# Sedex Members Ethical Trade Audit (SMETA) Measurement Criteria

Version 5.0 December 2014 (Replaces V. 4.0 May 2012). This Measurement Criteria covers both a 2-Pillar SMETA Audit and a 4-Pillar SMETA Audit which includes the 2 optional pillars of Environment and Business Ethics.



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# SMETA Measurement Criteria

# BACKGROUND

## Introduction

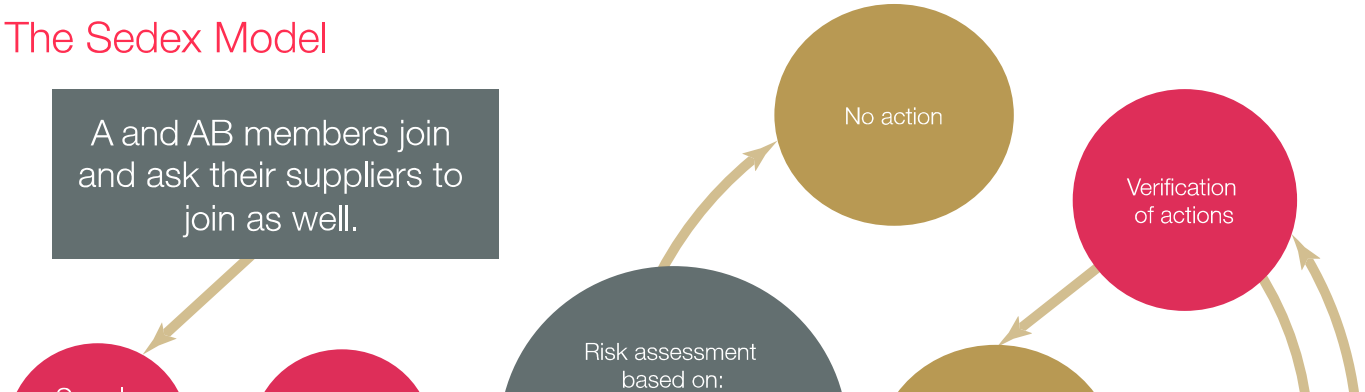
**SMETA guidance has now been split into 2 parts, one describes the audit methodology (now called the Best Practice Guidance – BPG) and the second part details Measurement Criteria (this document).**

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) which includes the important element of auditing.

## The Sedex Model



## The Audit Process

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

This is clearly set out in the 'SMETA Best Practice Guidance' which should be used in conjunction with this Measurement Criteria.

## Audit Report Completion

An auditor is not only auditing to find non compliances, observations and good practices, they should also be auditing to record improvements. This should include recording the current system which the site uses to manage all aspects of its labour standards. This is captured under 'Current Systems and Evidence Examined'.

**A site will already have systems in place to enable production or processes to take place and since a key part of production is the workforce involved, the systems present will include processes to manage that workforce. By examining and reporting on the existing systems at a site, an auditor will encourage management to identify any gaps for themselves as well as create their own solutions.**

For continuous improvement it is essential that the auditor records what policies, procedures and practices actually exist at the site. 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. This can often be demonstrated by reviewing a site's procedures and highlighting any change in internal procedures and processes. 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. It is important that the auditor captures this information.

Thus the auditor should not only be recording non-compliances, observations and good practices, but they should also pay special attention to the verbal information given at management interviews which will indicate what processes and controls are already in place. This should then be corroborated by examining the documentary evidence along with the appropriate responsible managers. It will allow managers to re-examine their own practices and procedures as well as allowing them to demonstrate where there have been improvements in their method of management.

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.

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

The emphasis in this section is on the processes that are in place and whether these constitute an effective management system which will ensure that non-compliances are avoided i.e. preventative actions not only corrective actions. The system a site uses should be reported under each code item in the 'Current Systems and Evidence Examined' box.

These 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 international standards and ILO conventions and this guidance should therefore agree with the majority of codes and standards currently in use.

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

## Useful Documents

Sites are encouraged to examine their own practices in advance of an audit and make improvements in advance where appropriate. In this way an audit will be an objective and independent assessment of a site's good practice.

