Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance

Version 6.0 April 2017

Version 6.0 April 2017 (Replaces V. 5.0 December 2014). This Best Practice Guidance covers both a 2-Pillar SMETA Audit and a 4-Pillar SMETA Audit, which includes the 2 optional pillars of Environment and Business Ethics.

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

Contents

Chapter 1 (Sections 1-3) Introduction

1. Background **5**

1.1 Sedex and SMETA 5

1.2 SMETA and the Ethical Trading Initiative (ETI) Base Code 6

1.3 SMETA 2-Pillar and 4-Pillar Audits 8

1.4 SMETA and the UN Guiding Principles 8

2. SMETA BPG Application **9**

3. Supporting Documents **10**

Chapter 2 (Sections 4-5) Audit Planning

4. Risk Assessment **12**

4.1 Sedex Self-Assessment Questionnaire (SAQ) 13

4.2 Pre-Audit Site Profile 13

4.3 Pre-Audit Information Pack 15

5. Types of Audit **16**

5.1 Category of Auditor 16

5.2 Notification of Audit 16

5.3 Sequence of Audits 18

5.4 Labour Codes 19

Chapter 3 (Sections 6-7) Audit Execution

6. Overview of the Audit Process 22

6.1 Audit Request 23

6.2 Preparation for an Audit (for Auditors) 26

6.3 Selecting the Auditor/Audit Team 27

6.4 Audit Body Management System 29

6.5 Communication with the Site 31

6.6 Preparation for an Audit (Site of Employment) 38

7. Audit Execution 40

7.1 Opening Meeting 42

7.2 Tour of the Employment Site 44

7.3 Management and Worker Interviews 47

7.4 Document Review 56

7.5 Pre-closing Meeting 60

7.6 Closing Meeting and Summary of Findings 63

Chapter 4 (Section 8) Audit Reports And Audit Outputs

8. Audit Report and Audit Outputs 67

8.1 Audit Report Completion 68

8.2 Describing Non-Compliances, Observations and Good Examples 72

8.3 Sedex and Uploading the Audit 75

8.4 Information Management 80

8.5 Audit Records 80

Chapter 5 (Section 9) Audit Follow-Up

9. Audit Follow-up 81

9.1 Follow-up audits 82

9.2 Appeals and Disputes 84

Chapter 1 (Sections 1-3) Introduction

1. Background

Contains an explanation of how SMETA (Sedex Members' Ethical Trade Audit) fits into the Sedex Advance system (a platform for buyers, suppliers and auditors to store, share and report on supply chain information), the standards used for a SMETA audit and an overview of the audit content.

1.1 Sedex and SMETA

Sedex is the name of the organisation – SMETA is the name of an audit methodology.

The Supplier Ethical Data Exchange (Sedex) is a not-for-profit, membership organisation that leads work with buyers and suppliers to deliver improvements in responsible and ethical business practices in global supply chains. Sedex was founded in 2001 by a group of retailers to drive convergence in social audit standards and monitoring practices. Sedex aims to ease the auditing burden on suppliers through the sharing of audit reports and to drive improvements in supply chain standards.

SMETA (Sedex Members Ethical Trade Audit) is the audit methodology created by the Sedex membership to give a central agreed audit protocol, which can be confidently shared. Originally created by the Sedex Associate Auditor Group (AAG), now renamed the Sedex Stakeholder Forum (SSF) and involving multi-stakeholder consultation, it draws from practices defined by Sedex members and by the Global Social Compliance Programme (GSCP) www.gscpnet.com.

SMETA consists of four core documents:

- SMETA Best Practice Guidance (this document)
- SMETA Measurement Criteria
- SMETA Audit Report
- SMETA Corrective Action Plan Report (CAPR)

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

SMETA uses the Ethical Trading Initiative Base Code and the local law as its monitoring standards. SMETA can be tailored to use with other codes based on conventions of the International Labour Organisation.

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

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

A SMETA 2-Pillar audit comprises:

- Labour Standards
- Health and Safety
- Additional Elements:
    - *Universal Rights covering UNGP*
    - *Management Systems*
    - *Entitlement to Work*
    - *Subcontracting and Homeworking*
    - *Environment (shortened)*

A SMETA 4-Pillar audit contains in addition:

- Environment (extended) – this replaces the Environment (shortened) section detailed above
- Business Ethics

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

Many types of social audits are performed such as BSCI, WRAP, SA8000 and ICTI, and all social audits can be uploaded onto the Sedex platform. It lies with the individual member to decide what audit is acceptable to them; however, Sedex hopes that by providing SMETA publicly, companies will increasingly converge on one international audit protocol.

SMETA 2-Pillar audit has been developed for auditing against a Human Rights framework and the Ethical Trading Initiative (ETI) Base Code, Local Law, plus the Additional Elements listed above.

SMETA 4-Pillar audit includes the additional assessments of Environment and Business Ethics.

SMETA has been developed to provide guidance for both 2-Pillar and 4-Pillar audits, allowing individual supply chains to choose their requirements. The guidance can be adopted and tailored to carry out audits against a range of other labour codes based on the conventions of the International Labour Organisation (ILO).

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

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

In recognition of some members wishing to use the SMETA methodology for their own company code the SSF has developed this new version, in which a customer may require a SMETA audit to include their own code, providing that it is in addition to the ETI Base Code and the local law.

Note: It is imperative that the SMETA audit continues to also be conducted against ETI base code and local law requirements. All non-conformances against ETI base code must be declared in a SMETA audit report, even if the site or customer are not ETI members. This is to enable sharing of SMETA audits with other customers.

Details of the ETI Base Code and the items to be investigated during a SMETA audit are found in the **'SMETA Measurement Criteria'** .

