

Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance

Version 4.0 May 2012 (Replaces V. 2.2. Sept 2010). This BPG covers both a 2-Pillar SMETA audit and a 4-Pillar SMETA audit which includes the 2 optional pillars of Environment and Business Practices.



This Best Practice Guidance for conducting SMETA audits has been developed by the current members of the Sedex Associate Auditor Group (AAG). The guidance covers the mandatory 2 pillars of Labour Standards and Health and Safety as well as the additional options of Environment and Business Practices.

This document is intended to supplement the knowledge of experienced, trained auditors. It is not intended as a stand-alone complete set of instructions.



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1-3: INTRODUCTION

1. BACKGROUND

1.1. Sedex and SMETA

The Supplier Ethical Data Exchange (Sedex) is a not-for-profit, membership organisation for businesses committed to the continuous improvement of ethical performance within their supply chains. Sedex was founded in 2001 by a group of UK retailers to drive convergence in social audit standards and monitoring practices. The aims of Sedex are to ease the auditing burden on suppliers through the sharing of reports and to drive improvements in supply chain Labour Standards.

This Sedex Members Ethical Trade Audit (SMETA) has been developed by the Sedex Associate Auditor Group (AAG), through multi-stakeholder consultation, to provide a best practice reference framework for social auditing and reporting. It draws from practices defined by Sedex members and by the Global Social Compliance Programme (GSCP) www.gscpnet.com.

1.2. SMETA and the Ethical Trading Initiative (ETI) Base Code

SMETA Best Practice Guidance (SMETA BPG) describes the key steps of planning, executing and documenting a "SMETA audit" against the following four auditing pillars:

A 2 SMETA 2-Pillar audit comprises:

- Labour Standards.
- Health & Safety.
- Additional elements of Entitlement to work; Subcontracting and homeworking; Environment (shortened).

A SMETA 4-Pillar audit contains in addition:

- Environment (extended) – this replaces the environment (shortened version) detailed above.
- Business Practices.

SMETA BPG (this document) has been produced to give a consistent global auditing procedure that Sedex members can share with confidence with full transparency on the standards and protocols used.

Many types of social audit are performed such as BSCI, WRAP, SA 8000, ICTI and all social audits can be uploaded onto Sedex. It lies with the individual member to decide what audit is acceptable to them however Sedex hopes that by providing SMETA BPG publicly, companies will increasingly converge on one international audit protocol.

SMETA 2-Pillar audit has been developed for auditing against the Ethical Trading Initiative (ETI), Base Code plus the additional elements listed above. The guidance can be adopted and tailored to carry out audits against a range of other standards with certain conditions (See Section 5.4: “Labour Codes”).

SMETA BPG undergoes an annual review to ensure that it reflects changes in social auditing. This process includes feedback from stakeholders. The latest version will be available on the Sedex website.

In order to call it a SMETA audit the standard used for audit upload must be the ETI Code and the protocol must be in line with this Best Practice Guidance.

Details of the ETI Code and the items to be investigated during a SMETA audit are found in: Appendix A1: “Guidance by Clause” using the ETI base code.

Note: The ETI is an alliance of companies, trade unions and voluntary organisations who work in partnership to improve the lives of workers across the globe. More information can be found at www.ethicaltrade.org.

1.3. SMETA 2-Pillar Audits and 4-Pillar Audits

A SMETA 2-Pillar audit comprises the 2 auditing pillar of Labour Standards and Health & Safety, and these are mandatory modules for any SMETA audit. It also contains the additional elements of Entitlement to work, Subcontracting and Homeworking, and a shortened Environment assessment.

A SMETA 4-Pillar audit includes all the above plus the additional pillars of Environment (extended assessment – replaces shortened assessment) and Business Practices These additional pillars may not be required for all Sedex members and it is important that sites of employment and auditors are clear when these extra modules are required. For more information on 4-Pillar SMETA audits, see section 5. 5: **4-Pillar SMETA Audits.**

The basic 2-Pillars of a SMETA audit are governed by the standards contained in the ETI base code.

The additional pillars of Environment (extended version) and Business Practices in a 4-Pillar audit are governed by standards arrived at by a process of membership and multi-stakeholder consultation.

2. SMETA BPG APPLICATION

SMETA Best Practice Guidance (SMETA BPG) is a compilation of social audit best practices to help auditors achieve the consistency needed for social audits to be widely accepted by retailers and brands. It also helps organisations who are commissioning audits to specify the auditing methodology required. SMETA BPG is not intended as a stand-alone description of how to conduct an audit. Instead, it sets out to establish a common set of criteria to supplement auditors' own systems.

SMETA BPG may be used by any auditor or audit company, including those who are not Sedex members. It is also applicable to all sizes and types of employment site, including manufacturing sites, agricultural sites and service providers.

The reference to a "SMETA BPG audit" shall only be used when all the criteria outlined in this document have been used during the audit process.

SMETA BPG does not certify auditors or auditing bodies and relies on the controls and accreditations that already exist. It is recommended that companies commissioning audits should assure themselves of the qualifications and competency of the auditors and their ability to meet SMETA BPG requirements, as set out in the SMETA document on Auditor Competencies.

This is available on the [member resources of Sedex](#).

Guidance can also be found for non-members at [GSCP Auditor Competencies](#).

3. SUPPORTING DOCUMENTS

SMETA BPG is used in conjunction with the SMETA Audit Report form and accompanying Corrective Action Plan Report (CAPR). All are available on the public section of the [Sedex website](#).

Details are:

- SMETA Best Practice Guidance; this document.
- SMETA Report; provides a template for recording audit findings in a standardised format that can be uploaded into Sedex.
- SMETA Corrective Action Plan Report (CAPR); a template for recording a summary of audit findings, along with corresponding corrective actions.
- Guide to Pre Audit information, which contains information to be sent to a supplier site before a SMETA audit.

Additional documents which support the audit process can be found on the [member resources of Sedex](#).

These include:

- Guide to Social Systems Auditor Competencies: - competency requirements for auditors who practice social audits.
- Non-Compliance Guidance: recommended issue severities and verification methods.
- Corrective Action Guidance: suggested ways in which manufacturing sites may make improvements.
- Supplementary Guidance for Auditing Service Providers.
- SMETA 4-Pillar audits; Environment and Business Practices Assessments: Assessment checks for Auditors.
- SMETA 4-Pillar audits; Environment and Business Practices Assessments: Guide for Supplier Sites.

4-5: AUDIT PLANNING

4. RISK ASSESSMENT

A buying company will usually implement a process to identify risk in its supply chain. This enables it to focus attention on key areas of potential risk and direct its audit resources accordingly. It may also influence the type of audit needed.

Risk assessments for suppliers and employment sites consider various criteria. Examples include: geographical area, employment site function, product / service category, type of purchase, employment patterns (migrant, casual workers etc.), level and nature of any subcontracting. Also of importance may be; level of supplier commitment and / or previous audit results, research carried out by NGOs as well as issues raised by the media.

Within the Sedex system there is an online Self-Assessment Questionnaire (SAQ) for sites of employment, which when completed, allows A and AB members to use the Sedex Risk Assessment tool, to create a risk score.

4.1 Sedex Self-Assessment Questionnaire (SAQ)

Best practice is for sites of employment to complete the Self Assessment Questionnaire (SAQ) and make it available to customers before they decide whether to commission an audit. The SAQ, which includes site profile information, should also be made available to the audit company to help plan the audit.

The purpose built Sedex SAQ, created in consultation with Sedex members is available to members via the Sedex website. The Sedex SAQ consists of 4 key pillars - Labour Standards, Health & Safety, Environment, and Business Practices. All four pillars, take into account legal requirements, international standards and good practice.

The Sedex system uses the information given by the site of employment, within its SAQ, to feed into the Sedex Risk Assessment Tool. An overall risk score is created by combining inherent risk with the SAQ risk.

The intelligence behind the tool is provided by global risk experts, Maplecroft. For more Information please see: <http://maplecroft.com>

Note for sites: Failure to complete the Sedex SAQ may result in a default to high risk.

Completion of the SAQ before an audit will give employment sites detailed information on the issues auditors will be covering during a SMETA audit. By completing and reviewing their own SAQ, an employment site will be able to self-diagnose problem areas and to correct issues prior to an audit.

In addition, the SAQ (which contains site profile information) enables a buying company, supplier or agent to obtain information about an employment site, how it manages social compliance and its performance against local and international Labour Standards.

The site of employment is asked to complete the SAQ within a given timescale and provide supporting documentation. The buying company uses this information as part of its risk assessment. The auditor uses the information to plan the audit and to focus on high-risk areas.

4.2. Pre-Audit Site Profile

The Sedex SAQ contains Site Profile information essential for the auditor to cost, plan and arrange for the audit. It is therefore essential that the site of employment completes the SAQ and gives access to the auditor ahead of the audit.

Customers (Sedex A or AB members) usually request the site of employment to complete the SAQ and they should communicate the following:

- The importance of accuracy in completing the SAQ.
- Timeframe for completion of the SAQ.
- How to make the SAQ visible to the auditor.
- How the risk assessment and SAQ fit in with the audit process.

If the site of employment does not give access to the SAQ, the auditor may obtain the necessary site profile information by other means e.g. the use of a pre-audit employment site profile template produced by the auditor. This is completed by the employment site and returned to the auditor.

If the pre-audit information requested from the site is not provided, the audit should not normally take place. The auditor should make it clear to the site that this information is necessary for the audit to take place and clearly establish a deadline for submission.

Notes:

- *The Pre-audit information sent to a site should request the site to give auditor access to their completed SAQ. The Sedex SAQ also contains the site profile information necessary for the auditor to plan the audit.*
- *To assist in planning and preparing for an Audit the AAG have produced “**Guide to Pre-Audit Information**” This should normally be sent by the auditor to the site to be audited and ahead of a SMETA audit.*
- *The ‘Guide to Pre Audit Information contains suggestions only. The auditor should ensure that the materials are appropriate to the size of site and type of production.*

5. TYPES OF AUDIT

There are a range of different types of audits and assessments that may be undertaken to evaluate an employment site. The use of these will vary depending on factors such as the outcome of risk assessments, a buying company's relationship with its suppliers, audit cost and the history of a site's performance. A buying company may deploy a number of different methodologies across its supply chain.

SMETA BPG only covers formal social audits. However, buying companies may engage with employment sites in a variety of other ways to promote improvement, which may include site visits, follow-up assessments, improvement programmes, workshops, multi-stakeholder projects etc.

Sites of employment register audits on Sedex, thus encouraging them to take ownership of their social compliance performance.

The AAG have created a number of documents to assist this process of ownership including the 'Corrective Action Guidance' available for members on the [member resources of Sedex](#).

The following criteria can be used to define the nature / type of SMETA audit. Individual supply chains will decide which type(s) meet their needs.

5.1 Category of Auditor

All social audit types can be uploaded on Sedex.

- **First Party:** a company that "self-audits" their own employment site using their own audit resource.
- **Second Party:** an audit or assessment undertaken by a body with a trading relationship with the site such as a retailer, brand, vendor or agent.
- **Third Party:** an audit or assessment undertaken by an **independent** party e.g. an **independent** commercial audit company, NGO or trade union. Audits may also be undertaken collectively by a group of these stakeholders (multistakeholder).

Note: A multistakeholder audit is an audit carried out by a group of stakeholders including NGO's and / or unions where the NGO and / or union have been involved in a shared decision making process on inspection methods.

5.2 Notification of an Audit

Depending on the outcome of risk assessments and / or audit planning, prior notice of the audit may or may not be given. This results in three possible audit types:

1. **Announced:** audit date is agreed with or disclosed to the audited site.
2. **Semi-announced:** audit date is agreed within a time "window".
3. **Unannounced:** no prior notice is given.

The use or combination of these audit types will depend upon the particular circumstances within each supply chain. No firm guidance is given on their selection, however some examples of when they are used are contained in:

See Appendix A2: ["Announced, Semi-announced, and Unannounced Audits"](#).

5.3 Sequence of Audits

A site of employment may be assessed via a combination of the following methods:

- **Full Initial audit:** Means the first time a site of employment is audited.
- **Periodic Audit:** Usually a full audit used to monitor supplier sites on an on-going basis. The intervals between periodic audits may vary depending on the individual member.
- **Follow-up audit:** Depending on the outcome of the initial audit, a *follow-up audit* may be required. Follow-up audits are normally used to check progress against issues found in the initial audit, and so may be of shorter duration than an initial or full audit.
 - **Full Follow-up Audit:** This term is used to describe a site visit when the extent of the non-conformances found at a previous audit was so broad that a full audit would be required to verify corrective action. In this case the methods and scope resemble an initial audit, but take into account previous audit findings.
 - **Partial follow-up audit:** The term used to describe an audit where the auditor visits a site but only checks progress against issues found during a previous audit. This should then be recorded in Sedex as a partial follow-up audit.
 - **Desktop follow-up:** Can be used for certain corrective actions where a site visit is not required and which are able to be verified remotely e.g. through photographic evidence or documents provided via e-mail.

Note: Where an auditor re-visits a site to check all items of the labour code then this should be recorded as a full follow-up, and noted on the audit report.

5.4 Labour Codes

SMETA BPG has been developed to provide guidance for auditing against the Ethical Trading Initiative (ETI) Base Code and local law. In addition, the guidance can be adopted and tailored to carry out audits against a range of other labour codes based on the conventions of the International Labour Organisation (ILO). However, in order to call it a SMETA audit the standard used must include the ETI Code / laws and the protocol must be in line with this BPG.

Note: Since Sedex allows sharing of audit data, any company uploading a SMETA audit must exactly follow this SMETA Best Practice Guidance (BPG), especially ensuring that non-compliances uploaded on the system have been measured against at least the ETI Code and the law. Companies may use this methodology for a variety of codes, but it must not be called a SMETA audit unless it follows the BPG.

Details of the ETI Code and the items to be investigated during a SMETA audit are found In Appendix A1: **“Guidance by Clause”**.

5.5. 4-Pillar SMETA Audits

5.5.1. Background

Reflecting the widening nature of Corporate Responsibility, Sedex members have created a 4-Pillar SMETA audit, including the extra modules of Environment (extended assessment) and Business Practices. This Best Practice Guidance and the associated reports have been designed so that users can include one or both of these extra modules and together they are intended to take a total of 0.5 auditor days, when added to a 2-Pillar SMETA procedure.

For a 2-Pillar audit covering Labour Standards and Health & Safety, plus additional elements see sections 1-10B2 in **Appendix A1 Guidelines by clause** gives details on applicable standards.

For the additional 2-Pillars of Environment (extended assessment) and Business Practices, see section 10B4 and 10C within, 10 Other Issues in **Appendix A1 Guidelines by Clause** for details of applicable standards.

Note: In view of the time allocation the additional 2-Pillars cannot be considered as substitute for a full Environment and Business Practices audit, but they may assist supply chains in deciding whether full audits are required.

5.5.2. Usage

When an auditor is carrying out an assessment of environmental performance, they will assess whether site of employment is meeting applicable local laws.

In the case of Business Practices, the laws are less clear. Therefore the assessment process will be one of gathering information with all findings recorded as observations only. The data generated will enable the Sedex membership to agree acceptable standards over time.

It is essential that Sedex members are clear when a 4-Pillar audit is required, as the extra time taken is likely to incur extra cost.

The assessment process involved in the Environment (extended version) and Business Practices pillars includes a verification of the completed SAQ, and should give the reader the option to:

- Take no further action following the assessment
- Decide that a full Environment and Business Practices audit is required
- Identify risks and decide on appropriate other action.

Note: For environmental assessments non-compliances will only be raised where a site of employment is not meeting the local / national law. All other environmental findings will be recorded as observations. For Business Practice assessments any findings will be recorded as observations, with a target of defining standards over time by a process of member consultation.

5.5.3. Application

As the time allocated is 0.5 auditor days for both modules together it is likely that the number of interviews will be restricted and the document review is likely to be an “assisted self assessment” rather than a full investigation. However members may find the process useful in areas where they are not already conducting full environmental and / or Business Practices audits.

5.5.4. Execution of Environment and Business Practices Assessments

- 5.5.4.1. Document review: The auditor should have reviewed the completed Sedex SAQ prior to the audit and should use the assessment process to check that the site's policies and procedures agree with the SAQ. Any discrepancies should be noted on the Audit report.
- 5.5.4.2. Permits and licenses: These should be checked against the legal requirements and details should be noted on the report. This should also include a review of any relevant prosecutions or legal actions against the site for environmental issues.
- 5.5.4.3. Natural Resources Usage: Where possible usage and disposal of natural resources should be quantified in the audit report, some examples are volumes of water used, recycled, discharged - See section 10B4 in **Appendix A1 Guidance by Clause** for details and the SMETA audit report.
- 5.5.4.4. Management interview: The auditor checks documentary evidence and actual practices by interviewing relevant personnel. As a minimum this should include the individual (s) identified by the site as the person (s) responsible for Environmental and Business Practices performance.
- 5.5.4.5. Worker Interview The auditor seeks to verify practices in areas of legal compliance such as for Environment, contents of waste water discharge. Discussion with employees responsible for checking these contents can be evidence of procedures correctly implemented. For Business Practices interviews should be with departments where Business Practices policies are most appropriate e.g. sales, purchasing, service control, and logistics departments.
- 5.5.4.6 As a minimum the auditor should interview at least one worker from each of the areas of Environment and Business Practices.

*Note: Where policies do not exist an auditor should use the assessment process as an opportunity to raise awareness, especially on Business Practices issues, and to assist the AAG have a suggested framework for content, (See section: **10C of Appendix A1 Guidance by Clause**).*

6-7: AUDIT EXECUTION

6. OVERVIEW OF THE AUDIT PROCESS

A social audit is usually carried out within the context of a wider evaluation and remediation programme which includes a preliminary risk assessment (see **Section 4**) to gauge the need for the audit, and progresses through the audit itself to a programme of improvement and monitoring.

The following stages are covered by SMETA BPG:

1. Audit request.
2. Preparation.
3. Audit execution.
4. Audit outputs and follow-up.

Note: Sites of employment should be involved as much as possible in the audit process. This can be done by e.g.

- *Sharing a pre audit pack which details the preparation required of a site for audit.*
- *Sharing other resources found on the member resources section of Sedex, which includes e.g. details of common non-compliances and possible corrective actions.*

6.1 Audit Request

Any company / organisation / site requesting an audit is termed an 'audit requestor'.

