Sedex Members Ethical Trade Audit (SMETA) Measurement Criteria

Version 6.1 May 2019

Version 6.1 May 2019 (Replaces V. 6.0 April 2017). This Best Practice Guidance covers both a 2-Pillar SMETA Audit and a 4-Pillar SMETA Audit, which includes the 2 optional pillars of Environment and Business Ethics.

This Measurement Criteria for conducting SMETA audits has been developed by the current members of the Sedex Stakeholder Forum (SSF). The Measurement Criteria covers the mandatory 2 pillars of Labour Standards and Health and Safety as well as the additional options of Environment and Business Ethics.

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Background

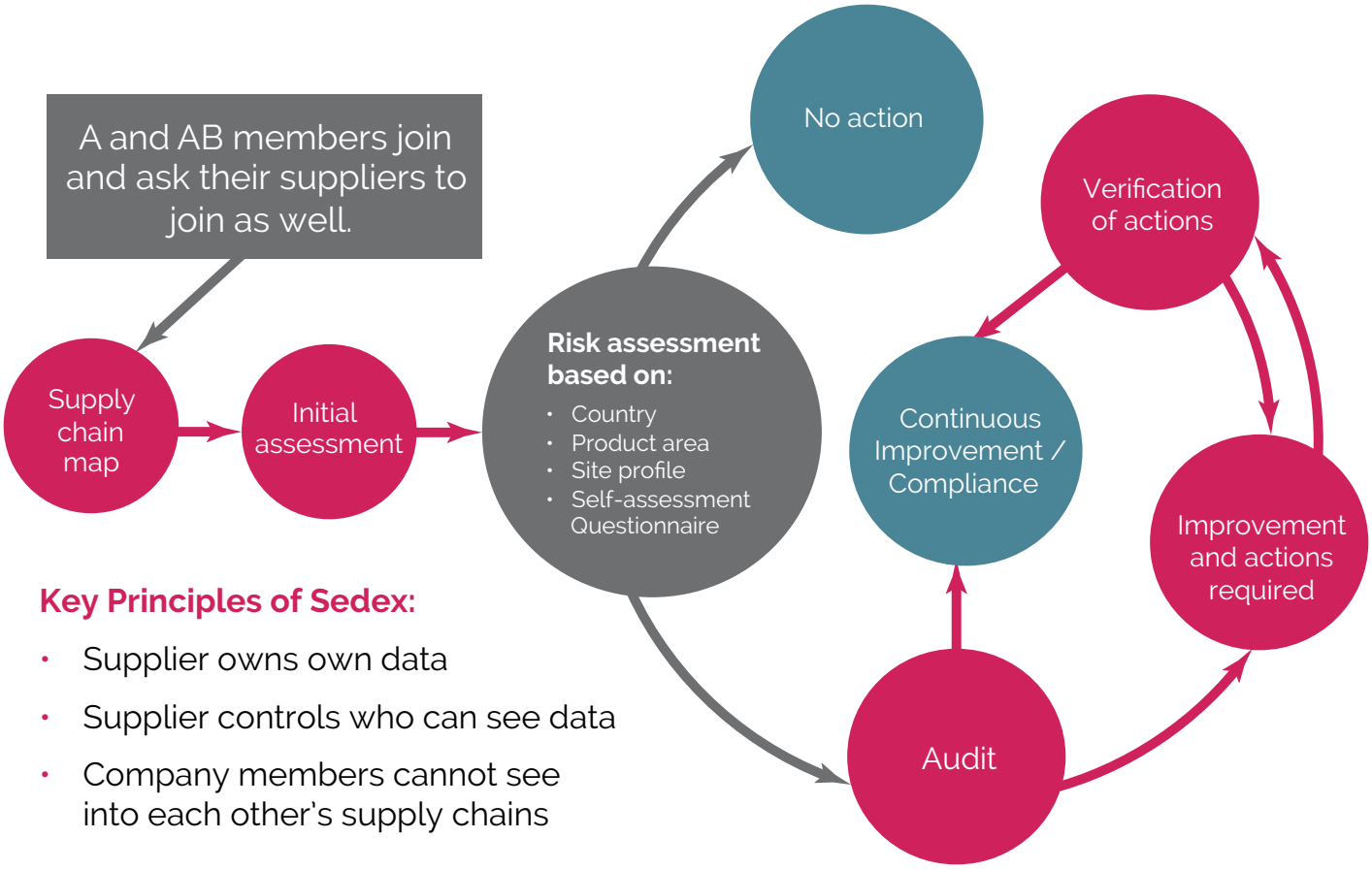
Introduction

SMETA guidance has now been split into 2 parts, one describes the audit methodology (now called the Best Practice Guidance – BPG) and the second part details Measurement Criteria (this document).

SMETA (Sedex Members' Ethical Trade Audit) is the audit methodology created by the Sedex members to give a central agreed protocol, which can be shared with confidence. The methodology is described in the following two documents:

- SMETA Best Practice Guidance: describes the key stages of a SMETA audit from Self-Assessment Questionnaire, through Risk Assessment and Audit and up to Audit upload followed by continuous improvement, which is then measured by follow-up audit.
- SMETA Measurement Criteria (this document): gives clear instruction on the items to be checked at audit, governed by the standard of the Ethical Trading Initiative ETI Base Code, as well as the law.

Sedex members are committed to a process of continuous improvement (see 'The Sedex Model' below), of which auditing is an important element.



Key Principles of Sedex:

- Supplier owns own data
- Supplier controls who can see data
- Company members cannot see into each other's supply chains

The Audit Process

This describes how an audit should be carried out on the day.

SMETA Best Practice Guidance: describes the key stages of a SMETA audit from Self-Assessment Questionnaire, through Risk Assessment and Audit and up to Audit upload followed by continuous improvement, which is then measured by follow-up audit. This is clearly set out in the **'SMETA Best Practice Guidance'** which should be used in conjunction with this Measurement Criteria

The measurement criteria are based on the Ethical Trading Initiative ETI Base Code, but can be adopted and tailored to use with other codes of conduct. The ETI Base Code is based on both international standards and International Labour Organization (ILO) conventions. This guidance should therefore agree with the majority of codes and standards currently in use.

The SMETA Audit Report and CAPR are important outputs from the Audit and it is this information which will be visible to the site and its customers. It is essential that both the SMETA Audit Report and CAPR are clear and contain as much useful information as possible. The following section contains guidance on how to document findings from the Audit Process for meaningful use.

In addition, depending on the findings on the day and any specific client requests, the auditor may create a 'Critical Alert' or 'Sensitive Issues' report. *See also* **'Supplementary Guidance for Dealing with Sensitive Issues Raised at Audit'** *in Sedex e-Learning.*

Audit Report Completion

An Auditor should document and present all findings in the audit report, to enable the reader to understand all non-compliances, observations and good practices, as well as any improvements made. Where possible, auditors should also report on why the non-compliance is occurring by examining the system the site uses to control that aspect of the non-compliance. This information should be captured in the CAPR. The management team and the auditor should discuss how the system can be changed to reduce the risk of the same non-compliance happening again. Audit experience has shown that non-compliances frequently show up in 2 sequential audits and often this is as a result of a 'quick fix'. Often, the management system must be examined and improved to create a lasting change. To report on this in a SMETA audit, the control systems, as well as any improvements made in them should be recorded under 'current systems'. Evidence examined is an opportunity for the site and auditor together to record the actual evidence presented and this should be reviewed and fully referenced.

The root cause analysis, as documented on the CAPR should be undertaken by the audited site, with support from the auditor to ensure that they have considered the problem and fully understood the processes (or lack of) that are causing the problem.

In addition, it is essential to record Good Examples appropriately. These may be where a site significantly exceeds the code, or it may be where the auditor finds a good and robust system for managing a particular area of activity subject to inspection under the audit code.

*A **management system** is the framework of policies, procedures and practices used by an organisation to ensure that it can fulfil all the tasks required to achieve its objectives. In a Social Compliance Audit understanding the policies, procedures and practices can unlock the reason non-compliances may or may not occur – understanding this can support continuous improvement (the journey towards compliance). Information on management systems can be captured verbally through management interviews – this should then be corroborated by examining the documentary evidence.*

It is important for the Auditor to provide a full and balanced report of the findings and that sufficient information is captured to enable the reader to act on the findings where necessary. All findings should reflect the context (extent and impact on workers) to enable the reader to make a balanced assessment.

About the reader:

In preparation for documenting Audit findings within the Report templates, consider the reader of the report and what they need to know and what action they might want to take as a result of the Audit Report. Audit Readers are generally categorised in to 2 groups:

1. **Site Managers**: An Audit is an opportunity for the management to reflect on how they manage all systems in relation to labour standards. The objective assessment delivered by an audit is a useful tool to support continuous improvement. By examining and reporting on the existing systems at a site, an auditor encourages management to identify any gaps and propose their own solutions.

2. **Customers**: An audit can be commissioned by the site or by its customers. However, even when commissioned by the site, the customer will want to review the Report. Often customers have never visited the site and they need a 'mental picture' of the inner workings of the site and to understand the day-to-day experience of a worker at the site. If the report gives details on why non-compliances are occurring, i.e. what systems are in place (or missing), the customer can better support the site in collaborative continuous improvement.

Continuous Improvement (the journey towards compliance) can be measured through an Audit. This is demonstrated by reviewing a site's management systems and highlighting any change in internal policy, procedure and practice. Even though non-compliances may still exist, the site may have implemented a system to monitor non-compliances and to ensure that they move towards compliance on a gradual basis.

For collaboration on continuous improvement between customers and suppliers, it is necessary to understand the start point and the improvements a site makes as part of its journey towards compliance.

The auditor should not only record non-compliances, observations and good practices, but should also pay special attention to oral information given at management and worker interviews in order to establish what processes and controls are already in place. This information should then be corroborated by examining the documentary evidence in collaboration with the appropriate responsible managers. This process will allow managers to re-examine their own practices and procedures as well as allow them to demonstrate where there have been improvements in their method of management.

What to record:

How a site manages its labour standards should be recorded in the 'SMETA Audit Report' in each section of 'Audit Results by Clause' under 'Current Systems and Evidence Examined'. This should be completed for each clause of the code even where there are no non-compliances, observations or good examples.

The section 'Current Systems and Evidence Examined' should be used to positively record what controls and processes are already in place at the site e.g.

- Are there any policies and if so what are they (upload as appropriate)?
- What procedures are already in place?
- What practices are carried out and by which responsible personnel?
- How does the site monitor that its practices are working?
- What training and communication is already carried out to ensure that site personnel are aware of policies and are able to correctly perform procedures?

Key points to remember:

- Readers of the Audit need to extract the facts – therefore tone and structure of writing should be succinct.
- The tone should be neutral and balanced (not pointing blame towards anyone) and should be factual – where possible, highlighting level of impact as well as good and bad examples.
- Readers review many Audits (especially customers) so it is best to make the Audit site specific and not copy and paste elements from previous Audits.

- Review the audit before publication – Audits with errors lose credibility, and readers become less confident in the Auditor/Audit Company, so it is imperative to be as accurate as possible.
- The SMETA 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. For information on how to upload please see: SMETA Best Practice Guidance

A Good Example of Report Writing Style:

"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 workplace.

The 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 timelines for actions and follow-up on any actions agreed in previous meetings.

Other than the 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.

The SSF has created a fictitious report to collate and demonstrate best practice in report completion. This document is made publicly available on the Sedex website in a bid to share and drive improved audit reporting within SMETA.

Useful Documents

In advance of an audit, Sites are encouraged to examine their own practices and make improvements where appropriate.

To support the process, there are a range of documents provided by Sedex and its membership. The four core documents are:

- SMETA Best Practice Guidance: which describes the Audit process.
- SMETA Measurement Criteria: (this document) which gives details of the items to be examined during a SMETA audit.
- SMETA Audit Report: provides a template for recording audit findings in a standardised format that can be uploaded to the Sedex platform.
- SMETA Corrective Action Plan Report (CAPR): a template for recording a summary of audit findings, along with corresponding corrective actions.

In addition, Sedex has created the two publicly available supporting documents:

- SMETA Pre-Audit Information Pack: which contains information to be sent to a supplier site before a SMETA audit.
- Supplementary Guidance for Auditing Service Providers.

Additional documents which support the audit process can be found on Sedex e-Learning. These include:

- SMETA Guide to Social Systems Auditor Competencies: competency requirements for auditors who practice social audits.
- SMETA Non-Compliance Guidance: recommended issue severities and verification methods.
- SMETA Corrective Action Guidance: suggested ways in which sites may make improvements.
- SMETA Guidance for Auditors for Extended Environment and Business Ethics Assessment:
- Assessment checks for Auditors.
- SMETA Guidance for Suppliers for Extended Environment and Business Ethics Assessment:
- Guide for Supplier Sites.
- SMETA Supplement for multi-sites
- SMETA Supplement for Private Employment agencies

All the above should be used in conjunction with the four core documents.

Measurement Criteria by Clause

0.A. Universal Rights covering UNGP

CODE (Observations and Good Examples only)

The aim of the Universal Rights covering UNGP section is to focus on assessing the extent to which businesses and their respective sites understand and manage their human rights impacts. Information will be gathered as observations rather than non-compliances, as specific non-compliances are captured in the other relevant sections of this report. Should the site be unaware of or unfamiliar with these details it is recommended that they address these issues with their head office for clarification. Additional information can also be found in the Best Practice Guidance.

0.A. Guidance for Observations

0.A.1 Businesses should have a policy, endorsed at the highest level, covering human rights impacts and issues and ensure it is communicated to all appropriate parties, including its own suppliers.

0.A.2 Businesses should have a designated person responsible for implementing standards concerning Human Rights.

0.A.3 Businesses shall identify their stakeholders, their impact and salient issues.

0.A.4 Businesses shall measure their direct, indirect and potential impacts on stakeholders' (rights holders) Human Rights.

0.A.5 Where businesses have an adverse impact on Human Rights within any of their stakeholders, they shall address these issues and enable effective remediation.

0.A.6 Businesses shall have a transparent system in place for confidentially reporting, and dealing with human rights impacts without fear of reprisals towards the reporter.

Note: This is not a full Human Rights Assessment, but instead a check on the site's implementation of processes to meet their human rights responsibilities.

Current Systems and Evidence Examined

The auditor checks and reports on the existence of appropriate documentation (policies, procedures, etc.), how these have been implemented in practice (such as through training) and the processes used to manage human rights at the site, and in the area.)

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what documentation is in place, what commitments the business has made, and what controls and processes are currently in place to manage the area of Human Rights.