1.3 SMETA 2-Pillar and 4-Pillar Audits

An Introduction to an Environmental and Business Ethics Assessment.

A SMETA 2-Pillar audit comprises the 2 pillars of Labour Standards and Health and Safety. These are mandatory modules for any SMETA audit. It also contains the additional elements of Management Systems (including Land Rights), Universal Rights covering UNGP, Responsible Recruitment Practices, Entitlement to Work, Subcontracting and Homeworking, and a shortened Environment Assessment.

A SMETA 4-Pillar audit includes all the above elements plus the additional pillars of Environment (extended assessment – replaces shortened assessment) and Business Ethics. These additional pillars may not be required for all Sedex members and it is important that sites of employment and auditors are clear when these extra modules are required. For more information on 4-Pillar SMETA audits, see '5.4 4-Pillar SMETA Audits'.

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

The additional pillars of Environment (extended version) and Business Ethics in a 4-Pillar audit are governed by standards developed through a process of member and multi-stakeholder consultation.

1.4 SMETA and Universal Rights covering UNGP – UN Guiding Principles (Ruggie Framework)

This SMETA review introduces the responsibility for businesses to respect all human rights and to measure the impact of their business operations within the areas and communities in which they trade. Specifically there is a focus on labour rights (human rights in the workplace) but this version also aims to address the responsibility of businesses to understand their broader human rights impacts including the need to recognise community human rights e.g. in the form of grievance mechanisms and Freedom of Association (the Remedy pillar). Also in this version, business impacts are put into context of the state's duty to protect and create judiciary methods for business to have access to remedy (part of the Remedy pillar).

Currently SMETA uses the ETI Base Code, the law and under certain circumstances a customer's own code of conduct as measurement standards.

The UN Guiding Principles for Business and Human Rights provide a global framework for preventing and addressing the risk of adverse impacts on human rights linked to business activity. The framework is set out in a

3-pillar framework - "Protect, Respect and Remedy" - that details:

- The state duty to protect human rights.
- The corporate responsibility to respect human rights.
- Access to remedy (judicial and non-judicial) for victims of business-related human rights abuses.

This clause, designed through consultation and stakeholder engagement, introduces the responsibility of businesses to fully consider and

measure these direct and indirect human rights impacts, both within the workplace (workplace rights) and beyond.

SMETA does include guidance for an optional perimeter survey (page 58 – Perimeter survey), which can provide additional information to understand local context and site-specific impacts on local communities.

Where sites are already implementing broader, positive human rights practices, we encourage auditors to raise these as good examples. This will help us to continue to develop the SMETA Best Practice Guidance through wider stakeholder consultation as the industry develops.

Sedex members are continuing to examine how the UN Guiding principles could influence SMETA and will be incorporating emerging best practice into subsequent reviews.

For more information, visit the UN Guiding principles **website**.

2. SMETA BPG Application

SMETA BPG assists the auditor to carry out a SMETA Audit using a standard agreed protocol.

SMETA BPG and Measurement Criteria are a compilation of social audit best practices to help auditors achieve the consistency needed for social audits to be widely accepted by retailers and brands. It also helps organisations that are commissioning audits to specify the auditing methodology required.

SMETA is not intended as a standalone description of how to conduct an audit. Instead, it sets out to establish a common set of criteria to supplement auditors' own systems.

Any auditor or audit company including non-Sedex members may use SMETA. It is also applicable to all sizes and types of employment site including manufacturing sites, agricultural sites and service providers. Supply chains, however, come in all shapes and sizes and a standard SMETA protocol may need adjustments to cover specific supply chain circumstances. Please see the next section on SMETA supplements for adjustments for different types of sites.

The purpose of SMETA is to act as a central audit protocol, which is transparently understood by all users, enabling suppliers to share one audit with many customers.

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

Sedex does not certify auditors or auditing bodies and relies on the controls and accreditations that already exist. It is recommended that companies commissioning audits should assure themselves of the qualifications and competency of the auditors and their ability to meet SMETA requirements, as set out in the document **'SMETA Guide to Social Systems Auditor Competencies'**. This is available on the Sedex Advance Knowledge Hub.

See also **'6.3 Selecting the Auditor/Audit Team'**.

Guidance can also be found for non-members at **'GSCP reference tool for Auditing Competence'**.

3. Supporting Documents

There are a number of additional documents that support a SMETA audit.

SMETA BPG and Measurement Criteria are used in conjunction with the SMETA Audit Report form and accompanying CAPR. These are the four core documents of SMETA and they are all available on the public section of the Sedex website.

CORE DOCUMENTS

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

SUPPORTING DOCUMENTS FOR ALL SMETA AUDITS

In addition, Sedex has created the two supporting documents for preparing for a SMETA audit:

PRE-AUDIT PROCESS

- SMETA Pre-Audit Information Pack: contains information to be sent to a supplier site before a SMETA audit.
- SMETA Guide to Social Systems Auditor Competencies: competency requirements for auditors who practice social audits.

AUDIT PROCESS

- SMETA Guidance for Auditors for Extended Environment and Business Ethics Assessment: assessment checks for Auditors.
- SMETA Guidance for Suppliers for Extended Environment and Business Ethics Assessment: guide for Supplier Sites.
- SMETA Non-Compliance Guidance: recommended issue severities and verification methods.
- Guidance for Dealing with Sensitive issues Raised at Audits.

POST AUDIT PROCESS

- Sedex Guidance on Operational Practice and Indicators of Forced Labour.
- SMETA Corrective Action Guidance: suggested ways in which manufacturing sites may make improvements.

DIFFERENT TYPES OF SMETA AUDITS

Supply chains come in all shapes and sizes and a standard SMETA protocol may need adjustments to cover specific supply chain circumstances. To reflect this need, the SSF has created 'SMETA Supplements' for specific types of sites to aid the use and adjustment of this methodology. These 'SMETA Supplements' will be expanded as appropriate using members' experience of different supply chain types that require tailored approaches.