An audit may be commissioned, and paid for by a buying company, by a supplier, by the site of employment or by any other party with a legitimate interest in the social performance of the site.

The audit requestor should be clear whether the audit is a 2-Pillar SMETA comprising Labour Standards and Health & Safety, or an audit which contains the extra pillars of Environment and / or Business Practices.

Audits are usually paid for by the Audit Requestor, unless other contractual arrangements are in place. Where the audit is paid for by the supplier or site, it is good practice for the auditor to obtain full payment in advance of the audit, to maintain full independence of the audit outcome.

The payment structure may decide the ownership and circulation of the audit report. Generally the audit body will send the report to the organisation paying for the audit. These aspects are agreed at the audit request stage between the audit company, the employment site and the audit requestor.

Whichever party requests the audit, the auditor should be clear about the report owner and the report reviewers and ensure they conduct the audit in the best interests of all relevant stakeholders.

Auditors must be clear who should receive audit findings as well as who is uploading the audit onto Sedex.

In a case where the auditor is required to send a copy to parties other than the party paying for the audit, the auditor must first obtain approval.

Note: Sedex recommends that the audit is uploaded by the audit company as this provides greater independence. Note that within Sedex, the site of employment approves the report, and controls its visibility.

If the audit is to proceed, the audit body sends the site of employment any appropriate information to assist them in preparing for an audit. This must include a copy of the auditor's / audit company's Business Practices Policy including their position on corruption.

Employment sites should also be directed to the additional guidance available on Sedex. This will assist them in preparing for the audit.

Audits should ideally take place during a period when the employment site is in full operation (such as peak production or harvest).

Notes:

- *To provide a consistent approach to pre audit information the AAG has produced a 'Guide to Pre Audit Information'.*
- *Some Sedex Purchaser members (A and AB members) require that their suppliers only use auditors from an approved list. A supplier site is recommended to check with its customers before engaging an auditor / audit company.*

Example of process:

6.1.1. Audit Request Initiation

6.1.1.1. The audit requestor contacts the audit body to request an audit.

6.1.1.2. Since one of the missions of Sedex is to encourage audit sharing, the audit body should ask the site if they already have a previous audit, loaded on Sedex and, if yes, encourage them to ask their client if they will accept that audit, or whether a new audit is required.

6.1.1.3. The audit body obtains sufficient details of the employment site to plan and execute the audit. For Sedex members, the Site Profile section of the Sedex SAQ can be used to obtain this information (if the site gives access to the auditor). The minimum information needed is:

- Site location and contact details.
- Number and composition of workforce, including languages spoken.
- Location and availability of documentation covering audit topics.
- Sedex members supplied by the site (to establish whether other requirements apply e.g. semi announced audits).
- Any requests concerning the date of audit.

6.1.2. Quote Generation and Audit Information

6.1.2.1. The audit body supplies the audit requestor with a quotation and contract details, including:

- Audit fees (including any subsequent activity costs such as desktop verification).
- Expenses (including translator fees).
- Any fees relating to upload of the report to Sedex, if applicable.
- Proposed date of audit if announced, or an agreed period window in the case of a semi-announced audit.
- Audit length.
- Report receivers.
- Third-party report release approval.
- A copy of the audit company's Business Practices policy.

6.2 Preparation for an Audit (for Auditors)

See Appendix A3: **"Preparation for an Audit"**.

Once the audit has been agreed certain preparations are required of the auditor. These include but should not be limited to:

6.2.1. Background and Context Review

The auditor must be aware of the prevailing conditions, challenges and issues affecting the employment site being audited. This should ideally include contact with local civil society organisations that are knowledgeable about the issues which affect workers locally. In addition the auditor should be aware of the current issues in the purchaser member's markets.

The auditing organisation or auditor should also regularly gather information on broader social, economic and political issues affecting workers and the local community from a broad range of sources. This should include relevant legislation covering employment, Health & Safety, employment agencies and data protection. It should also include an understanding of the living wage or living costs in the region.

The auditor's knowledge of specific working conditions and legislation should be reviewed at least annually.

6.2.2. Selecting the Auditor / Audit Team

See Appendix A4: **"Selecting an Auditor"**.

The qualifications and experience of the auditor are vital to an effective audit. Sedex does not prescribe what type of auditor can undertake an audit. Auditors may be self-employed or be employed by a commercial organisation, NGO, trade union or industry body.

The audit body ensures that the auditor assigned to an audit is aware of the background and context, and that they meet the basic level of competencies outlined for members in the SMETA guide to Social Systems Auditor Competencies on the **member resources of Sedex**.

Additional information on auditor competencies is publicly available at GSCP: **“GSCP Reference Tools for Auditing Competence”**.

The most appropriate auditor, in terms of skills, experience, gender, ethnicity, language ability etc., should be carefully considered at the audit planning stage, against the information provided in the SAQ and other sources.

For larger audits, an audit team may be needed. This should meet the following criteria:

- The audit team is led by a qualified team leader.
- The team includes at least one auditor who meets the criteria of the SMETA BPG Auditor Competencies.
- The team possesses or has access to knowledge of local working conditions i.e. by using an experienced auditor or through the use of guidance notes.
- The team can communicate in the main languages spoken by both management and workers at the employment site. When this is not possible, translators should be used.
- The team has at least one member that has knowledge of the applicable industry.
- All team members shall be qualified under the audit body’s quality system, including the use of specialists.
- The worker gender balance and cultural norms will be taken into account when selecting the audit team. If this is not possible it should be noted on the SMETA declaration at the beginning of the report.
- If a translator or other external expert is to be used the team leader must ensure that they have satisfied themselves that no conflict of interest arises.

6.2.3. Communication with the site

When an audit request is made, the auditor should obtain a completed Site Profile / SAQ (for Sedex both are together in the SAQ), from the employment site, either directly or via Sedex.

Where possible, the auditor should also review copies of recent audit reports, including all corrective actions and outstanding non-compliances. This information allows auditors to plan the audit, taking into account important aspects such as working hours, shift patterns, the use of agency labour and the possible need for interpreters.

Once an audit is booked on a site, the auditor should forward, at least the following information to the main contact at the employment site:

- The Standard or Code that the site will be audited against.
- The agreed scope of the audit in terms of companies / sites / buildings.
- Documentation that needs to be available during the audit (see **“Guide to Pre-audit information”**)
- Key people to be available on the day of the audit.
- Arrangements for employee interviews.
- Confidentiality / data protection.

- Audit agenda and the process for raising issues.
- Report circulation and arrangements for uploading to Sedex.
- Communication materials to enable the employment site to communicate the labour code to its employees.

*Note: The AAG has created a “**Guide to Pre Audit Information**” which can be used in whole or in part, to inform the site to be audited, about the SMETA audit process, and to assist them in preparing for an audit. This should normally be sent by the auditor to the site ahead of the audit.*

6.2.4. Information for Workers

Clear information about the audit should be communicated by the employment site to workers explaining the purpose of the visit and the process. Such information is usually provided by the audit body for the employment site to distribute ahead of the audit. It may also be provided by a buying company or other audit requestor.

The information should be available in the principal languages spoken by workers and should include:

- Purpose and scope of the audit.
- Introduction to auditors and their role (emphasising that they are independent and external).
- The audit process including confidentiality of worker interviews.
- Worker education materials (leaflet or DVD).
- Contact details for the auditor / audit company and for any whistle-blowing facility supported by the audit requestor.

*Note: For an example of the type of information which should be given to workers see “**Guide to Pre-Audit Information**”.*

6.2.5. Planning the audit

Once the auditor has received all required pre-audit information, they should carefully plan the audit. For larger sites this may include selecting a suitable team and appointing a lead auditor. The audit plan should take account of the risks already identified from the pre-audit information received.

Particular care should be taken to ensure that worker interviews can be carried out using the protocol outlined in Section 7.3 “**Management and Worker Interviews**” which may include the need for one or more translators.

7. AUDIT EXECUTION

See Appendix A5: “**Audit Length, Sample size and Timetable**”.

The aim of the on-site audit is to evaluate the performance of an employment site against a labour code or standard, local law and / or additional requirements. This should include:

- Management interview to ascertain company practice.
- A tour of the premises.
- A detailed review of documents.
- Employee interviews.

The overall aim of the audit is to provide an accurate and clear account of the level of performance of the employment site compared with the relevant standards. This will be described via a list of non-compliances, observations and good examples (good practices).

A non-compliance is recorded where the practices of the site of employment do not meet the requirements of either the law or the applicable code.

An observation may be recorded where there is a site practice which does not contravene the law or standard, but if not corrected, could lead to non-compliance. It may be an opportunity for improvement.

A good practice example will be recorded where the site practice exceeds the requirements and the site is encouraged to bring those to the attention of the auditor.

*Note: Examples of non-compliances can be found in “**SMETA Guide to Non-compliances**” in the members section of the Sedex website.*

The audit should include the following:

1. Opening meeting.
2. Tour of the employment site.
3. Management and worker interviews.
4. Document review.
5. Pre-closing meeting.
6. Closing meeting and summary of findings.

See Appendix A1: “**Guidance by Clause**”.

7.1 Opening Meeting

The opening meeting should be held in a language understood by the management and is to ensure that the employment site management understand the purpose of the Code. It should cover the requirements against which their employment site is being assessed and it should also include the audit process, timescales, and activities of the site as well as re-confirm the requests for information.

It should be attended by:

- Senior management.
- Managers who are responsible for key functions e.g. HR and production.
- Trade union or worker representatives (if present at the site).

CHECKLIST - OPENING MEETING

A suggested agenda for the opening meeting is outlined below:

Introduction:

- Introduce the audit team to the employment site's management and explain the purpose and scope of the audit, including potential benefits to the employment site.
- Clarify that the purpose of an audit is to evaluate the performance of the site against pre-agreed standards and to encourage continuous improvement.
- The standard or code against which the audit will be conducted.
- The need for openness and transparency.
- Agree the process for communicating issues during the audit. It is best practice to communicate issues as they arise to build agreement around findings and corrective actions and to allow management to:
 - provide additional evidence where necessary.
 - address issues immediately.
 - raise questions and address concerns.
- Confirm the confidentiality of the audit and any other recipients of the audit report.
- Review the information provided in the pre-audit employment site profile, including previous non-compliances and follow-up actions.
- Explain the Sedex process including site registration and upload process (see Section 8.2: **"Sedex and Uploading the Audit"**)
- Confirm permission to take photographs.
- Check that all staff are aware of the audit and establish that the relevant Code has been communicated to them.
- Re-confirm the auditor / audit company's own Business Practices Policy.

Planning:

- Discuss and agree the audit schedule.
- Request a list of workers who are scheduled to work that day together with any details that may be required to ensure that a representative sample can be chosen for interview e.g. gender, nationality, contract type, length of service. Explain that the selection of employees for interview will be done by the auditors.
- Confirm the structure of the worker interviews and the availability of an appropriate space.
- Confirm employees' working hours and shift patterns.
- Agree tentative time of closing meeting and invite attendees. Ensure that enough time is allowed to re-investigate non-compliances if further evidence is made available.
- Agree who will support the audit and accompany the site tour.
- Confirm the employment site's peak production periods and explain the need to sample working hours from this period.
- Confirm any special arrangements / precautions required for the employment site tour and whether a routine fire drill is expected.
- Review floor plan of the employment site, including dormitory(ies).
- Review list of chemicals available on site.
- Ask the management if they have any questions.

If employment site management do not agree to the participation of worker representatives in the opening meeting or audit process, auditors should note this in the report and arrange a separate meeting with worker representatives if possible.

7.2 Tour of the Employment Site

The purpose of the employment site tour is for the audit team to observe physical conditions and current practices in all areas of the employment site and to form a view of how they compare with the applicable standards and codes. At the same time, the auditor should be checking how the site performs against its own policies and procedures. It is also an opportunity to hold unstructured conversations with management and workers, seek site-based evidence to support findings and to view site-based records.

The findings from the tour are later checked against evidence from management, document review and worker interviews.

As a general principle, the auditor should be able to visit all the areas of the employment site and should set the pace of the tour. In some cases, employment sites may prohibit visitors from walking through some areas or forbid photography for reasons of safety or commercial confidentiality. The auditor should note restrictions on access or photography in the audit report, and if restrictions seem unreasonable should escalate according to the audit requestor's policy.

The ability of management to continue production at the site during a visit is crucial to gaining an accurate idea of working conditions and to securing management co-operation for the remainder of the visit. Auditors should make every effort to ensure production is not disrupted during the employment site tour, whilst ensuring that they are able to view the production area during busy production periods. It should be possible to move around the site without delaying or halting production.

During the site tour, the auditor should meet a range of managers / supervisors / workers across all site operations. The auditor should not be purely guided by management on areas to visit and should freely investigate all areas that they feel are needed to perform the audit.

The auditor should raise issues as they arise, giving managers the opportunity to seek clarification, respond, and provide explanations or further evidence.

Note: Auditors should ensure that workers cannot be identified from any photos taken, especially those interviewed.

CHECKLIST - SITE TOUR

The auditor should walk around all areas of the employment site in order to:

- Understand the types of work.
- Evaluate Health & Safety.
- Identify potentially vulnerable groups of workers.
- Assess whether some operations may be sub-contracted to other units.
- Observe management systems and practices, including interaction between management and workers.
- During the site tour, the auditor should include the following areas of focus:

Working environment, Health & Safety:

- Working environment e.g. layout, temperature, tidiness.
- Work stations.
- Evacuation plans and evacuation routes.
- Signs in local language as appropriate.
- Fire equipment and emergency equipment.
- Building construction, maintenance and certificates.
- Machine safety, guarding and maintenance.
- Emergency procedures.
- Personal protective equipment.
- First aid equipment and qualified staff.
- Hazardous substances storage, handling and disposal.
- Warnings and labels and whether in local language if appropriate.
- Waste management.
- Toilets and sanitation.
- Potable water.
- Canteen hygiene and safety, when applicable.
- Dormitory hygiene and safety, when applicable.

Employment and labour practices:

- Young-looking workers.
- Workers who could be at risk e.g. pregnant workers or those working with potentially hazardous equipment or chemicals.
- Indications of restrictions of workers' freedom of movement.
- Indications of infringements of workers' dignity.
- Selection of individual workers for interviews during the site tour, or for subsequent interviews.
- Any indications of the lack of protection of workers' rights.
- Any indication of inequality, discrimination, harassment or intimidation.

Locate documents and records:

- Quality records.
- Production records.
- Time records.
- Display of codes of conduct or labour law.
- Display of information relating to trade union or workers' committee meetings.
- Any legally required postings.

Perimeter survey

An optional perimeter survey can be useful to provide additional information about the employment site and its local context and to identify specific risk issues e.g. fire risks associated with waste storage etc. Note that this should only be undertaken if sufficient time is available. It should not detract from the time spent inside the employment site.

The perimeter survey focuses on:

- The immediate surrounding environment.
- Neighbouring facilities e.g. hospitals, clinics, restaurants, shops, recreation, fire protection, police, waste disposal, etc.
- Local perceptions of the employment site e.g. work hours, labour issues, support for local community, waste discharge, etc.
- Other facilities located on the employment site e.g. dormitories, canteen, clinic, water treatment vs. external water discharge.
- The physical construction and layout of the employment site e.g. building structure, access, worker transport etc.
- Other production units or facilities on the employment site which are not part of the scope of the audit.

7.3 Management and Worker Interviews

7.3.1 Management Interviews

The audit team should work through the relevant code and laws, talking to managers on each issue area. Open questions and discussion techniques should be used. It is important not only to talk to the senior managers, but also to less senior managers who may have a different perspective.

Affirmation of policies and procedures by managers will allow the site to review its own practices during the audit.

The audit team should work with administration staff combining interviews with document review.

7.3.2 Worker Interviews

Interview principles

It is essential that workers are interviewed to hear directly what they think of working conditions at the employment site. Individual or group interviews may raise new issues, confirm compliance or confirm suspected non-compliance. This is when the personal skills and experience of an auditor are invaluable in creating the trust needed for workers to feel comfortable disclosing details about the workplace.

*Note: Workers identities should not be disclosed to the management or be written on the audit report. See Section 7.3.8: “**Protection of Interviewees**” for more details.*

Workers should be interviewed individually and in groups without management present and preferably in their own language. Where necessary, an independent, professionally qualified translator should be used (hired). Management or their representatives must not act as translators.

Audit team members carrying out worker interviews must have the skills to make workers feel at ease. It is best practice to use informal, open interviewing techniques to encourage interviewees to identify the issues of most importance to them. It is important to uncover any hidden issues such as discrimination and intimidation which are not easily found through other stages of the audit process.

Worker interviews should be conducted in a place where the workers feel comfortable and a relaxed and an informal setting can be created. This should be away from management offices with no representatives of management present and where the interview cannot be watched or overheard. Informal interviews may also take place during the physical tour of the employment site, at lunch time or during breaks.

Offsite locations for interviews may be more appropriate, especially if the auditor feels that workers may be coached or intimidated in the employment site. Possible locations may include workers’ homes or local shops or facilities used by workers.

Workers should be interviewed individually or in groups, preferably using a combination of both.

7.3.3 Planning Interviews

Workers should be selected only by the auditor. Ideally worker selection should be balanced, taking account of any underlying issues e.g. shift, pay rates, worker category, job role.

Wherever possible, the identities of interviewees should be kept confidential. Where this is not possible, a sufficient number of employees must be selected for interview to enable confidentiality of feedback to be maintained.

Identities of workers, e.g. names or ID numbers should never be included in the audit report.

Details of the number of workers that should be interviewed and the methods of selecting them are covered in Appendix A5: **“Audit Length, Sample Size and Timetable”**.

Note: The first selection of interviewees is made during the site tour as selection from documentation assumes that all workers on site are documented. If interviews are carried out prior to document review, any issues raised can then be checked against employees’ records to gain supporting evidence.