To support the process there are a range of documents provided by Sedex and its membership:

- **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 into Sedex.
- **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.**

# MEASUREMENT CRITERIA BY CLAUSE

## 0. Management Systems

### CODE

**0.1** Suppliers are expected to implement and maintain systems for delivering compliance to this Code.

**0.2** Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code.

**0.3** Suppliers are expected to communicate this Code to all employees.

**0.4** Suppliers should communicate this code to their own suppliers and, where reasonably practicable, extend the principles of this Ethical Code through their supply chain.

*Note: 0.4 Is for information only and is not a specific requirement of the code. Failure to communicate the code to their own suppliers should be recorded as an observation not 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 the appropriate areas of the audit report.
- Whether they are up to date with the local law and how they stay up to date. What kind of relationship

## MEASUREMENT CITERIA

**Management system investigation and document review, including management interview.**

The auditor checks and reports on:

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

**0.2** Looks for specific policies and procedures which ensure the site meets in particular freedom of association, discrimination and general human rights standards.

**0.3** Checks whether the site knows the local laws concerning Labour Standards e.g. age, wages, hours of work, Health & Safety etc. Whether there is a system in place to keep up to date with all local laws concerning workplace requirements, Labour Standards, Environment etc.

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

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

**0.6** Checks that the site is aware of specific client requirements such as client's policy on labour standards, labelling, quality, environment and shows commitment to work with their clients to meet these requirements.

**0.7** Checks that the ETI Base Code or client specific codes have been communicated to on-site workers including, local labour laws/labour rights and how this has been done e.g. posters, worker trainings etc. (In cases where literacy level is low, what method of communication is used).

**0.8** Establishes what action is taken to communicate and implement the code in its own supply chain e.g. to raw material suppliers.

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

**0.10** Check that the site has all applicable/required land rights, licences and permission.

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

# 1. Employment is Freely Chosen

## 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.

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 are workers recruited – record details in this section – are Agencies/Labour providers used and if so are they local or in another region/country.
- Does the site check on the hiring procedures of any Labour Agents used. Are they aware of any deposits paid by workers for their jobs, either at the site or at their place of origin (this should be confirmed by worker interview).
- How does a worker resign and what notice is required.
- Is there a loan fund and how is it managed.
- Does the site have a policy on e.g. the use of prison labour.
- 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 or any of its labour agents.
- In countries where it is a legal requirement to retain the papers of e.g. country migrant workers, can workers access their papers if required.
- Is there any documentary evidence of these practices and if so what are they. The auditor should

## MEASUREMENT CRITERIA

**Management system investigation and document review including management interview.**

The auditor checks and reports on:

**1.1** Contracts:

- **a.** Do all workers have a contract of employment detailing their rights and obligations as well as notice and grievance procedures.
- **b.** Is the contract in a language understood by the workers.
- **c.** Do all workers have a signed copy of their contract.
- **d.** Can workers voluntarily leave their employment after reasonable notice.
- **e.** 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.
- **f.** Are there any clauses in contracts that would restrict workers leaving.
- **g.** Are there any financial arrangements e.g. loans which would restrict workers leaving.
- **h.** Are there clauses in the contract/job description for security guards which allow them to restrict worker movements.
- **i.** Are workers free to leave at the end of their shift and not unreasonably delayed by e.g. security checks.
- **j.** Are workers free to refuse overtime and if so how.

**1.2** Personnel files:

- **a.** Do employers keep only copies of ID's Passports and Right to Work checks.
- **b.** Whether originals are returned to workers.
- **c.** If it is a legal requirement to retain original documents, do workers give their written consent and can they retrieve their documents at any time.
- **d.** Where there are loans to workers are they covered by a signed agreement from both parties and do they detail repayments, terms and conditions.

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

- **a.** That there is a written agreement to the deduction, signed by the worker.
- **b.** That deductions are reasonable and meet the law.
- **c.** That any deductions do not reduce wages to below minimum legal wage.
- **d.** Whether deductions are for disciplinary reasons and whether this is legal.
- **e.** Whether there are any voluntary deductions and if so do they meet the law.
- **f.** Exact details of any voluntary deductions (although they may meet the law they may not meet the code).
- **g.** That deposits are not taken for workplace essentials such as PPE.
- **h.** That deposits are not a compulsory condition of gaining employment.
- **i.** That any agreed (by the worker) and withheld deposits/withholdings are returned to the worker as appropriate.
- **j.** That there are no other deductions when commencing, during, or as a condition of employment.