It is important to remember that the standards governing the SMETA process will remain the same – the Ethical Trading Initiative Base Code, ILO conventions and the Law. The different approaches will mainly cover sampling plans and reporting procedures, with the aim of creating a process that recognises the standard BPG may not work for all. These Supplements should be used in conjunction with this core Best Practice Guidance and the Measurement Criteria.

ADDITIONAL DOCUMENTS THAT SUPPORT DIFFERENT AUDIT TYPES:

SMETA Supplement for Service Providers: to assess the working conditions for employees of service providers and contractors working at sites or remotely from their employer's operation. Examples include:

- General and specialist cleaning companies.
- Companies providing service staff for installation and servicing of equipment.
- Transport and personnel services.
- Temporary staff provided.

SMETA Supplement for Private Employment Agencies: to assess the working conditions of workers who are supplied by private employment agencies to work temporarily at user enterprise sites.

SMETA Supplement for Multi-Site Audits: to assess working conditions at small multi-sites. Small suppliers that are part of a group of companies under a single ownership are seeking a more efficient SMETA protocol for monitoring multiple sites that operate within a single company structure or single company management system. Typical examples include:

- A central business controlling multiple smaller supply sites where a single central management system covers all production operations and personnel including those working remotely.
- A pack house being supplied by a number of smaller producers all of which are owned by the pack house.

Sedex Guidance on Operational Practice and Indicators of Forced Labour

Additional guidance for forced labour is available to identify indicators on forced labour:

Note: These supplements are not intended as standalone documents to conduct an audit but rather as a supplement to this document (the SMETA Best Practice Guidance) and Measurement Criteria available from the Sedex website and audit companies' own systems.

Chapter 2 (Sections 4-5) Audit Planning

4. Risk Assessment

Contains examples of different approaches to identifying potential ethical risks in supply chains including the Sedex Self-Assessment Questionnaire (SAQ) and Risk Assessment Tool.

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

Risk assessments for suppliers and employment sites consider various criteria. Examples include: geographical area, employment site function, product/service category, type of purchase, employment patterns (migrant, casual workers etc.), and level and nature of any subcontracting.

Also of importance may be: level of supplier commitment and/or previous audit results, research carried out by NGOs as well as issues raised by the media.

Within the Sedex Advance system there is an online SAQ for sites of employment, which when completed, allows A and AB members to use the Sedex Risk Assessment Tool to provide insight into areas of higher likelihood of risk and to support a due diligence approach to responsible sourcing.

4.1 Sedex Self-Assessment Questionnaire (SAQ)

The Sedex SAQ, when completed by the site, enables customers to use the Sedex Risk Assessment Tool. By examining the details recorded in the SAQ, both suppliers and customers can identify areas that may need addressing before the audit is carried out.

To align with best practice guidance, sites of employment should complete the SAQ and make it available to customers before they decide whether to commission an audit. The SAQ, which includes site profile information, should also be made available to the audit company to help plan the audit. It is a useful tool that enables auditors to focus their auditing efforts.

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

The Sedex system uses the information given by the site of employment's SAQ to feed into the Sedex Risk Assessment Tool. An indication of risk is created by combining inherent risk with the SAQ risk to support an assessment of the likelihood of an issue occurring in the supply chain.

The intelligence behind the Risk Assessment Tool is provided by global risk experts, Maplecroft. For more information on the Tool and Maplecroft please visit the **Sedex website**.

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

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

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

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

4.2 Pre-Audit Site Profile

Outlines the importance of the site completing the site profile and SAQ, as well as making these available to the auditor.

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

Customers (Sedex A or AB members) request the site of employment to complete the SAQ. When doing so, they should communicate the following:

- The importance of accuracy in completing the SAQ.
- The timeframe for completion of the SAQ.
- How to make the SAQ visible to the auditor.

- How the risk assessment and SAQ fit in with the audit process.

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

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

Notes:

- *The pre-audit information sent to a site should request the site to give the auditor access to their completed SAQ. The Sedex SAQ contains the site profile information necessary for the auditor to plan the audit.*
- *To assist in planning and preparing for an audit, the SSF has produced the* **'SMETA Pre-Audit Information Pack'**. *The auditor should send this information, to be received by the site that will be audited at least 2 weeks ahead of a SMETA audit. The auditor may use the Sedex format or develop their own.*
- *The* **'SMETA Pre-Audit Information Pack'** *contains suggestions only. The auditor should ensure that the materials are appropriate to the size of site.*

Action!

Suppliers

Complete the SAQ. Self-diagnose and correct issues in advance of the audit.

Action!

Customer

Review and use SAQ information to assess highest area of priority to focus efforts and set priorities for future collaboration with supplier.

Action!

Auditor

Review and use SAQ information to create a quote, plan the audit and assess areas of focus for the audit.

4.3 Pre-Audit Information Pack

Outlines the importance of the Audit Company sending necessary pre-audit information in advance of conducting the audit at the site.

As the SMETA process becomes more widely used, Sedex members see the need for a pre-audit pack to provide suppliers/supplier sites with essential pre-audit information, which will help them to prepare for a SMETA audit.

This pre-audit pack, developed by the SSF, is a compilation of existing best practices of audit companies/auditors currently performing SMETA audits as well as some new additions. This pack has been assembled from an auditor's perspective and for an auditor's use, anticipating that auditors are often the first contact a supplier has with Sedex & SMETA.