Where the site is uninformed on Human Rights issues the auditor should use the time to communicate the relevant frameworks and resources available in this area. Some example resources include:

- https://www.unglobalcompact.org/library/2
- http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf
- http://www.ungpreporting.org/
- https://business-humanrights.org/en/un-guiding-principles

The auditor should clarify how the existing topics within SMETA already overlap with these frameworks and use the time to stimulate a discussion where they can document (with the help of the site management) any local community impacts which may be relevant – findings should be captured in the current section.

The section 'Current Systems and Evidence Examined' should be used to positively record what controls and processes are already in place at the site:

- Does the business have a policy or statement which expresses its commitment to respect Human Rights and whether it has been communicated to the relevant stakeholders?
- Has an appropriate manager been assigned responsibility for Human Rights impacts, what training or experience do they have in this area and do they have authority to address these impacts effectively?
- Does the business have a process for managing respect for Human Rights and effectively addressing any negative impacts?
- Has the site mapped out the stakeholders which their business impacts and started mapping out the Human Rights issues which affect those stakeholders?
- Are there mechanisms in place for rights holders to raise issues and is it a robust and confidential process?

For more detailed information, see below.

Measurement Criteria

Management system investigation and document review including management interview.

Check for Observations – to highlight opportunities for improvement

The auditor checks and reports on:

Guidance for observations

- Does the business show initial stages of awareness / commitment to Human Rights for example, policy owned and dated and communicated across relevant functions

0.A.1 Is there a policy or statement which expresses the businesses commitment to respect human rights. This may not need to be a separate policy, however could be an existing policy which covers this element.

0.A.2 Has the policy or statement been communicated to the employers' relevant stakeholders? e.g. workers, communities, customers, suppliers, the public etc.

- Does the business show they are starting to take responsibility for Human Rights– for example, does the business have someone of senior level responsible for Human Rights

0.A.3 The name and position of any designated person with responsibility for management of Human rights impacts. The auditor should comment on the designated person's understanding of legislation and client applicable standards and their procedure for keeping up to date.

- Does the business show they provide access to a grievance system – for example, does the business have a transparent and well-communicated system in place to enable the workforce and external stakeholders (e.g. local community) to report to the company on Human Rights issues (grievances), without fear of reprisals towards the reporter.

0.A.4 Do employees have access to a transparent system for confidentially reporting, and dealing with any Human Rights issues without fear of reprisals towards the reporter and are workers aware. The auditor should give details on what system is in place and whether workers are aware of the system. If so, the auditor notes whether the grievance mechanism fulfils all UNGP requirements – please see UNGP clause 31 – http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

0.A.5 What training (if any) is given and how is it recorded. Especially relevant to those employees working in stakeholder facing roles. The auditor should check for any specific training for relevant management and workers.

- Relevant section of SAQ completed

0.A.6 Has the site has completed the SAQ and made it available to the auditor for pre-review?

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the business and site which go beyond legal or code requirements.

Guidance for good examples:

- Does the business demonstrate an awareness of their Human Rights impacts on employees / suppliers / stakeholders / local community

0.A.7 Has the site identified their stakeholders impacted by the site's business activities and has any assessment /analysis been carried out to assess/prioritise appropriate human rights issues.

0.A.8 Has any policy or statement been communicated to the relevant stakeholders e.g. workers, communities, customers, suppliers, the public etc.

- Does the business show they are starting to take responsibility to give access to remedy – for example have they developed an action plan relating to what the business plans to do to address any negative impacts identified

0.A.9 Are Human Rights impacts communicated across relevant internal functions and if so how.

0.A.10 Are there processes in place to ensure these Human Rights impacts are managed and eliminated/minimised.

0.A.11 Does the business have a system in place to address any Human Rights impacts and where possible remediate them.

- Is the wider employee community aware of the business's policy / assessments / impacts with respect to human rights

0.A.12 Isis there a clear communication / training on how to deal with any salient human rights issues including how concerns should be communicated and dealt with?

0.A.13 Does the site go beyond to make direct & indirect impacts a training theme in for all employees.

- Does the business demonstrate that the reporting (grievance) methods take into account any salient issues, and can they show that a developed level of response is in place

0.A.14 Does the business enable access to remedy tools where human rights impacts have been identified.

0.A.15 Does the business continuously monitor impact and report on its progress.

0.A.16 Is there any documentary evidence of these practices and if so what are they? The auditor should record the details in this section.

- Does the business demonstrate and implement data privacy procedures for workers' information

0.A.17 Are there procedures for data privacy for workers.

0.A.18 How are procedures for 'worker respect and privacy' implemented.

- Does the business actively promote Human rights above and beyond their own sphere of influence

0.A.19 Are business partners / suppliers requested to conduct Human Rights due diligence and/or have grievance mechanisms in place.

Worker Interviews – to corroborate workplace practices

Auditor seeks to confirm the management system, document review and management interviews by corroborating with the worker testimonies gathered at interview. Discrepancies should be noted, taking care to protect the anonymity of workers.

0.A.20 Interviews appropriate personnel to establish if they are aware of any site policies concerning Human Rights and whether appropriate personnel know how to report their concerns about any issues.

0.A.21 Checks on the level of understanding and/ or any training received by appropriate personnel on how to deal with any Human Rights issues when confronted with them at work.

0.A.22 Checks whether employees know of what to do if they encounter any Human Rights abuses and who they report to if they have any other concerns about Human Rights impacts.

0.A.23 Checks whetherif workers are aware of the grievance mechanisms and procedures if they are found to be involved in unethical human rights practices.

Management Interviews – to corroborate workplace practices

Auditor seeks to confirm the management systems, documentation and management interviews by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers and ensuring adequate worker respect.

0.A.24 Has there been an exercise of mapping out stakeholders impacted by the business and how have the Human Rights impacts been measured.

0.A.25 Is there a senior manager or Human Rights manager responsible and accountable for the businesses Human Rights impacts.

0.A.26 How are these impacts communicated to stakeholders and relevant employees / departments?

0.A.27 How does the site remediate / enable access to remedy tools.

Note: For Human rights, interviews should focus on personnel where impacts are most relevant, e.g. senior management to establish whether there are any policies and procedures to inform employees of its approach and employees e.g. to check they know how to deal with any abuses. Interview as appropriate, to establish whether:

1. *They are aware of any policies and/or procedures (if present).*
2. *They have received any basic training on Human Rights impacts / policies.*
3. *They are aware of what to do if they encounter any Human Rights abuses.*
4. *They know who they report to if they have any other concerns about Human Rights impacts.*

Note: Additional resources available:

- An introduction to UN Guiding Principles on Business and Human rights – https://www.youtube.com/watch?v=BCoL6JVZHrA
- UN Guiding Principle Reporting Framework – The world's first comprehensive guide for companies to report on how they respect human rights. - http://www.ungpreporting.org/

0.B Management Systems & Code Implementation

CODE

0.B.1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code.

0.B.2 Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code.

0.B.3 Suppliers are expected to communicate this Code to all employees.

0.B.4 Suppliers are expected to be operating legally in premises with the correct business licenses and permissions and to have systems to ensure that all relevant land rights have been complied with.

0.B.5 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.B.5 is for information only and is not a specific requirement of the code. Failure to communicate the code to their own suppliers should be recorded as an observation rather than a non- compliance.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Management Systems'.

Auditors examine policies and written procedures in conjunction with relevant managers, to understand and record what systems, controls and processes are currently in place to manage the sites compliance to local, national and international laws and standards as well as client requirements.

In this section the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the standards required e.g.

- What resources does the site have to manage its labour force. Is there a Human resources department/responsible manager. This information should be recorded under this section.
- Does the site track any indicators such as worker turnover rates, absenteeism, number of grievances etc. Any available details can be recorded here, as well as in other appropriate areas of the audit report.
- Whether the site is up to date with the local law and how they stay up to date? What kind of relationship do they have with the local labour office.
- Do they do their own checks internally.
- Who is responsible for the management of labour standards at the site and do they have the correct level of authority to make improvements.
- Are there any checks performed by local government and if so what are they and what were the last results.
- Is there any documentary evidence of these practices and if so what are they. The auditor should record the details in this section.
- Are there any certifications at the site, such as ISO 14000, ISO 9000 etc. These should be recorded here.

See below for more detailed information.

Measurement Citeria

Management system investigation and document review, including management interview.

The auditor checks and reports on:

0.B.1 Whether the site has a social compliance/ ethical trade policy and written procedures which meet the Code and International Labour Standards.

0.B.2 Looks for policies and procedures which ensure the site meets freedom of association, discrimination and general human rights standards.

0.B.3 Checks whether Management at the site regularly update and amend policies, procedures and practices based on reflections of their success. They update the ways of working and also amend training content to ensure all employees are aware of the changes and updates.

0.B.4 Checks whether Management have been trained – in particular on Freedom of Association, discrimination and general human rights standards and checks the effectiveness of the training through the maturity and sustainability of the implemented systems in these areas.

0.B.5 Checks whether the site knows the local laws concerning Labour Standards e.g. age, wages, hours of work, Health & Safety.

0.B.6 Records whether resources are allocated to implement any systems and procedures including the appointment of a senior responsible manager.

0.B.7 Reviews whether there is a system to measure the effectiveness of these policies and procedures, such as by internal audit.

0.B.8 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.B.9 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.B.10 Establishes what action is taken to communicate and implement the code in its own supply chain e.g. to raw material suppliers.

0.B.11 Check whether the site has a list of subcontractors (where relevant) and has communicated/monitored labour standards at these subcontractors.

0.B.12 Check that the site has all applicable business licences and all legally required permits & licenses to operate.

0.B.13 Check that the site has all applicable/ required land rights, licences and permission. The auditor checks and give details on whether the site has access to documents (title, certificate, deed, lease, rental agreement, or other written evidence) relating to ownership and/or leasing of the land.

0.B.14 Whether the facility is aware of local / national and international laws and requirements with regards to Land Rights.

0.B.15 In the last 12 months, has the site been subject to (or pending) any fines/ prosecutions for non- compliance to any regulations.

0.B.16 If yes, have any requirements for actions in relation to such prosecutions been taken to avoid recurrence.

0.B.17 Does the site have a policy on land rights and does it include illegal land acquirement and free Prior and Informed and consent (FPIC)?

0.B.18 Check that the site has a system in place to conduct legal due diligence relating to land title

0.B.19 Check that the site has a procedure specific to land rights based on free, prior and informed consent, (FPIC). E.g. do grievance mechanisms cover land rights?

0.B.20 Checks if there is any evidence that the site has compensated any owners/lessors for the land prior to the facility being built or expanded where appropriate

Note: where this has occurred and corrective and preventative actions have been taken to close the issue and avoid recurrence, this should be noted under Observations.

Worker Interviews – to corroborate workplace practices

Auditor seeks to confirm the management system in place, document review and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

0.B.21 Have the codes been communicated and how.

0.B.22 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.

Check for Good Examples – to show and measure good practices

0.B.23 Auditor seeks to collect and report on practices of the site which go above and beyond legal or code requirements.

1. Freely chosen employment

CODE

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.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Employment is Freely Chosen'.

Auditors examine policies and written procedures in conjunction with relevant managers, to understand and record what controls and processes are currently in place to manage 'employment is freely chosen'.

Note: employment of agency workers, migrant workers and contract workers are recorded under Section 8 of the audit report – Regular Employment

In this section the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the standards required e.g.

- How does a worker resign and what notice is required?
- How is their final salary calculated and paid? If workers have been recruited overseas, are any agreed procedures for repatriating workers honoured?
- Is there a loan fund and how is it managed?
- Does the site have a policy prohibiting forced labour? Does this include the use of prison labour and do they inform clients of any such use?
- Do they have a system for checking that no worker's original papers are withheld e.g. Passports or ID's either by the site, any of its labour agents or other 3rd parties·
- In countries where it is a legal requirement to retain workers' papers (e.g. migrant workers), can workers freely access their papers if required?

Note: Workers should be able to access their papers freely, without a requirement to give notice or a reason for wishing to do so. No fees should be required to access such papers. The process for doing this should have been clearly explained in a manner understandable by the workers.

- Is there any documentary evidence of these practices and if so what are they? The auditor should record the details in this section
- What security controls are in place at the site, are workers free to leave site at any time? Any restrictions/permissions should be commensurate with risks concerned.
- Where required, has the company completed any legal obligations related to employment freely chosen for example UK Modern Slavery law
  - If legally required, has the company published a 'modern day slavery' or other supply chain transparency statement.
  - Is the site aware of potential risks of forced/bonded labour in their business or supply chain?
  - If risks exist, what is the business doing to minimize those risks?

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

The auditor checks and reports on:

1.1 Contracts and Termination:

a. Can workers voluntarily leave their employment after reasonable notice with no monetary penalties for leaving including withholding of bonuses already earned?

b. 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?

c. Are there any clauses in contracts that would restrict workers leaving?

d. Are there any financial arrangements either personal or for family members or dependants e.g. loans which would restrict workers leaving?

e. Do security guards' contracts clearly state their duties and set appropriate limits on the way they interact with workers to ensure that they are not used to restrict workers' movements?

f. How does the site handle privacy rights of workers e.g. are there any workers under constant surveillance and if so, how is privacy handled?

g. Are workers free to leave at the end of their shift and not unreasonably delayed by e.g. security checks?

h. Are workers free to communicate with external individuals including family members etc.?

i. Are workers free to refuse overtime and if so what procedures are in place?

j. Did migrant workers have to pay any fees, taxes, deposits or bonds?

k. Is there evidence that employers provide workers with the necessary documentation to leave employment / country e.g. exit visa's etc.?

l. The probationary periods do not exceed the law.

1.2 Personnel files:

a. Do employers keep only copies of ID's, Passports and 'Right to Work' checks?

b. Are original documents returned to workers promptly?

c. If it is a legal requirement to retain original documents, do workers give their informed 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? Are such repayments fair so that workers are not taken below legal minimum wage?

e Are loans realistically possible to repay at termination of employment based on monthly earnings?

f. Is there a procedure in place to either re-assign any outstanding loan to a new employer or a process for early re-payment, such that a loan does not prevent a worker leaving employment.

g. Is there a process for preventing worker debt and how is this checked? Is a confirmation of payment supplied to workers?

1.3 Wage deductions, any deposits or withholdings (other than mandatory e.g. tax and social insurance) to establish:

a. Are there any deductions – please give full details, including exact details of any voluntary deductions (although they may meet the law they may not meet the code).

b. That there is a written agreement to the deduction, which meets the law and is signed by the worker.

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.

i. Are there any fees charged for accommodation and if so, is this voluntary (worker can choose whether to be in this accommodation or not) and at a fair market price?

j. All outstanding payments to workers are made on termination of employment

1.4 Where there is any prison labour, including governmental detention centres or equivalent work programmes (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 (as defined for this class of worker) plus overtime and that access to paid work is not discriminatory, should be recorded as an observation and the exact situation should be documented in the audit report. If the full conditions of any prison labour present cannot be established, a non-compliance should be raised.

