, the Executive Board approved procedures for handling alleged violations of APSCA’s Code & Standards of Professional Conduct by individual Member Auditors and formed a Disciplinary Board and an Appeals Board to consider these allegations. It also approved procedures for the President and CEO to separately handle allegations of integrity violations by an individual in connection with certification exams. Further, the Executive Board approved a Complaint Handling Protocol, specifying minimum requirements for Member Firms to follow when investigating misconduct that could constitute a violation of the APSCA Code & Standards. The Disciplinary Board held two meetings in 2019. The Board is chaired by the Senior Advisor, Ethics & Integrity. The other members are two representatives of Member Firms, one representative from the Stakeholder Board and an independent member with an ethics and labor background.

Investigation Outcomes

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of cases presented during 2019</td>
<td>92</td>
</tr>
<tr>
<td>No. of cases currently under review</td>
<td>23*</td>
</tr>
<tr>
<td>No. of cases that pre-date APSCA's Code</td>
<td>18</td>
</tr>
</tbody>
</table>

*Note: Nine cases concern the conduct of Member Firms to be heard by an independent Disciplinary Board during 2020.

Disciplinary Board

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of cases presented during 2019</td>
<td>9</td>
</tr>
<tr>
<td>No. of cases substantiated</td>
<td>5</td>
</tr>
<tr>
<td>No. of cases unsubstantiated or no action</td>
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</tr>
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</table>

Sanctions Imposed

<table>
<thead>
<tr>
<th>Sanction</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Written warning</td>
<td>2</td>
</tr>
<tr>
<td>Suspension of APSCA Membership</td>
<td>1</td>
</tr>
<tr>
<td>Revocation of APSCA Membership</td>
<td>2</td>
</tr>
</tbody>
</table>
2019 Membership Snapshot

**4111** Enrolled Auditors

- **3150** Nov 18
- **4111** Nov 19

2018-19 Enrollment Growth

**Gender Diversity**
- 42% Female
- 58% Male

**Auditor Levels**
- RA (67%)
- ASCA (26%)
- CSCA (1%)

**Employment Status**
- 79% Employed Auditors
- 21% Other (Subcontractor, Freelance, etc.)

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**Member Auditors Global Coverage**

**Countries of Residence**
- RA
- ASCA
- ASCA / RA
- CSCA / ASCA / RA

**Our Auditors are located across 96 different countries**

- Top 5 Written Languages:
  - English (36%)
  - Chinese (21%)
  - Portuguese (4%)
  - Spanish (4%)
  - Vietnamese (3%)

- Top 5 Spoken Languages:
  - English (31%)
  - Chinese (25%)
  - Portuguese (3%)
  - Spanish (2%)
  - Vietnamese (2%)

**Our Auditors represent 97 written languages & 107 spoken languages**
Member Resources & Policy Updates

During the year, a series of updates to our Code and Standards of Professional Conduct and Competency Framework were published. The revised documents accommodate the recent development of related functions including the staged release of the CSCA examination program.

In service of our diverse membership base, all updates were made available in English, Spanish and Chinese (Simplified and Traditional).

In addition to these policy documents, APSCA have continued to develop a library of Member resources notably including the publication of the Auditor Handbook. The handbook is designed to assist eligible auditors participate in the CSCA exams by defining key systems including the examination process and assessable competencies.

2019 - 2020 Strategic Plan Status

APSCA’s strategic plan outlines three key pillars to cultivate industry credibility and position our Members and Certified Social Compliance Auditors (CSCA) as the trusted professionals of Social Compliance Auditing. The strategic plan outlines clear and measurable objectives to promote accountability and organizational transparency. In consideration of key pillars, the status of current objectives and deliverables is summarised below.

<table>
<thead>
<tr>
<th>Strategic Pillar</th>
<th>Primary Objectives</th>
<th>Deliverables Update</th>
</tr>
</thead>
</table>
| Validation       | Increase auditor certification rates and improve certification accessibility | - During 2019 a total of 1,706 CSCA examinations were administered including Parts I - III. 1,254 auditors successfully completed Part I of the CSCA exam, while 75 completed Part II and 41 Part III.  
- Part I of the exam has been released in four languages including English, Spanish and Chinese (Simplified and Traditional). Further languages (Chinese - Simplified and Spanish) for Part II will be released in January 2020. |
| Validation       | Increase membership (Firm and Auditor), expanding industry adoption of use of APSCA Members in the conducting of social compliance audits | - Following the release of the refined Member Firm application process, eight new Provisional Member Firms joined APSCA in 2019 while two fulfilled requirements to obtain full membership status.  
- Auditor membership increased 31% during the year with total Member Auditors exceeding 4,100. |
| Ethics           | Develop and implement an ethics and integrity program for members | - The Code of Professional Conduct was superseded during 2019 with the release of the Code and Standards of Professional Conduct in English, Spanish and Chinese (Simplified and Traditional).  
- A disciplinary process for APSCA Members was released during 2019 with the introduction of the Disciplinary and Appeals Boards. All Boards have assumed their functions. |
| Stakeholder Engagement | Promote APSCA’s mission to increase audit utilization and credibility of audit outcomes through the enhancing the professionalism and credibility of social compliance auditors | - Regular communications with members and stakeholders was maintained via a monthly newsletter.  
- During 2019, APSCA representatives attended and presented at over 18 industry events to increase awareness of APSCA’s mission.  
- In December 2019, APSCA will hold its inaugural Stakeholder Event in conjunction with the 2019 Annual General Meeting. |