Sedex members' experience shows that both auditors and/or customers find this framework helpful in preparing supplier sites for audit. Supplier sites can also improve their performance by increasing their 'audit process awareness'. The pre-audit pack is an essential pre-audit step as it outlines the activities required of a supplier site in preparation for an audit. Correctly followed, this will facilitate the audit proceeding smoothly with all relevant logistical arrangements, people and documents in place on the day.

The **'SMETA Pre-Audit Information Pack'** *contains suggestions only. The auditor should ensure that the materials are appropriate to the size of site. At a* minimum, the auditor should communicate essential information relating to the audit process including:

- What is a social / ethical audit?
- The topics the covered by the audit.
- Links to the SMETA core documents to allow sites to adequately prepare including:
    - SMETA Best Practice Guidance
    - SMETA Measurement Criteria
    - SMETA report template
    - SMETA CAPR
    - For a 4-pillar audit the additional guidance for Environment and Business Ethics
- An agenda for the day.
- A list of documents to be available on the day.
- An overview of report distribution.
- A code of integrity and professional conduct of the auditor/audit company.

In order for a site to adequately prepare for a SMETA audit, the auditor should send the pre-audit pack, to be received by the site to be audited at least 2 weeks ahead of a SMETA audit.

Note:

- *SMETA recommends that sites implement a process to assess themselves and recommends using the SMETA methodology to do this on a regular basis. Experience from membership shows that a robust internal process to manage compliance eases the burden of third party auditing.*

5. Types of Audit

Provides details of the classification of audits as agreed by the Sedex membership, as well as defining different types of audit, their notice and sequence. More detailed information is also provided on the extended 4-Pillar SMETA Audit.

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

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

Sites of employment register on Sedex thus encouraging them to take ownership of their social compliance performance. The SSF has created a number of documents to assist this process of ownership including the 'SMETA Corrective Action Guidance' available for members on the member resources of Sedex.

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

5.1 Category of Auditor

The Sedex membership has defined audit types based on their relationship with the audited site.

All social audit types can be uploaded to the Sedex platform, including those carried out by auditors defined as:

- First Party: a company that "self-audits" their own employment site using their own audit resource.
- Second Party: an audit or assessment undertaken by a body with a trading relationship with the site such as a retailer, brand, vendor or agent.
- Third Party: an audit or assessment undertaken by an independent party e.g. an independent commercial audit company, NGO or trade union. Where an independent commercial audit company is used, the auditor(s) should have no connection with the employment site in order to prevent conflicts of interest. Audits may also be undertaken collectively by a group of these stakeholders (multi- stakeholder).

Note: A multi-stakeholder audit is an audit carried out by a group of stakeholders including NGO's and/or unions where the NGO and/or union have been involved in a shared decision-making process on inspection methods. SMETA recommends the use of multi-stakeholder audits as more sustained change and greater impact of corrective actions have been seen as a result of multi-stakeholder audits.

5.2 Notification of an Audit

Depending on the outcome of risk assessments and/or audit planning, prior notice of the audit may or may not be given.

This results in three possible audit types:

1. Announced: audit date is agreed with, or disclosed to, the audited site.
2. Semi-announced: audit date will fall within an agreed 'window'.
3. Unannounced: no prior notice is given.

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

5.2.1 Announced Audits

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

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

5.2.2 Semi-Announced Audits

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

- The buying company or audit body will specify a window during which an audit may take place. Audit windows may range between 2 weeks and 2 months. (The SSF recommends that a 3-week window gives optimum results.)
- All employment sites are required to provide up-to-date and accurate pre-audit and self-assessment information at the beginning of the window.
- Auditors presenting the correct credentials during the audit window should be allowed full access to the employment site.
- The necessary records should be kept at the employment site during the specified window.

5.2.3 Unannounced Audits

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

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

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

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

5.3 Sequence of Audits

For clarity of the SMETA audit process, the Sedex membership has agreed definitions for the sequence of audits.

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

- Full Initial Audit: The first time a site of employment is audited.
- Periodic Audit: Usually a full audit used to monitor supplier sites on an on-going basis. The intervals between periodic audits may vary depending on the individual member.
- Follow-up Audit: Depending on the outcome of the initial audit, a follow-up audit may be required.
- Follow-up audits are normally used to check progress against issues found in the initial audit and so they may be of shorter duration than an initial or periodic audit. Follow-up audits will also demonstrate the process of continuous improvement. It is essential that all appropriate site personnel are fully briefed on the previous audit findings before a follow-up audit e.g. by re-sending the previous CAPR as part of the pre-audit information pack. There are three types of follow-up audits:
  - Full Follow-up Audit: When the extent of the non-compliances found at a previous audit was so broad that a full audit is required to verify corrective action. In this case the methods and scope resemble an initial audit but take into account previous audit findings.
  - Partial Follow-up Audit: Where the auditor visits a site but only checks progress against issues found during a previous audit. This should then be recorded in Sedex as a partial follow-up audit.
  - Desktop Follow-up: Can be used for certain corrective actions for which a site visit is not required and can instead be verified remotely e.g. through photographic evidence or documents provided via e-mail.

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

5.4 4-Pillar SMETA Audits

At the request of members, SMETA has now been extended to include an extended Environment and Business Ethics Assessment.

5.4.1 Background

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

For a 2-Pillar audit covering Labour Standards and Health and Safety plus additional elements, see 1–10B2 in **'SMETA Measurement criteria'** which gives details on applicable standards.

For the additional 2-Pillars of Environment (extended assessment) and Business Ethics, see section 10B4 and 10C in **'SMETA Measurement criteria'** for details of applicable standards.

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

5.4.2 Usage

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

The Business Ethics assessment process also checks legal compliance in addition to international and customer requirements/ standards.

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

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

- Decide that no further action is needed following the assessment.
- Decide that a full Environment and/or Business Ethics audit is required.
- Identify risks and decide on appropriate corrective action.