Best Practice is that all prison labour should comply with ILO Convention 29 (1930) in relation to the acceptable use of Prison Labour.

Worker Interviews – to corroborate workplace practices

Auditor seeks to confirm the management system in place, document review 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 report any cases where they had difficulty in obtaining their documents or are they aware of others who have been affected by this issue.

1.11 Do workers feel free to leave the site during breaks and rest time and at the end of their shift.

1.12 Can they refuse to do overtime and if so how.

1.13 Are any searches performed on workers handled with respect and without restricting movement e.g. leaving at the end of shift.

1.14 Are dormitories secure and do workers feel that they can leave them when they wish.

1.15 If there are hours restrictions e.g. curfews, do workers feel these are reasonable.

1.16 If any workers have loans, have they agreed in writing to the amount and the terms – do they understand and believe them to be reasonable.

1.17 Whether workers have ever noticed other workers who were forced to work at this site.

1.18 Whether workers are detained on unpaid time for e.g. meetings, searches etc.

1.19 Do workers seem frightened, confused or withdrawn in any way – any signs of psychological or physical abuse.

1.20 Are there any indications that workers have been coached in the responses they are giving.

1.21 Do they report that they or family members or dependants, have been threatened (or have there been any threats to family) by anyone related to their employment at this site.

1.22 Do they receive wages directly in to their own bank account (and is the bank account only accessible by the worker), or if in cash, do they feel they are in control of their wages.

1.23 Can they live where they want.

1.24 Can workers recall correct information: accommodation addresses, and/or name or address of their employer and/or name or address of the location where they are working.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site which go above and beyond legal or code requirements.

1.25 The site trains its managers and suppliers on this subject and shares best practice down their supply chain.

1.26 The site is open with the auditor and can explain, using examples, of how they have dealt with any previous issues.

1.27 The company has undertaken a risk assessment and developed a plan to address issues raised.

2. Freedom of Association

CODE

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.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Freedom of Association'.

Interview information is especially important in this area. It is essential to interview any workers who are designated as "union reps", "worker representatives", "workers' committee members". Several countries now have legal requirements governing the need for mandatory unions, or worker's committees. It is essential to record whether these are effective.

Note: Auditors should always request at least at the opening meeting (and preferably in the pre-audit communication), that the worker representatives/ union representatives are present at the opening meeting and closing meeting. If workers are not present, this must be recorded on the audit report along with reasons why not.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage the area of freedom of association.

In this section the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the standards required e.g.

- Is there a union or any worker representation present at the site and has the site facilitated this.
- What is the local law on freedom of association and is the site aware of it – do they meet it.
- Where worker representation does exist, is effective (confirmed by interview with workers e.g. how often do they meet with management and what are the outcomes).
- Are worker representatives elected through a free and fair process?
- Are meetings documented and communicated to the workforce.
- How do workers feel about their representatives, do they know who they are and what topics can be raised through them, do they feel fairly represented.
- Where no worker representation exists, what is the on-site communication method between managers and workers.
- Are all legally required types of committee in place e.g. Sexual Harassment, Health and Safety, etc.

- Is there any documentary evidence of these practices and if so what are they. The auditor should record the details in this section.

It is not acceptable for auditors to record "management have an open-door policy" and "no problems in this area", unless this is confirmed strongly by interviews with all parties and they confirm they are satisfied with this situation – it may be acceptable in some small units.

Sedex members are increasingly more interested in Freedom of Association as a demonstration of effective management and worker dialogue which can result in the site and its workers being able to manage and improve their own labour standards.

Note: 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 where they carry out audits. N.B. auditors must not share the site names with outside agencies. International Trade Union Confederation (www.ituc-csi.org) provides useful information on union activity, campaigns and reported issues concerning Freedom of Association.*
- *In the case where the site of employment is very small (i.e. < 30 people, and is governed by a single country law- auditor should check) 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 Freedom of Association, auditors should ensure that union and worker committee members are included in the worker interview sample.*
- *Questions to verify effectiveness can include how grievances are raised, to whom, how they are resolved and if workers feel they are listened to and supported.*

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

The auditor checks and reports on:

2.1 Whether it is a legal requirement to have a union and/or a workers committee at the site and records which one(s).

2.2 Whether there is a site policy on freedom of association.

2.3 Checks whether management recognises and negotiates with any unions present.

2.4 Checks that management places no restriction on the establishment and growth of free and representative workers' organisations – including unions.

2.5 Where the right to freedom of association is restricted under law, workforce rights are recognised by organising parallel means e.g. workers' committees.

2.6 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.

2.7 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 and of the issues that can be raised through them.

c. That the group which represents workers is independent of management and represents workers effectively.

d. The meeting minutes of both worker meetings and their meetings with management are published with agreed actions and responsibilities.

e. What is the remit of the committee? Are there limitations on the scope of what they can discuss with management?

f. That management shows evidence of responding to concerns and proposals raised in the meetings.

g. Whether there is a collective bargaining agreement and if so what % of the workforce is covered?

h. 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.

i. Is there evidence of an active process of discussions and responses.

2.8 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 workers' committee.

d. Examines files to establish whether any disciplinary actions or sackings occurred for workers attempting to start or join a union.

2.9 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.

2.10 Establishes whether there have been any strikes at the site and records the dates and circumstances – at least as observations.

Check for Good Examples – to show and measure good practices:

2.11 Does the site train all workers on the importance of a freely elected worker committee.

Worker Interviews – to corroborate workplace practices

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

2.12 Establish whether any workers are members of a trade union or are aware of a trade union on site.

2.13 Whether they feel free to join a union if they choose.

2.14 Whether workers are aware of their rights to organise and bargain collectively.

2.15 Are workers aware of whom their representatives are.

2.16 If workers elect their representatives freely, either for a union or a workers committee.

2.17 If workers are satisfied with their representatives and feel that they are effective.

2.18 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.

2.19 Whether collective bargaining agreements have been circulated to workers.

2.20 If workers are aware of any meeting minutes and actions resulting from committee/union meetings with management.

2.21 If facilities are provided for trade union activities.

2.22 Whether they know of any discrimination against worker reps.

2.23 Whether they are aware of any strikes/ industrial action at the site and if so record the circumstances.

2.24 Whether workers feel that their representative group is effective.

2.25 Interview worker representative's / 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 are 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 bargaining.

i. How often do they meet with managers.

j. What topics are covered.

k. Who writes the minutes of the meetings and communicates these to the workforce.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

Examples of good practice might be:

2.26 The site invites trade unions on site on a regular basis and allow workers to freely choose to join a trade union.

2.27 The site trains all workers on the importance of a freely elected worker committee.

2.28 The site ensures that all Managers and Supervisors are trained to have the skills to listen and communicate on grievances with workers.

3. Health and Safety

CODE

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.

Note: With reference to the International Labour Organization (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".

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Health and Safety'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage Health and Safety.

In this section the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the standards required e.g.

- What are the local laws, is the site aware of them and how do they keep up to date.
- In many areas there are health and safety inspections by the local labour offices, the auditor should investigate these and record any relevant information.
- Does the site have a recognised occupational health and safety management system such as OHSAS 180001.
- Whether there is a responsible manager for health and safety – have they had appropriate training for the role and are they of sufficient seniority to have the authority to make changes.
- Are any procedures written down so that responsibility could be taken by another person if necessary.
- Do they do Health and Safety Risk Assessments and if so how.
- Are all risks identified managed through the site.

- What systems are in place to record accidents and any figures available such as number of accidents in the last 12 months and reductions in accidents and any targets.
- Is there any documentary evidence of these practices and certifications present such as fire inspections, structural safety, if so what are they. The auditor should record the details in this section.

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

The auditor checks and reports on:

3.1 Checks whether there are Health and Safety policies and procedure in place at the site, appropriate to the size and complexity, both for the workplace and any associated residential facilities.

3.2 Checks how these policies and procedures are communicated to the workforce e.g. included in workers manual etc.

3.3 Whether there is appropriate Health and Safety risk assessments/site inspections carried out on a regular basis, how this is 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, including any locked or barred exits/emergency exits.

h. Fire fighting equipment, including sprinklers, fire hoses, fire extinguishers.

i. Accidents and on-site injuries.

j. Restricted areas are maintained where appropriate e.g. access to hazardous chemicals storage areas.

3.4 Checks whether the following documents are available:

a. Building licenses and construction approval from appropriate authorities for all structures on site.

b. Valid inspection certificates as per local regulations.

c. Machine inspections and maintenance reports.

d. Evidence of fire drills covering all shifts.

e. Appropriate approval certificates for water use and disposal, waste disposal, hazardous waste etc.

f. Any local inspection certificates by local agencies/government e.g. fire, hazardous substances, waste water (use and disposal), gas emissions etc.

g. Any prosecutions from relevant authorities and what was the outcome.

h. Evidence that actions required from local inspections or prosecutions have been taken

i. Safety training records and worker training certificates if appropriate e.g. for fork lift truck driving, security team etc.

j. Accident/injury/sickness register and any necessary licenses, certifications for e.g. performing first aid function and/or related Health & Safety functions.

k. Procedures for maintaining first aid supplies and/or agreements with external parties.

l. Evidence that accidents/injuries have been investigated and preventative action taken.

m. Risk assessment reports and action plans for reducing/eliminating the risks identified.

n. Hazardous waste history and tracking records (e.g. disposal certificates).

o. Blood policy and procedures (linked to first aid/injuries).

p. Needle and blade control policies.

q. Electrical safety certificates and records of maintenance checks.

r. Water test for potability where required.

s. Evidence of hygiene inspections and certificates for any canteen facilities and people working in them.

t. Pest control agreements and records of inspection.

u. Records of distribution and maintenance of PPE and whether any charge to workers.

v. Checks purchase records for all necessary protective equipment, ensures that there is a clear history of equipment being bought and replaced on a regular basis.

w. Site insurance for workplace, employer liability, worker accident, fire etc.

x. Material Safety Data Sheet (MSDS) for each hazardous chemical kept on site.

y. Any necessary approvals/certificates for using hazardous machinery or chemicals.

z. Is there an asbestos policy/procedure.

3.5 Checks if there is a Health and Safety committee and whether workers are represented.

a. Examines any minutes of meetings.

b. Notes if any action taken.

c. Interviews the Health and Safety committee to investigate and record its effectiveness.

3.6 For any machinery present on site, checks documentation.

a. Machinery safety certificate (if required).

b. Installation and preventive maintenance records

c. That maintenance records are up to date.

3.7 For Health and 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 including for visitors / other people who enter the business premises.

f. Fire safety procedures including use of fire fighting equipment where appropriate.

g. All visitors and contractors to the site are informed of risks and provided with training.

h. Records of training kept in workers' personnel files.

3.8 What action is taken against anyone who disregards Health and Safety rules and if this is disciplinary does this happen at all levels: workers and management.

3.9 During the site tour, auditor makes appropriate checks on the following (but not limited to):

a. Fire evacuation plans for workplace and accommodation.

b. Noise and dust levels and records any risk to workers.

c. Are there any severe cracks / structural issues which are cause for concern Note: this would only be a visual check and cannot be taken as an indicator of the building not being safe. Equally absence of such reporting does not mean that there are no structural issues.

d. At least 2 exits on each floor and all exits are unblocked, unbarred unlocked and lead to an assembly point or a different place of safety.

e. On each floor, the exits meet local regulations with regard to travel distance and separation distance.

f. Fire fighting equipment is sufficient by meeting local regulations and or customer requirements (whichever affords greater protection), and is up to date and is regularly checked and maintained.

g. That accommodation is not attached to production or any warehouses or storage areas.

h. That safety precautions in the accommodation and the worksite are checked regularly (meeting local regulations and or customer requirements, whichever affords greater protection), to include, fire fighting equipment, exits and regular fire drills and health and hygiene checks, structural safety certificates).

i. Sufficient clean and hygienic toilets separated by gender and meeting the law.

j. Toilets and washing facilities are properly provided with running water, soap, towels etc.

k. That workers have free access to toilets.

l. That machines are operated in a safe manner with e.g. correct guarding, "2-button operation", correct safety precautions, including warning signs as necessary.

m. Electrical installation safety e.g. plugs wiring, cut outs and other control devices.

n. That ventilation, light, temperature, noise level is appropriate and meets the local laws and is sufficient for worker comfort.

o. That any hazardous chemicals have MSDS, adequate storage with precautions for spillage, are they are properly labelled and that workers are correctly trained to use them.

p. That PPE is being correctly used, is free of charge and that workers are fully trained in correct usage and benefits.

q. That working areas have adequate space, with sufficient ease of access and exits.

r. That medical facilities are appropriate, meeting local regulations and or customer requirements (whichever affords greater protection), for the size of site and number of workers and meets legal requirements.

s. There is a doctor or nurse on site or there is easy access to first aider/ trained medical aid.

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

u. Evacuation routes are sufficient in number and sufficiently identifiable as per local law requirements.

v. Where facility provides worker transport e.g. buses and other vehicles – it is fit for purpose, safe and maintained and operated by competent persons.

w. Fire alarms and notifications are sufficient so as to alert personnel in a timely manner in the event of a fire.

x. Emergency fire alarms and emergency exit lights are connected to a secondary power source.

y. Emergency assembly areas are sufficient in number, size, location and visibility to ensure the safety of evacuated personnel.

z. Emergency stairwells and evacuation routes within multi-story or multi-business buildings are sufficient in number and appropriately designed to support safe evacuation of personnel.

If the exit route goes through a different company's premises this should be included in the checks.

aa. Emergency response personnel are available in each shift.

Worker Interviews – to corroborate workplace practices

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

3.10 Check whether there is a Health and Safety committee and are there worker representatives – Interviews the health and safety committee members to record their view of its effectiveness.

3.11 What training have workers received.

3.12 Do they know the trained first aiders are and are there enough trained first aiders on each shift.

3.13 Are they aware of the types of common accidents occurring at this site.

3.14 Do they know what to do in case of accidents.

3.15 The intervals between fire drills.

3.16 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.

3.17 Do they have access to storage space (in the workplace and in accommodation) and is it secure, safe and fit for purpose?

3.18 Do they use PPE and have they been trained in its correct use. Do they understand the risks of not using it.

3.19 What arrangements are made for them when they are sick?

3.20 How receptive are managers to any concerns raised on Health and Safety.

3.21 What action is taken against anyone who disregards Health and Safety rules and if this is disciplinary does this happen at all levels, workers and management.

3.22 Do they have free access to toilets?

3.23 Are they empowered to remove themselves from work if they feel that the site is unsafe?

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site, which go above and beyond legal or code requirements.