**1.4** Where there is any prison labour (legally required in some countries), the auditor must record the details of such employment checking:

- **a.** That any prisoners are working voluntarily.
- **b.** That the work is under the control of the legal authority.
- **c.** Pay and hours meet the law.

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

**Worker Interviews – to corroborate workplace practices**

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

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

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

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

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

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

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

## 2. Freedom of Association

### CODE

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'**

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 it effective (confirmed by interview with workers e.g. how often do they meet with management and what are the outcomes).
- Are meetings documented and communicated to the workforce.
- How workers feel about their representatives, do they know who they are, do they feel fairly represented.
- Where no worker representation exits what is the on-site communication method between managers and workers.
- 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, may be governed by a law-auditor should check) and there may not be a committee or other formal structure the auditor verifies access to line manager and effectiveness*

## MEASUREMENT CRITERIA

**Management system investigation and document review including management interview.**

The auditor checks and reports on:

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

**2.1** Whether there is a site policy on freedom of association.

**2.2** Checks whether management recognises and negotiates with any unions present.

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

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

**2.5** Where unions are legally allowed checks:

- **a.** Whether there is a union on site.
- **b.** If workers are free to join the union if they wish.
- **c.** That union officials are freely elected and allowed to perform their functions – with paid time off if a legal requirement.
- **d.** If the employer takes deductions for union fees checks that, workers have given written consent that deductions are legal, recorded on wage slips and paid to the union.

**2.6** Where workers are represented by a union or workers committee checks:

- **a.** Whether the worker representatives are volunteers and how they are elected.
- **b.** That workers are aware of their union or worker representatives.
- **c.** That the group which represents workers is independent of management and represents workers effectively.
- **d.** The meeting minutes of both worker meetings and their meetings with management are published with agreed actions and responsibilities.
- **e.** That management shows evidence of responding to concerns and proposals raised in the meetings.

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

2.8 Examines the personnel files of any union or worker representatives to check:

a. Whether there are any disciplinary records from management.

b. Any evidence of union or worker representatives being discriminated against.

c. Evidence of union members being dismissed.

d. Whether there is payment for time spent in a representative function.

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

**Worker Interviews – to corroborate workplace practices**

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

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

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

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

2.13 Are workers aware of whom their representatives are.

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

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

2.16 Whether any policies and procedures have been communicated to workers by e.g. briefings, worker handbook and for non-native speakers or those of limited literacy what was the form of communication.

2.17 Whether collective bargaining agreements have been circulated to workers.

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

2.19 If facilities are provided for trade union activities.

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.

## 3. Health & 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 Organisation (ILO) Occupational Safety and Health Convention 155: “The measures taken to facilitate the cooperation referred to in Article 20 of the Convention should include, where appropriate and necessary, the appointment, in accordance with national practice, of workers’ safety delegates, of workers’ safety and health committees and/or joint safety and health committees; in joint safety

- 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 & 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 & safety management system such as OHSAS 180001.
- Whether there is a responsible manager for health & safety and do they 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 & Safety Risk Assessments and if so how.
- 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 is a Health & Safety policy and procedures in place at the site, appropriate to the size and complexity, both for the workplace and any associated residential facilities.

**3.2** Whether there are appropriate Health & Safety risk assessments/site inspections carried out on a regular basis, how 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.

**3.3** Checks whether the following documents are available:

**a.** Building licenses and construction approval from appropriate authorities.

**b.** Valid inspection certificates as per local regulations.

**c.** Machine inspections and maintenance reports.

**d.** Records of fire drills.

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

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

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

**h.** Safety training records and worker training certificates if appropriate e.g. for fork lift truck driving.

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

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

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

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

**m.** Needle and blade control policies.

**n.** Electrical safety certificates and records of maintenance checks.

**o.** Water test for potability.

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

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

**r.** Site insurance for e.g. workplace, employer liability, worker accident, fire.

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

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

b. That maintenance records are up to date.

3.6 For Health & Safety training records checks that training is appropriate to the task.

a. Use of machinery.

b. Working with and disposal of chemicals.

c. First aid and safety.

d. Housekeeping.

e. Personal protective equipment.

f. Records of training kept in workers personnel files.

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

3.8 During the site tour, auditor makes appropriate checks on e.g. (but not limited to):

a. Fire evacuation plans for workplace and accommodation.