Note: For Environment and Business Ethics assessments, non-compliances will only be raised where a site of employment is not meeting the local/national/international law and/or customer requirements. All other findings will be recorded as observations.

5.4.3 Application

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

5.4.4 Execution of Environment and Business Ethics Assessments

As each extra pillar is designed to take no more than 0.25 auditor days it is important that the auditor uses the SMETA guidance provided to cover all required points. Some important documents are detailed below.

5.4.4.1 Document Review: The auditor should review the completed Sedex SAQ prior to the audit and should use the assessment process to check that the site's policies and procedures agree with the SAQ. Any discrepancies should be noted on the audit report.

5.4.4.2 Permits and Licenses: These should be checked against legal as well as customer requirements and details should be noted on the audit report. This should also include a review of any relevant prosecutions or legal actions against the site for environmental issues and business ethics as well as noting any local certifications e.g. ISO 14000, EMAS, building or safety certifications.

5.4.4.3 Natural Resources Usage: Where possible usage and disposal of natural resources should be quantified in the audit report, such as volumes of water used/recycled/discharged. For details see 10B4 in **'SMETA Measurement Criteria'** and the SMETA Audit Report.

5.4.4.4 Management Interview: The auditor checks documentary evidence and actual practices by interviewing relevant personnel. As a minimum, this should include the individual(s) identified by the site as the person(s) responsible for Environmental and Business Ethics performance.

5.4.4.5 Worker Interview: The auditor seeks to verify practices in areas of legal compliance, such as contents of waste-water discharge for the Environment assessment. Discussion with employees responsible for checking these contents can be evidence of procedures correctly implemented. Business Ethics interviews should be with departments where Business Ethics policies are most appropriate e.g. sales, purchasing, service control and logistics departments.

5.4.4.6 As a minimum the auditor should interview at least one worker from each of the areas of Environment and Business Ethics.

Note: Where policies do not exist, an auditor should use the assessment process as an opportunity to raise awareness, especially on Business Ethics issues. To assist this, process the SSF has produced a suggested framework for content – See 10C of **'SMETA Measurement Criteria'.**

Additional information for members can be found in the knowledge hub section, **'SMETA Guidance for Auditors for Extended Environment and Business Ethics Assessment'** and **'SMETA Guidance for Suppliers for Extended Environment and Business Ethics Assessment'.**

Chapter 3 (Sections 6-7) Audit Execution

6. Overview Of The Audit Process

To ensure that members can share a SMETA audit with confidence in the protocol, it is important that the auditor follows all the steps detailed in the SMETA BPG and Measurement Criteria. This overview details the key pre-audit steps from audit request to audit preparation. The site must receive all relevant pre-audit information at least 2 weeks ahead of the audit.

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

The following stages are covered by SMETA BPG:

1. Audit Request
2. Preparation
3. Audit Execution
4. Audit Outputs
5. Audit Follow-up

Note: Sites of employment should be involved as much as possible in the audit process. The focus of the audit should be on how the site manages all items covered by the code (see **'SMETA Measurement Criteria'** *for more details).*

For example, this can be done by:

- *Sharing a pre-audit pack which details the preparation required of a site for audit.*
- *Sharing other resources found on the* **Sedex Advance Knowledge Hub** *(the member resources section of Sedex), which includes details of common non-compliances, possible corrective actions etc.*

6.1 Audit Request

For the audit process to commence an audit must be requested. Any company/organisation/site requesting an audit is termed an "audit requestor". An audit may be commissioned and paid for by a buying company, by a supplier, by the site of employment or by any other party with a legitimate interest in the site's performance in relation to responsible business issues. It is essential that all the stages of a SMETA audit are clearly understood and that costs of each stage are made transparent by the audit company, ahead of the audit. See **'6.1.2 Quote Generation and Audit Information'** and section 8 **'Audit Report and Outputs'**.

Audit companies manage and supply professional auditing services to a wide variety of customers. With many different customers accepting SMETA audits, there may be some minor differences in clients' audit requests/requirements. When audits are commissioned, the audit company can generate a quote to include multiple, different customer requirements into one SMETA audit e.g. if a customer requires the audit company to complete the audit upload or to use specific auditors. For this reason, it is important for sites to declare ALL their customers to the audit company when requesting a quote in order to minimise the need for multiple audits.

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

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

The payment structure may define the ownership and circulation of the SMETA audit report. Generally, the audit body will send the audit report to the organisation paying for the audit. The circulation of the audit report should normally be pre-agreed at the audit request stage between the ultimate customer and all stages of the supply chain including the site of employment (normally the audit payer). It is usual for the ultimate customer to request a copy of the audit report.

Depending on the brand/retailer's programme, audit prices quoted may or may not include uploading the audit to the Sedex platform, and subsequently recording and verifying corrective actions. It is essential that the costing structure and related services is clearly understood and agreed between all parties at the beginning of the process.

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

Auditors must be clear who should receive audit findings as well as who is uploading the audit to the Sedex platform. In the case that the auditor is required to send a copy to parties other than the party paying for the audit, the auditor must first obtain approval from the audit payer.

In some instances, certain customers may require completion of a supplementary audit report. If customers use this supplementary process, it is recommended that the audit company agrees at quotation stage their ability to share such supplementary audit information with the end customer directly.

Note: Sedex recommends that the audit company uploads the audit as this provides greater independence. Note that within the Sedex platform, the site of employment approves the publication of the final audit report and controls its visibility.

If the audit is to proceed, the audit body sends the site of employment any appropriate information to assist them in preparing for an audit. This must include a copy of the auditor's/audit company's Business Ethics Policy, including their anti-corruption policy. The site should receive this information a minimum of 2 weeks before the audit is to be carried out.