Examples of good practice might be

3.24 Scope of health and safety training for workers goes beyond that of the code/s – it extends to include issues such as Wellbeing and Nutrition for example – site takes a holistic approach to worker health.

3.25 Training for Health and Safety is engaging and interactive – for example local fire service visit site to demonstrate how to use a fire extinguisher.

3.26 Site offer workers multiple brands/types of PPE equipment. For example, there could be different shapes and sizes of dust mask, to ensure that the use of PPE is comfortable and easy to use.

3.27 Workers who are trained to higher level of Fire Safety (such as 'Warden level to help with evacuations) or First aiders, are not only paid for training but they are encouraged to take these roles through higher wages or bonuses for fulfilling their roles.

3.28 Site eliminates any hazards as a first and desirable action, only using PPE where no other solution is possible.

4. Child Labour and Young Workers

CODE

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.

Note: 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.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Child Labour and Young Workers'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage the area of child labour and young workers.

One of the ways to prevent child labour is to ensure that hiring practices include thorough checks on the ages of applicants.

In this section the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the standards required e.g.

- What criteria are used when advertising for new workers.
- What age checks are done at the hiring stage.
- What is the minimum mandatory school leaving age in the area.
- What is the local custom and practice on minimum age of working.
- What documentation is kept to verify age.
- What steps do they take to ensure such documentation is valid and not fraudulent.
- What processes are written down and could another person take over these responsibilities if the current responsible person were sick.
- Is there any documentary evidence of these practices and if so what are they. The auditor should record the details in this section.

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

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.

Note: 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 clause 1 **'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 less than 15 years or the legal 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 Examine 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 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 of 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 end any child labour found and to support the children with educational/vocational training. This should include but not be limited to:

a. A statement requiring any found 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 or guardians.

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 Base 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 The auditor should ensure that they access all areas in case of hidden problems, please see **Best Practice Guidance** section 7 **'Audit Execution'.**

4.17 Where there are child care facilities, checks that they are staffed appropriately and safe, meet 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 the management system, document review 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).

4.18 Ask whether there are children working on the site.

4.19 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.

4.20 Whether any young workers interviewed are comfortable with their employment conditions.

4.21 Whether young workers' employment conditions meet the local and international requirements.

4.22 Checks whether workers are satisfied with any childcare facilities.

4.23 If childcare facilities are not on site but required by law, the auditor checks what alternative benefits have been put in place.

4.24 Are workers clear on the site's policy towards the employment of children and young workers.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site which go above and beyond legal or code requirements.

4.25 Site sponsors children from the local community (and from the poorest backgrounds) to go to school.

4.26 Site offers apprentice/trainee scheme for school leavers, which is affiliated/ recognised by a credible organisation.

4.27 Site is part of a local industry association, which is aimed at eradicating child labour.

4.28 Site's own remediation policy goes above and beyond standard (or clients) remediation policies.

5. Wages and Benefits

CODE

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 Base Code requires that workers are paid a living wage, and the minimum requirement is 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, the auditor should say so on the audit report and use the minimum legal wage and correct overtime premiums as the measurement standard. For the purpose of wages and hours review, auditors should focus on workers.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Wages and Benefits'.

Note: For more information on 'Wages and Benefits' please see the **ETI website.**

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage this area of wages.

In this section the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the customer's required standards and any supporting documentation/guidance/tools.

Here the auditor also states how the site records and calculates wages for each worker. For example:

- Which department currently manages wages.
- How does the site calculate and record wages.
- What are the legally required minimum legal wages and overtime premiums.
- Are they paid by piece rate or by time rate and if so, how does the site ensure that all workers receive minimum wages for standard hours and correct legal overtime rates.
- How are deductions made and how does the site ensure these are in line with the law.
- Is there any documentary evidence of these practices and if so what are they. The auditor should record the details in this section.

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

For the purpose of wage and hours review the auditor should focus on workers. This excludes managers and supervisors but includes production personnel and service workers such as cleaners and security guards.

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 it is legally permitted to pay e.g. apprentices/trainees less than the legal minimum wage, does the site employ these categories of workers and are they paid correctly.

5.3 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, the auditor should record "no" in the audit report against question 'is there a defined living wage?' and the measurement will be against legal minimum wages and correct legal overtime premiums.

5.4 Where any workers are found to be earning below the minimum legal wage, the auditor should record, where possible, what % of the total workforce is affected.

5.5 Whether wages are periodically reviewed.

5.6 Whether there is a system to assess and ensure wages are fair and meet the basic needs of the worker and to provide some discretionary income.

5.7 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 premiums are in line with industry best practice and record the actual overtime premium paid including if no overtime premium paid, also whether any premiums are paid only on certain days e.g. only on rest days/only weekends etc.

5.8 Where local law allows overtime pay below 125%, this must be recorded in the SMETA Audit Report. Where less than 125% is permitted by law and the site is paying less than 125% premium for overtime, the exact overtime premium paid should be recorded on the SMETA report in the appropriate boxes.

5.9 The auditor should also state if there are specific conditions under which less than 125% is being paid e.g.

a. It is allowed by law.

b. Was it collectively bargained by representatives of the workforce.

c. Are workers paid consolidated wages, i.e. higher than minimum wages for all hours but the same rate for standard hours and overtime hours.

d. Whether this is written into the contracts and understood by the workers.

5.10 Sedex Stakeholder Forum strongly recommends that less than 125% OT paid is raised as a non-compliance against the ETI Base Code, even where it meets the law. The intention is to retain visibility of less than 125% on the Sedex system, to allow the supply chain to further investigate the situation and agree if any corrective action is required. Where there is significant evidence that workers are NOT disadvantaged by lower OT premiums, a suitable corrective action maybe "disc used and agreed as acceptable with the customer" if all parties agree with this, the non-compliance could then be closed on a follow-up. However, this must remain visible for future customers.

Note: The auditor must be very clear, when writing the audit report, what is the exact situation. The audit report has been modified to make this possible. This information can be recorded in the hours table.

5.11 In cases where there is a locally accepted living wage, auditors shall clearly report what the amount is and how it has been calculated e.g. market basket of goods etc.

5.12 Whether all legally required allowances and benefits are provided to workers e.g. social insurance.

5.13 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.

5.14 Check that wages are not withheld as a deposit and auditor should state the law in relation to this.

5.15 Check whether wages are reduced or deducted as a form of punishment and if yes, is this in line with national law.

5.16 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.

5.17 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.

5.18 Whether there is a system in place to ensure workers receive final salary payments especially after unplanned leaving such as after Chinese New Year.

5.19 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.

5.20 How they are paid e.g. by cash, cheque, bank transfer and not any non-monetary means.

5.21 Check a minimum of 3 pay periods, Peak, Current/Most recent and Low/Random applying the full sample size to each period.

5.22 Whether any legally allowed deductions for e.g. housing food etc. reduce wages to below minimum wages and whether this contravenes the law.

5.23 If deductions are made for company loans, check they are lawful and that there is correct loan accounting shared with the employee.

5.24 Check contracts to establish that:

a. There is a signed copy or letter of engagement for each worker (signed by the worker).

b. Workers have an understandable copy.

c. It includes job description, terms and conditions, length of contract, any probationary period, leave, notice period, pay, hours, discipline and grievance procedures.

5.25 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 etc. meet legal and code requirements.

g. Whether understandable to workers.

5.26 Check personnel files to establish:

b. That legally allowed deductions have a signed agreement from the worker.

c. Any disciplinary records e.g. for unacceptable behaviour/conduct.

5.27 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.

5.28 Where it is not possible to verify accuracy of wages and hours records e.g. because of 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.

5.29 Where the discussion fails to reveal correct records the auditor should record management explanation of why the discrepancy occurred.

5.30 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 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 the management system, document review and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

5.31 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.

5.32 Whether they are financially stable and are able to earn enough to cover expenses and have some discretionary income.

5.33 How they receive their wages, e.g. cash, cheque, bank transfer and are they paid on time.

5.34 Are they able to take legally mandated leave and is it paid according to law, e.g. annual leave, maternity leave.

5.35 If any have loans from their employer, have they signed an agreement and do they believe the terms and conditions are fair.

5.36 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.

5.37 Do they have a copy of their contract and did they sign it.

5.38 Were they aware of the terms and conditions before commencing employment.

5.39 Do they know how they will receive their final salary settlement if they decide to leave e.g. after Chinese New Year.

5.40 In the case of any fixed term or agency workers – are they given opportunities to apply for permanent positions.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site which go above and beyond legal or code requirements.

5.41 Workers benefits extend beyond what is expected, site offers workers additional benefits: for example, free lunch/meals, sports facilities, transport to work etc.

5.42 Where the site has calculated a living wage using a methodology from a credible source, and this wage is paid or exceeded.

5.43 Workers receive a guaranteed annual bonus.

5.44 Site supports workers to set up bank accounts and trains workers on good personal financial management (note the site should not give individual financial advice but guidance on good practice).

5.45 Site provides additional benefits such as free transportation, meals etc.

6. Working Hours

CODE

6.1 Working hours must comply with national laws, collective agreements, and the provision of 6.2–6.6 below, whichever affords the greater protection for workers. Sub clauses 6.2 – 6.6 are based on International Labour standards.

6.2 Working hours, excluding overtime, shall be defined by contract and shall not exceed 48 hours per week*.

6.3 All overtime shall be voluntary. Overtime shall be used responsibly, taking into account all of the following: the extent, frequency and hours worked by individual workers and the workforce as a whole. It shall not be used to replace regular employment. Overtime shall always be compensated at a premium rate, which is recommended to be not less than 125% of regular rate of pay.

6.4 The total hours worked in any 7-day period shall not exceed 60 hours, except where covered by clause 6.5 below.

6.5 Working hours may exceed 60 hours in any 7-day period only in exceptional circumstances where all of the following criteria are met:

- This is allowed by national law.
- This is allowed by collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce.
- Appropriate safeguards are taken to protect the worker's health and safety; and
- The employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

6.6 Workers shall be provided with at least one day off in every 7-day period or, where allowed by national law, 2 days off in every 14-day period.

*Note: *International standards recommend the progressive reduction of normal hours of work, where appropriate to 40 hours per week without any reduction in workers' wages as hours are reduced.*

Note: For frequently asked questions about the working hours clause, please see the **ETI website.**

Auditors should familiarise themselves with this guidance and apply it to the prevailing circumstances at the site of employment.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Working Hours'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage this area of hours of work.

In this section the auditor also checks whether the site knows and is up to date with relevant local law, the ETI Base Code and the standards required. The auditor states how the site records standard hours and overtime hours for each worker e.g.

- What is the recording system used to measure hours worked: time cards, electronic scan system etc. – recorded under 'Working Hours Analysis' in the **SMETA Audit Report** ('What timekeeping systems are used').
- What are the laws concerning hours of work – both standard and overtime limits. This is stated in the SMETA audit report under 'Audit Scope – Local law'.
- How does the site manage overtime hours and how do they ensure that no one exceeds the allowed maximum. What system is in place to ensure that workers can refuse overtime.
- What premium is paid for OT – record in both wages and hours table.
- Is there any documentary evidence of these practices and if so, what are they. The auditor should record the details in this section.
- Company policy concerning working hours.
- Employee contracts and handbooks.
- Shift patterns.
- Collective agreements.
- Systems for staying up to date with changes to local legislation and standards.
- Communications with clients, suppliers, employees' representatives and employees.
- Systems for recording working hours.
- Systems for monitoring and managing working hours.
- Systems for arranging overtime and ability of workers to refuse.
- Health and safety risk assessments for jobs where over 60 hours are being worked.
- Normal production patterns and peaks.

It is particularly important that when the auditor identifies any hours that do not meet the local law or ETI Base Code, that these are fully investigated to establish whether these are isolated or systemic cases.

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

For the purpose of wage and hours review the auditor should focus on all types of workers. For a full definition please see the SMETA Best Practice Guidance. This excludes managers and supervisors but includes production personnel and service workers such as cleaners.

The auditor checks and reports on:

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 and does this correctly reflect time not worked.

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.

i. Method of recording hours worked.

6.2 Workers contracts or letters of engagement for:

a. Required or contracted/standard work hours. These should not exceed 48 hours per week or the law, but if the law allows, the company and worker may agree to work a lower level as standard with the ability to request flexible working up to the legal maximum or 48 hours per week. Where national law and the workers contract allows for working hours to be averaged over a number of weeks, the auditor should take this into account in their assessment of the required working hours.

b. Rest day and holiday entitlement.

6.3 Overtime requests and conditions.

Overtime premiums which do not meet the law must always be recorded as a non-compliance.

An overtime premium which does meet the law but is lower than 125% must always be recorded on the appropriate sections of the audit report. If there are circumstances e.g. consolidated pay (standard hours pay above legal minimum) or collective bargaining agreements etc. which accept lower overtime premiums it is important to capture this in the audit report. See SMETA Audit Report – 'Working hours analysis'.

The ETI Base Code states that the prevailing standard to be used is the one which affords greater protection for workers – the ETI Base Code recommends an overtime premium minimum of 125%. However, there may be circumstances where less than 125% does not disadvantage the worker and it is key that the auditor completes the audit report fully in order that those judgments may be made.

The recommendation of the Sedex Stakeholder Forum is that less than 125% overtime pay (which does meet the law) should be raised as a non-compliance against the ETI Base Code to keep visibility on the system. It is key that the auditor records any other circumstances which may influence the payment of less than 125% e.g. consolidated pay, collective bargaining agreements etc. This information should be captured on the audit report.

6.4 What is the method for recording of hours, is it accurate and are there any signs of falsified records (e.g. double books).

6.5 Do records of hours worked separate standard/contracted hours and overtime hours.

6.6 Review the hours and wages records of all employees selected for individual interview. The additional number of records required to meet the recommended sample size to be taken from the wider population of workers, taking care to include different work sections and worker levels (but excluding supervisors and managers). An adequate sample size is dependent on the risks of the country and industry. However, as a minimum, 10 records for up to 100 workers (10% of the workforce) should be reviewed, and thereafter numbers for each pay period selected should be as described in '6.5.3 Audit Length, Sample Size and Timetable' in the 'SMETA Best Practice Guidance'.

Measure standard/contracted and overtime hours against the local laws and the ETI Base Code, taking into account issues such as averaging where allowed by local law.

Note: The sample is to be taken over 3 different pay months for all workers – Peak, Current/Most recent and Low/Random chosen over the last 12 months.

6.7 Where required or standard/contracted hours and/or overtime hours exceed the legal maximum this must always be recorded as a non-compliance against the law.