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

c. At least 2 exits on each floor and all exits are unblocked, unbarred and unlocked.

d. Firefighting equipment is sufficient, up to date and meets local regulations.

e. That accommodation is not attached to the production area.

f. That safety precautions in accommodation and worksite are checked regularly to include, firefighting equipment, exits and regular fire drills and health and hygiene checks, structural safety certificates.

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

h. That workers have free access to toilets.

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

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

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

**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.

3.9 Check whether there is a Health & Safety committee and are there worker representatives – interviews the H&S committee members to record their view of its effectiveness.

3.10 What training have workers received.

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

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

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

3.14 The intervals between fire drills.

3.15 Do they feel safe and secure in the workplace and are they happy with the general condition e.g. canteen, hygiene facilities, housekeeping, accommodation etc.

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

3.17 What arrangements are made for them when they are sick.

3.18 How receptive are managers to any concerns raised on Health & Safety.

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

3.20 Do they have free access to toilets.

# 4. Child Labour and Young Workers

## CODE

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

## 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 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 valid and not fraudulent.
- What processes are written down, could another person take these responsibilities over 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

**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 law requirement if this is higher. If age 14 is allowed in accordance with developing country exceptions (ILO convention 138) the lower age may apply.

**4.6** That if any historical child labour is found i.e. workers hired at below minimum age that are now above legal age, the auditor checks whether the current system is sufficiently robust to prevent this happening in the future.

**4.7** That all young workers (up to age 18 years) meet all local legal requirements which may include (but not be limited to):

- **a.** Registration with local authority.
- **b.** Consent of parent or guardian.
- **c.** Contract and appropriate documents state limitations on type of work e.g. no hazards or night work.
- **d.** Records of medical examinations in personnel files (annual if required by law).

**4.8** That the site keeps a list of young workers and their job roles.

**4.9** Check hiring and termination records for the previous 12 months to check if any pattern of sacking young workers prior to audit.

**4.10** Evaluates any training/apprenticeships schemes in operation and records the terms and

**4.13** Checks whether the site has remediation policies and procedures to remove any child labour found and to support them 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.
- **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, meeting local laws and sufficient distance between them and the work place to ensure that the children are not exposed to hazards or able to enter the workplace.

**Worker Interviews – to corroborate workplace practices**

Auditor seeks to confirm 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 child care facilities.

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

# 5. Wages & 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

## 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 & Benefits'.**

*Note: For more information on 'Wages & 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 standards required 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 – recorded in the 'SMETA Audit Report' under 'Audit Scope – Local Law'.
- 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

**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 are affected.

**5.5** 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.

**5.6** Where local law allows overtime pay below 125%, this must be recorded in the SMETA Audit Report.

**5.7** 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.

**5.8** 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.

**5.9** AAG strongly recommends that less than 125% OT paid is raised as a NC 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 "discussed and agreed as acceptable with the customer" if all parties agree with this, the NC could then be closed.

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

**5.10** 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.

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

**5.16** 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.

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

**5.18** 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.

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

**5.20** Check a minimum of 3 pay periods, Peak, Current/Most recent and Low/Random.

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

**5.22** If deductions are made for company loans check they are lawful and that there is correct loan accounting.

**5.23** 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.
- **d.** The probationary periods do not exceed the law.
- **e.** Contracts meet the local laws.

**5.24** 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.

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.

5.27 Where it is not possible to verify accuracy of wages and hours records because of e.g. discrepancy with worker testimony or production records, auditors should make it clear to management that fraudulent records are seen as a more serious issue than correct records which do not meet the standard. Sites should be encouraged to show accurate records to allow for an open and frank discussion with customers on how they can work together to make improvements.

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

5.29 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.

5.30 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.

5.35 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.

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

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

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

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

## 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 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 are met:

- This is allowed by national law.

*Note: The wording of the ETI working hours' clause has changed. The ETI has prepared a guidance document which explains the changes and also responds to some frequently asked questions about the new wording which can be found on 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. Stated in SMETA audit report under 'Audit Scope – Local law'.
- How does the site manage overtime hours and how do they ensure that each individual does not exceed the allowed maximum. What system is in place to ensure that workers can refuse to do 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.

## 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.

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.
- **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 a lower level can be worked 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 an NC.

**The recommendation of the AAG is that less than 125% overtime pay, (which does meet the law) should be raised as an NC 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 (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). A relevant sample 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. 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 6.5 apply e.g.