Employment sites should also be directed to the additional guidance available on the Sedex website. This will assist them in preparing for the audit – please see the SMETA pre-audit information pack.

Audits should not take place during low season but ideally during a period of high employment numbers and when the employment site is in full operation (such as peak production or harvest).

Note:

- *To provide a consistent approach to pre-audit information the SSF has produced a '**SMETA Pre-Audit Information Pack**', available on the Sedex website.*
- *Some buying companies require that their suppliers only use auditors from an approved list. A supplier site should check with its customers before engaging an auditor/audit company.*

Example of process:

6.1.1 Audit Request Initiation

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

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

6.1.1.3 The audit body obtains sufficient details of the employment site to plan and execute the audit. For Sedex members, the Site Profile section of the Sedex SAQ can be used to obtain this information (if the site gives access to the auditor). Where the site does not give access to the SAQ the auditor should obtain the information in other ways such as the use of a pre-audit site profile template supplied by the auditor. The minimum information needed is:

- Site location and contact details.
- Size and composition of workforce, including languages spoken.
- Location and availability of documentation covering audit topics.
- Full list of clients supplied by the site (to establish whether other requirements apply e.g. semi- announced audits). This allows audit companies to ensure all client requirements are included in the scope (e.g. 2/4-Pillar audit) and promotes audit sharing.
- Any requests for when the audit should take place date or specific dates that the management will not be available.

6.1.2 Quote Generation and Audit Information

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

- Audit fees:
  - Any fees relating to upload of the audit report to the Sedex platform, if applicable.
  - Any subsequent activity costs such as desktop verification.
- Any relevant expenses (including translator fees).
- Proposed date of audit if announced or an agreed window in the case of a semi- announced audit.
- Audit length.
- Audit report receivers.
- Third-party audit report release approval.
- A copy of the audit company's Business Ethics policy.
- Full information on any customer requirements (e.g. SMETA type, specific auditors, Sedex upload requirements etc.).

Action!	Action!	Action!
Supplier	Auditor	Customer
Declare all customers to audit company Understand report receivership and anti-corruption policy Communicate any existing / historical audits	Ensure audit details and customer requirements are clearly communicated and all additional costs are transparent Ensure an initial audit quote is generated only where no audit has taken place Research any previous audits and CAPR's	Ensure all additional requirements are clearly communicated to audit companies and suppliers Encourage suppliers to share any existing audits in place

6.2 Preparation for an Audit (for Auditors)

It is essential that all parties are fully briefed on the scope of the SMETA audit and the information which must be available at the audit. The auditor/ audit company is responsible for ensuring all requirements are clear to the site.

Note: See also **'6.6 Preparation for an Audit (site of employment)'** *which gives details of the actions required of the site prior to the audit visit.*

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

6.2.1 Background and Context Review

The auditor must be aware of the prevailing conditions, challenges and issues affecting the employment site being audited. This should ideally include contact with local civil society organisations that are knowledgeable about the issues that affect workers locally. At least one member of the audit team should have good, personal knowledge of the local prevailing issues for workers in the area. Meetings with local unions and NGO's in the region can give useful information on prevailing labour conditions and the main issues for local workers.

Caution: a site's details should not be discussed between auditors and any local groups (unless expressly directed by the audit requestor), as this is confidential information to the site and its customers.

Where possible, the auditor should familiarise themselves with any previous audit reports and CAPR's. In addition, the auditor should be aware of the current issues in the purchaser member's markets.

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

living wage or living costs in the region. More information on the living wage is available from the following organisations:

- Ethical Trading Initiative
- ISEAL/Anker Benchmarks
- Asia Floor Wage
- Figures provided by Unions
- Living Wage Foundation UK
- Fair Wear Wage Ladder
- Fairtrade Foundation

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

6.3 Selecting the Auditor/ Audit Team

The qualifications and experience of the auditor are vital to an effective audit. The choice of auditor is the decision of individual members; Sedex does not certify or accredit auditors nor prescribe what type of auditor can undertake an audit.

Some Sedex purchaser members (A and AB members) require that their suppliers only use auditors from an approved list. A supplier site is recommended to check with its customers before engaging an auditor/audit company.

Auditors may be self-employed or be employed by a commercial organisation, NGO, trade union or industry body.

To assist members in their selection of auditors, the SSF has produced a **'SMETA Guide to Social Systems Auditor Competencies'**, which is available on the members section Sedex knowledge hub. Also see 'GSCP Reference Tools for Auditing Competence' which is available publicly.

Auditors and auditing bodies should be chosen based on:

- Audit training and skills
- Audit experience
- Local and industry knowledge
- Language skills
- Gender and ethnic/national background reflecting that of the workforce.
- Reputation
- Integrity
- Commitment to improving social compliance.
- Appropriate qualifications that will increase the reliability of audit information.
- Any approved lists of auditor/audit companies from relevant customers (if applicable).

The audit body ensures that the auditor assigned to an audit is aware of the background and context, and that they meet the basic level of competencies outlined for members in the **'SMETA Guide to Social Systems Auditor Competencies'**, which can be found on the Sedex advance knowledge hub.

Additional information on auditor competencies is publicly available at GSCP; **'GSCP Reference Tools for Auditing Competence'**.

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

For third party, independent auditors, there must be no connection between the auditor(s) and the site to prevent any potential conflicts of interest.

For larger audits, an audit team may be needed.