Non-compliance must be recorded also when the total hours worked per week exceeds a maximum of 60 hours per week unless the conditions meet the terms of ETI Base Code Clause 6.5.

The auditor must be very clear when writing the audit report, what the exact situation is and the audit report has been modified to make this possible. If the law allows more than 60 total hours per week and if hours greater than 60 per week are found, auditors should:

a. Review the frequency of this and the number of workers affected (see new hours table) and whether the conditions under which companies may exceed 60 hours per week as described in code 6.5 apply e.g.

- National law allows this;
- A collective agreement allows this which was freely negotiated with a workers' organisation representing a significant portion of the workforce;
- Appropriate safeguards are taken to protect the workers' health and safety; and
- The employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents, or emergencies.

In this case the issue should be stated as an observation only and the full conditions established i.e. for hours exceeding 60 hours per week, in order to record an observation ALL the above criteria should be met.

The auditor must record in the observation box, how the above criteria have been established and substantiated.

If one or more of the above criteria are not fulfilled, this must be raised as a non-compliance.

b. Review any communication with clients concerning reasons for this and their management processes (record this as a good example).

c. Check if there is evidence for overtime being used to make up for labour shortages and discuss why this is necessary rather than employing more workers.

d. If workers cannot be hired, how is the site exploring options to ensure that overtime is minimized.

6.8 Review of records from the relevant sample to include and report on (e.g. in 'Current Systems and Evidence Examined'):

a. Full 12 months' hours and wages records in conjunction with time cards and individual pay records (or a 12-month cycle for seasonal work).

b. Report on all records analysed of the standard/contracted workweek, overtime hours and any holiday or rest day working.

c. Check whether breaks, holidays and rest periods are in line with the law.

d. Where overtime hours exceed the national law but are within any waivers obtained, it is important to review a 12-month cycle (waivers often permit "annualised hours" i.e. a maximum number of overtime hours per year).

e. Where possible, auditors should check legality of local waivers – are they signed and by whom.

Note: Apply the sample over 3 different pay months for all workers – Peak, Current/Most Recent and Low/Random – not a full 12-month cycle. Care must be taken in selecting a "peak" month to check that it is indeed a true peak.

6.9 For completing the detailed wages and hours records within the audit report, the auditor should:

a. Record the **TOTAL** number of records reviewed.

b. In all cases for wages and hours recording, it is important to state the units and time interval covered, e.g. per day, per week, per month, per year etc.

c. Find and report on the highest number of hours worked amongst all workers. Record the hours (what is the range of actual hours worked – what is the company's average).

d. Record the number of workers that are working the highest hours. Clearly state the actual hours found. Record the extent of the working hours reviewed, are there any individuals who have higher working hours than others, are there any high working hours by employees with certain skills/or in certain job roles/departments – or does it apply to all employees.

e. Record the frequency (are there any peaks over a course of 12 months – what patterns exist if any.) Specify over how many months these peaks may occur and name them e.g. May and November or from September through to January.

f. Examine the total records for the sampled periods to find lowest and highest paid and report on these together with their hours worked.

6.10 Are there management systems in place to allow workers to volunteer for overtime (note this as good practice).

6.11 Review contracts and all terms and conditions for signs of compulsory overtime or hours required to finish the job or compulsory production quotas that cannot be reasonably completed within the standard/contracted workday. Also, check for collective agreements concerning overtime agreements.

6.12 Check working hours against pay records to ensure no inconsistencies.

6.13 Examine quality records and production records such as broken needle reports, accident reports etc. to cross-check hours' records.

6.14 Where inconsistencies are noted, management shall be invited to provide accurate records as 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 should be provided in the audit 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.

6.15 Where the discussion fails to reveal correct records, the auditor should record the management's explanation of why the discrepancy has occurred.

6.16 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.

6.17 Auditors should encourage the management to consider the root causes of excessive work hours. Auditors should capture the view of management on the above and other contributors in the appropriate section of the SMETA audit report e.g. under the Working Hours Analysis table 'Comments: (Please state here any specific reasons/circumstances that explain the highest working hours)'. Wherever possible the management should provide proof of their statements – this will be useful to customers as they begin to examine how they can support their suppliers in reducing working hours.

6.18 Where standard hours or overtime hours exceed the legal maximum, this must always be recorded as a non-compliance against the law.

Note: For more details on sampling see **'SMETA Best Practice Guidance': '6.5.3 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 the management system, document review and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

6.19 What are their standard/contracted/required hours and do workers understand this.

6.20 How are they recorded: if a punch card or swipe card system is used, do they do it themselves; If a paper based system is used, do the workers sign to corroborate the records.

6.21 If remote logging of hours is undertaken, how is this verified by the workers. What systems exist to handle disagreements over hours.

6.22 Are workers able to leave the facility after their required or contracted/standard workday (e.g. if transportation is provided, is it available for workers who do not perform overtime).

6.23 What are their overtime hours and how often do they work overtime.

a. What do you think are the reasons for working overtime hours. Are they explained by management.

b. What are their overtime hours and whether they feel comfortable and able to refuse overtime.

c. Is there a process/records to show workers have given separate consent for all overtime (OT) worked.

6.24 Are they aware of any collective agreements concerning overtime and how these have been agreed.

6.25 Have they ever worked without recording their hours.

6.26 Are overtime hours ever paid in cash without being recorded.

6.27 Is there a separate system for recording overtime hours and if so what is it.

6.28 During what part of the year is the site busiest.

6.29 What breaks to they get during the day and are they sufficient to eat and rest.

6.30 Whether they get rest days each week and if so, how many. When was the last time they had a day off.

6.31 Are they paid for re-works.

6.32 Have they ever taken work home.

6.33 Are they entitled to annual leave, when can they take it and how do they apply for it.

6.34 Whether they get other types of leave; such as maternity, paternity, illness, compassionate, marriage or wedding, or any other legally required types of leave.

6.35 Are there special arrangements for young, pregnant or other types of workers.

6.36 Do they consider the rest and recreational facilities (canteen, break space etc.) satisfactory.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site which go above and beyond legal or code requirements.

6.37 Over time premiums are well above the local/national average.

6.38 Site manages production flow so that over time is uncommon AND earnings from the standard working week are satisfactory for workers.

6.39 Site manages production so well that when over time is required, workers have advance warning (more than 3 working days).

6.40 There is flexibility as to when workers take their rest day/s.

7. Discrimination

CODE

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.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Discrimination'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage this area of discrimination.

In this section, the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the standards required e.g.

- How does the site advertise for new staff.
- How does the site ensure there is no discrimination in any of its procedures or practices.
- Do the workers feel that they have an equal chance of training and promotion.
- What is the gender and ethnic balance between workers and middle management.
- What is written down for guidance on discrimination.
- What training is given and to whom.
- Is there any documentary evidence of these practices and if so what are they. The auditor should record the details in this section.

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

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 race, caste gender, origin etc.

h. Any discrimination based on category of worker or type of contract e.g. agency, temporary, migrant and local workers.

i. 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 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 professional development systems:

a. On-going training is available to enable workers to progress.

b. Is there a clear progression path available for all workers.

c. An equal and clear fair selection criteria is in place for all promotions and benefits.

d. All selection criteria are applied in each case and documented.

e. If there is a bonus / benefits system, this is communicated transparently to all workers.

7.5 Examines the termination policies and practices.

a. Verify disciplinary and notice letters to workers.

b. Investigate why workers have left.

c. Examine termination conditions of any union members.

d. Review any patterns for dismissals relating to age, pregnancy etc.

e. Is there an exit interview and is it effective.

7.6 Check payroll records to ensure:

a. No pay inequality based on unfair or unlawful discrimination e.g. pay based only on age should be raised as a non-compliance – see supplementary guidance

b. All workers receive all benefits to which they are entitled.

7.7 Check worker grievance procedures. Are there ways in which workers can report discrimination.

a. Suggestion box.

b. Anonymous phone line;

And do the systems:

c. Protect the identity of the worker.

d. Prevent repercussions against the reporter. An example of preventing repercussions might be a written non-retaliation commitment that is clearly communicated to workers and may include:

- Written policies and procedures.
- Communication and training (that can be easily understood by workers).
- Internal monitoring and governance processes.
- Use of an externally managed process.

7.8 Checks the breakdown of workers:

a. By ethnic/social group, gender, e.g. the number of women or migrant workers / in skilled or management roles.

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.

d. All legal benefits reference pre- and post-natal conditions e.g. rest and breaks, nursing breaks and a suitable quiet space.

7.9 Examines what are the workers' legal rights to observe religious holidays, prayer time during working hours etc., and whether they are being met.

Worker Interviews – to corroborate workplace practices

Auditor seeks to confirm the management system, document review 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.

7.10 Are workers aware of any anti-discrimination policies at the site.

7.11 Whether workers feel discriminated against with regards to any aspect of their employment e.g. pregnancy tests.

7.12 Whether they are aware of any maternity or paternity benefits and whether they are aware of any workers who have been given them and then returned to work afterwards.

7.13 Have they any experience relating to people reporting issues of discrimination and action taken as a result.

7.14 Do they know how to report discrimination and are they fearful of repercussions.

7.15 Are they able to take religious holidays or any other religious observations such as breaks for prayer.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site which go above and beyond legal or code requirements.

7.16 Sites, supervisors, management are comprised of approximately 50% male and 50% female.

7.17 Site offers 'integration' events – social activities that contribute to bringing unity to different cultures in the workplace.

7.18 Site employs disabled people and makes appropriate adjustments for access around the site.

7.19 Site has an effective diversity policy and procedures

8 Regular Employment

CODE

8.1 To every extent possible, work performed must be on the basis of recognised employment relationships established through national law and practice.

8.2 Obligations to employees under labour or social security laws and regulations arising from regular employment relationships 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.

Additional Elements: Responsible Recruitment

8.3 Businesses have full understanding of the entire recruitment process including all labour recruiters and intermediaries in terms of required legal and/or ethical requirements.

8.4 There are effective management systems in place to identify and monitor the hiring and management of all migrant workers, contract, agency, temporary or casual labour.

8.5 Employment agencies must only supply workers registered with them.

8.6 No workers pay recruitment fees at any stage of the recruitment process.

8.7 Workers' contracts accurately reflect the agreed payment and terms in the recruitment process and are understood and signed by workers.

Current Systems and Evidence Examined

The auditor checks the company's management systems and reports on the processes used to manage labour standards at the site in this area of 'Regular Employment'.

For the purposes of this document, please use the following definitions

> *The term "migrant worker" refers to a person who is engaged or has been engaged in a remunerated activity in a country of which they are not a national or permanent resident or has purposely migrated on a temporary basis to another in-country region to seek and engage in a remunerated activity.*

> *The term "Contractors": in this context are generally individuals who supply several workers to a site brought in under the responsibility/employment of a 3rd party company. Usually the contractors are paid by the site and the wages of the individual workers are paid by the contractor. Common terms include, gang bosses, labor provider.*

> *The term "Agency workers": in this context are generally a local agent who supply several workers to a site brought in under the responsibility/employment of a 3rd party company. Usually the agencies are paid by the site and the wages of the individual workers are paid by the agency.*

Auditors examine policies and written procedures in conjunction with relevant managers to understand, and record what controls and processes are currently in place to manage this area of regular employment.

In this section the auditor also checks whether the site knows and is up to date with, relevant local law, the ETI Base Code and the standards required e.g.

- What are the contract procedures for all types of workers.
- How are the workers made aware of their contractual rights and obligations.

Prior to the audit, the auditor should have requested and obtained details of the company's recruitment practices and patterns including the use of agencies and should ensure that the site management is aware of the need to make available documents relating to their relationship with agencies and for the agencies to make documentation available. Management interviews should focus on:

- How are workers recruited including whether Agencies/Labour Providers are used and if so are they local or in another region/country.
- How management ensures they are aware of the full supply chain for any Agencies/Labour Providers used.
- What management systems are in place to monitor Labour Providers?
- What are sites doing to give more regular employment opportunities?
- Does the site check on the hiring procedures of any Labour Agents used. Have they communicated a clear policy to all Agencies that no recruitment fees are to be levied to workers? Are they aware of any deposits or other charges paid by workers either for their jobs, or to cover other fees either at the site or at their place of origin (this should be confirmed by worker interview).
- If Labour Providers are situated in overseas locations is management aware of the legislation applying to recruitment in those countries?
- Do contractual terms at the site match what was presented at the point of recruitment?
- Are there any apprentices/trainees at the site and where applicable detail these programs.
- What training is given on notice periods etc.
- Is there any documentary evidence of these practices and if so what are they. The auditor should record the details in this section.

See below for more detailed information.

Note: It is not expected that the auditor will check all worker contracts but rather that a sample may be reviewed to support management testimony.

Measurement Criteria

Management system investigation and document review including management interview.

Regular Employment:

The auditor checks and reports on:

8.1 What proportion of workers are permanent, part-time, fixed-term contract workers, temporary workers,

8.2 Do their terms and conditions meet the law, and are fixed-term contracts repeatedly used and the legal requirement governing this.

8.3 Checks and records the social security benefits and payments for all types of workers present (e.g. casual, temporary, subcontract, apprentice, trainee) and whether are they in line with law.

8.4 Is there any evidence of casual, temporary, fixed term contract workers, probationary/ trainee 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.

8.5 Checks hiring and termination records over the last 6 months to see if patterns exist e.g. regular hiring and firing or short term contracts to avoid regular employment.

8.6 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 audit report.

8.7 Records details of seasonal or contract workers and compares with national law. The auditor must clearly state the law in the audit report.

8.8 Checks 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.

8.9 Whether there are documented procedures for selection, contracting, induction and termination. The auditor reports on the details of the site practices and specifically whether these are applicable to all workers including non-employee workers.

Contracts:

The auditor checks a **sample** of contracts for different types of workers to verify whether:

a. All workers have a contract of employment detailing all terms, including their rights and obligations, as well as notice and grievance procedures. If all terms are not included, the auditor should provide more detail.

b. Are contracts in languages understood by the workers.

c. Do all workers have a copy of their contract signed by themselves (not a third party) and the employer.

d. Checks whether employees are asked to sign any blank / unofficial documents or if any original contract terms are replaced or changed without the workers knowledge / consent.

8.10 Contracts meet legal requirements.

8.11 Checks that contracts are stored securely

8.12 How are any contract changes communicated and agreed with workers.

8.13 If contract workers are on site, if possible reviews their contracts and terms and conditions. Do these meet the legal requirements? If these are not made available, is there evidence the site has undertaken a review of these to ensure they meet legal requirement?