CHECKLIST - INTERVIEW DESIGN

The following best practices should be considered when selecting workers and planning interviews:

- Workers interviewed are representative of worker type and departments within the employment site. The worker interview samples includes different contract types of worker i.e. permanent, temporary and agency workers and include different shifts and types of work where possible.
- Interviewees should be selected by the audit team and never by management; In making the selection, the auditor considers:
 - The gender balance of the workforce.
 - The spectrum of ethnic, national, linguistic, migrant or religious groups.
 - Youngest and oldest workers.
 - Different departments, including security and canteen workers as well as production workers.
 - Different levels / grades of workers and supervisors.
 - Worker representatives.
 - Health & Safety committee representative(s).
 - New employees / trainees (to evaluate training quality).
 - Workers in all pay grades (i.e. lowest pay grades, highest pay grades) in order to evaluate wages and working hours.
 - Pregnant women.
 - Workers in potentially hazardous jobs e.g. with machines or chemicals.
 - Employees from different shifts.
 - Workers not wearing uniform.
 - Workers who have taken leave recently.
 - Workers whose records show specific issues such as disciplinary action.

- The selection of workers should be done as late as possible i.e. just before the interview, in order to minimise the risk of workers being coached.
- The interviewer should aim to talk to a wide range of workers including potentially vulnerable workers and those in less skilled positions.

7.3.4 Conducting Interviews

Worker interviews must be managed with discretion and empathy. The audit team should introduce themselves and communicate the purpose of the audit. They should assure interviewees that all information shared during the interview will remain unattributed. No manager or representative of the employment site, apart from the workers concerned, should be present during any worker interview.

Examples of good technique include:

- The auditor must emphasise the confidential nature of the interviews and must never mention an individual worker's identity to management.
- The auditor must conduct the interview using an informal 'conversational' technique using open questions that encourage dialogue. A comfortable relaxed atmosphere is the target.
- Auditors must aim to make the interviewee comfortable i.e. in the way they dress, approach the interviewees and arrange the interview room.
- Where two auditors are conducting interviews together it may help communication if one auditor takes notes while the other concentrates on establishing a rapport with the interviewee(s).
- Where necessary worker interviewers can work through a translator. Translators must be independent of employment site management and must speak the language concerned.
- Where a translator is being used, they must be fully briefed on the need for interviewee protection and confidentiality.
- The auditor should provide interviewees with a suitable confidential contact in the event that a worker wishes to add information outside the interview or while not at work.

7.3.5 Individual and Group Interviews

The auditor must make a judgement on the most appropriate interview methods, considering individual and group interviews, the sample of interviewees and the possibility of off-site interview locations. The method chosen should provide the most effective method for gathering details about the work environment and for discussing issues such as pay rates, management style, discrimination, harassment, etc.

The following points are guidance only and may be modified depending on circumstances. However, the total number of interviewees given in Appendix A5: **"Audit Length, Sample Size and Timetable"** should be adhered to. Where interview numbers differ from this guidance this must be stated in the SMETA declaration with reasons why.

- 7.3.5.1. Individual interviews typically last between 15 and 30 minutes. Longer interviews will be required in some circumstances. Auditors should respond to any signals (verbal and non-verbal) from workers and may choose to convert an individual interview to a group interview or vice versa.
- 7.3.5.2. Group interviews enable more rapid consultation with a larger number of people. Group interviews can be useful at the beginning of an audit to gather information quickly to inform the audit process.

Auditors should never use group interviews to discuss personal issues such as an individual's wages.

- 7.3.5.3. Group interviews should be handled with sensitivity. Personal information such as wages should never be discussed at a group interview. Some workers may be encouraged to talk more freely in the presence of colleagues. However, other individuals may also become introverted in group situations, or may follow the majority opinion rather than express their own.
- 7.3.5.4. Group interviews should be planned to last between 30 and 45 minutes taking into account the additional time to get workers to attend and to give everyone an opportunity to express themselves. If issues are uncovered, the interview may need to be extended to fully explore the issue. Alternatively, if workers are consistently providing the same information, interviews may be the minimum timeframe.
- 7.3.5.5. To supplement the individual and group interviews, auditors may choose to provide a written survey to a large number of workers on site. To encourage responses these can be anonymous, but their success will depend on literacy levels.
- 7.3.5.6. As stated in Section 5.5. '4-Pillar SMETA audit' the auditor should interview a minimum of one manager and one worker from each area of Environment and Business Practices.

Note: See Appendix A5: "Audit Length, Sample Size and Timetable" for guidance on number of interviewees. The auditor must select the correct total number but whether interviewed as singles or in groups can be flexible.

7.3.6 Off-Site Interviews

It may be useful to interview some workers off-site, where they may feel more able to speak freely about any concerns. This is often used where there is a perceived atmosphere of fear that prevents an open discussion in the workplace. However, this type of interview should only be undertaken by very experienced auditors, preferably in pairs for safety reasons and to capture and interpret information accurately.

Examples of off-site interviews could be at local facilities frequented by workers, a worker dormitory where it is outside of the site of employment, a worker centre, etc.

As management are not aware of offsite interviews, there is a risk that they may perceive the practice to be inciting workers or causing discontent. This can damage supply chain relationships if not handled carefully. An auditor should always check whether this is a required part of the audit programme.

Where pre-audit employment site profile / SAQ indicates that production processes are undertaken by homeworkers, the auditor should check with the audit requestor whether these are to be included in the audit scope. Where homeworking is discovered during an audit, the auditor should at least report the presence of homeworking and again check with the audit requestor whether a visit to homeworkers is in scope.

In cases where this is not possible, for example due to location constraints, then a separate audit of homeworkers and their working conditions may be required.

7.3.7 Other Types of Interview

Union and workers representative interviews (where present)

The audit team should include a selection of any union and / or worker representatives as interviewees. Specific attention should be paid to any training and support given by the trade union, as well as the union representatives' knowledge of collective bargaining agreements and union procedures for worker participation.

The auditor should gain an understanding how the trade union is organised at a local level and its relationships with workers and management.

Note: It is useful to ask the general workforce if they know who their worker / union representatives are.

7.3.8 Protection of Interviewees and use of Interview Information

The protection of workers and others against the possibility of reprisals must be paramount in all audit planning, and especially during interviewing.

In order to protect workers from retaliation, the names of workers involved in identifying an issue must never be divulged to the employment site, supplier or audit requestor, nor must they be included in the audit report.

Note: The auditor may need to keep identity information for traceability reasons but this must not be disclosed.

7.3.9 Alert Notifications and Supplementary Information

In exceptional circumstances where the best interests of the worker cannot be met without disclosure of their identity (for example, names of child workers where the auditor fears they may be sacked without any remediation) the auditor can communicate this information to the appropriate audit reviewers using an offline tool.

Any issues of a sensitive nature, or unsubstantiated information should not be mentioned to the site if this endangers workers. However they may be reported confidentially and separately to the brand / retailer via an alert notification. These must not be uploaded on to Sedex, to protect the confidentiality of the worker. Auditors should check with the brand / retailer to ascertain whether such tools are required.

Examples of appropriate tools are available at the Global Social Compliance Programme (GSCP) website:

- ‘Supplementary audit report’ for sensitive issues.
- ‘Alert notification’ where immediate communication is advisable.

Samples of these can be found at GSCP. Please see Appendix 4 of **GSCP Reference Tools on Audit Process and Methodology**.

The auditor should always check if formal alert notifications or supplementary reports are required. These should NOT be uploaded to Sedex.

See Appendix A6: **“Supplementary Reports & Alert Notifications”**.

CHECKLIST - PROTECTION OF INTERVIEWEES

The following steps are essential to protect the identity of workers who divulge information during interview:

- A sufficiently large sample of workers needs to be interviewed so that points raised are not attributable. The auditor should also consider the use of individual rather than group interviews to achieve a higher level of confidentiality.
- The auditor should keep a confidential note of who is being interviewed so that workers can be protected in future if necessary.

- Auditors should ensure that problems raised by workers are discussed with management in a non-attributable way. Auditors must ensure that the comments they report cannot be traced back to an individual worker.
- When workers raise issues which could be directly attributable to one particular worker and / or could result in reprisals against workers, these can be reported directly to the appropriate audit reviewers via a supplementary report, available at GSCP (auditors should check the reviewer's requirements). The issue should not be raised at the closing meeting, nor uploaded to Sedex.
- Auditors / worker interviewers should leave a contact telephone number, preferably their mobile number and their local office phone number, with all workers interviewed so that workers can alert the auditor to volunteer further information or to alert the auditor if there are reprisals or intimidation.
- To protect worker confidentiality, issues which cannot be substantiated (e.g. confirmed by document review where possible) can be shared with the employment site owner only where there is no risk of victimisation. An example might be a verbal abuse issue where a large number of interviewees have raised it – impossible to trace individuals. The auditor must use judgement and above all protect confidentiality.

7.4 Document Review

7.4.1 Document Availability

The documentation needed for the audit should have been requested during the initial communications with the employment site.

On the day of the audit, all documentation should be available at the employment site for inspection, including payroll and working hours records. All documents should be available for a minimum of 12 months prior to the audit. If records for the previous 12 months are not available, the employment site should explain why this is the case. Any non-legitimate absence of documentation should be recorded on the audit report as non-compliance.

For a full list of the documents that need to be reviewed See Appendix A3: **"Preparation for Audit (Site of Employment)"**. Also included in **"Guide to Pre Audit Information"**.

7.4.2 Document Sampling for Wages and Hours

Auditors should review at least three months' worth of records from the 12-month set of data (or the available data for all months of production when the factory is operational less than 12 months) and should include records for the low season, the peak season, holiday periods and the most recent period available. Particular emphasis should be placed on how the site manages all aspects of the relevant code.

Auditors should concentrate on operators and wages and hours analysis should cover:

- 7.4.2.1. Total wages and hours for all workers over the last 12 months should be viewed to establish peak, low and current production levels.
- 7.4.2.2. Working hours and wage records are selected to cover both peak and current production levels. The records for the workers who have taken part in individual interviews should always be checked. The remainder of records checked should be sampled from the broader pool of employees.

- 7.4.2.3. To complete the wages analysis of the SMETA report it is necessary to examine a full wages record for selected workers for a full 12 months period to establish the extremes of both low and high level of wages and hours over one year.
- 7.4.2.4. For each pay period selected, a minimum 10 records or 1% of the workforce if above 1,000 workers should be reviewed. A larger sample may be reviewed for confirmation if issues are found in the initial sample.

Note: The auditor should extract sufficient detail to be able to complete the SMETA wages and hours analysis which requires highest, average and lowest wage information for operators.

See Appendix A5: “**Audit Length, Sample Size and Timetable**” for details.

7.4.3. Presence of Waivers

A ‘waiver’ is normally an agreement with a local labour office / bureau allowing a site of employment some flexibility whilst still meeting the law on e.g. working hours. If the auditor is presented with a waiver the details should be documented in the audit report and copies attached (with translation into English as necessary).

The acceptance of waivers should be verified. For example if a waiver is presented which allows workers to work in excess of the legal maximum hours, the auditor should verify that the workers have agreed to such a practice and that they are suitably compensated at the correct overtime rates with the application of overtime premiums as required.

It should be clearly recorded whether the non-compliances are contrary to law as well as the ETI Base Code. The legality of such a waiver should be investigated, and endorsement by local government should be noted.

Note: Even if a local waiver is in place which overrides the local law, it can still be a noncompliance against the ETI code.

7.4.4 Data Protection

In countries where there are data protection requirements (e.g. all EU countries), auditors can obtain the written permission of workers to view personnel files during the interviews e.g. via the use of data consent forms, or in advance with management.

See “**Guide to Pre-Audit Information**” for more detail.

7.4.5 Document Inconsistencies

The falsification or incomplete disclosure of documentation makes it difficult to carry out an effective audit.

Such actions are often due to misconceptions by site management that that auditor will “fail” the site if issues are found. To try and overcome this lack of trust, auditors should develop a rapport with management to explain that SMETA BPG audits do not “pass or fail” sites and to encourage management to provide accurate records which present the full picture of the employment site’s operations. It should also be explained that, within the Sedex membership, falsified or withheld information will probably be considered as a serious non-compliance.

Inconsistencies between different types of documents and worker interviews should be raised with the employment site management as early as possible during the audit. It is imperative that the nature of inconsistent or missing information is established.

A systemic or wilful intent to mislead should be treated seriously and mentioned in the audit report. This is often listed as an “inability to verify” rather than a written accusation of an attempt to mislead. A more detailed account can be submitted in a supplementary audit report or alert notification. (Check the requirement with the auditor requestor).

Notes:

- *The auditor should not use “unable to verify” as a reason for not completing the wages and hours analysis, but rather should complete the table with the information available. At the same time the auditor should clearly state in the appropriate section of the SMETA report whether inconsistencies were an isolated or repeated occurrence.*
- *If an employment site volunteers information about incomplete records, this should be noted. Sedex members may downgrade to a less serious non-compliance where site management have been open about issues.*

See Appendix A7: “**Describing Non-Compliances, Observations and Good Examples**” on how to evaluate and record non-compliances.

7.5 Pre-Closing Meeting

The audit team should meet before the closing meeting to discuss the findings of the audit and identify inconsistencies, non-compliances, observations, and good practice. The analysis of evidence gathered must be undertaken before the closing meeting, even if there is a single auditor carrying out the audit.

The audit team should prepare for the closing meeting by reviewing and discussing the evidence presented and then identifying and agreeing:

- Non-compliances.
- Specific evidence.
- Recommended corrective actions, how these can be verified, and a suggested timeframe for completion.
- Systematic problems and issues.
- The root cause of problems, where possible.
- Good practice examples.
- Possible Prioritisation of issues.
- Any requests for additional information or evidence.

7.5.1 Grading Non-Compliances

SMETA does not encourage auditors to grade issues. If the audit requestor requires the auditor to grade non-compliances the audit body should use the audit requestor's grading structure. Guidance to grading can be found in the “SMETA Guide to Non-Compliances”, on the **member resources of Sedex**.

The Sedex system also allows all members A / AB / B to allocate grading severities to their own non-compliances on the system and the system supplies a default grading list, accepted by most Sedex members.

7.5.2 Corrective Action Plan Report

The Sedex Corrective Action Plan Report (CAPR) has been designed to provide a structure to the audit team's findings to help them develop a corrective action plan with the supplier site at the closing meeting.

For all non-compliances and especially those related to working hours or wages, audit team should identify the context of the issue, and its frequency, the number of people impacted and the department (s) concerned, both at the closing meeting and in the audit.

The auditor should complete a draft CAPR prior to the closing meeting with the objective of agreeing findings and corrective actions with the employment site management at the closing meeting. Non-compliances confirm where the site practices do not meet the law, and / or the applicable code.

Observations and examples of good practice are also noted so that the CAPR provides a clear and balanced picture of how the employment site is managing each aspect of the relevant labour code.

For definitions of non-compliances, observations and good examples, see Section 7 "Audit Execution" .

Audit findings may be read by people who have not visited the employment site, so the description of findings should be stated as clearly as possible. Auditors should provide sufficient information to allow an informed decision of the compliance status of an employment site to be evaluated by the client and reader.

The Corrective Action Plan Report (CAPR) should:

- Be clear and presented in the local language spoken by the employment site management with a copy provided to the audit requestor in English. In addition, the report and CAPR loaded onto Sedex must be in English, signed by the auditor and site management.
- Be distributed as follows:
 - One original, signed copy for the employment site manager
 - A second original, signed copy retained by the auditor together with other audit documentation
 - A hard or soft copy to the audit requestor, and the agreed reviewers.

CHECKLIST FOR COMPLETING A CAPR

Non-compliance number

This should include a separate line for each noncompliance with the ETI Code number for the element of the labour code or local law that has not been met i.e. for the ETI Code, number 2 is Freedom of Association.

Details of non-compliance

This should be described clearly and concisely, with reference to the element of the labour code or local law that has been breached.

Root cause

The main objective of the CAPR is to promote improvement at the employment site. The auditor should encourage the site to identify the root causes of issues as far as is practical to do so. This is best achieved by repeatedly asking "why" to develop a deeper understanding of underlying causes and their relationship to the non-compliance identified. Finding and removing a root cause will often prevent a reoccurrence of that noncompliance.

Preventative and Corrective Actions

This column contains details of actions to be taken to clear the non-compliance i.e. immediate actions, and the system change to prevent re- occurrence i.e. longer term actions. The recommendations for corrective actions can be made either by the auditor, by site management or by workers. The auditor should attempt to ensure that the recommended actions address root causes as far as practical.

Timescale

This is the time required for the recommended corrective actions to be implemented and for the issue to be closed. The timescale listed is for immediate correction to take place and the time allocated for corrective actions to be completed should be, appropriate and realistic. Longer term actions and recommendations on how to address root causes may require extended timescales which cannot be decided at the closing meeting and need not be included.

In the exceptional cases where it is not possible to agree timescales, e.g. the site wants time to consider, then the auditor should at least record on the CAPR that timescales were discussed. e.g. “timescales to be confirmed by the site”.

Verification Method

This column should be completed by the auditor, in agreement with the site management.

The options are for ‘desktop’ or ‘follow-up’.

On-site follow-up audits are recommended for non-compliances when corrective actions can only be evaluated through a site tour, interviews or a physical review of documentation.

A desk-based follow-up may be used to verify corrective actions where agreed by the audit requestor. Desk-based follow-up can be used to verify corrective actions through photographs, copies of certificates, invoices, etc. submitted by the employment site. Desk-based follow-up cannot be used where actions need to be verified through worker testimony or physical site evidence.

Note: For guidance on verification method, see SMETA Guide to Non-compliances on the [member resources of Sedex](#), which gives examples of timescales and methods of verifying corrective actions.

7.6 Closing Meeting and Summary of Findings

The aim of the closing meeting is to inform and agree with the employment site management the findings of the audit and to verify their confirmation of the findings through signing off the CAPR and agreed timescales.

The purpose of the closing meeting is to agree the suggested corrective action plan which sets out areas for improvement, actions and timeframes. This meeting should involve all those attending the opening meeting, ideally including a worker representative.

This should be communicated in a language understood by management / all present. If no worker representative is present, then details of how information will be communicated to worker representatives needs to be ascertained and noted on the CAPR.

The final CAPR must be available in English but it may also be necessary to supply a local language copy to the site management, where it aids understanding.

Note: In cases where the management do not agree they should sign the ‘dispute’ section of the CAPR and state their reasons.

7.6.1 Agreeing Corrective Actions

Corrective actions should focus on long term sustainable solutions which correct the root cause of any problem. The auditor should encourage the employment site to take time to formulate a Corrective Action Plan that creates a permanent solution e.g. if multiple fire exits are blocked a system is required to ensure that they remain clear.