- this is allowed by national law;
- this is allowed by a collective agreement 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.

b. Report on all records analysed of the standard/contracted work week, 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.

c. Find and report on the lowest and highest number of hours worked over 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 of certain skills/or in certain job roles/departments. Or does it apply to the 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 peak 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

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.

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.

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 following criteria should be met:

**a.** This is allowed by national law.

**b.** This is allowed by collective agreement freely negotiated with a workers' organisation representing a significant portion of the workforce.

**c.** Appropriate safeguards are taken to protect the worker's health and safety; and

**d.** The employer can demonstrate that exceptional circumstances apply such as unexpected production peaks, accidents or emergencies.

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

### 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.

**6.21** What are their overtime hours and whether they feel able to refuse to do overtime.

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

**6.23** 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).

**6.24** What are their overtime hours and how often do they work overtime and do they feel able to refuse to do overtime.

- **a.** What do you think are the reasons for working overtime hours. Are they explained by management.
- **b.** Is there a process/records to show workers have given separate consent for all overtime (OT) worked.

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

**6.26** Have they ever worked without recording their hours.

**6.27** Are overtime hours ever paid in cash without being recorded.

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

**6.29** During what part of the year is the site busiest.

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

**6.31** Whether they get rest days each week and if so how many. When was the last time they had a

# 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.

d. Promotion, benefits and advancements.

e. Termination and retirement.

f. Equal opportunities.

g. Discrimination based on e.g. 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 specifically the recruitment process for:

a. Systems for advertising and hiring new staff e.g. verify the language used in job postings and the list of job requirements.

b. How the workers are selected for interview.

c. How interviews are conducted by whom and what questions are asked.

d. Policies and requirements for any health checks prior to employment with particular reference to pregnancy and HIV testing to ensure they do not discriminate; this includes core workers as well as non-core such as cleaners, subcontractors, security guards.

e. Interview notes and application forms do not indicate discrimination e.g. asking female workers if they are likely to marry, asking about union membership.

f. Checks contracts to examine potential discrimination e.g. requirement not to have children for a period.

7.4 Examines the termination policies and practices.

a. Verify disciplinary and notice letters to workers.

b. Investigate why workers have left.

c. Examine specifically termination conditions of any union members.

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

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 which may include:

- written policies and procedures
- communication and training (that can be easily understood by workers)
- internal monitoring and governance process
- use of an externally managed process

7.7 Checks the breakdown of workers:

a. By ethnic/social group, gender and position.

b. Ensure that any segregation of workers is a local norm and does not interfere with equal opportunities across all groups.

c. Ensures that all benefits are applied equally to all groups and especially all legal benefits reference pre and post natal conditions e.g. rest and breaks, nursing breaks and a suitable quiet space.

7.8 Examines what are the workers' rights to observe religious holidays, prayer time in work time etc.

**Worker Interviews – to corroborate workplace practices**

Auditor seeks to confirm 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.*

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

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

7.11 Whether they are aware of any maternity or paternity benefits and whether they are aware of any workers who have been given this and then being able to return to work afterwards.

# 8 Regular Employment

## CODE

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

**8.2** Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

## 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 'Regular Employment'.**

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 is the contract procedure.
- How are the workers made aware of their contractual rights and obligations.
- Are there any apprentices/trainees at the site.
- What training is given on notice periods etc.
- If labour providers are used how does the site understand their terms and conditions of working.
- How does the site check the labour standards of any labour providers it uses.
- 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.

**8.3** 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.

**8.4** Checks hiring and termination records over the last 6 month to see if patterns exist.

**8.5** Checks patterns on hiring around peak periods and whether these are normal within the company.

*Note: Under some circumstances regular layoffs during quiet periods may be acceptable; the auditor should state the law in the audit report.*

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

**8.7** Check the policy concerning pay in quiet periods and if annualized hours are being used ensure this is legal and that overtime hours in busy periods are still being paid according to law.

**8.8** Checks any service level agreements with agencies in the case of agency workers. What do they cover and how do they manage workers, how much notice is given, are they paid if they turn up, are they paid for down time. Do the pay and conditions of agency workers at least meet legal requirements.

**8.9** If contract workers are on site, if possible reviews their contracts and terms and conditions. Do these meet the legal requirements.