8.14 If any apprentices/trainees on site ensure that all terms and conditions meet the legal requirements.

8.15 Review 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.

8.16 Are any extended probationary periods used to prevent Regular Employment.

8.17 Are workers kept on temporary contracts to avoid regular employment or other benefits.

8.18 Checks the overall use of temporary, zero-hour contracts, short-term contracts or freelance work and gives details on benefit payments including holiday, sick pay and other benefits e.g. social security payments and pension benefits. The auditor gives details in the relevant section of the report

Responsible Recruitment practices:

Note: Any employment sites, where agency or temporary labour is heavily relied upon, worker interviews must include a representative sample of people and departments within the production site including agency, contract, and migrant workers. Documentation should be organised in advance of the audit for documents to be available at the employment site for inspection, including any relevant documentation with regards to agencies and agency workers. If records for agencies and agency workers are not available, the employment site should explain why this is the case and a non-compliance should be raised under management systems to monitor agencies.

8.19 Is the site aware of all agencies, and contractors currently being used.

8.20 Whether the site has contracts / service level agreements in place with all agencies / contractors. If so, do these cover legal requirements. The auditor gives details if the contracts / Service level agreements cover labour standards requirements.

8.21 Whether the site has access to records for Agency / contracted workers. If so, how does the site monitor that all terms and conditions meet the legal requirements.

8.22 Does the site have a system in place to monitor all providers (contractors and agencies) e.g. audit / site visit etc. if so, what system is place.

8.23 The auditor gives details on whether these checks cover Labour Standards including: Wages, Hours, Age, Right to work

8.24 Is there any documentary evidence available of these practices and if so what are they? The auditor should record the details in this section.

8.25 Whether all non-employee workers are registered with the relevant agency / contractor.

8.26 Whether the site has an effective system in place to only allow registered workers on site.

8.27 Checks whether appropriate documentation is available on site.

8.28 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.

8.29 What is the payment process for agency workers e.g. directly through the site or via the agency / contractor?

8.30 Auditor gives details on how the site and agency cover elements of the code and how the site manages workers including how much notice is given, are they paid if they turn up, are they paid for down time.

8.31 Does the pay and conditions of agency workers at least meet legal requirements.

8.32 Can the site access records for all non-employee workers.

8.33 Whether clear and transparent systems are in place to recruit workers. The auditor gives details on migrant workers and agency worker recruitment processes.

8.34 Whether there is any evidence of fees being paid by workers in the recruitment process to either the agency or the site. The auditor gives details

8.35 Were workers presented with the terms and conditions of employment in advance of their employment? Auditor gives details on how these were communicated, understood and how these reflect actual practices.

8.36 Responsible managers are experienced/ trained on the core principles of responsible recruitment practices.

8.37 For migrant workers, what systems are in place around termination and supporting workers in returning.

8.38 Whether there is access to a grievance system for all workers including agency, migrant and contractors.

Worker Interviews – to corroborate workplace practices

Auditor seeks to confirm the management system, document review 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 a minimum of 1 year and can be classed as "permanent".

8.39 Asks their experience of being hired and what do they expect the duration of their contract to be, e.g. indefinite (permanent workers), fixed term, temporary.

8.40 Did workers (including migrant workers) understand the terms of their employment at recruitment.

8.41 Do conditions at the site match what was offered/explained at the point of recruitment?

8.42 What is their experience of temporary/casual etc. workers being able to apply for permanent positions.

8.43 What do they know of their wage deductions, do they know if they are paying social security etc.

8.44 What do permanent workers know about the site's practices towards temporary, casual, agency workers.

8.45 Ask apprentices/trainees about their terms and conditions and verify if they meet the law (exactly record the law as appropriate).

8.46 If contract workers are on site, includes a representative sample in worker interviews. Records what they know of their terms and conditions of employment.

8.47 Establishes how the workers were recruited and whether any payments were made or inducements offered prior to leaving their point of origin.

8.48 Examines what arrangements were made for the worker to travel from the point of origin.

8.49 Were there any deductions/arrangement fees for items such as travel, accommodation and equipment.

8.50 Whether workers were required to bring their own basic living equipment e.g. mattresses, cooking utensils.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

8.51 Contract workers are represented on worker committees.

8.52 All non-permanent workers are paid above legal requirements – in some cases this may be a 'retainer' for times when there is no work.

8.53 Site actively recruits permanent employees from any workers who are, or who have, worked on site on a non-permanent contract.

8.A. Sub-Contracting and Homeworking

CODE

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.

Note: The aim of this audit is not to carry out a full audit of the sub-contracting, homeworking and/or external processing (SC, H&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.**

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Sub-Contracting and Homeworking'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage sub-contracting, homeworking and external processing.

In this section the auditor also checks whether the site knows and is up to date with relevant local law, the ETI Base Code and the standards required e.g.

- Do their customers have policies on Sub-Contracting, Homeworking & External Processing.
- Is there a requirement to inform their customers.
- If yes have they done so.
- What processes are in place to control any external working and the external conditions of working.
- If homeworking exists, is the auditor required to include this in the scope of the SMETA (preferably established at the pre-audit stage).
- What is documented.
- Is there any documentary evidence of these practices and if so, what are they. The auditor should record the details in this section.

Measurement Criteria

Management system investigation and document review including management interview.

The auditor checks and reports on:

8A.1 If any or all of Sub-Contracting, Homeworking and/or External Processing is 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 where 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 Sub-Contracting, Homeworking and/or External Processing is taking place, the auditor records the extent by mapping the supply chain and summarising as well as recording what systems are in place to ensure those workers are working in good conditions.

8A.3 Requests details of any Sub-Contracting, Homeworking and/or External Processing used in the production process. It should be noted that the factory might only have details of the agents used as intermediaries, and the level of information available should be noted and recorded in the SMETA audit report.

8A.4 Where Sub-Contracting, Homeworking and/or External Processing is in place, ascertains what systems and policies are in place to manage their ethical position and has the site carried out any audits to assess conditions.

8A.5 Checks the existence of terms and conditions of engagement for Sub-Contracting, Homeworking and/or External Processing.

8A.6 Records if the country has ratified the ILO Convention on Home Working.

8A.7 State the location and number of Sub-Contracting, Homeworking and/or External Processing suppliers they are sourcing from and provide the name of whom through; if via a contractor, sub-contractor or a sub-sub-contractor.

8A.8 Identifies in which part of the production process Sub-Contracting, Homeworking and/or External Processing is used, and which period of the year.

8A.9 Checks the systems in place for setting piece rate pay, gathers evidence of the time and motion studies to establish rate of pay.

8A.10 Checks if the supplier has implemented systems to carry out random checks on Sub-Contracting, Homeworking and/or External Processing units via Quality Controls to ensure that basic working conditions are acceptable.

8A.11 Look for evidence that the code of conduct has been communicated to any Sub-Contracting, Homeworking and/or External Processing units.

8A.12 Where management state no Sub-Contracting, Homeworking and/or External Processing, 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 products made on site.

c. Quality records to check for signs of outside work.

d. Look at production processes during site tour and establish whether they are all on site.

e. In busy months, determine whether there are enough workers on site to handle production normally outsourced e.g. embroidery.

f. Look at goods coming out and in to establish if any work or part work is moving out of the site.

8A.13 Ascertains 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 the management system, document review and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers.

8A.14 Question quality team about goods coming out and in.

8A.15 Discusses processes on site and whether there is a likelihood of producing off site.

8A.16 Is there any indication that undeclared subcontracting is being undertaken e.g. insufficient workers or machinery on site to fulfil orders, evidence of bags of pieces awaiting collection etc.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

8.A.17 A scheme is in place to offer support and guidance to homeworkers that is beyond the requirements of the job – for example this could be health or financial literacy training.

8.A.18 Skills of homeworkers are graded and homeworkers rewarded financially according to level of skill.

8.A.19 The site shares best practices with its suppliers and collaborates with them to achieve their standards.

8.A.20 All workers work on site on a non-permanent contract.

9. Harsh or Inhumane Treatment

CODE

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

9.2 Companies should provide access to a confidential grievance mechanism for all workers.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'No Harsh or Inhumane Treatment is Allowed'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage this area of no harsh or inhumane treatment is allowed.

In this section the auditor checks whether the site knows and is up to date with relevant local law, the ETI Base

Code and the standards required e.g.

- Are there any policies on harsh treatment.
- What is the disciplinary procedure.
- Is it written down and understood by the workforce.
- Who disciplines workers and by what methods.
- Is any of it recorded.
- Is there a transparent grievance mechanism in place.
- Does the grievance mechanism include a provision for non-retaliation and does it allow workers to report issues anonymously.
- How was the Grievance mechanism designed e.g. with other employees, workers, industry experts, NGO's, etc.
- Who monitors, oversees and inputs into the grievance mechanism process (internally, externally).
- What is the process of dealing with each individual complaint received.
- How are results communicated internally and externally.
- How is the whole grievance system monitored and revised.
- What training is given and to whom, on the need for fair and humane treatment.
- Is there a mechanism for workers to report harsh treatment and if so, what are they. If there is any documentary evidence of these practices the auditor should record the details in this section.

Measurement Criteria

Management system investigation and document review including management interview.

The auditor checks and reports on:

9.1 Any policies and procedures concerning disciplinary action e.g.

a. Disciplinary rules and actions.

b. Prevention of harassment/abuse/intimidation.

c. Security practices: Reviews the contracts of any security guards as well as their job descriptions to ascertain likelihood of harassment or extreme discipline (security should be used to keep the site safe i.e. intruders out, not keep workers in).

d. Record if any deductions from wages were made for disciplinary reasons. If legally allowed, report on whether they were clearly documented and that the amount did not take workers below minimum legal wage.

9.2 Whether the site has a policy which includes non-retaliation, clear lines of accountability, roles, responsibilities and subsequent reporting outcomes.

9.3 Check that policies and procedures are communicated and understood by all levels of personnel e.g. using posters, training, worker handbook, other means when literacy is low.

9.4 Examines records of disciplinary and grievance activity and reports on actions/ outcomes.

9.5 Where unions/worker reps exist, check they are aware of the policies and procedures and have they agreed to them.

Grievance and appeal procedures. This should include but not be limited to checking and reporting on the below:

9.6 Is there a grievance mechanism in place and is it documented. The auditor gives details on the type of mechanism used e.g. hotline, whistle blowing mechanism, comment box etc.

9.7 How is the grievance mechanism communicated and who has access e.g. workers only / business partners / wider community etc.

9.8 Is there a non-retaliation policy communication, training and governance monitoring process.

9.9 Who oversees and monitors the grievance mechanism and have they had the relevant skills and training

9.10 Is the process transparent and accessible? Auditor reports and gives details.

9.11 What training (if any) is given and how is it recorded – especially to those employees working in stakeholder facing roles. The auditor should check for any specific training for relevant management and workers.

9.12 Whether the grievance mechanism is accessible from multiple access points

9.13 Whether users of the grievance mechanism are kept informed throughout the process.

9.14 Whether the site records in a confidential manner details of grievances and their outcomes

9.15 Whether the site monitors the grievance mechanism's effectiveness on a regular basis

Worker Interviews – to corroborate workplace practices

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

9.16 Discusses with workers whether they think disciplinary procedures and practices are fair, non- arbitrary and effective.

9.17 Whether workers are aware of any disciplinary cases and what the outcomes have been.

9.18 Checks if workers are aware of any grievance action and what the outcomes of these appeals have been.

9.19 Checks with workers their view of the security guards (if applicable) and their role.

9.20 Checks with workers concerning anecdotal or other evidence of corporal punishment or of verbal or physical or mental coercion or harassment.

9.21 Checks that workers are aware of any reporting mechanisms and feel free to use them

9.22 Checks that the workers are aware of any policies/procedures and if they are aware of their grievance rights.

9.23 Checks whether workers know of any complaints about inappropriate disciplinary actions and the outcomes.

9.24 Checks with union/worker reps whether they are aware of the disciplinary policies and procedures and whether they have agreed to them.

9.25 Checks if workers know how to report any harsh treatment.

Note: If there are any fears of reprisals, findings should not be reported at the closing meeting but must be reported to the client. Please see **'Supplementary Guidance for Dealing with Sensitive Issues Raised at Audit'** *on the members' resources section of the Sedex website.*

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

9.26 A scheme is in place that financially rewards staff to be respectful of each other

9.27 The grievance mechanism fulfils all UNGP requirements – please see UNGP clause 31 – https://www.ohchr.org/documents/publications/GuidingprinciplesBusinesshr_eN.pd

10. Other Issues

CODE

10A. Entitlement to Work

10A.1 Only workers with a legal right to work shall be employed or used by the supplier.

10A.2 All workers, including employment agency staff, must be validated by the supplier for their legal right to work by reviewing original documentation.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Entitlement to Work'.

Auditor examines policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage entitlement to work, migrant and agency labour.

In this section the auditor also checks whether the site knows and is up to date with, relevant local, national, and international law as well as the standards required e.g.

- Are there laws governing this area of the code and is the site up to date.
- Does the site have robust processes in place to verify all workers' right to work.
- Does the site have all legally required documentation to show compliance.

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

The auditor checks and reports on:

10A.1 There are copies of any legally required documents such as ID, right to work documentation, work permits etc.

10A.2 Checks the identification documents of permanent workers and agency workers to ensure they are entitled to work in the particular country.

10A.3 Checks that the facility is familiar with immigration rules and regulations if they are employing immigrants/foreign nationals/overseas students.

10A.4 Checks that the facility is aware of the types of official documentation that verifies a worker's right to work in the country.

10A.5 Checks 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 etc.).

10A.6 Checks and reports on any nationalities working on site from a UN sanctioned country, e.g. Democratic People's Republic of Korea (North Korea), Iran etc. Please note – the auditor should report under evidence examined with explicit reference to these nationalities.

Worker Interviews – to corroborate workplace practices

Auditor seeks to confirm the management system, document review and management interview by worker testimony. Discrepancies should be noted, taking care to protect the anonymity of workers. Particular care should be taken in case workers are in a precarious personal situation, especially if they have entered the country unofficially

10.A.7 Examines what arrangements were made for the worker to travel from the point of origin.

10.A.8 Did workers need to give a copy of ID upon employment.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

10.A.9 The site meets with all of its labour providers or agencies on a regular basis to work collaboratively to improve quality of service to workers.

10.A.10 The site will work with other suppliers in the local area to share information on agencies and Labour providers.

10B2. Environment 2-Pillar (Shortened Version)

This version is within the scope of the mandatory 2-Pillar SMETA Audit. For a 4-Pillar audit please use 10B4. Extended Version.

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

CODE

10B2.1 Suppliers must comply with the requirements of local, national and international laws related to environmental standards.

10B2.2 The supplier should be aware of and comply with their end client's environmental requirements.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage standards at the site in this area of 'Environment 2-Pillar (Shortened Version)'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage this area of environment.