For endemic long-term issues e.g. excessive working hours, the employment site management may need to formulate a Corrective Action Plan in collaboration with their customers but should acknowledge their acceptance of the non-compliance.

If the management of the employment site do not agree with any finding, the auditor should state that if they produce evidence that shows the finding is incorrect, the audit team will review it. If such evidence is produced, this should be verified via another route such as employee interview, document review, and observation before acceptance.

7.6.2 Immediate Correction of Non-Compliances

If evidence is produced which clears a non-compliance, the non-compliance can be cancelled, e.g. a fire certificate produced at the closing meeting that previously had not been seen by the auditors.

If a non-compliance can be corrected immediately, e.g. a blocked gangway, it should be recorded as an observation. The auditor should investigate and document how compliance will be maintained.

7.6.3 Conclusion of the Audit

Finally, ask the management team if they have any questions. Explain the agreed distribution of the full report and who will be in contact with the employment site regarding any follow-up. Inform the employment site of the Sedex uploading and corrective action management process and explain their responsibilities.

See Section 8.2: “**Sedex and Uploading the Audit**” for more detail.

CHECKLIST - CLOSING MEETING:

- Thank the management for their time and contribution.
- Reconfirm the purpose and scope of the assessment.
- Remind them that they may challenge findings at the meeting, but any issues they have agreed to cannot be queried later.
- Recognise good practices that have been observed during the day.
- Agree any non-compliances and explain that the audit was based on a sample examination of their employment site and there may be some non-compliances that were not observed.
- Ask the site to identify root causes, suggest corrective actions, timing, and person responsible for correction. Record the corrective actions.
- Cancel any non-compliances where evidence is produced to show the finding is not correct, ensuring this is verified by another route as necessary.

- Record non-compliances which can be corrected immediately.
- Answer any questions management have.
- Explain when the full report will be completed and who it will be sent to.
- Summary of Findings and Corrective Actions should be signed by both the lead auditor and site representative.
- Leave a copy of the corrective action plan with management.
- The corrective actions should include a timeframe for completion and the type of verification needed.
- If the Summary of Findings and Corrective Actions is not agreed, the auditor should ask the site to sign the CAPR in the dispute box. The auditor should then leave a copy with the factory and report disputed points to the audit requestor, copying the factory.
- Inform the facility of the Sedex uploading and corrective action management process in the Sedex system, ensuring they are made aware of their responsibilities. See Section 8: **“Audit Report and Outputs”** for more information.

7.6.4 Dispute of findings

There is the facility on the CAPR for an employment site to dispute the findings of the audit. There are two sections on the confirmation page of the CAPR:

- Section 1 – Non-compliances discussed and agreed. The auditor should make every effort to reach agreement with the employment site and obtain their representative's signature.
- Section 2 – Where there are any disputed non-compliances, the employment site management should be invited to complete the second part of the signature box and to state their reason for any dispute.

8-9: AUDIT REPORTS, OUTPUTS AND FOLLOW-UP

8. AUDIT REPORT AND OUTPUTS

8.1 Audit Report Completion

8.1.1. General Points

The Audit Report should be completed as soon as possible after the audit and should always meet the Service Level Agreement (SLA) of the auditor / audit requestor. The report should be written to present a full and balanced account of findings.

If it is to be uploaded to Sedex, the report must be written in English and must use the standard SMETA Report template. In addition the report may also be written in the language of the employment site management. Any deviation from the SMETA BPG must be recorded in the SMETA declaration at the front of the report

It is good practice to state all findings in simple language, stating the issues or observations clearly so that they could be understood by someone who was not present at the audit.

For each area of the Code, the Audit Report should include:

- A description of the current situation and how requirements are managed.
- Evidence and information to substantiate any findings.
- Photographs to identify the site and to illustrate findings.
- For each non-compliance or observation, the report should provide:
 - A description of the non-compliance or observation, its frequency and the number of people concerned.
 - Whether it is an isolated incident or a more systemic problem.
 - Evidence to substantiate findings.
 - Reference and details of the relevant area of the Code or local law.
 - Recommended corrective action with a timeframe for completion, responsibility and verification method required.

8.1.2. Specific Points

The purpose of the audit report is to give a full and balanced picture of the findings on the day of the audit. Readers of the report should be able to build up an accurate picture of the supplier site, both what it is like to work there as well as any findings from the evidence examined by auditors.

Most Sedex members are interested in working with their suppliers on a programme of continuous improvement and to understand those improvement opportunities readers need a detailed picture of the current status of a supplier site. When correctly completed a detailed SMETA audit report will capture sufficient information to facilitate a discussion on how improvements can be made.

The detailed level of the report can lead to misinterpretation of the information required and for greater clarity the AAG have produced a **“Guide to Completing a SMETA Report”**, and this is publicly available on the Sedex website.

In addition, from some recent anonymous surveys of the SMETA audits on Sedex the AAG have prepared the following list of common misinterpretations made by some auditors. The AAG anticipate that referring to this list whilst completing an audit report will reduce the level of unclear information.

- Any variation to the standard SMETA process must be recorded in the SMETA declaration, e.g. different sample sizes or audit duration.
- Key information in the SMETA report asks whether the lowest paid worker at the site is below min wage, meets min wage or is above minimum wage. The auditor should check the correct box and attempt to estimate from the total wage analysis what % of workers are below, meet or exceed the minimum legal wage
- Migrant worker numbers are required in ‘Worker Analysis’ in the SMETA report. “Migrant workers” definitions vary depending on country. Auditors should be clear about country / place of origin. Definitions include
 - A worker who has moved to a country, province or region where they are not a native, and where they are not eligible to become or do not intend to become permanent residents.
 - In some countries / areas they can be defined as those who require special permits to work in that location.
- Wages and hours analysis must always state the units (for wages) and the payment interval – per hour, per day, per week, per month. For hours analysed the auditor must record whether they are daily, weekly, monthly for both standard hours excluding overtime as well as the recorded time period for overtime hours.

Findings by clause:

- Must list non-compliances individually with the appropriate code clause or law and appropriate corrective action accompanying each single non-compliance.
- Documents examined and current status should detail the evidence checked by the auditor as well as confirmation of how the site manages the particular clause.

Notes:

- *Guidance on completion timeframes and method of verification can be found on the **member resources** section of Sedex see “SMETA Guidance to Non-Compliances”.*

- *The report must not include any information that could be used to identify specific workers – such as names, ID numbers, job descriptions and / or work location.*
- *Unless agreed otherwise, the audit body will not distribute the report outside Sedex to any entities except the audit requestor.*
- *To assist in a consistent approach to completion of a SMETA report please see “**A Guide to completing a SMETA Report and CAPR**”.*

8.2. Sedex and Uploading the Audit

The Sedex system depends on audit information being correctly uploaded onto the Sedex data base. To demonstrate impartiality Sedex recommends that the audit information is uploaded by the audit company.

Some brands and retailers have specific requirements on which party should upload an audit and both the auditor and the supplier site are advised to check these requirements.

Even when the auditor uploads the audit information control of visibility of the audit information remains with the site, as they control access by their customer linkages.

Below are guidelines on how to upload audits to Sedex, as well as how to add and review corrective actions. Where relevant links to step by step guidance are included.

The auditor must communicate sufficient information regarding Sedex to the audited facility, to ensure they understand the activities the site must carry out on the Sedex system (please see the SMETA Pre-audit pack for examples).

Information should include but not be limited to:

8.2.1. Benefits of Sedex

- Sedex, Suppliers Ethical Data Exchange is a not for profit membership organisation for businesses committed to continuous improvement of the ethical and responsible practices in their supply chains.
- Sedex promotes data sharing to ease the administrative burden on suppliers when trading with multiple retailers / brand customers that require ethical audits. Suppliers can upload audits and share them with their customers, cutting out repetition, cost and administration and reducing the number of audits.
- Sedex also allows the sharing of good practice at the site: site certifications can now be uploaded; details of training programmes; involvement with community projects and NGO's; good examples in audit reports.
- Sedex members include leading global brands and thousands of suppliers already registered in over 160 countries. The member base is significantly growing each month and an ever increasing number of customers are likely to be on Sedex.

8.2.2. Process of Sedex

The audit body advises the auditee of the requirement and process of the Sedex uploading and associated fees for these services. The auditor should supply the auditee with the relevant guidance packs which can be downloaded [here](#). To upload an audit in the system, a few pre-requirements are necessary:

- The auditee must be a registered active member of Sedex. If the supplier requires guidance please see: 'Supplier Guidance Pack Stage 1 - Registration Instructions for Suppliers'.
- The auditee must have set up their account and registered at least one 'site of employment'. Please see: 'Supplier Guidance Pack Stage 2- Supplier Account Set up Guidance'.
- It is recommended that the site has a completed Self Assessment Questionnaire prior to the audit and it is shared with the auditor in advance of the audit. Please see; 'Supplier Guidance Pack stage 2 - Supplier Account Set up Guidance'.
- It is recommended the auditee creates an 'upload request' in advance of the audit. This will give the auditor access to the Self assessment Questionnaire. Please see: 'Supplier Guidance Pack Stage 3- How to Add an Ethical Audit'.

8.2.3. Uploading the Audit: (Supplier Site or Auditor)

- Once the audit has been conducted and completed, it is recommended the audit is shared on the system to minimise any further customers requesting audits. Any ethical audit from any auditor can be uploaded to the Sedex platform.
- Auditors: Please see the 'Auditor Guidance Pack stage 2 – How to upload an ethical audit' for full instructions.

Sites: Please see the '[Supplier Guidance Pack stage 3 - How to Add an Ethical Audit](#)' for full instructions on how a site can upload their own audit.

8.2.4. Adding Corrective Actions (Supplier Site)

Sedex requires supplier sites to input the actions which they have completed in response to the audit findings.

- The site:
 - Enters corrective actions.
 - Once these actions have been completed the site must submit the findings (with the corrective actions attached) back to the auditor for verification.
- For step by step details follow link to '[Auditor Guidance Pack Stage 3 - Reviewing Non-Compliances & Corrective Actions](#)'.

8.2.5. Reviewing Findings (Auditor)

This assumes that the supplier site has submitted all actions and associated findings to the audit through the Sedex system:

- The auditor reviews the attached actions which should include documentary evidence.
- For step by step details follow link to '**Auditor Guidance Pack Stage 3 - Reviewing Non-Compliances & Corrective Actions**'.

8.2.6. Other Recommendations:

While Sedex does not set any standards / requirements Sedex recognises that each customer may have their own standards / requirements, therefore:

- Sedex recommends that the auditor checks with customers on their requirements for Sedex upload.
- Sedex also strongly recommends that external audits are uploaded by the auditing company as this provides greater independence and greater ability to meet several customer requirements simultaneously.

CHECKLIST - UPLOADING A REPORT TO SEDEX

To upload an audit in the system:

- The employment site must log the audit into Sedex.
- The auditor will receive an email notification and can upload the on-site conducted audit and actions.
- The employment site must accept the details and 'publish the audit, so it can be visible to the customers.
- The supplier is then able to enter actions against issues on line which will then be verified by the auditors.
- Sedex strongly recommend that external audits are uploaded by the auditing company as this provides greater independence.

For more details on how a site registers an auditor to upload their audit, see "**Auditor Guidance Stage 1 - Registration Instructions for Auditors**".

Audit firm sends report to the payee and any authorised third parties in a protected and un-editable format. A documented release statement should be obtained by the auditor prior to such release.

8.3 Information Management

Following each audit, the auditor should provide the following documents to the audit requestor:

- The Pre-Audit Employment Site Profile (or it is contained in the Sedex SAQ).
- The completed audit report(SMETA audit report).
- Summary of findings and corrective actions (CAPR).
- Supplementary audit information (where applicable) - see Appendix A6: **“Supplementary Reports & Alert Notifications”**.

*Note: If the audit requestor is not the site, necessary permissions must be obtained before sharing information. Please see Section 6.1: **“Audit Request”** for details of audit ownership.*

8.4 Audit Records

Audit reports should be retained by the auditor for reference for a minimum of two years, or longer if agreed with the audit requester.

- It is recommended that the auditor retain copies of at least the following documents:
 - Official documents on legal status of the company (business licence).
 - Insurance policies / certificates (relating to buildings and people).
 - Blank employment contracts (at least in blank format).
 - Payroll sample (at least in blank format).
 - Any risk assessments of employment site if available.
 - Collective bargaining agreement.
 - Evidence relating to non-compliances, wherever possible.
 - Evidence confirming the number of workers interviewed and records reviewed.

Data and privacy laws in some countries prohibit copies being made of certain documents; in such cases, auditors should respect these restrictions.

9. AUDIT FOLLOW-UP

9.1. Follow-up Audits

Auditor verification of adequate corrective actions, can be carried out by a re visit to the site to examine the actions which have been taken in response to non-compliances from a previous audit. This is known as a follow-up audit and it can be full or partial (see Section 5.3: “**Sequence of Audits**” for details).

A follow-up audit is required when corrective action cannot be verified via evidence supplied through “desktop” review only.

For wages and hours corrective actions, verification can only be by a follow-up audit and a minimum of 2 months new records need to be available for review.

The sampling numbers needed to verify follow-up e.g. for wages or working hours, may be lower than for a full audit.

A desktop review or a desktop follow-up can be used to verify information remotely such as policies or certificates.

Note: The AAG has suggested examples of issues which may be verified by the above two methods.

*See ‘SMETA Guide to Non-compliances’ on the **member resources of Sedex**. If in doubt it may be necessary to check with the auditor requestor.*

See Appendix A5: “**Audit Length, Sample Size and Timetable**”.

9.1.1. Purpose of a Follow-up Audit

The audit follow-up focuses on the corrective actions agreed during the audit and closing meeting.

- The auditor will be responsible for verifying whether actions have been taken and recording verification of actions.
- Where a follow-up audit is required, for example on issues on working hours and wages or where the original issue was raised by workers, the length of time taken at the follow-up should be related to the number and severity of issues to be verified.
- Where only one auditor is carrying out both the auditor and worker interview roles at the follow-up audit, it may be necessary to consider the auditor’s gender, especially where there is a majority gender at the site.
- For corrective actions where it is judged that desk-based verification is adequate, the auditor will review evidence submitted.

9.1.2. Follow-up Audit Reports

The follow-up audit report is an updated version of the original report with all new elements highlighted so they can be clearly seen. The number of interviews conducted and the sampling method used must be clearly stated.

For all sections where non-compliances have previously been raised there should be a clear explanation of the evidence reviewed, comments on applicability and effectiveness and whether the issue is now considered:

- Closed - sufficient evidence has been received to bring about an adequate resolution of the non-compliance.
- Open- insufficient evidence has been received and the non-compliance remains active.
- Progress made - some evidence has been received indicating progress, but this is insufficient to fully close out the non-compliance until further evidence has been made available.

Note: If new non-compliances are found these should also be indicated and be highlighted as in an initial audit. A new CAPR should be issued.

9.1.3. Guidance for Follow-up and Desktop Audits

Please see Section 5.3: “**Sequence of Audits**” for definitions of follow-up and Desktop Audits.

Follow-up audits are recommended for non-compliances when corrective actions can only be evaluated through interviews and extensive documentation reviews, and / or site tour.

- 9.1.3.1. A full follow-up audit should include a full review of all areas of the standard audit process, including the complete re-sampling of documents, conducting interviews and the employment site tour. The auditor should focus on identifying changes which address issues raised in the initial report, but also investigate potential additional issues.
- 9.1.3.2. The audit should be carried out either once the deadline for addressing all of the issues has passed or where urgent actions are necessary to safeguard the safety of workers.
- 9.1.3.3. Partial follow-up audits generally are within six months of the date of the initial audit. This can vary it may be necessary to check with clients.
- 9.1.3.4. A partial follow-up audit does not include a full review but only focuses on the issues identified in the corrective action plan.
- 9.1.3.5. A desktop follow-up may be used to verify corrective actions where it is agreed that remote approval of evidence submitted by the site is sufficient. Examples can be photos, copies of certificates, policies. Desktop follow-up cannot be used where corrective actions need to be verified through worker testimony.

9.1.4. Follow-up by Training

Where supply chains decide that appropriate follow-up will contain some training of supplier sites, care must be taken to ensure there is no conflict of interest.

The team who conducts an audit should not be the same team who provide training. This would lead to concerns about the objectivity of the audit team and subsequently the accuracy of the audit findings.

9.2. Appeals and Disputes

The audit report and CAPR remain the property of the audit requestor and will only be shared with other parties by pre agreement with the audit requestor.

Upload and access to the audit details on Sedex remains within the control of the audit requestor. Although Sedex recommends that the auditor upload the audit information onto Sedex system, the audit requestor retains access rights.

SMETA methodology recommends that an auditor aims for agreement of the CAPR and sign off by the site management, However if agreement cannot be achieved it is recommended that the site management sign in the dispute box of the CAPR and state their reasons why agreement was not reached.

SMETA BPG states that when the CAPR has been agreed, normally it is not possible to raise objections afterwards. However there may be cases where e.g. information has been misunderstood and after reflection the site of employment has questions which remain unanswered or concerns reference the recorded information.

To deal with such situations it is essential that the auditor / audit organisation has a system in place to deal with such questions or potential disputes.

The auditor or audit organisation should clearly communicate to the site:

- They are available after the audit to further clarify or explain decisions and any ratings to the employment site and / or audit requestor as needed.
- They have an appeals procedure should the employment site or audit requestor challenge one of the findings and in case of any complaint by the employment site against the auditor.

Note: In addition there are opportunities on the Sedex system to both dispute the information uploaded as well as have an on line dialogue with the auditor / audit company.

Appendices

APPENDIX A1 GUIDANCE BY CLAUSE

INTRODUCTION

This Guidance by Clause is based on the Ethical Trading Initiative (ETI) base code, but can be adopted and tailored to use with other codes of conduct. The ETI Code is based on international standards and ILO conventions and this guidance should therefore agree with the majority of codes and standards currently in use.

Note: In addition there are other issue areas such as Entitlement to Work, Sub-Contracting & Homeworking, Environment (shortened for a 2-Pillar SMETA and extended for a 4-Pillar SMETA) and Business Practices. These have been developed by a consultation process involving the membership and external stakeholders.

0. Management Systems and Code Implementation

CODE REQUIREMENTS

0.1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code. 0.2 Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code. 0.3 Suppliers are expected to communicate this Code to all employees. 0.4 Suppliers should communicate this code to their own suppliers and, where reasonably practicable, extend the principles of this Ethical Code through their supply chain.