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

**8.11** 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.

### 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 minimum of 1 year and can be classed as "permanent".*

**8.12** Asks their experience of being hired and what do they expect as the duration of their contract

# 8A. Sub-Contracting & 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 & 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 (SC,H & EP).
- Is there a requirement to inform their customers.
- If yes have they done so.

## MEASUREMENT CRTIERIA

**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 (SC,H & EP) are being carried out the auditor must check:

- **a.** That it is with the knowledge and agreement of the main client.
- **b.** Whether the site has a good knowledge of 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 some of (SC,H & EP) 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 (SC,H & EP) used in the production process. It should be noted that the factory may only have details of the agents used as intermediaries and the level of information available should be noted and recorded in the SMETA audit report.

**8A.4** Ascertains, where (SC,H & EP) is in place what systems and policies are in place to manage their ethical position and has the site carried out any audits there to assess conditions.

**8A.5** Checks the existence of terms and conditions of engagement for (SC,H & EP).

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

**8A.7** Request evidence to show they have communicated the code of conduct.

**8A.8** State the location and number of (SC,H & EP) suppliers they are sourcing from and provide the name of whom through; if via a contractor, sub-contractor or a sub-sub-contractor.

**8A.9** Identifies in which part of the production process (SC,H & EP) are used and which period of the year.

**8A.10** Checks the systems in place for setting piece rate pay, gathers evidence of the time and motion studies to establish rate of pay.

**8A.11** Checks if the supplier has implemented systems to carry out random checks on homeworking/(SC,H & EP) units via QCs to ensure that basic working conditions are acceptable.

**8A.12** Look for evidence that the code of conduct has been communicated to any (SC,H & EP).

8A.14 Ascertain and notes as a non-compliance where sub-contracting is taking place without express permission from any retailers concerned.

**Worker Interviews – to corroborate workplace practices**

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

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

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

# 9. No Harsh or Inhumane Treatment is Allowed

## CODE

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

## 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.

## MEASUREMENT CRITERIA

**Management system investigation and document review including management interview.**

The auditor checks and reports on:

**9.1** Checks and reports on any policies and procedures concerning disciplinary action e.g.

- **a.** Disciplinary rules and actions.
- **b.** Prevention of harassment/abuse/intimidation.
- **c.** Security practices.
- **d.** Grievance and appeal procedures. This should include but not be limited to checking and reporting on any:
  - Non-retaliation policy
  - Communication and training
  - Governance and monitoring process.

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

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

**9.4** Reviews the contracts of any security guards as well as their job description to ascertain if any likelihood of harassment or extreme discipline (security should be used to keep the site safe i.e. intruders out, not keep workers in).

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

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

**Worker Interviews – to corroborate workplace practices**

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

**9.12** Checks whether they know of any complaints about inappropriate disciplinary action and the outcome.

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

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

**9.15** Checks with the workers, do they know how they would 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 member's resources section of the Sedex website.*

# 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.

**10A.3** Employment agencies must only supply workers registered with them.

**10A.4** The supplier shall implement processes to enable adequate control over agencies with regards the above points and related legislation.

## 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'.**

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 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

## MEASUREMENT CRITERIA

**Management system investigation and document review including management interview.**

The auditor checks and reports on:

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

**10A.2** Checks that the facility is familiar with immigration rules and regulations if they are employing immigrants/foreign nationals/overseas students.

**10A.3** Checks that the facility is aware of the types of official documentation that verify a worker's right to work in the country.

**10A.4** Check that the facility is using agencies or labour providers who are in compliance with local legislative requirements (e.g. GLA in UK, responsibilities of main supplier to contract workers in India etc.).

**10A.5** Checks that the facility maintains control of agencies that they may use to provide temporary labour. This may include regular visits to the agency by the facility or a more formal internal audit of its processes and systems.

**10A.6** Where agencies used are in a different country e.g. to recruit workers from another country, check what system is in place for the site to check on these agencies' procedures.

**10A.7** Checks that the facility has applicable records relating to any agencies used such as contracts (Service Level Agreement) or invoices. That appropriate records for agency workers are kept on site.

**10A.8** Checks how the workers were recruited and whether the site is aware of any fees paid by workers to secure a job.

**10A.9** Checks these workers contracts, pay slips, hours and where workers are paid by the agency that the site keeps copies of these documents.

**Worker Interviews – to corroborate workplace practices**

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

**10A.10** Establishes how the workers were recruited and whether any payments were made or

# 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 clients' 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.

# 10B4. Environment 4-Pillar (Extended Version)

Use this section for an extended 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.