In this section the auditor also checks whether the site knows and is up to date with, relevant local, national and international law as well as the standards required e.g.

- Are there laws governing environment, is the site aware of them and up to date.
- Do they have internal systems for checking they meet the law.
- Are these systems documented.
- Are there any government checks and if so, are they documented.
- Are they involved in a process of improvement of their environmental performance.
- Is there any documentary evidence of these practices and if so what are they. The auditor should record the details in this section.

See below for more detailed information.

Measurement Criteria

Management system investigation and document review including management interview.

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 international/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 the management system in place, document review 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.

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

10.B.2.8 The site has an internal competition between teams to reduce waste.

10.B.2.9 The site has significantly reduced the use of water year-on-year.

10.B.2.10 Site has required all new employees upon commencement of role to attend 3-day environmental management course.

10B4. Environment 4-Pillar

Use this section for an environmental assessment 4-Pillar SMETA, which includes a recommended

0.25 audit days.

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.

CODE

Compliance criteria

10B4.1 Businesses as a minimum must meet the requirements of local and national laws related to environmental standards.

10B4.2 Where it is a legal requirement, businesses 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 Businesses shall be aware of their end client's environmental standards/code requirements

10B4.4 Suppliers should have an environmental policy, covering their environmental impact, which is communicated to all appropriate parties, including its own suppliers.

10B4.5 Suppliers shall be aware of the significant environmental impact of their site and its processes.

10B4.6 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).

10B4.7 Businesses shall make continuous improvements in their environmental performance.

10B4.8 Businesses shall have available for review any environmental certifications or any environmental management systems documentation

10B4.9 Businesses should have a nominated individual responsible for co–ordinating the site's efforts to improve environmental performance.

Guide for Observations

10B4.10 Suppliers should have completed the appropriate section of the SAQ and made it available to the auditor.

10B4.11 Has the site recently been subject to (or pending) any fines/prosecutions for noncompliance to environmental regulations.

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage labour standards at the site in this area of 'Environment 4-Pillar (Extended Version)'.

Auditors examine policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage this area of environment.

In this section the auditor also checks whether the site knows and is up to date with, relevant local, national and international law as well as the standards required e.g.

- Does the site record its uses and discharge of natural resources such as water, energy, waste, emissions.
- Are these records reviewed regularly and if so at what level.
- Is there a programme of gradual reduction in environmental impacts.
- Is the workforce aware of how they can contribute to reduction in environmental impacts.
- Who manages the site's environmental performance.
- Does the site have a recognised environmental management system such as ISO 14001, record appropriate reference numbers and renewal/expiry dates.
- Are there any other sustainability measures/ environmental certificates available at the site such as Forest Stewardship Council (FSC), Chain of Custody (COC) and Marine Stewardship Council (MSC). If so, their reference numbers and date should be recorded here.
- Are there any policies on environment and/or biodiversity.*
- Is there any documentary evidence of these practices and if so, what are they. The auditor should record the details in this section.

See below for more detailed information.

*Note: *For more information on biodiversity, please see* **'Sedex Supplier Workbook'** *or visit the* **WWF website.**

Measurement Criteria

Management system investigation and document review including management interview.

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 has a system in place to measure 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 it is 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.

10B4.11 The site has checked that any third parties also have all legally required permits and licenses to operate.

Land rights and conservation – if applicable:

10B4.12 Is there a policy in place which covers land use and any land use changes. Auditor checks and reports on whether it includes references to national laws and practices relating to nature conservation and deforestation.

10B4.13 Auditor checks and reports if appropriation of land met all legal and local requirements and there are records available to evidence this.

10B4.14 Auditor checks and reports on whether any grievance mechanisms exist covering land rights issues and disputes and whether the site has been subject to any grievances, fines or prosecution for any land rights issue. The auditor gives details on any open disputes.

10B4.15 Checks whether the site has policies and procedures and capacity to cover land use change and or net deforestations and or avoidance of damage to High Conservation Value (HCV) and High Carbon Stock (HCS) forest.

10B4.16 Whether there is a manager responsible and accountable to deal with land use change, including aspects of environmental management including conservation and deforestations.

10B4.17 Checks whether the site has policies and procedures in place to recognize and apply national laws relating to nature conservation and deforestation.

10B4.18 Checks whether the site has a process for due diligence they will undertake e.g. a system to measure and avoid damage to High Conservation Value (HCV) and High Carbon Stock (HCS) forest.

Note: where the site is in an established industrial zone, the management's awareness of land rights issues should still be investigated but due diligence and specific procedures may be limited only to cases where expansion or new development is concerned. It is also possible that these functions occur at a Group or Head Office level, so if the relevant contacts are known and kept informed, this is sufficient to show compliance with the requirement.

Worker Interviews – to corroborate workplace practices

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

10B4.19 Are workers from the relevant sections, especially those involved with legal compliance checking contents of effluent, aware of standards required and do their work procedures ensure standards are met.

10B4.20 Are workers aware of what actions to take when regulations are not met and do they feel empowered to take action.

10B4.21 Are appropriate workers given any training on environmental issues, including having knowledge of any site policies and procedures.

10B4.22 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.

- **'SMETA Guidance for Auditors for Extended Environment and Business Ethics Assessment'.**
- **'SMETA Guidance for Suppliers for Extended Environment and Business Ethics Assessment'.** *A full environmental audit check list is available publicly at the GSCP website.*

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

10.B.4.23 The site can demonstrate that they have researched new ways of working to reduce the amount of chemicals required.

10.B.4.24 The site has actively changed its production techniques to avoid certain processes that require the use of polluting chemicals.

10.B.4.25 Site has won external awards for chemical/water or energy management.

10.B.4.26 Site has shared best practice with its suppliers and is making effort to reduce environmental impact throughout its supply chain.

10.B.4.27 The site takes a holistic approach to reducing their impact on the environment, they show that they have significantly invested in green technologies and are committed to training all employees on how to reduce their own personal impact on the environment.

10.B.4.28 The site actively supports the local environment by funding regeneration of green spaces in the local community.

10C. Business Ethics

CODE

Note: The aim of the Business Ethics 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 upon. In addition, this is not designed as a forensic audit, rather a review of processes and procedures to manage compliance

10C. Compliance Requirements

10C.1 Businesses shall conduct their business ethically without bribery, corruption, or any type of fraudulent Business Practice.

10C.2 Businesses as a minimum, must meet the requirements of local and national laws related to bribery, corruption, or any type of fraudulent Business Practices.

10C.3 Where it is a legal requirement, businesses must be able to demonstrate that they comply with all fiscal legislative requirements.

10C.4 Businesses shall have access to a transparent system in place for confidentially reporting, and dealing with unethical Business Ethics without fear of reprisals towards the reporter.

10C.5 Businesses should have a Business Ethics policy, covering bribery, corruption, or any type of fraudulent Business Practice.

10C.6 If legally required, whether the site is going through or has gone through any 3rd party financial audit / any other fiscal requirements.

10C.7 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.

10C. Guidance for Observations

10C.8 Businesses should communicate their Business Ethics policy, covering bribery, corruption, or any type of fraudulent Business Practice to all appropriate parties, including its own suppliers.

10C.9 Has the site recently been subject to (or pending) any fines/prosecutions for non-compliance to Business Ethics regulations. If so, is there evidence that sustainable corrective actions have been implemented.

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

Current Systems and Evidence Examined

The auditor checks and reports on the processes used to manage Business Ethics standards at the site in this area of 'Business Ethics'.

Auditor examines policies and written procedures in conjunction with relevant managers to understand and record what controls and processes are currently in place to manage the area of Business Ethics.

Where the site is uninformed on Business Ethics issues, the auditor should use the time to communicate the important issues in this area. To assist this communication, the Sedex Stakeholder Forum has prepared a guidance document for suppliers on Environment and Business Ethics standards and requirements. The auditor can use this to stimulate a discussion where they can investigate with the help of the site management any local issues which may be relevant and this should be captured in this section.

In this section the auditor also checks whether the site knows and is up to date with, relevant local, national and international law as well as the standards required e.g.

- What policies and procedures are already in place. Does the site have a written business ethics or business integrity policy and does the policy apply internally, externally or to both?
- Is the policy updated on a regular (as needed) basis?
- What training (if any) is given.

- Is the site aware of any financial inducements e.g. for order placement.
- What is the local custom and practice, are there advantages for financial inducements e.g. for stock movement.
- Is the site able to avoid these and if so how.
- Is there any documentary evidence of these practices and if so, what are they. The auditor should record the details in this section.
- Do employees have access to a transparent system in place for confidentially reporting, and dealing with unethical Business Ethics without fear of reprisals towards the reporter.

For more detailed information see below.

Measurement Criteria

Management system investigation and document review including management interview.

The auditor checks and reports on:

10C.1 Whether the site has completed the SAQ on Business Ethics 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 Ethics 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 Ethics standards or codes and is measuring its performance against those, an example would be codes on corporate giving.

10C.5 Whether the site has received and understood the auditor/Audit Company's policy on Business Ethics – this should explicitly state the need to avoid bribery during audits and the "zero tolerance" policy of both the auditor and the site to the giving or accepting of any bribe, either in remuneration or in kind.

10C.6 Whether the site has a clearly communicated policy, covering Business Ethics and that this policy has defined procedures for implementation and management of Business Ethics performance.

10C.7 Does the facility have a Business Ethics Policy that applies internally, externally or both and is it regularly updated?

10C.8 Is the policy signed at top level and is there evidence of commitment and an appropriate tone from the top.

10C.9 Whether the site has done some type of assessment to assess risk at the site.

10C.10 Whether this policy has specific reference to such topics such as bribery issues (excessive gifts and entertainment), conflict of interest, charitable donations, facilitation payments, political contributions, as well as, corruption, or any type of fraudulent Business Practice. The auditor should note any internationally recognised certifications present.

10C.11 Whether the site has communicated its policies on Business Ethics issues, especially to those workers in high-risk departments, such as purchasing or logistics. The auditor should check for any specific training for relevant management and workers.

10C.12 The name and position of any designated person with responsibility for management of Business Ethics 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.13 Whether there is a clear communication/ training on how to deal with any Business Ethics issues including how concerns should be communicated and dealt with.

10C.14 Are there any clauses in contracts where the site enters into new business contracts.

10C.15 Whether there is any evidence of transshipment to avoid country of origin reporting

10C.16 Has the site recently been subject to (or pending) any fines/prosecutions for non-compliance to Business Ethics regulations e.g. any public reports.

10C.17 Has the site recently been through any 3rd party financial audit or any other inspection.

10C.18 Does the site include anti-bribery and anti-corruption requirements in contracts with recruitment agents and other suppliers of the site?

10C.19 Does the site require third parties, including suppliers, to complete its own Business Ethics training or conduct their own business ethics training?

Worker Interviews – to corroborate workplace practices

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

10C.20 Interviews appropriate personnel to establish if they are aware of the site's policies and procedures concerning Business Ethics and whether they know how to report their concerns about any issues.

10C.21 Checks on the level of understanding and any training received by appropriate personnel on how to deal with Business Ethics issues when confronted with them at work.

10C.22 Whether workers are aware of the disciplinary procedures if they are found to be involved in unethical business practices e.g. bribery or corruption.

Management Interviews – to corroborate workplace practices

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

10C.23 Do appropriate employees/workers receive training on how to avoid and address bribery and corruption?

10C.24 Is there a senior manager or ethics compliance manager responsible and accountable for business ethics?

Note: For Business Ethics, interviews should focus on personnel where Business Ethics 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 Ethics.*
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 Ethics.*

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

Check for Good Examples – to show and measure good practices

Auditor seeks to collect and report on practices of the site that go above and beyond legal or code requirements.

10.C.25 The person responsible for managing Business Ethics makes time to train the site's suppliers on the subject.

10.C.26 The site is open with the auditor and can explain, using examples, how it has dealt with any previous issues.

10.C.27 Training within the site reaches all employees

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

- *Auditor checklists* – **'SMETA Guidance for Auditors for Extended Environment and BusinessEthics Assessment'.**
- *Guide for Suppliers* – **'SMETA Guidance for Suppliers for Extended Environment and BusinessEthics Assessment'.**

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**

11. Community Benefits

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.

This is the opportunity for the site and its workforce to describe what benefits they bring to the local community – often there are many, frequently a SMETA audit report does not record them.

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

The auditor should seek to quantify the benefits recorded, by the time given e.g. where staff and/or workers give assistance to a local charitable initiative, by the number of people affected (beneficiaries), by the financial input to any outside organisations and an indication of time which the project took (e.g. an on-going initiative or a single project). There may be other measurables and the auditors should be guided by the site.

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 audit report.

Universal Rights covering UNGP and Measuring Impacts

Introduction

Members of Sedex are increasingly interested in this topic and keen to learn about both the work they and their suppliers are doing on Human Rights at the workplace that is making a difference.

They are beginning to look to the SMETA audit process to support them in this task, so that an audit not only reports factual changes and improvements, but also attempts to record any effect of the changes from the perspective of the people who are present in the workplace.

SMETA already gives some opportunity within the standard documentation of the SMETA audit report to include some indicators which are linked to the satisfaction of employees and managers with the workplace. Efforts continue within the membership to improve on this type of reporting and to steer SMETA methodology towards a greater level of reporting on the effects that workplace changes have on the people who make products in global supply chains.

The SMETA Audit Report

Audit Overview

Attitude of workers

This section should record the workers view of "what it is like to work here". The auditor should report on the main benefits, but also the main challenges from a workers' perspective. The group interview is often a useful tool for obtaining a consensus view.

Individual interviews may reveal more sensitive issues that a worker feels unable to share with management, colleagues or worker representatives. Since a worker's confidentiality must be respected, it may not be appropriate to make a direct record of this, but please see **'Supplementary Guidance for Dealing with Sensitive Issues Raised at Audit'** on the members' resources section of the Sedex website.

The auditor should ask questions such as:

- What is your biggest challenge working here.
- What single thing would you change if you could.
- Have you seem any improvements in your time here and if so, what are they.
- Where do you go if you have a problem.

Attitude of Managers

This section should record the management views of "what it is like to work here". Managers are usually workers too and their views of what the challenges are and any changes made is equally useful.

Key Information

Management Systems.

Annual Worker Turnover

(Number of workers leaving in the last 12 months as a % of the average total number of workers on site over the year)

This figure for annual worker turnover may give a numerical indication of "what it is like to work here" and it is a statistic that the site management should keep. A useful question of both management and workers would be to understand why people leave;

- Is there an exit interview.
- What information is asked for/given at the exit interview.
- What is the turnover norm for the area.
- What challenges does this give the management – training, labour shortages etc.
- An accurate self-analysis supported by the audit process, can lead to awareness for management of the cost of losing workers and a discussion on how that may be changed.