Note: 0.4. Is for information only and is not a specific requirement of the code.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local law, the ETI Code and the standards required.

The auditor checks and reports on:

- 0.1. Whether the site has a social compliance / ethical trade policy and written procedures which meet the Code and International Labour Standards.
- 0.2. Looks for specific policies and procedures which ensure the site meets in particular freedom of association, discrimination and general human rights standards.

- 0.3. Checks whether the site knows the local laws concerning Labour Standards e.g. age, wages, hours of work, Health & Safety etc. Whether there is a system in place to keep up to date with all local laws concerning workplace requirements, Labour Standards, Environment etc.
- 0.4. Records whether resources are allocated to implement any systems and procedures including the appointment of a senior responsible manager.
- 0.5. Reviews whether there is a system to measure the effectiveness of these policies and procedures, such as by internal audit.
- 0.6. Checks that the site is aware of specific client requirements such as client's policy on labour standards, labelling, quality, environment and shows commitment to work with their clients to meet these requirements.
- 0.7. Checks that the ETI base code or client specific codes have been communicated to on site workers including, local labour laws / labour rights, and how this has been done e.g. posters, worker trainings etc. (in cases where literacy level is low, what method of communication is used).
- 0.8. Establishes what action is taken to communicate and implement the code in its own supply chain, e.g. to raw material suppliers.
- 0.9. Check whether the site has a list of subcontractors (where relevant) and has communicated / monitored labour standards at these subcontractors.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 0.10. Have the codes been communicated and how.
- 0.11. Has there been any training on labour standards and for non-native speakers or less literate workers etc. what method of communication was used.

Note: The auditor should check that the management system is appropriate for the size and nature of the business. Formal documented systems are not necessarily expected for smaller organisations.

1. Forced Labour

CODE REQUIREMENTS

1.1 There is no forced, bonded or involuntary prison labour. 1.2 Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local law, the ETI Code and the standards required.

The auditor checks and reports on:

- 1.1. Contracts:
 - a. Do all workers have a contract of employment detailing their rights and obligations as well as notice and grievance procedures.
 - b. Can workers voluntarily leave their employment after reasonable notice.
 - c. Is there a process in place for workers to receive their final salary payment if they do not return e.g., after Chinese New Year.
 - d. Are there any clauses in contracts that would restrict workers leaving.
 - e. Are there any financial arrangements e.g. loans which would restrict workers leaving.
 - f. Are there clauses in the contract / job description for security guards which allow them to restrict worker movements?
 - g. Are workers free to leave at the end of their shift and not unreasonably delayed by e.g. security checks.
- 1.2. Personnel files:
 - a. Do employers keep only **copies** of ID's and Right to Work checks.
 - b. Whether originals are returned to workers.
 - c. If it is a legal requirement to retain original documents, do workers give their written consent and can they retrieve their documents at any time.
 - d. Where there are loans to workers are they covered by a signed agreement from both parties and do they detail repayments, terms and conditions.
 - e. Is there a procedure in place to either re- assign any outstanding loan to a new employer or a process for early repayment, such that a loan does not prevent a worker leaving employment?
 - f. Is there a process for preventing worker debt from e.g. recruitment fees, and how is this checked.
- 1.3. Wage deductions, any deposits or withholdings (other than mandatory e.g. tax and social insurance) to establish:
 - a. That there is a written agreement to the deduction, signed by the worker.
 - b. That deductions are reasonable and meet the law.
 - c. That any deductions do not reduce wages to below minimum legal wage.
 - d. Whether deductions are for disciplinary reasons and whether this is legal.
 - e. That deposits are not taken for workplace essentials such as PPE.
 - f. That deposits are not a compulsory condition of gaining employment.
 - g. That any agreed (by the worker) and withheld deposits / withholdings are returned to the worker as appropriate.
 - h. That there are no other deductions when commencing, during, or as a condition of employment.
- 1.4. Where there is any prison labour (legally required in some countries), the auditor must record the details of such employment checking:
 - a. That any prisoners are working voluntarily.

- b. That the work is under the control of the legal authority.
- c. Pay and hours meet the law.

Note: Any such scheme, where prison labour is voluntary, the workers are paid minimum wage plus overtime, and that access to paid work is not discriminatory should be recorded as an observation and the exact situation should be documented on the audit report. If the full conditions of any prison labour present cannot be established, a non-compliance should be raised.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 1.5. Are workers working voluntarily and can they leave their employment after reasonable notice. Do they know the procedure for giving notice?
- 1.6. Have any workers made deposits and if so what for and when will they be repaid.
- 1.7. Do workers' pay deposits for essential work items such as PPE?
- 1.8. Whether they have possession of their original documents, e.g. passports / ID's and if not why not.
- 1.9. Where workers must surrender their original ID's for legal reasons, do they know how to retrieve them.
- 1.10. Do workers feel free to leave site during breaks and rest time and at the end of shift.
- 1.11. Can they refuse to do overtime and if so how.
- 1.12. Are any searches performed on workers handled with respect and without restricting movement e.g. leaving at the end of shift?
- 1.13. Are dormitories secure, and do workers feel that they can leave them when they wish.
- 1.14. If there are hours restrictions e.g. curfews, do workers feel these are reasonable.
- 1.15. If any workers have loans have they agreed in writing to the amount and the terms and do they understand and believe them to be reasonable.
- 1.16. Whether workers have ever noticed other workers who were forced to work at this site.

2. Freedom of Association

CODE REQUIREMENTS

2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively. 2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities. 2.3 Workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace. 2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

Notes: Prior to conducting an audit, auditors should:

- *Understand the local context in practice, site / sector / regional issues. Be aware of, and up to date with, appropriate local and national laws. Check relevant sources and maintain a relationship with key trade unions (where they exist) and NGOs in the countries that they carry out audits. N.B. auditors must not share the site names with outside agencies. <http://www.ituc-csi.org> provides useful information on union activity, campaigns, and reported issues concerning FoA*
- *In the case where the site of employment is very small (<30 people) and there may not be a committee or other formal structure the auditor verifies access to line manager and effectiveness.*
- *To determine the effectiveness of FoA, auditors should ensure that union and worker committee members are included in the worker interview sample.*
- *Questions to verify effectiveness can include how are grievances raised, to whom, how are they resolved, and if workers feel they are listened to and supported.*

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required. The auditor checks and reports on:

- 2.1. Whether there is a site policy on freedom of association.
- 2.2. Checks whether management recognises and negotiates with any unions present.
- 2.3. Checks that management places no restriction on the establishment and growth of free and representative workers organisations - including unions.
- 2.4. Where the right to freedom of association is restricted under law, workforce rights are recognised by organising parallel means e.g. workers committees.
- 2.5. Where unions are legally allowed checks:
 - a. Whether there is a union on site.
 - b. If workers are free to join the union if they wish.
 - c. That union officials are freely elected and allowed to perform their functions - with paid time off if a legal requirement.
 - d. If the employer takes deductions for union fees checks that, workers have given written consent that deductions are legal, recorded on wage slips and paid to the union.
- 2.6. Where workers are represented by a union or workers committee checks:
 - a. Whether the worker representatives are volunteers and how they are elected.
 - b. That workers are aware of their union or worker representatives.
 - c. That the group which represents workers is independent of management and represents workers effectively.
 - d. The meeting minutes are published with agreed actions and responsibilities
 - e. That management shows evidence of responding to concerns and proposals raised in the meetings.

- f. Whether there is a collective bargaining agreement and if so what % of the workforce is covered?
 - g. What feedback arrangements are made for workers who do not wish to join the union e.g. other workers groups, suggestion box, worker survey, confidential hot line.
- 2.7. Where workers are not represented by a union or workers committee and the law allows, checks:
- a. For any policies or procedures preventing workers from joining or forming a union.
 - b. The site's attitude if workers wish to join or form a union.
 - c. How management and workers communicate in the absence of a union or worker's committee.
 - d. Examines files to establish whether any disciplinary actions or sackings for workers attempting to start or join a union.
- 2.8. Examines the personnel files of any union or worker representatives to check:
- a. Whether there are any disciplinary records from management.
 - b. Any evidence of union or worker representatives being discriminated against.
 - c. Evidence of union members being dismissed.
 - d. Whether there is payment for time spent in a representative function.
- 2.9. Establishes whether there have been any strikes at the site and records the dates and circumstances at least as observations.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 2.10. Establish whether any workers are members of a trade union or aware of a trade union on site.
- 2.11. Whether they feel free to join a union if they choose.
- 2.12. Whether workers are aware of their rights to organise and bargain collectively.
- 2.13. Are workers aware of who their representatives are.
- 2.14. If workers elect their representatives freely, either for a union or a workers committee.
- 2.15. If workers are satisfied with their representatives and feel that they are effective.
- 2.16. Whether any policies and procedures have been communicated to workers by e.g. briefings, worker handbook and for non-native speakers or those of limited literacy what was the form of communication.
- 2.17. Whether collective bargaining agreements have been circulated to workers.
- 2.18. If workers are aware of any meeting minutes and actions resulting from these.
- 2.19. If facilities are provided for trade union activities.
- 2.20. Whether they know of any discrimination against worker reps.
- 2.21. Whether they are aware of any strikes / industrial action at the site and if so record the circumstances.
- 2.22. Interview worker representatives / union representatives and check:

- a. Are they free from management interference.
- b. How were they elected and was it by the workforce.
- c. Do they feel they are permitted to be effective.
- d. Do they have facilities for union duties including paid time off?
- e. Whether there is instances of reps being discriminated against or unfairly dismissed.
- f. Whether they have been given any training on how to negotiate with management.
- g. Whether they are able to communicate grievances to management including supporting workers in disputes between co- workers with supervisors etc.
- h. Are they able to negotiate with management including collectively bargain.

3. Health & Safety

CODE REQUIREMENTS

3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment. 3.2 Workers shall receive regular and recorded Health & Safety training, and such training shall be repeated for new or reassigned workers. 3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided. 3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers. 3.5 The company observing the code shall assign responsibility for Health & Safety to a senior management representative.

Notes: With reference to the International Labour Organisation (ILO) Occupational Safety and Health Convention 155: "The measures taken to facilitate the cooperation referred to in Article 20 of the Convention should include, where appropriate and necessary, the appointment, in accordance with national practice, of workers' safety delegates, of workers' safety and health committees and / or joint safety and health committees; in joint safety and health workers should have at least equal representation with employers' representatives".

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required. The auditor checks and reports on:

- 3.1. Checks whether there is a Health & Safety policy and procedures in place at the site, appropriate to the size and complexity, both for the workplace and any associated residential facilities.
- 3.2. Whether there are appropriate Health & Safety risk assessments / site inspections carried out on a regular basis, how is this recorded and what actions are taken to minimise the risks / hazards found. These should cover at least (but not be limited to):
 - a. Working environment.

- b.** Machinery chemicals and other hazards.
- c.** Workers in hazardous roles.
- d.** Young workers / disabled workers / women and other potentially vulnerable workers.
- e.** Personal protective equipment, its issue and use.
- f.** Worker facilities and resources, e.g. dormitory and canteen.
- g.** Fire risks.
- h.** Accidents and on site injuries.
- i.** Restricted areas, are maintained where appropriate, e.g. access to hazardous chemicals storage areas.

3.3. Checks whether the following documents are available:

- a.** Building licenses and construction approval from appropriate authorities.
- b.** Valid inspection certificates as per local regulations.
- c.** Machine maintenance reports.
- d.** Records of fire drills.
- e.** Appropriate approval certificates for e.g. water use and disposal, waste disposal, hazardous waste.
- f.** Any local inspection certificates by local agencies / government e.g. fire, hazardous substances, waste & water use and disposal, gas emissions.
- g.** Any prosecutions from relevant authorities and what was the outcome.
- h.** Safety training records and worker training certificates if appropriate e.g. for fork lift truck driving.
- i.** Accident / injury / sickness register, and any necessary licenses, certifications for e.g. performing first aid function and / or related Health & Safety functions.
- j.** Risk assessment reports and action plans for reducing / eliminating the risks identified.
- k.** Hazardous waste history and tracking records (e.g. disposal certificates).
- l.** Blood policy and procedures (linked to first aid / injuries).
- m.** Needle and blade control policies.
- n.** Electrical safety certificates and records of maintenance checks.
- o.** Water test for potability.
- p.** Records of distribution and maintenance of PPE and whether any charge to workers.
- q.** Checks purchase records for all necessary protective equipment, ensures that there is a clear history of this being bought and replaced on a regular basis.
- r.** Site insurance for e.g. workplace, employer liability, worker accident, fire.
- s.** Material Safety Data Sheet (MSDS) for each hazardous chemical kept on site.
- t.** Any necessary approvals / certificates for using hazardous machinery or chemicals.

- 3.4. Checks if there is a Health & Safety committee and whether workers are represented.
 - a. Examines any minutes of meetings.
 - b. Notes if any action taken.
- 3.5. For any machinery on site checks documentation.
 - a. Machinery safety certificate (if required).
 - b. That maintenance records are up to date.
- 3.6. For Health & Safety training records checks that training is appropriate to the task.
 - a. Use of machinery.
 - b. Working with and disposal of chemicals.
 - c. First aid and safety.
 - d. Housekeeping.
 - e. Personal protective equipment.
 - f. Records of training kept in workers personnel files.
- 3.7. What action is taken against anyone who disregards Health & Safety rules and if this is disciplinary does this happen at all levels, workers and management.
- 3.8. During the site tour, auditor makes appropriate checks on e.g. (but not limited to):
 - a. Fire evacuation plans for workplace and accommodation.
 - b. Noise and dust levels and records any risk to workers.
 - c. At least 2 exits on each floor and all exits are unblocked and unlocked.
 - d. Firefighting equipment is sufficient, up to date and meets local regulations.
 - e. That accommodation is not attached to the production area.
 - f. That safety precautions in accommodation and worksite are checked regularly to include, fire fighting equipment, exits, regular fire drills, health and hygiene checks, structural safety certificates.
 - g. Sufficient clean and hygienic toilets separated by gender & meet the law.
 - h. That workers have free access to toilets.
 - i. That machines are operated in a safe manner with e.g. correct guarding, 2 button operation, correct safety precautions, including warning signs as necessary.
 - j. Electrical installation safety e.g. plugs, wiring, cut outs and other control devices.
 - k. That ventilation, light, temperature, noise level is appropriate and meets the local laws as well as sufficient for worker comfort.
 - l. That any hazardous chemicals have MSDS, adequate storage with precautions for spillage, properly labelled, and that workers are correctly trained to use them.
 - m. That PPE is being correctly used, is free of charge and that workers are fully trained in correct usage and benefits.
 - n. That working areas have adequate space, with sufficient ease of access and exit.
 - o. Those medical facilities are appropriate for the size of site and number of workers and meets legal requirements..

- p. That any childcare facilities are legal and meet any local laws / regulations.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 3.9. Check whether there is an Health & Safety committee and are there worker representatives.
- 3.10. What training have workers received?
- 3.11. Do they know the trained first aiders are and are there enough of them on each shift.
- 3.12. Are they aware of the types of common accidents occurring at this site?
- 3.13. Do they know what to do in case of accidents?
- 3.14. The intervals between fire drills.
- 3.15. Do they feel safe and secure in the workplace and are they happy with the general condition e.g. canteen, hygiene facilities, housekeeping, accommodation etc.
- 3.16. Do they use PPE and have they been trained in its correct use. Do they understand the risks of not using it?
- 3.17. What arrangements are made for them when they are sick?
- 3.18. How receptive are managers to any concerns raised on Health & Safety.
- 3.19. What action is taken against anyone who disregards Health & Safety rules and if this is disciplinary does this happen at all levels, workers and management.
- 3.20. Do they have free access to toilets?

4. Child Labour and Young Workers

CODE REQUIREMENTS

4.1 There shall be no new recruitment of child labour. 4.2 Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child. 4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions. 4.4 These policies and procedures shall conform to the provisions of the relevant ILO Standards.

Notes: Definition of 'a child' is in accordance to the ILO Conventions for minimum ages (C138) and child labour (C182). This states that no person will be employed or engaged in work if they are younger than 15 (or 14 in some developing countries). Light work may be allowed for 12 and 13 year-olds in most developing countries provided it does not interfere with schooling. However if the legal minimum age is higher than the ILO conventions then no person may be employed or work if they are younger than the legal minimum age for work in the country of manufacture, this also applies to persons engaged in a workplace apprenticeship programme.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required. The auditor checks and reports on:

- 4.1. Whether the site has a policy on child labour and written procedures on how to ensure that children are not employed at the site.
- 4.2. Whether the policy on child labour is clear, communicated to workers and displayed.
- 4.3. That there are systems in place to check the age of all workers particularly at the point of recruitment.

Notes: This should be systematic and the site should retain documentary evidence such as copies of original ID cards or other evidence that has been produced. However, this should not be used as an excuse to retain workers' identity papers. (See Appendix 1: "Guidance by Clause", clause 1 "Forced Labour". on Employment Freely Chosen). The evidence produced will vary from country to country, and wherever possible should be cross-referenced to an independent source. Management should also be questioned to check whether they are aware of how to check for fraudulent documents.

- 4.4. That all personnel files contain copies of proof of age for each worker such as:
 - a. Worker ID with photo.
 - b. Birth certificate.
 - c. Notary or medical checks / examination prior to employment.
 - d. National insurance or social insurance numbers.
 - e. Ration cards.
 - f. Written documents / affidavits.
 - g. School leaving certificates.
 - h. School diplomas.
 - i. And that such documentation is valid and genuine.