## Guide for Observations

**10B4.4** Suppliers should have completed the appropriate section of the SAQ and made it available to the auditor.

**10B4.5** Suppliers should have an environmental policy, covering their environmental impact, which is communicated to all appropriate parties, including its own suppliers.

**10B4.6** Suppliers shall be aware of the significant environmental impact of their site and its processes.

**10B4.7** The site should measure its impacts, including continuous recording and regular reviews of use and discharge of natural resources e.g. energy use, water use (see 'SMETA Audit Report' Clause 10B4. and Measurement Criteria below for details).

**10B4.8** Suppliers shall seek to make continuous improvements in their environmental performance.

**10B4.9** Suppliers shall have available for review any environmental certifications or any environmental management systems documentation.

**10B4.10** Suppliers should have a nominated individual responsible for co-ordinating the site's efforts to improve environmental performance.

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

## 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)'. In addition to criteria in 10B2 auditor should add points below.**

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 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 is measuring these. The auditor should list what they are and any available measures, in the audit report. The possible list includes energy use, water use and disposal, waste and emissions to air.

**10B4.8** Whether the site is recording its use of environmental resources on a continuous basis. The auditor should list what they are and record any measurements the site has available, within the audit report. The possible list includes energy use, water use and disposal, waste and emissions

**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.

**10B4.11** Are workers from the relevant sections, especially those involved with legal compliance e.g. checking contents of effluent, aware of standards required and do their work procedures ensure they are met.

**10B4.12** Are workers aware of what actions to take when regulations are not met.

**10B4.13** Are appropriate workers given any training on environmental issues, including having knowledge of any site policies and procedures.

**10B4.14** Have workers been trained to minimize wasteful resources such as switching off lights or machinery when not needed.

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

- **'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.

## 10C. Business Ethics

### CODE (NO NON-COMPLIANCES – OBSERVATIONS ONLY)

*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.*

**10C.1** Suppliers should have completed the appropriate section of the SAQ and have made it available to the auditor.

**10C.2** The supplier should have received and acknowledged – preferably in writing – the Business

**10C.7** Suppliers should have a transparent system in place for confidentially reporting, and dealing with unethical business practices without fear of reprisals towards the reporter.

**10C.8** Suppliers should ensure that the staff whose job roles carry a higher level of risk in the area of ethical business practice e.g. sales, purchasing, logistics are trained on what action to take in the event of an issue arising in their area.

This is not a full Business 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 labour standards at the site in this area of 'Business Ethics'.**

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 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 AAG have 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.
- What training (if any) is given.
- Is the site aware of any financial inducements for e.g. order placement.
- What is the local custom and practice, are there advantages for financial inducements for e.g. 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.

For more detailed information see below

**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.5** 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.6** Whether this policy has specific reference to such topics as e.g. bribery issues (excessive gifts and entertainment), conflict of interest, charitable donations, facilitation payments, political contributions, the auditor should note any internationally recognised certifications present.

**10C.7** Whether the site has communicated its policies on Business 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.8** 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.9** 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.10** Has the site recently been subject to (or pending) any fines/prosecutions for non-compliance to business ethics regulations.

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

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

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

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

# MEASURING IMPACTS

## Introduction

Members of Sedex are increasingly interested in this topic and keen to learn whether the work they and their suppliers are doing on labour standards is making a difference in the workplace.

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 that workplace.

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

In anticipation of further work this SMETA revision (December, 2014) has included a section on what can already be reported under the current guidance and audit report structure.

## 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 which 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 member's resources section of the Sedex website.

The auditor should ask questions such as:

- What is your biggest challenge working here.

# 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 which 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 which 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 worker should attempt to discover if that single view represents the view of many workers.

# Audit Results by Clause

# 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 it cannot be run in a way that takes the interests of the workforce into account and 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 worker 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

#### 6.6.3. Required document List

The document review should always include a review of minutes from worker 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 worker 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 worker 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 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

The audit report should include the scope of the worker representatives – i.e. is the remit restricted to health & 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 where 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

# 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 many committee meeting minutes. What was raised and what was 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.

# 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

- 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 employment are involved in the meetings, including senior management.

The SMETA Best Practice Guidance and Measurement Criteria, as well as SMETA Audit Report and CAPR has been produced for guidance only.

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