Worker Interview Summary

What was the most common worker complaint.

This should be viewed as an opportunity for improvement and can be useful to management if they need to reduce their turnover of labour. An auditor should make every effort to find the common view from the majority of workers, whilst ensuring the confidentiality of individuals.

What did the workers like the most about working at this site.

This will give a balanced view when compared with the section above.

Any additional comment(s) regarding interviews.

This is an opportunity to record any worker opinions/views that have not been recorded elsewhere. It is important that the auditor attempts to measure the approx. proportion of workers represented by a particular recorded statement. A majority view, if resulting in a change, is more likely to affect a bigger proportion of workers, than a view expressed by a single worker. However the single view should not be missed and the auditor should attempt to discover if that single view represents the view of many workers.

Audit Results by Clause

In each section it is possible to record the effect of current conditions on the people working at the site. As an example recording the number of work related accidents per year and the trend, will give a picture of the health and safety practices at the site. Do workers feel safe at the site and if not why not. These can be recorded under 'Current Systems and Evidence Examined', as well as in observations.

Interviews with the managers can be used to record whether the managers responsible for implementation of standards are authorised to make changes. This can be reported in the 'SMETA Audit Report' under section 0 'Management systems and code Implementation'.

In each of the clauses, auditors should consider what effect the current conditions have on the people

employed at the site, whether any changes have benefitted the employees and if there is a single change which would have a significant improvement effect on "what it is like to work here". Often these would not be non-compliances, but can be reported under observations (which are defined in the BPG as opportunities for improvement), or in 'Current Systems and Evidence Examined'.

Measuring impact through worker voice tools

Introduction

Members of Sedex are increasingly interested in understanding what impact their efforts have had on the satisfaction of workers. Members have made efforts in driving change across the supply chain to ensure workers lives are improved, and are keen to have a consistent way of measuring this progress.

They are beginning to look to the SMETA audit process to support them in this task, so that an audit not only reports factual changes and improvements, but also attempts to record any effect of the changes from the perspective of the people who are present in the workplace.

SMETA already gives some opportunity within the standard documentation of the SMETA audit report to include some indicators which are linked to the satisfaction of employees and managers with the workplace. Efforts continue within the membership to improve on this type of reporting and to steer SMETA methodology towards a greater level of reporting on the effects that workplace changes have on the people who make products in global supply chains.

The Worker Wellbeing Assessment

Engaging and listening to workers to understand what's important to them, and then developing actions to address those requirements will help create a more sustainable workforce.

Sedex's Worker Wellbeing Assessment is a worker-centric tool that measures worker satisfaction and job quality to increase the impact of compliance activities.

The tool combines direct worker feedback with a standardised reporting and collection system, delivering consistent insights across multiple implementation approaches. When combined with business performance indicators, these insights provide a clear and simple methodology to measure impact on workers and help identify a business case for driving change in supply chains.

The Tool package consists of: a survey that can be carried out with workers through a range of approaches, guidance on methodology and a common reporting framework and can be combined with a SMETA audit.

Collection Methods

The tool can be utilised as part of an ethical audit (i.e. SMETA) to provide further insights alongside compliance findings. The party that commissioned the audit should notify the auditor if they wish to include the tool as part of the audit.

Before using the tool, roles and responsibilities should be assigned and clearly communicated between the site, the party commissioning the audit (if different from the audit) and the auditor. For full guidance and details of combining a SMETA audit with a Worker Wellbeing Assessment please download the full guide here: www.sedexelearning.com?C=1342969

There are four ways of collecting workers insights for this tool:

Data Collection Method	Description	Best to use when...
Self-reported by employer	Survey is carried out by the site themselves	• Employers who are committed to making improvements and driving results. • Employer who want to report on employee wellbeing and satisfaction
Collected by buyer	Survey is carried out by a brand or supplier that buys from the site	• Internal staff visits sites regularly • Buyer wants to get a reading on worker wellbeing in addition to audits / as part of project improvement work efforts
External audit	Survey is carried out in conjunction with an external audit by an audit firm	• The audit commissioner wants to get an additional reading of worker sentiment. • Audit commissioner wants auditor to focus on specific areas in worker interviews (in this case impact assessment can be done prior to audit)
Mobile surveys	Survey is carried out via workers' mobile phones through a specialist service provider	• The buyer is entering in a long term engagement with a site • Transparency is a concern when using any of the other data collection methods

Encouraging Worker/ Management Dialogue

Introduction

The SMETA methodology places significant emphasis on the need for auditors to accurately report the mechanisms in place for managers and workers to communicate and negotiate with each other.

Good communications between management and the workforce within a business is crucial for ensuring that issues relating to the workforce are put forward for the attention of management and resolved in a manner that meets both worker and management needs. If the voice of the worker is absent from a workplace, then the workplace cannot be run in a way that takes the interests of the workforce into account. A workplace requires effective structures of worker representation to ensure that concerns are raised in a constructive and representative manner.

Many companies also find that good communications improve business outcomes: if workers feel listened to, and their concerns are raised and resolved, they are more likely to feel engaged with the business, less likely to leave or be absent and work more efficiently. Engaged workers are also more likely to become involved in putting forward ideas for improving the way the business operates.

To meet the ETI Base Code, workers should be allowed to have worker representation via a workers' committee, works council or a trade union – and the prevention of these by an employer should be marked as a non-compliance. In addition, there are a number of other methods for worker/management dialogue, including staff surveys, employee suggestion schemes, hotlines, noticeboards and newsletters. The presence of such additional communication methods should be investigated and noted on the audit report and where there is evidence that they are particularly effective, they should be recorded as good examples.

This section brings together in one chapter both the current opportunities with the SMETA guidance for recording current worker/management dialogue, as well as sharing some anonymised case studies of how increased dialogue has had significant business benefits.

The SMETA Guidance

SMETA Best Practice Guidance

Guidance on how to evaluate and measure worker/management dialogue can be found in the SMETA Best Practice Guidance under:

6.5.1. **Information for Workers**
Details the need for workers to be informed about the audit process. This type of information can be provided to the site management as part of the pre-audit communication, with a request to make it known to workers in advance. Records of whether this has been communicated are captured as a question on the SMETA audit report (see SMETA audit report information below).

6.6.3. **Required document List**
The document review should always include a review of minutes from workers' committee and union meetings. The auditor should note in the audit report whether minutes exist and whether the minutes demonstrate that issues raised are then resolved from meeting to meeting.

7.0 **AUDIT EXECUTION**

7.1. **Opening meeting**
It is important that the worker representatives (Trade Union or workers' committee members) are invited to join the opening meeting, even where this involves them briefly leaving the production floor.

7.3.3 Planning Interviews

Note: Worker representatives (Trade Union or workers' committee members) should always be included within worker interviews and discussions should include understanding the level of effectiveness of the worker representation.

SMETA Measurement Criteria

Guidance on how to evaluate and measure worker/management dialogue can be found in the SMETA Measurement Criteria (this document) under:

2. Freedom of Association

Current Systems and Evidence Examined

It is important that worker representation is discussed during the opening meeting and during the worker interviews. Worker representatives should be present at the opening meeting and can be interviewed either as individuals, or in a group with other representatives – this should be made clear within the pre-audit communication.

Worker representatives will generally be part of the mainstream workforce and may be involved in day-to-day site operations; however, this should not be used to prevent them joining the opening meeting or interviews.

Minutes from the worker committee or trade union meetings should be reviewed as part of the document review. In particular, the minutes should be reviewed for information on the frequency of meetings, the seniority of management attendees, the key issues raised and whether there is evidence that issues are raised and resolved over time.

It is essential that the audit report states clearly what form of worker representation is in place. If worker representation is being prevented by an employer, this should be marked as a non-compliance against the ETI Base Code and any evidence to show that worker organisation has been restricted by management must be recorded – for example, if it is clear from discussion that the management are opposed to a workers' committee or trade union. Where countries have legal requirements governing the need for mandatory unions, or workers committees and these are not in place, this should be marked as a non-compliance against local law as well as the ETI Base Code.

The audit report should include the scope of the worker representatives – i.e. is the remit restricted to health and safety, or does it include all elements of the workplace conditions. Does it include the ability to negotiate on pay and rewards (in the case of a union – it is expected that the union would be involved in collective bargaining over pay and other terms and conditions – if this is not the case, it should be noted).

It is essential to record not only whether representative structures exist, but also whether these are effective channels for raising and resolving concerns. This can be established through the opening meeting, through the document review and through the interviews. Evidence can be sought from meeting minutes and from views put forward by management and worker representatives. During worker interviews, the auditor should also discuss with non-worker representatives their view of worker representation (e.g. are they aware that there is a committee, do they feel the committee is effective at raising issues). It is important that any representative structure ensures all elements of the workforce are represented – e.g. different production areas, different ethnic groups, both male and female. If it is clear that the structures in place are present but not effective, or not representative of the workforce as a whole, this should be included as an observation.

It is also important to record what other forms of dialogue are in place, for example worker hotlines, staff surveys, suggestion schemes, visual noticeboards and management/staff briefings. Again, it is important to establish whether these appear to be effective methods of dialogue.

9. No Harsh or Inhumane Treatment is Allowed

Current Systems and Evidence Examined

A site should have in place a grievance procedure to provide a formal method of reporting issues at work. It should set out the process for raising issues, for investigating these issues and for communication outcomes back to the worker raising a grievance. Often, the need for a grievance procedure is set out in local law and the site should demonstrate how their grievance procedure meets local law.

This will give an indication of the effectiveness of upwards dialogue and it can be recorded in the relevant section of the SMETA report (see below).

SMETA report

Site practices regarding worker/management dialogue can be recorded in the SMETA Report in the following sections:

Audit Overview

- **Audit Attendance**
  - **Field A, B, C:** Were worker committee/ union representatives present at the opening meeting/closing meeting and audit.
  - **Field D, E**: If not present why not.

Key Information

- **Field Q**: What form of worker representation/ union is there on site.
  This gives an indication of the attitude of an employer towards unions – is it "an open attitude".
- **Field R**: Is there a legal requirement to have a union.
  Which gives the reader some local context. Local union contacts will be useful in exploring this question
- **Field T**: Is there any other form of effective worker/management communication channel and describe.
  This gives the site the opportunity to explain to the auditor the communication channels already in place with an opportunity to discuss if they are effective.

Audit results by Clause

2. Freedom of Association

Current Systems and Evidence Examined

This allows for the auditor to record the systems in place for worker representation and the current effectiveness of worker/management dialogue within the site, through the process of worker representatives.

Interviews with union/worker reps should be recorded in this section as well as a summary of the content of any committee meeting minutes. What was raised and what were management's responses.

What are the views of management, are they satisfied with the level of dialogue, what barriers do they face etc.

9. No Harsh or Inhumane Treatment is Allowed

Current Systems and Evidence Examined

This is an opportunity for the auditor to record the presence or absence of discipline and grievance procedures:

- Do they exist.
- Are they communicated.
- Are they used and to what extent.
- What are common complaints and have they been acted on.

Effective operation of a discipline and grievance procedures, as well as the number of grievances recorded can be a measure of the quality of worker/management dialogue.

Case Studies

Case study 1: Perception becomes reality (the importance of good communication)

During an audit, a worker shared with an auditor that he had not received an increase in wages when moved from a trainee to worker. It was the standard practice at the site that workers who successfully completed 6 months in post would move from trainee to worker with an associated increase in wages. This worker had been with the site for just over 6 months and claimed this had not happened.

Examination of the records showed that the increase in wages had indeed happened, but this had not been effectively communicated to the worker in question. It was the normal practice that a staff member in the wages office would write to all workers who qualified to move up and congratulate them on the promotion as well as inform them of their wages increase. The person responsible for this process had been absent on sick leave for 2 months and no one had picked up their responsibilities. As a result, several workers had not received confirmation letters and were not aware of their promotions and increased wages.

Case study 2: Effective worker committees (the business case).

During a visit to a site in Bangladesh, an auditor interviewed members of the workers' committee. In spite of an 80% female workforce, all the members of the committee were male and all from the on-site dye house.

Interviews confirmed that they had not met with management in 6 months and they were dissatisfied that their request for protective overalls in the dye house appeared to have been ignored.

Interviews with management showed that the overalls issue was being examined – but not actioned and that they did not see any benefits coming from the worker committee management meetings, which they felt were simply a series of complaints from the workers. In addition, they were finding it difficult to engage with their largely female work force who did not volunteer to be part of the committee.

Confidential interviews with the female workers showed they were reticent about meeting with males who were not of their family (a cultural norm).

It was noted by the auditor that the turnover of workers was 5% per month and absenteeism was on average 10%. This was leading to excessive training costs for new recruits as well as poor production rates because of unplanned absenteeism.

The site management decided to partner with a local NGO currently working on providing crèche services for sites in Bangladesh.

The NGO visited the site to meet with worker representatives. As part of that meeting (and with the agreement of managers), the Local NGO explained to workers (and managers) the local laws governing employment, i.e. the rights of

workers, but also the responsibilities of workers towards their employers. This included the need to come to work and the long-term consequences of unplanned absences, if the commercial viability of the enterprise were affected.

As a result of the involvement of the NGO:

- A workers' committee and management meetings were restarted and scheduled monthly.
- A separate committee was formed for the female workers, who met with a female member of management.
- Overalls for appropriate workers were made on site.
- Absenteeism was reduced to 5%.
- Turnover of workers was reduced to 2%.

Case Study 3: Employee Forums.

One company developed an employee forum for communication and consultation. Elections are held once every 2 years in order to nominate a representative for the group whose role is to represent their colleagues, collect the views of others during meetings and subsequently feedback to their fellow employees.

These elections are held every 2 years in order for the team to become balanced in this time. Representatives from different areas of the company will undoubtedly have different views as to what should be a priority. Therefore, a team that is in place for 2 years will have significant time to establish the involvement of different team members.

Best Practice Guidelines were issued to HR Managers, all Employee Reps and Line Managers to help give people direction and establish their roles within the team.

Employee forum training was also offered to elected representatives so as to ensure they were aware of their roles and had adequate training on how to communicate effectively. The training included modules such as how to be a forum rep, communication skills, representation skills and team building activities.

The supplier is a large group containing many individual sites. Therefore, it is possible that if a company is part of a large group; the individual Site Employee Forums, could contribute to a Group Forum. This is an initiative in place within this supplier's group, where the Group Forum rewards the most effective and proactive site if it demonstrates good creativity in new ideas.

The meetings are chaired by the Operations Director. This is important as it shows that all level of employee are involved in the meetings, including senior management.

This document should be used in conjunction with the SMETA Best Practice Guidance Version 6.1, March 2019.

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