The team should meet the following criteria:

- Led by a qualified team leader.
- Includes at least one auditor who meets the criteria of the **'SMETA Guide to Social Systems Auditor Competencies'**.
- Possesses or has access to knowledge of local working conditions i.e. by using an experienced auditor or through the use of guidance notes.
- Can communicate in the main languages spoken by both management and workers at the employment site. When this is not possible, translators should be used.
- Where there is a majority language among workers at the site (50% or more), the worker interviewer must be a native speaker of that language. Other minority languages spoken can then be covered using a translator.
- At least one member has knowledge/experience of the applicable industry.
- All team members shall be qualified under the audit body's quality system, including specialists used.
- The worker gender balance and cultural norms will be taken into account when selecting the audit team. If this is not possible it should be noted on the SMETA declaration at the beginning of the audit report. This is especially important when only one auditor is carrying out both the auditor and worker interview roles. If there is only one auditor involved in interviews it may be important (depending on local cultural norms) that they are not alone when interviewing an individual of the opposite gender.
- If a translator or other external expert is to be used, the team leader must ensure that they have satisfied themselves that no conflict of interest arises.

6.4 Audit Body Management System

It is essential that an auditor/audit body has a system in place to assure the quality of their output – the audit and documentation produced to record the audit.

The audit body should, as a minimum, be certified against a recognised quality management system such as ISO9001:2000 and should ideally be accredited to the requirements of ISO/IEC Guide 62, 65 or ISO17020, ISO 17021, ISO 17065.

6.4.1 Auditor Monitoring and Evaluation

As part of their Continuous Professional Development, all auditors are subject to a review and appraisal of their performance. This is achieved by combining a number of activities, in part described in the **'SMETA Guide to Social Systems Auditor Competencies'** (available in the Sedex advance knowledge hub). Activities include:

- Receive updates and briefings every year.
- Attend a Social Audit full refresher course every two years.
- Regular review of sample documentation submitted by the auditor to their company.
- Annual appraisals.
- Annual observed audit (2 observed audits where possible) à Shadow audits.
- Series of Key Performance Indicators to measure an auditor's performance e.g. Number of times an audit is sent back to the auditor for further information.

6.4.2 Quality Control and Global Consistency

When audits take place in different countries with different local customs, cultures and practices, conducting a social audit is especially challenging. In addition, audit results are shared with customers around the world. A SMETA audit is expected to find and report processes and practices at a site level in a consistent way. Therefore, there is a need for robust systems to make the complex process of a social audit as clear and consistent as possible for all interested parties. The following processes should be in place to help minimize inconsistency and uphold a certain quality level for a SMETA audit:

- Production and implementation of Standard Operating Procedures (SOPs) for all functions related to delivery of the social audit service.
- Regular training of personnel on those SOPs.
- A Code of Conduct that provides clear guidelines, especially for bribery and corruption, ensuring impartiality, handling sensitive issues (Forced Labour).
- Ensuring personnel are suitably trained for their job role and responsibilities (See above).
- A robust system of mandatory shadow audits.
- A required level of experience is achieved before leading an audit.
- Implementation and maintenance of the audit body's management system.
- Implementing and maintaining an internal audit program/quality management system.
- Production of Key Performance Indicators, objectives and targets to ensure continual improvement in service delivery e.g. agreed uploading times are met, report delivery times, number of reviews required until publication etc.

- SMETA audit reports go through a thorough quality check before being issued to clients – ensuring that clients do not become the quality controllers.
- Implementation and maintenance of specific processes to ensure global consistency of service delivery i.e. a complaints management system that has defined response times and adequate and functioning escalation procedures. These processes should include:
  - Central analysis of clients' social/ethical audit reports to assess compliance with requirements
  - (central analysis may be based on a sampling approach).
- Assessment of quality of audit upload to the Sedex system.
- Feedback loop systems for communication (internally and externally).
- Communication to network of clients' requirements and SOPs
- Maintenance of technical information and knowledge management.
- Audit performance/communication of required corrective and preventative action.
- On-going review of business ethics policy, ensuring "fit" for purpose e.g. membership of an appropriate external ethics body.

Implement systems:

- Robust auditor development (include auditor experience)
- Implement robust quality management system
- Implement a complaints procedure

Measure systems:

- Auditor performance measurement with KPIs
- Checking the checker, including measuring performance of audit reviewers
- Measuring response times and number of escalations

Improve systems:

- Review performance and development plans including training etc.
- Move to a model that actively invites feedback.

6.5 Communication with the Site

It is important that the site takes an active part in the audit process. It is the responsibility of the auditor/audit company to make sure that the site has all relevant pre-audit information at least 2 weeks before the audit takes place.

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

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

Where the audit is to be a follow-up audit, the auditor/audit company must ensure that the site has received a copy of the CAPR from the previous audit and that they are aware that the follow-up audit will be looking for evidence to verify these corrective actions. An established good practice assurance is to send a copy with the pre-audit communication. See **'SMETA Pre-Audit Information Pack'**.

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

- The Standard or Code that the site will be audited against.
- The agreed scope of the audit in terms of companies/sites/buildings.
- Documentation that needs to be available during the audit (see **'SMETA Pre-Audit Information Pack'**).
- Key people to be available on the day of the audit.
- Request the presence of union and/or worker representatives at all stages of the audit including the opening meeting.
- Arrangements for employee interviews.
- Arrangements to take photos.
- Confidentiality/data protection.
- Code of Business Ethics of the auditor/audit company.
- Audit agenda and the process for raising issues.
- Audit report circulation and arrangements for uploading to the Sedex platform, including clarification of pricing.
- Communication materials to enable the employment site to communicate the labour code to its employees.
- For a follow-up audit: a copy of any previous CAPR in the possession of the audit company.

Note: The SSF has created a **'SMETA Pre-Audit Information Pack'** *which can be used in whole or in part, to inform the site to be audited about the SMETA audit process and to assist them in preparing for an audit. This should normally be sent by the auditor to the site ahead of the audit. This information should be received a minimum of at least 2 weeks before the audit.*

6.5.1 Information for Workers

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

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

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

Note: For an example of the type of information which should be given to workers see **'SMETA Pre-Audit Information Pack'**.