- 4.5 That no worker is under 15 years or the law requirement if this is higher. If age 14 is allowed in accordance with developing country exceptions (ILO convention 138) the lower age may apply.
- 4.6. That if any historical child labour is found i.e. workers hired at below minimum age that are now above legal age, the auditor checks whether the current system is sufficiently robust to prevent this happening in the future.
- 4.7. That all young workers (up to age 18 years) meet all local legal requirements which may include (but not be limited to):
 - a. Registration with local authority.
 - b. Consent of parent or guardian.
 - c. Contract and appropriate documents state limitations on type of work e.g. no hazards or night work.
 - d. Records of medical examinations in personnel files (annual if required by law).
- 4.8. That the site keeps a list of young workers and their job roles.
- 4.9. Check hiring and termination records for the previous 12 months to check if any pattern of sacking young workers prior to audit.
- 4.10. Evaluates any training / apprenticeships schemes in operation and records the terms and conditions. Checks if these meet the law. This may include but not be limited to:
 - a. Signature of parent or guardian.
 - b. Registered with local authority.
 - c. Pay and benefits according to law e.g. wage rates, hours worked, time as trainee / apprentice, social security payments and other benefits.
- 4.11. That the site has a system in place to check age at subcontractors / any homeworkers.
- 4.12. That any vocational training is of an appropriate nature e.g. does not involve working with hazardous chemicals or heavy machinery.
- 4.13. Checks whether the site has remediation policies and procedures to remove any child labour found and supporting them with educational / vocational training. This should include but not be limited to:
 - a. A statement requiring any child no longer works.
 - b. A method for keeping the child safe and protected whilst not being at risk and not being required to work.
 - c. Requirement for the payment of a stipend.
 - d. The need to contact the child's parents.
 - e. Possible re-allocation of work to an adult family member.
 - f. Local education programmes for any child found.
- 4.14. Checks whether any previously found child has been successfully remediated and whether they meet the conditions in 4.13.

- 4.15. Where any child is found, the auditor and management must:
 - a. Agree it is not acceptable to dismiss them.
 - b. Take immediate action to remove the child from hazards.
 - c. Agree with management appropriate interim arrangements for the child and a commitment for remediation.
 - d. Agree policies and procedures for remediation as per ETI code.
 - e. Immediately inform the customer and where this would breach confidentiality agreements to encourage the supplier to initiate a discussion with their customer.
 - f. Capture the identity and age of the child e.g. ID number, home address, and any personnel details.
- 4.16. Where there are child care facilities, checks that they are staffed appropriately and safe, meeting local laws and sufficient distance between them and the work place to ensure that the children are not exposed to hazards or able to enter the workplace.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

Note: Workers who look particularly young should be prioritized for interview. It is important to err on the side of caution and assume that a young looking worker is a child until verifiable evidence to the contrary is provided. This may involve reviewing age documents of the child and verifying they are genuine (it is good practice to ask their date of birth rather than their age).

- 4.17. Ask whether there are children working on the site.
- 4.18. Check whether young workers (up to 18 yrs.) are engaged in hazardous, night or overtime work or work that would interfere with the necessary legal education.
- 4.19. Whether any young workers interviewed are comfortable with their employment conditions.
- 4.20. Whether young workers employment conditions meet the local and international requirements.
- 4.21. Checks whether workers are satisfied with any child care facilities.
- 4.22. Are workers clear on the site's policy towards the employment of children and young workers?

5. Living Wage

CODE REQUIREMENTS

5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income. 5.2 All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid. 5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

Note: The ETI Code requires that workers are paid a living wage and this is described as national legal standard or industry benchmark standards whichever is higher. In addition wages should be enough to meet basic needs plus some discretionary income. In cases where there is no defined process for establishing the living wage, this should be taken as national legal minimums plus correct legal overtime premiums. For the purpose of wage and hours review auditors should focus on operators.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required. For the purpose of wage and hours review the auditor should focus on operators. This excludes managers and supervisors but includes production personnel and service workers such as cleaners. The auditor checks and reports on.

- 5.1. Whether all hourly / weekly / monthly paid workers as well as any piece rate workers are paid at least the legal minimum wage rate (usually stated for standard hours excluding overtime).
- 5.2. Where any workers are paid below the minimum rate the auditor should record the amount and detail how wages compare with any accepted living wage as well as legal minimums.

Note: For ETI compliance it is necessary that employees are paid a living wage, and the auditor should seek to establish if there is a defined local living wage. In the absence of a defined process for establishing the living wage, this will be taken as national minimum wage.

- 5.3. Where any workers are found to be earning below the minimum legal wage, the auditor should record – where possible - what % of the total workforce are affected.
- 5.4. Whether overtime wage rates are paid at the legally required rate for e.g. weekly overtime, weekly rest day overtime, public holiday and annual leave overtime. Where there is no legal requirement for premium pay check that the premium is in line with industry best practice.
- 5.5. In cases where there is a legally accepted living wage, auditors shall clearly report what the amount is and how it has been calculated e.g. market basket of goods etc.
- 5.6. Whether all legally required allowances and benefits are provided to workers e.g. social insurance.
- 5.7. Whether any legally allowed deductions are correctly calculated such as social security payments, union dues etc. and promptly paid to the appropriate agency e.g. government / unions.

- 5.8. Check that wages are not withheld as a deposit.
- 5.9. Check whether wages are reduced or deducted as a form of punishment, and if yes is this in line with national law.
- 5.10. Carry out wages review in conjunction with the hours review and check the calculation for wages to ensure accuracy and that wages are in agreement with hours worked and the law. Evidence should be cross checked through worker interview.
- 5.11. Whether all workers are given written and understandable information about their employment including wages and hours before they enter employment and that they receive understandable information of their pay for each pay period.
- 5.12. Whether there is a system in place to ensure workers receive final salary payments especially after unplanned leaving such as after Chinese New Year.
- 5.13. Whether workers are paid regularly and in line with the law. If there is a legal requirement for a minimum wage to be paid in every pay period, does this occur?
- 5.14. How they are paid e.g. by cash, cheque, bank transfer, and not any non-monetary means.
- 5.15. Check a minimum of 2 pay periods, one at peak and one current.
- 5.16. Whether any legally allowed deductions for e.g. housing food etc. reduce wages to below minimum wages and whether this contravenes the law.
- 5.17. If deductions are made for company loans check they are lawful and that there is correct loan accounting.
- 5.18. Check contracts to establish there is:
 - a. Signed copy or letter of engagement for each worker.
 - b. Workers have an understandable copy.
 - c. Includes job description, terms and conditions, length of contract, any probationary period, leave, notice period, pay, hours, discipline and grievance procedures.
 - d. Ensure that probationary periods do not exceed the law.
 - e. That contracts meet the local laws.
- 5.19. Check payslips to establish:
 - a. Wage rates paid- normal and overtime,- meet at least the legal required minimums.
 - b. Number of hours worked (including standard and overtime hours).
 - c. Method of calculating wages.
 - d. Frequency of wage periods, and timing of wage periods.
 - e. Method of payment.
 - f. Any deductions / withholdings e.g. tax, social insurance, rent, transport, meet legal and code requirements.
 - g. Whether understandable to workers.
- 5.20. Check personnel files to establish:
 - a. There are copies of any legally required documents such as ID, right to work documentation, work permits etc.

- b. That legally allowed deductions have a signed agreement from the worker.
 - c. Any disciplinary records for e.g. fines.
- 5.21. Check any agency agreements for workers provided by labour providers.
 - a. Agreements between the site and the labour provider which state individual responsibilities.
 - b. Agreements between each appropriate worker and the labour provider.
 - c. Check that rates paid to the agencies / labour providers are sufficient to pay agency workers all legal wages as well as agency costs.
- 5.22. Where it is not possible to verify accuracy of wages and hours records because of e.g. discrepancy with worker testimony or production records, auditors should make it clear to management that fraudulent records are seen as a more serious issue than correct records which do not meet the standard. Sites should be encouraged to show accurate records to allow for an open and frank discussion with customers on how they can work together to make improvements.
- 5.23. Where the discussion fails to reveal correct records they auditor should record the managements explanation of why the discrepancy has occurred.
- 5.24. Where the auditor cannot verify records, it is essential to at least complete the wages and hours analysis table with the individual records available.

Worker Interviews - to corroborate workplace practices.

Note: Information on pay and hours must never be discussed at an individual level at a group interview. This type of information is confidential to each worker and therefore can only be discussed in individual interview. However it will be possible to ask about wages and benefits in more general terms.

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 5.25. Whether all workers (include all types of workers, e.g. permanent, casual temporary, agency, part time, etc.) understand:
 - a. How their wages are calculated and the pay rates.
 - b. Whether there are any deductions taken from their wages and if so how much and what for.
 - c. Whether they are aware of any deductions or fines and have they agreed to them.
 - d. Do they pay deposits for any type of necessary work equipment and if yes how is it returned to them.
 - e. Their wage slips – do they get them and do they understand them.
 - f. Whether they pay any social insurance and if yes do they know what it covers.
- 5.26. Whether they are financially stable and are able to earn enough to cover expenses and have some discretionary income.
- 5.27. How they receive their wages, by e.g. cash, cheque, bank transfer, and are they paid on time.
- 5.28. Are they able to take legally mandated leave and is it paid according to law, e.g., annual leave, maternity leave.

- 5.29. If any have loans from their employer have they signed an agreement and do they believe the terms and conditions are fair.
- 5.30. Are they aware of any of their wages being kept as a deposit? If yes do they know how this will be returned to them.
- 5.31. Do they have a copy of their contract and did they sign them.
- 5.32. Were they aware of the terms and conditions before commencing employment?
- 5.33. Do they know how they will receive their final salary settlement if they decide to leave after e.g. Chinese New Year.
- 5.34. In the case of any fixed term or agency workers are they given opportunities to apply for permanent positions.

6. Working Hours

CODE REQUIREMENTS

6.1 Working hours comply with national laws and benchmark industry standards, whichever affords greater protection. 6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required. For the purpose of wage and hours review the auditor should focus on operators. This excludes managers and supervisors but includes production personnel and service workers such as cleaners.

- 6.1. Are there policies and procedures which cover:
 - a. Terms of employment, standard work hours and days, rest days / leave entitlement.
 - b. Overtime requirements and pay.
 - c. Discipline and grievance procedures for lateness and other hours issues.
 - d. Where deductions are made for lateness what is the amount.
 - e. Special terms and conditions for young workers (under 18 years) / pregnant women / nursing mothers, if a legal requirement.
 - f. Re-work procedures.
 - g. Shift schedules.
 - h. New recruits and training hours.

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soon as these start to be discovered. An Investigation should be undertaken to establish the underlying cause and whether this is due to poor record keeping, isolated incidents or repeated occurrences. Sufficient detail to be provided in the report.

Auditors should make it clear to management that fraudulent records are seen as a more serious issue than correct records which do not meet the standard. Sites should be encouraged to show accurate records to allow for an open and frank discussion with customers on how they can work together to make improvements.

- 6.13. Where the discussion fails to reveal correct records the auditor should record the managements explanation of why the discrepancy has occurred.
- 6.14. Where the auditor cannot verify records, it is essential to at least complete the wages and hours analysis table with the individual records available. Gather evidence to ascertain the facts and also the context of any inconsistencies found.

Note: For more details on sampling please see Appendix A5: “Audit Length, Sample Size and Timetable”.

Worker Interviews - to corroborate workplace practices.

Note: Information on pay and hours must never be discussed at an individual level at a group interview. This type of information is confidential to each worker and therefore can only be discussed in individual interview. However it will be possible to ask about wages and benefits in more general terms.

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 6.15. What are their standard hours, and how are they recorded.
- 6.16. If a punch card or swipe card system is used, do they do it themselves.
- 6.17. What are their overtime hours and whether they feel able to refuse to do overtime?
- 6.18. Have they ever worked without recording their hours?
- 6.19. Is there a separate system for recording overtime hours and if so what is it.
- 6.20. During what part of the year is the site busiest.
- 6.21. What breaks do they get during the day, and are they sufficient to eat and rest.
- 6.22. Whether they get rest days each week and if so how many. When was the last time they had a day off?
- 6.23. Are they paid for re-works?
- 6.24. Have they ever taken work home?
- 6.25. Are they entitled to annual leave, when can they take it and how do they apply for it.
- 6.26. Whether they get other types of leave, such as maternity, paternity, illness, compassionate, marriage or wedding, any other legally required types of leave.
- 6.27. Are there special arrangements for young or pregnant workers, other types of workers?
- 6.28. Do they consider the rest and recreational facilities (canteen, break space etc.) satisfactory?

7. Discrimination

CODE REQUIREMENTS

7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

Note: Prior to the audit the auditor should check relevant sources of discrimination information by maintaining a relationship with key NGO's or groups in the relevant countries where they carry out audits.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required. The auditor checks and reports on.

- 7.1. Are there policies and procedures in place which cover the need for all workers to be treated equally in all matters of employment and which cover:
 - a. Recruitment and employment.
 - b. Compensation (e.g. Equal pay for equal work).
 - c. Access to training.
 - d. Promotion, benefits and advancements.
 - e. Termination and retirement.
 - f. Equal opportunities.
 - g. Discrimination based on e.g. race, caste, origin etc.
 - h. And are these communicated to workers in relevant languages or suitably explained where literacy is low.
- 7.2. Checks that site practices follow established policies and procedures.
- 7.3. Examines specifically the recruitment process for:
 - a. Systems for advertising and hiring new staff e.g. verify the language used in job postings and the list of job requirements.
 - b. How the workers are selected for interview.
 - c. How interviews are conducted by whom and what questions are asked.
 - d. Policies and requirements for any health checks prior to employment with particular reference to pregnancy and HIV testing to ensure they do not discriminate; this includes core workers as well as non-core such as cleaners, subcontractors, security guards.
 - e. Interview notes and application forms do not indicate discrimination e.g. asking female workers if they are likely to marry, asking about union membership.
 - f. Checks contracts to examine potential discrimination e.g. requirement not to have children for a period.

- 7.4. Examines the termination policies and practices.
 - a. Verify disciplinary and notice letters to workers.
 - b. Investigate why workers have left.
 - c. Examine specifically termination conditions of any union members.
 - d. Is there an exit interview and is it effective.
- 7.5. Check payroll records to ensure:
 - a. No pay inequality based on unfair or unlawful discrimination.
 - b. All workers receive all benefits to which they are entitled.
- 7.6. Check worker grievance procedures. Are there ways in which workers can report discrimination.
 - a. Suggestion box.
 - b. Anonymous phone line.
 - c. Which protect the identity of the worker.
 - d. Which prevent repercussions against the reporter.
- 7.7. Checks the breakdown of workers:
 - a. By ethnic / social group, gender and position.
 - b. Ensure that any segregation of workers is a local norm and does not interfere with equal opportunities across all groups.
 - c. Ensures that all benefits are applied equally to all groups and especially all legal benefits reference pre and post natal conditions e.g. rest and breaks, nursing breaks and a suitable quiet space.
- 7.8. Examines what are the workers' rights to observe religious holidays, prayer time in work time etc.

Worker Interviews - to corroborate workplace practices.

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

Note: The auditor should arrange some focus groups by ethnic grouping or gender in order to encourage free speech on these issues. In these cases it is advisable to have someone from the same ethnic group or gender leading the meeting.

- 7.9. Are workers aware of any anti-discrimination policies at the site?
- 7.10. Whether workers feel discriminated against with regard to any aspect of their employment, e.g. pregnancy tests.
- 7.11. Whether they are aware of any maternity or paternity benefits and whether they are aware of any workers who have been given this and then being able to return to work afterwards.
- 7.12. Have they any experience relating to people reporting issues of discrimination and action taken as a result.
- 7.13. Do they know how to report discrimination and are they fearful of repercussions.
- 7.14. Are they able to take religious holidays or any other religious observations such as breaks for prayer?

8. Regular Employment

CODE REQUIREMENTS

8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice. 8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required.

The auditor checks and reports on:

- 8.1. What proportion of workers are permanent, part time, fixed term contract workers, temporary workers, and do their terms and conditions meet the law.
- 8.2. Checks and records specifically the social security benefits and payments for all types of workers present, casual, temporary, subcontract, apprentice, trainee, do they meet the law.
- 8.3. Is there any evidence of casual, temporary or fixed term contract workers being employed on a semi-permanent basis to avoid legal obligations on the part of the employer, such as payment of social security, annual leave benefits etc.
- 8.4. Checks hiring and termination records over the last 6 month to see if patterns exist.
- 8.5. Checks patterns on hiring around peak periods and whether these are normal within the company
Note: Under some circumstances regular layoffs during quiet periods may be acceptable; the auditor should state the law in the report.
- 8.6. Records details of seasonal or contract workers and compares this with the national law. The auditor must clearly state the law in the report.
- 8.7. Check the policy concerning pay in quiet periods, and if annualized hours are being used ensure this is legal and that overtime hours in busy periods are still being paid according to law.
- 8.8. Checks any service level agreements with agencies in the case of agency workers. What do they cover and how do they manage workers, how much notice is given, are they paid if they turn up, are they paid for down time.
- 8.9. If contract workers are on site, if possible reviews their contracts and terms and conditions. Do these meet the legal requirements?
- 8.10. Reviews workers legal right to work and the procedures in place to ensure these comply with legal and industry requirements, especially when they are supplied by an agency.

Worker Interviews - to corroborate workplace practices.

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

Note: Include all types of workers in the interview process. If there are specific categories such as temporary / casual / agency it may be advisable to conduct at least one group interview with this worker type only. In addition at least one group should be made up of workers who have been at the site for minimum of 1 year and can be classed as 'permanent'.

- 8.11. Asks their experience of being hired and what do they expect as the duration of their contract, i.e. indefinite (permanent workers), fixed term, temporary.
- 8.12. What is their experience of temporary / casual etc. worker types being able to apply for permanent positions?
- 8.13. What do they know of their wage deductions, do they know if they are paying e.g. social security
- 8.14. What do permanent works know about the site's practices towards temporary, casual, agency workers?
- 8.15. Ask apprentices / trainees about their terms and conditions and verify if they meet the law (exactly record the law as appropriate).
- 8.16. If contract workers are on site, includes a representative sample in worker interviews. Record what they know of their terms and conditions of employment.

8A. Sub-Contracting, Homeworking and External Processing (SCH&EP)

CODE REQUIREMENTS

8A.1. There should be no sub-contracting unless previously agreed with the main client. 8A.2. Systems and processes should be in place to manage sub-contracting, homeworking and external processing.

Notes: The aim of this audit is not to carry out a full audit of the sub-contracting, homeworking and / or external processing (SCH&EP) supply chain, but to highlight where it is happening with some basic information and provide visibility. The supplier / retailer can then decide if further work is needed. If this is the case, the supplier / brand / retailer may wish to do this themselves or pass on to a local NGO.

For more information on homeworking, refer to:

- **The ETI Homeworkers guidelines toolkit** *recommendations for working with homeworkers.*
- **Homeworkers Worldwide Website.**

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required. The auditor checks and reports on:

- 8A.1. If any or all of Sub-Contracting, Homeworking and / or External Processing (SCH&EP) are being carried out the auditor must check:

- a. that it is with the knowledge and agreement of the main client.
 - b. whether the site has a good knowledge of what their products are being made (especially if an intermediate agent is involved), and if they have systems in place to manage and monitor.
- 8A.2. If some of SCH&EP is taking place the auditor records the extent by mapping the supply chain, and summarising as well as records what systems are in place to ensure those workers are working in good conditions.
- 8A.3. Requests details of any SCH&EP used in the production process. It should be noted that the factory may only have details of the agents used as intermediaries and the level of information available should be noted.
- 8A.4. Ascertains, where SCH&EP is in place what systems and policies are in place to manage their ethical position and has the site carried out any audits there to assess conditions.
- 8A.5. Checks the existence of terms and conditions of engagement for SCH&EP.
- 8A.6. Records if the country has ratified the ILO Convention on Home Working.
- 8A.7. Request evidence to show they've communicated the code of conduct.
- 8A.8. State the location and number of SCH&EP suppliers they are sourcing from and provide the name of whom through; if via a contractor, sub-contractor or a sub-sub-contractor.
- 8A.9. Identifies in which part of the production process SCH&EP are used and which period of the year.
- 8A.10. Checks the systems in place for setting piece rate pay, gathers evidence of the time and motion studies to establish rate of pay.
- 8A.11. Checks if the supplier has implemented systems to carry out random checks on homeworking / SCH&EP units via QCs to ensure that basic working conditions are acceptable.
- 8A.12. Look for evidence that the code of conduct has been communicated to any SCH&EP.
- 8A.13. Where management state no SCH&EP, this should be corroborated by:
 - a. Checking production records versus order books to establish whether the site has the capacity to make the quantities produced.
 - b. Look at internal production checks to see if it is of product made on site.
 - c. Quality records to see if signs of checking of outside work.
 - d. Look at production processes in site tour and establish whether they are all on site.
 - e. In busy months whether there are enough workers on site to do production normally outsourced e.g. embroidery.
 - f. Look at goods out and in to establish if any work or part work is moving out of the site.
- 8A.14. Ascertain and notes as a non-compliance where sub-contracting is taking place without express permission from any retailers concerned.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

8A.15. Question quality team about good out / in.

8A.16. Discusses processes on site and whether there is a likelihood of producing off site.

9. Discipline

CODE REQUIREMENTS

9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation be prohibited.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required.

The auditor checks and reports on:

- 9.1. Checks and reports on any policies and procedures concerning disciplinary action e.g.
 - a. Disciplinary rules and actions.
 - b. Prevention of harassment / abuse / intimidation.
 - c. Security practices.
 - d. Grievance and appeal procedures.
- 9.2. Check that policies and procedures are communicated and understood by all levels of personnel e.g. by posters, training, worker handbook, other means when literacy is low.
- 9.3. Examines records of disciplinary and grievance activity and reports on actions / outcomes.
- 9.4. Reviews the contracts of any security guards as well as their job description to ascertain if any likelihood of harassment or extreme discipline (security should be used to keep the site safe i.e. intruders out, not keep workers in).
- 9.5. Where unions / worker reps exist check they are aware of the policies and procedures and have they agreed them.
- 9.6. Record if any deductions from wages were made for disciplinary reasons. If legally allowed report on whether they are clearly documented and that the amount does not take workers below minimum legal wage.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 9.7. Checks that the workers are aware of any policies / procedures and if they are aware of their grievance rights.
- 9.8. Discusses with workers whether they think disciplinary procedures and practices are fair, non-arbitrary and effective.
- 9.9. Whether workers are aware of any disciplinary cases and what the outcomes have been.
- 9.10. Checks if workers are aware of any grievance action and what the outcomes of these appeals have been.
- 9.11. Checks with workers concerning anecdotal or other evidence of corporal punishment or of verbal or physical or mental coercion or harassment.
- 9.12. Checks whether they know of any complaints about inappropriate disciplinary action and the outcome.
- 9.13. Checks with workers their view of the security guards (if applicable) and their role
- 9.14. Checks with union / worker reps whether they are aware of the disciplinary policies and procedures and whether they have agreed to them.

Note: If there are any fears of reprisals, findings should not be reported at the closing meeting but must be reported to the client.

10. Other Issues

CODE REQUIREMENTS

10A. Entitlement to Work, Migrant and Agency Labour

10A1 Only workers with a legal right to work shall be employed or used by the supplier. 10A2 All workers, including employment agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation. 10A3 employment agencies must only supply workers registered with them. 10A4 the supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview.

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, the ETI Code and the standards required.

The auditor checks and reports on:

- 10A.1. Checks the identification documents of permanent workers and agency workers to ensure they are entitled to work in the particular country.

- 10A.2. Checks that the facility is familiar with immigration rules and regulations if they are employing immigrants / foreign nationals / overseas students.
- 10A.3. Checks that the facility is aware of the types of official documentation that verify a worker's right to work in the country.
- 10A.4. Check that the facility is using agencies or labour providers who are in compliance with local legislative requirements (e.g. GLA in UK, responsibilities of main supplier to contract workers in India).
- 10A.5. Checks that the facility maintains control of agencies that they may use to provide temporary labour. This may include regular visits to the agency by the facility or a more formal internal audit of its processes and systems.
- 10A.6. Where agencies used are in a different country e.g. to recruit workers from another country, check what system is in place for the site to check on these agencies' procedures.
- 10A.7. Checks that the facility has applicable records relating to any agencies used such as contracts (Service Level Agreement) or invoices.
- 10A.8. Checks how the workers were recruited and whether the site is aware of any fees paid by workers to secure a job.
- 10A.9. Checks these workers contracts, pay slips, hours, and where workers are paid by the agency that the site keeps copies of these documents.

Worker Interviews - to corroborate workplace practices.

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 10A.10. Establishes how the workers were recruited and whether any payments were made or inducements offered prior to leaving their point of origin.
- 10A.11. Examines what arrangements were made for the worker to travel from the point of origin.
- 10A.12. Were there any deductions / arrangement fees for items such as travel, accommodation and equipment.

Note: Non-compliances against the ETI Base Code / Law should be noted on the report in the relevant section.

10B Environment (as in a 2 pillar audit see 4 pillar audit for more extensive assessment)

10B2. Environment for 2-Pillar Audit (Shortened Version)

This version is within the scope of the mandatory 2-Pillar SMETA Audit. For a 4-Pillar audit please use 10.B.4 Extended Version.

CODE REQUIREMENTS

10B2. 1 Suppliers must comply with the requirements of local and international laws and regulations including having necessary permits. 10B2. 2 The supplier should be aware of and comply with their end clients' environmental requirements.

This is not a full environmental assessment but a check on basic systems and management approach.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, and the standards required. The auditor checks and reports on:

- 10B2.1. Are there any site policies or procedures concerning environmental issues and how do these compare with any requirements of national / local laws and regulations.
- 10B.2.2. Whether the facility is aware of any client-specific environmental requirements and has systems in place to be able to ensure that they meet these.
- 10B2.3. What management systems and work instructions are in place to ensure compliance with the relevant legislation. The auditor should report on the extent of systems in place and any external certification, e.g. ISO 14001.
- 10B2.4. The name and position of the person with responsibility for environmental issues at the site of employment and whether they understand the legislative requirements.
- 10B2.5. Whether the site has a list of chemicals used in the manufacturing process and whether they are aware of how they relate to any client requirements and legislation in the destination countries.
- 10B2.6. Checks and reports on any inspections from local government bodies, along with details of any official complaints, legal actions or recommendations.

Worker Interviews - to corroborate workplace practices.

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 10B2.7. Identifies and interviews workers from relevant sections to comment on compliance with legal requirements related to environmental attributes e.g. discharge of effluent, removal and recycling of waste.

10B4. Environment for 4-Pillar Audit [Extended Version]

Use this section for an extended environmental assessment 4-Pillar SMETA, which includes a recommended 0.25 audit days.

CODE REQUIREMENTS

Compliance requirements

10B4.1 Suppliers as a minimum should meet the requirements of local and national laws related to environmental standards. 10B4.2. Where it is a legal requirement suppliers must be able to demonstrate that they have the relevant valid permits including for use and disposal of resources e.g. water, waste etc. 10B4.3. The supplier shall be aware of their end client's environmental standards / code requirements and have a system in place to monitor their performance against these.

Guide for Observations

10B4.4. Suppliers should have completed the appropriate section of the SAQ and made it available to the auditor. 10B4.5. Suppliers should have an environmental policy, covering their environmental impact, which is communicated to all appropriate parties, including its own suppliers. 10B4.6. Suppliers shall be aware of the significant environmental impact of their site and its processes. 10B4.7. The site should measure its impacts, including continuous recording and regular reviews of use and discharge of natural resources e.g. energy use, water use (see 4-Pillar audit report and audit checks for details). 10B4.8. Suppliers shall seek to make continuous improvements in their environmental performance. 10B4.9. Suppliers shall have available for review any environmental certifications or any environmental management systems documentation. 10B4.10. Suppliers should have a nominated individual responsible for co-ordinating the site's efforts to improve environmental performance. 10B4.11. Has the site recently been subject to (or pending) any fines / prosecutions for non-compliance to environmental regulations.

This is not a full environmental audit, but an assessment process over a recommended 0.25 auditor days, which will support the reviewer in deciding if a full environmental audit is necessary.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, and the standards required. The auditor checks and reports on.

- 10B4.1. Whether the site has completed the SAQ on Environment and has made it available to the auditor for pre review.
- 10B4.2. If the site is aware of / has access to the local and national regulations covering Environment and is meeting those requirements.
- 10B4.3. Whether the site is aware of any client's environmental standards or codes and is measuring its performance against those.

- 10B4.4. Whether the site has a clearly communicated policy, covering Environment and that this policy has defined procedures for implementation and management of environmental performance. The auditor should note any internationally recognised certifications present e.g. ISO 14001.
- 10B4.5. Whether the site has the relevant permits in place for all aspects of its environmental impacts. This should include recording any prosecutions, recommendations and inspections from local bodies and whether these have been acted on.
- 10B4.6. The name and position of any designated person with responsibility for management of environmental issues. The auditor should comment on the designated person's understanding of legislation and client applicable standards, and their procedure for keeping up to date.
- 10B4.7. Whether the site is aware of its main environmental impacts, and is measuring these. The auditor should list what they are, and any available measures, in the audit report. The possible list includes energy use, water use and disposal, waste and emissions to air.
- 10B4.8. Whether the site is recording its use of environmental resources on a continuous basis The auditor should list what they are, and record any measurements the site has available, within the audit report. The possible list includes energy use, water use and disposal, waste and emissions to air.
- 10B4.9. Whether the site has a list of chemicals used in the manufacturing process and whether they are aware of how they relate to any client requirements and legislation in the destination countries.
- 10B4.10. Checks and reports on any inspections from local government bodies, along with details of any official complaints, legal actions or recommendations.

Worker Interviews - to corroborate workplace practices.

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 10B4.11. Are workers from the relevant sections, especially those involved with legal compliance e.g. checking contents of effluent, aware of standards required and do their work procedures ensure they are met
- 10B4.12. Are workers aware of what actions to take when regulations are not met.
- 10B4.13. Are appropriate workers given any training on environmental issues, including having knowledge of any site policies, and procedures.
- 10B4.14. Have workers been trained to minimize wasteful resources such as switching off lights or machinery when not needed.

*Note: additional resources available on the **member's section of the Sedex website.***

- Auditor checklists for environmental and Business Practices SMETA assessments.
- Guide for Suppliers -SMETA assessments of Environment and Business Practices.

A full environmental audit check list is available publicly at the **GSCP web site.**

10C. Business Practices - 4-Pillar Audit

CODE REQUIREMENTS (NO NON-COMPLIANCES - OBSERVATIONS ONLY).

Note: the aim of the Business Practices Assessment is to give a better understanding of these issues in global supply chains and by gathering information as observations and not non-compliances it is hoped that over time appropriate standards can be agreed.

10C.1. Suppliers should have completed the appropriate section of the SAQ and have made it available to the auditor. 10C.2. The supplier should have received and acknowledged- preferably in writing – the Business Practices policy of the auditor / audit company. 10C.3. Suppliers shall seek to conduct their business ethically without bribery, corruption, or any type of fraudulent Business Practice. 10C.4. Suppliers shall be aware of any applicable laws, their end client's Business Practices standards / code requirements and have a system in place to monitor their performance against these. 10C.5. Supplier should have a Business Practices policy concerning bribery, corruption, or unethical Business Practice. This should be clearly communicated to all relevant parties. 10C.6. Suppliers should have a designated person responsible for implementing standards concerning Business Practices 10C.7. Suppliers should have a transparent system in place for confidentially reporting, and dealing with unethical Business Practices without fear of reprisals towards the reporter 10C.8. Suppliers should ensure that the staff whose job roles carry a higher level of risk in the area of ethical Business Practice e.g. sales, purchasing, logistics are trained on what action to take in the event of an issue arising in their area.

This is not a full Business Practices audit, but an assessment process over a recommended 0.25 auditor days, which will support the reviewer in deciding if a full Business Practices audit is necessary.

AUDIT CHECKS AND EVIDENCE GATHERING

Document and system checks including management interview

Auditors examine policies and written procedures in conjunction with relevant managers. In this section the auditor checks whether the site knows, and is up to date with, relevant local and national law, and the standards required. The auditor checks and reports on:

- 10C.1. Whether the site has completed the SAQ in Business Practices and has made it available to the auditor for pre review.
- 10C.2. If the site is aware of / has access to any local and national regulations covering Business Practices and is meeting those requirements.
- 10C.3. If the site has relevant licenses and permits in place for correct and legal practice of its business operations. This should include recording any prosecutions, recommendations and inspections from local bodies and whether these have been acted on.
- 10C.4. Whether the site is aware of any client's Business Practices standards or codes and is measuring its performance against those.
- 10C.5. Whether the site has received and understood the auditor / audit company's policy on Business Practices.
- 10C.5. Whether the site has a clearly communicated policy, covering Business Practices and that this policy has defined procedures for implementation and management of Business Practices performance.

- 10C.6. Whether this policy has specific reference to such topics as e.g. bribery issues (excessive gifts and entertainment), conflict of interest, charitable donations, facilitation payments, political contributions, the auditor should note any internationally recognised certifications present.
- 10C.7. Whether the site has communicated its policies on Business Practices issues, especially to those workers in high risk departments. The auditor should check for any specific training for workers.
- 10C.8. The name and position of any designated person with responsibility for management of Business Practices issues. The auditor should comment on the designated person's understanding of legislation and client applicable standards, and their procedure for keeping up to date.
- 10C.9. Whether there is a clear communication / training on how to deal with any Business Practice issues including how concerns should be communicated and dealt with.

Worker Interviews - to corroborate workplace practices

Auditor seeks to confirm documents and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

- 10C.10. Interviews appropriate personnel to establish if they are aware of the site's policies concerning bribery and corrupt Business Practices policies and procedures and whether they know how to report their concerns about any issues.
- 10C.11. Checks on the level of understanding and any training received by appropriate personnel on how to deal with Business Practice issues when confronted with them at work.
- 10C.12. Whether workers are aware of the disciplinary procedures if they are found to be involved in unethical Business Practices e.g. bribery.

Note: For Business Practices interviews should focus on personnel where Business Practices are most relevant, e.g. Senior management to establish whether there are any policies and procedures to inform employees of its approach. Interview as appropriate sales personnel, service managers, logistics department, to establish whether:

1. *They are aware of any policies and / or procedures (if present).*
2. *They have received any basic training on Business Practices.*
3. *They are aware of what to do if they are offered any personnel incentives for business, i.e. bribes.*
4. *Who they report to if they have any other concerns about Business Practices.*

In cases where appropriate personnel cannot be available on the day, or maybe they are in a different location, it may be possible to establish the above by phone.

*Note: additional resources available on the **member's section** of the Sedex web site.*

- *Auditor checklists for environmental and Business Practices SMETA assessments.*
- *Guide for Suppliers - SMETA assessments of Environment and Business Practices.*

Useful resources publicly available:

- Transparency International - www.transparency.org
 - Business Principles for Countering Bribery
 - Anti-Bribery Best Practice E-Learning Course
- Business principles for countering bribery (SME edition).
- Country profiles on risks.
- List of countries who have ratified UN convention against corruption.

Community Benefits (Out of mandatory scope of the SMETA Audit)

Note: Sedex members wish to understand any positive effects their supply chains are having on the community in which they operate and SMETA has therefore included this section as an opportunity for sites of employment to highlight these.

Under this section of the report the auditor shall document any positive benefits that the factory management have implemented to aid the community. These may include aspects such as hospitals, schools, community centre, sports / health programmes, transport to local facilities such as doctors and markets / shops, AIDS programme, etc.

The auditor is not expected to verify these community benefits and evidence may be from management interviews only. Any examples raised should be detailed on the appropriate section of the SMETA report.

APPENDIX A2: DETAILS ON ANNOUNCED, SEMI-ANNOUNCED AND UNANNOUNCED AUDITS

A2.1. Announced Audits

The right to perform an announced audit should be a normal part of the commercial relationship. However there is a risk that employment sites may make special preparations for the audit and best practice is to use a mix of announced, semi-announced and unannounced audits to mitigate this risk. Buying companies should clearly communicate their policy on announced audits to suppliers and employment sites. The policy should include the following points:

- The buying company will agree an audit date with the employment site in advance.
- The employment site is required to provide up-to-date and accurate pre-audit and self assessment information in advance of the audit.
- Auditors presenting the correct credentials on the date of the audit should be allowed full access to the employment site.
- The necessary records and the concerned personnel should be available at the employment site on the day of the audit.

A2.2. Unannounced Audits

Unannounced audits allow auditors to assess the conditions at an employment site in their normal state, since the employment site has not had the opportunity to make any special preparations. However there is a risk that the employment site will perceive unannounced auditing as deceitful, that the auditor will not be able to gain access to the employment site and that the necessary information and personnel may not be available on the day of the visit to complete the audit.

To minimise these risks, the buying company should clearly communicate its policy on unannounced audits to suppliers and employment sites. The policy should state that:

- Audits may occur at any time on an unannounced basis.
- All employment sites are required to provide both pre-audit and self assessment information on a regular basis and this information must be accurate.
- Auditors presenting the correct credentials should be allowed full access to the employment site.
- The necessary records should always be kept on employment site or readily available.

Note: Whilst unannounced audits are extremely effective at identifying an accurate picture of working conditions at the employment site, and may help uncover high risk issues, their use can undermine the relationships along the supply chain, reducing the ability of the buying company to remediate. The experience of many companies indicates that unannounced audits should be reserved for due diligence checks or to investigate specific issues e.g. critical issues suspected, lack of commitment / involvement of the suppliers, suspicion of fraud.

A2.3. Semi-Announced Audits

Semi-announced audits reduce the risks to the commercial relationship and increase the ability of the buying company to remediate. Buying companies should clearly communicate their policy on semi-announced audits to suppliers and employment sites. The policy should include the following points:

- The buying company or audit body will specify a window during which an audit may take place. Audit windows may range between 2 weeks and 2 months.
- All employment sites are required to provide up-to-date and accurate pre-audit and self assessment information at the beginning of the window.
- Auditors presenting the correct credentials during the audit window should be allowed full access to the employment site.
- The necessary records should be kept at the employment site during the window.

APPENDIX A3: PREPARATION FOR AUDIT (SITE OF EMPLOYMENT)

Once the site receives the relevant information from the auditor (see Section 6.2.3. “**Communication with the Site**”) they should plan their own input to the audit.

This will include, but not be limited to:

A3.1. Communications – Internal

- All site management should be briefed prior to the audit, to guarantee they understand the scope of the audit and what is required from each department.
- All site management should be instructed on the importance of having the correct key personnel and documentation available on the day of the audit (see above) and understand the importance of releasing personnel for interviews on time.
- The workforce should be informed about the audit including the code to which the audit is conducted. Personnel should be given Worker Education Materials (leaflets or DVD) as the ETI Base Code requires that all employees are fully aware of the code.
- Union or other worker representatives should be briefed about the audit and to ensure their availability and understanding.
- Any Labour Providers (agency) the site uses should be informed about the audit and make sure they understand the importance of having the correct key personnel and documentation available on the day.
- There should be a contact within the site for the workforce if they have any questions or worries about the audit e.g. HR Manager.

A3.2. Site Preparation

- A quiet room free from interruptions and large enough to accommodate both group and individual interviews should be reserved for the auditors use throughout the audit (this should be a place where workers will feel comfortable, near a canteen or a workers’ area is preferred).
- Any questions or points the site may have about the audit should be referred to the auditor for clarification.

A3.3. Required Document List

To assist with these preparations the auditor will provide a list of typical documents that should be made available to the audit body on the day of the audit: The site should prepare these in advance of the audit.

- Facility floor plan.
- Applicable laws and regulations.
- Labour contracts.
- Employee handbook (terms and conditions of employment).
- Collective Bargaining Agreements (CBA).
- A list of all the chemicals and solvents used on this site.
- Training records.
- Permits, operating licences, Certificates of Operations, etc.
- Government Inspection Reports, e.g., sanitation, fire safety, structural safety, environmental compliance, etc.
- Machinery inspection / service logs.
- Accident and injury log.
- Emergency action procedures.
- Evacuation plan.
- Time records for the past 12 months.
- Payroll records for past 12 months.
- Piece rate records for the past 12 months (if applicable).
- Insurance, tax and other required receipts.
- Production records.
- Minutes of joint committees on OHS and disciplinary matters.
- Previous ethical trade audit reports / Corrective Action logs.

Facility policies:

- Child labour.
- Wage and hours of work.
- Disciplinary.
- Benefits and allowances.
- Health & Safety.
- Environment.
- Training.
- Discrimination and harassment.
- Homeworkers, Outworkers and Sub-contractors.

APPENDIX A4: SELECTING AN AUDITOR

Auditors and auditing bodies should be chosen based on:

- Audit training and skills.
- Audit experience.
- Local and industry knowledge.
- Language skills.
- Gender and ethnic / national background reflecting that of the workforce.
- Reputation.
- Integrity.
- Commitment to improving social compliance.
- Appropriate qualifications which will increase the reliability of audit information.

To assist members in their selection of auditors the AAG have produced a “SMETA Guide to Auditor Competencies” available on the [members section of the Sedex](#). Also see “[GSCP Reference Tools for Auditing Competence](#)” which is available publicly.

A4.1. Audit Body Management System

The audit body should, as a minimum be certified against a recognised quality management system, such as ISO9001:2000 and should ideally be accredited to the requirements of ISO / IEC Guide 62, 65 or ISO17020.

A4.2. Auditor Monitoring

A4.2.1. Auditor Evaluation

As part of their Continuous Professional Development all auditors are subject to a review and appraisal of their performance. This is achieved by combining a number of activities in part described in the “SMETA Auditor Competencies guidance” (available in [members resources on Sedex](#)) and includes:

- Receive updates and briefings every year.
- Attend a Social Audit (SA) full refresher course every two years.
- Regular review of sample documentation submitted by the auditor to office.
- Annual appraisals.
- Annual observed audit (2 observed audits where possible).

A4.2.2. Quality Control and Global Consistency

These are managed by the following processes:

- Production and implementation of Standard Operating Procedures (SOP's) for all functions related to delivery of the SA audit service.
- Regular training of personnel on those SOPs.
- Ensuring personnel are suitably trained and experienced for their job role and responsibilities.
- Implementation and maintenance of the audit body's management system.
- Implementing and maintaining an internal audit programme.
- Production of Key Performance Indicators and objectives and targets to ensure continual improvement in service delivery.
- Implementation and maintenance of specific processes to ensure global consistency of service delivery.

These should include:

- Central analysis of clients' SA reports to assess compliance with requirements (Central analysis may be based on a sampling approach).
- Feedback loop systems for communication (internally and externally).
- Communication to network of clients' requirements and SOPs.
- Maintenance of technical information and knowledge management.
- Audit performance / communication of required corrective and preventative action.

APPENDIX A5: AUDIT LENGTH, SAMPLE SIZE AND TIMETABLE

A5.1 Audit Length and Sample Size

Below is an “auditor day” table setting out the number of auditor days, individual and group interviews and sample size. Group worker interviews, as well as sample size for review of files and time / wages records.

The table excludes audit preparation, travel, Sedex “report uploading time” and report writing, but includes production of a CAP (Corrective Action Plan) on site.

For best practice ethical trade audits, worker interviews must include a representative sample of people and departments within the production site including agency, contract and migrant workers.

These suggested auditor days are only guidelines. Auditors use their discretion and consider industry, location, and individual facility knowledge when defining the number of employees to interview.

A5.1.1. Table for Auditor Days and Sample Size for Full initial and Full Re-Audit

Auditor days	No of workers excluding management	Individual interviews	Group interviews	Total employees interviewed	Worker files / time and wage records	Effective time spent on interviews
1	1-100	6 or total workers if <5	1 group of 4	10	10	2.5hrs
2	101-500	6	4 groups of 5	26	26	6hrs
3	501-1000	12	6 groups of 5	42	42	8.5hrs
4	1001-2000	20	8 groups of 4	52	52	12.5hrs
4	2000+	22	8 groups of 5	62	62	14hrs

- If a site has more than 2000 workers, the number of interviews is determined on a case by case basis depending on the circumstances of the facility. The suggested 62 is a minimum and this should increase as worker numbers increase. This is at the discretion of the auditor and in agreement with the audit requestor.
- For primary producers 2-Pillar: Where appropriate consideration should be given to the size and spread and the number of growing locations to ascertain auditor days required.
- Higher numbers of auditor days may require the use of more than one auditor 2 or more auditors in an audit team will allow for a balance of skills, or improve the gender balance. However when deciding the size of team, consideration must be given to the size of supplier site and the potential disruption caused by a large audit team.
- For a 4-Pillar SMETA Audit the guide is an additional 0.5 auditor days for the additional procedures of extended environmental and Business Practices Assessments.

- Where a supply chain wishes to ‘top-up’ an existing 2-Pillar SMETA audits by performing only environment and Best Practices, this should be discussed between the audit requestor and auditor

Notes: Since it may be impractical to arrange a 0.5 auditor days, a solution may be to ‘top-up’ during a follow-up audit.

A5.1.2 Table for Auditor Days and Sample Size for a Partial Follow-up Audit Process

A follow-up audit is required when corrective actions cannot be verified via evidence supplied through ‘desktop review’ only. Examples of such actions include wages and hours corrective actions where a minimum of 2 months records are required to verify corrective actions.

Below is guidance on the time and sampling plan for a partial follow-up audit.

Audit Days	No. of workers	
1	1-100	During the follow-up audit a sample of interviews and record review will take place. The sample size of these reviews will be determined by the nature and corrective actions being verified.
1	101-500	
1	501-1000	
2	1001-2000	
TBC	2000+	

A partial follow-up audit (see Section 5.3: “**Sequence of Audits**” for a definition of a partial follow-up) may need less time depending on the nature of the corrective actions being verified.

Note: The tables are guidance only and members should decide with their auditors the desired time depending on the nature of the information required. SMETA best practice does specify the above as minimum requirements.

“Auditor days” are specified in units where 1 equals 1 auditor on site for 1 day and 2, can be 1 auditor for 2 days or 2 auditors for one day.

Below are some typical Audit Timetables which show how this might work in practice:

A5.1.3. Example Programme for 1 Audit Day Ethical Trade Audit

One auditor over one day – example 50 workers:

09:00	Opening meeting (management team including Health & Safety, environmental, union and HR representatives).
09:30	Site Tour (Health & Safety rep. and environmental rep. to be available); Health & Safety, including selection of six employees for interviews.
10:30	Employee interviews (six interviews). Also including union representative interview.
12:30	HR documentation (handbooks / employee files / payroll / time records) including paperwork (when authorised) of those individuals interviewed.
13:00	Lunch.
13:30	Further review of payroll / time / employee files if required.
15:15	Health & Safety documentation and group interview (one group of four people).
16:00	Auditors prepare CAP report for closing meeting.
16:30	Closing meeting with management team: raise findings, best practice and issues with management.
17:00	Finish.

Example Programme for 2 Audit Day Ethical Trade Audit

Two auditors over one day – example 500 workers:

9:00	Opening meeting (management team including Health & Safety, environmental, union and HR representatives).
9:30	Site tour (Health & Safety rep. and environmental rep. to be available) Health & Safety, including selection of employees for interviews. Both auditors.
10:35	Individual employee interviews (five total, fifteen minutes each), including one union representative interview of thirty minutes. Both auditors to conduct interviews according to skill set.
12:00	Both auditors. HR documentation (handbooks / employee files / payroll / time records) including paperwork (when authorised) of those individuals interviewed. Both auditors, six records each, 12 total.
12:45	Lunch.
13:15	Group employee interviews and remaining individual interview split between auditors as per skill set.
15:30	Health & Safety documentation and further tour / interviews if required. One auditor for documentation, one for interviews, depending on skill set.
16:30	Auditors to prepare CAP report for closing meeting. Both auditors.
17:00	Closing meeting with management. Both auditors and management: raise findings, best practice and issues with management.

Example Programme for 1 Person 2 Day Ethical Trade Audit

One auditor over two days – example 150 workers:

Day 1:

- 9:00 Opening meeting (management team including Health & Safety, environmental, union and HR representatives).
- 9:30 Site tour (Health & Safety rep. and environmental rep. to be available) Health & Safety, including selection five employees for interviews.
- 10:30 Individual employee interviews (four total, fifteen minutes each), including one union representative interview of thirty minutes.
- 13:00 Lunch.
- 13:30 Group employee interviews (four groups of five people) and remaining individual interviews (two total, fifteen minutes each).
- 15:30 Health & Safety documentation and further tour / interviews if required.
- 16:30 Raise findings, best practice and issues with management, with presentation of plan for the next day.

Day 2:

- 09:00 HR documentation (handbooks / employee files / payroll / time records) including paperwork (when authorised) of those individuals interviewed.
- 11:00 Further review of payroll / time / employee files if required.
- 13:00 Review Health & Safety documentation and further tour / interviews if required.
- 15:00 Auditor to prepare CAP report for closing meeting.
- 16:00 Closing meeting with management: raise findings, best practice and issues with management.
- 17:00 Finish.

APPENDIX A6: SUPPLEMENTARY REPORTS & ALERT NOTIFICATIONS

Auditors may feel the need to produce a separate, supplementary audit report or alert notification for the audit requestor. These contain:

A6.1. Supplementary Audit Report

- Information too sensitive for the audit report.
- Concerns which cannot be substantiated through evidence and / or interviews.
- Attitude of management towards the non-compliances or the audit process as a whole.

Supplementary reports may be appropriate:

- If workers appear to be under undue pressure from management on the day of audit.
- If workers appear to have been coached.
- If management was obstructive or reluctant to accept findings and the need for remediation.
- Where the auditor has concerns about the possibility of double books or falsified records.
- Where sensitive issues could not be discussed during the closing meeting because of a potential risk to workers' wellbeing.

A6.2. An Alert Notification

- Urgent information which the auditor feels must be rapidly conveyed to the audit requestor.

Note: This type of report may not be appropriate where the audit requestor is the employment site itself. The auditor must check whether this is required and these separate reports, which contain sensitive information must not be uploaded to Sedex. For this reason there is no SMETA template for these documents but examples are available at GSCP. Please see Appendix 4 of “GSCP Reference Tools on Audit Process and Methodology”.

APPENDIX A7: DESCRIBING NON-COMPLIANCES, OBSERVATIONS & GOOD EXAMPLES

A7.1. Describing a Non-compliance

Sedex suggest providing maximum detail on the non-compliance action in the report, which should include a description of the non-compliance, the Local law or ETI requirement, the recommended corrective action as well as the objective evidence observed.

The following are some examples:

Issue title: Health & Safety certificates.

- **Detail of non-compliance:** A fork lift truck driver was found not to have a fork lift truck driver's license on file.
- **Local law or ETI requirement:** 3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.
- **Recommended Corrective Action:** Workers shall receive training and licenses commensurate with their job responsibilities.
- **Objective Evidence Observed:** Based on observations made during document review it was observed that a fork lift truck driver was found not to have a fork lift truck driver's license on file.

Issue title: Young workers not registered or recorded per legal requirements.

- **Detail of non-compliance:** 3 juvenile workers were not registered.
- **Local law or ETI requirement:** In accordance with the Regulations for Special Protection of Juvenile Workers (Document No.498) article 9, employment of juvenile workers should be registered.
- **Recommended corrective action:** It is recommended that the factory should register the juvenile workers at the local labour bureau.
- **Objective evidence observed:** Through name rolls review, it was noted that there were 3 juvenile workers employed in the factory, but no such registration was done for those juvenile workers.

Issue title: Effectiveness of representation body.

- **Detail of non-compliance:** Workers expressed dissatisfaction with performance of the welfare committee citing ineffective representation and delays in receiving feedback from management.

- **Local law or ETI requirement:** 2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
- **Recommended corrective action:** It is recommended that the welfare committee meets regularly, that meetings are minuted and that minutes are shared with the workforce.
- **Objective evidence observed:** following worker interview results, auditors found that the welfare committee met very infrequently, did not discuss the items suggested by the workers and did not produce minutes of meetings.

Note: Freedom of Association is a complex area to audit as the laws and regulations are different between countries and also between Export Processing Zones. The following description represents the level of detail that Sedex members would like to see on an audit report.

- **Evidence examined and current status** “There is no trade union on the farm. However, there is a parallel means of engaging management, by use of a workers welfare committee. The committee meets with management to review labour and welfare conditions at the work place. Workers welfare committee is also used to communicate to workers. Workers and management discuss and agree on practical solutions to any issues that may have been raised, assign responsibilities and set timeline for actions, and follow-up on any actions agreed in previous meetings. Other than welfare committee, there exists a gender and a Health & Safety committee. Worker representation is from every department of the farm. Workers elect their representatives themselves. Trainings are conducted to enable these committees to effectively discharge their duties. The committees have agendas for their meetings. Minutes of all meetings are documented and maintained on file. Meeting proceedings are shared during workers meetings and posted on notice boards”.

Issue title: Age discrimination.

- **Detail of non-compliance:** Factory only recruits workers -ages equal or over 18.
- **Local law or ETI requirement:** In accordance with the ETI Base Code Clause 7.1, there is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.
- **Recommended corrective action:** It is recommended that the factory should terminate this rule and stop discriminating against candidates between the ages of 16 to 18 when hiring.
- **Objective evidence observed:** It was noted that from the factory rule article 2, the factory would only recruit workers with ages equal or over 18.

Issue title: No rest day for each 7 days.

- **Description of non-compliance:** Workers were not provided with one day off in seven, (2 days off in 14).
- **Local law or ETI requirement:** The ETI Base Code states that: 6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period on average.
- **Recommended corrective action:** Workers shall be provided with one day off in seven.
- **Objective evidence observed:** Based on observations made during document review, and worker interview, it was found that some workers were working 7 days consecutively over a period of weeks.

Issue title: No documentation on file / missing documentation.

- **Description of non-compliance:** Employees had not been validated by the employer for their legal right to work by reviewing original documentation.
- **Local law or ETI requirement:** With effect from 1st May 2004, all new employees will be required to provide evidence of their right to work in the UK prior to commencing employment.
- **Recommended corrective action:** Entitlement to work original documentation shall be collected and validated.
- **Objective evidence observed:** Based on documentation reviewed, it was found that entitlement to work documentation had not been collected for employees who commenced work after 1st May 2004 (2 cases).

A7.2. Collecting Observations

An observation is recorded where there is a site practice which does not contravene the law or standard, but if not corrected it could lead to a non-compliance. It is an opportunity for improvement e.g.

- Fire extinguishers all appear in date and correct but no system in place for checking.
- Personnel handling chemicals were doing so satisfactorily but no system in place for training new workers.

A7.3. Collecting Good examples

A good example is an issue which the auditor feels is over and above the standards and applicable laws against which the site was audited e.g.

- Crèche available for the children's workers. (where not required by law).
- Storage for bikes and shower facilities.

Good examples can be collected through on-site observation and interviews, and can be summarised under the section "best practices observed" of the SMETA report. The site will not be required to enter an action for a GE.

The Sedex best practice guidance and report has been produced for guidance only.

Other programme reporting formats will also be recognised, including, but not limited to, WRAP, SA8000, and company specific reports.



For more information on Sedex please go to www.sedex.org.uk
or email info@sedex.org.uk