6.5.2 Planning the Audit

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

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

Note: Where there is a majority language at the site of 50% plus of workers, the worker interviewer must be a native speaker of this language. Minority languages can then be covered using translators.

6.5.3 Audit Length, Sample Size and Timetable

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

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

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

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

6.5.3.1 Table of Auditor Days and Sample Size for Full Initial and Full Re-Audit

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

** The number of worker files to review is stated per month, i.e. of the 10 worker files reviewed in the first line, at least three months' worth of records for each worker should be reviewed, including peak, current (or most recent) and random/low season.*

- If a site has more than 2000 workers, the number of interviews is determined on a case by case basis depending on the circumstances of the facility. The suggested 62 is a minimum and this should increase as worker numbers increase. What number of interviews to perform is at the discretion of the auditor and should be decided in agreement with the audit requestor.
- For sites with non-employee workers, Sedex members recommend using the following breakdown of non-employee workers (this refers to any worker on site who is not directly employed by the site):

Non-employee worker number	Non-employee worker interview sample
1	1
2	2
3-7	3
8-48	4
49-54	5
55-64	6
Increases of 10 workers	Increase by 1 additional non-employee worker
245+	Maximum 25

- For sites with under 30 workers, please see SMETA supplement for Multi-sites for sample size / plan.
  Note: This only applies to situations with a central company and multiple sites
- For small producers, where appropriate, consideration should be given to the size, spread and the number of growing locations to ascertain auditor days required
- Higher numbers of auditor days may require the use of more than one auditor. Two or more auditors in an audit team will allow for a balance of skills, or improve the gender balance. However, when deciding the size of the team, consideration must be given to the size of supplier site and the potential disruption caused by a large audit team.
- For a 4-Pillar SMETA Audit the guidance suggests adding 0.5 auditor days for the additional procedures of the Extended Environment and Business Ethics Assessments
- Where a supply chain wishes to "top-up" an existing 2-Pillar SMETA audit by performing only Environment and Business Ethics Assessments, this should be discussed between the audit requestor and auditor. Since it may be impractical to arrange 0.5 auditor days, a solution may be to "top-up" during a follow-up audit.
- It is recommended that single site audits should be planned to take place continuously with no breaks (not even weekends or public holidays) in between.

The workers that participate in the individual interviews should always be included in the samples of files and records that are checked. The additional worker files and records can be randomly sampled from the rest of the workforce, ensuring that all types of workers are sampled (e.g. agency workers, temporary workers, permanent workers, migrant workers, and any vulnerable workers such as young workers, pregnant workers etc.) taking account of any underlying issues e.g. shift, pay rates, job roles.

6.5.3.2 Table of Auditor Days and Sample Size for a Partial Follow-up Audit Process

A follow-up audit is required when corrective actions cannot be verified via evidence supplied through "desktop review" only. Examples of such actions include 'Wages' and 'Hours' corrective actions where a minimum of 2 months' records is required to verify corrective actions.

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

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

A partial follow-up audit (see '5.3 Sequence of Audits' for definitions of a partial follow-up) may need less time depending on the nature of the corrective actions being verified.

Note: "Auditor days" are specified in units where 1 equals 1 auditor on site for 1 day and 2 can be 1 auditor for 2 days or 2 auditors for one day.

The tables in 6.5.3.1 and 6.5.3.2 are guidance only and members should decide, with their auditors, the desired time and sample size depending on the nature of the information required. SMETA Best Practice Guidance specifies the above as minimum requirements. Auditors should use their experience and judgement to increase the time and sample size as necessary.

On the following pages are some typical Audit Timetables, which show how this might work in practice:

6.5.3.3 Example Programme for a 1-day Ethical Trade Audit

One auditor over one day – example 50 workers:

9:00	Opening meeting (management team including Health and Safety, Environmental, Union and HR representatives).
9:30	Site Tour (Health and Safety rep. and Environmental rep. to be available). Health and Safety including selection of six employees for interviews.
10:30	Employee interviews (six in total, fifteen minutes each) plus union representative interview
12:30	HR documentation (handbooks/ employee files/payroll/time records) including paperwork (when authorised) of those individuals interviewed.
13:00	Lunch.
13:30	Further review of payroll/time/ employee files if required.
15:15	Health and Safety documentation and group interview (one group of four people).
16:00	Auditors prepare CAPR for closing meeting.
16:30	Closing meeting with management team: raise findings, best practice, and issues with management.
17:00	Finish.

6.5.3.4 Example Programme for a 2-day Ethical Trade Audit - Two Auditors

Two auditors over one day – example 500 workers:

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

6.5.3.5. Example Programme for a 2-day Ethical Trade Audit - 1 Auditor

One auditor over two days – example 150 workers:

Day 1:

9:00	Opening meeting (management team including Health and Safety, Environmental, Union and HR representatives).
9:30	Site tour (Health and Safety rep. and Environmental rep. to be available). Health & Safety, including selection of five employees for interviews.
10:30	Individual employee interviews (six in total, fifteen minutes each), including one union representative interview of thirty minutes.
12:00	Reviewing of HR documentation (handbooks/employee files/ payroll/time records) including paperwork (when authorised) of those individuals interviewed
13:00	Lunch.
13.30	Group employee interviews (four groups of five people) and remaining individual interviews (two total, fifteen minutes each). Must include worker reps/union reps.
15:30	Health and Safety documentation, HR documentation including those interviewed and further tour/ interviews if required.
16:30	Raise findings, best practice and issues with management, with presentation of plan for the next day.

Day 2:

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

6.6 Preparation for an Audit (Site of Employment)

Once the site receives the relevant information from the auditor (see '6.5 Communication with the Site'), they should plan their own input to the audit. This should include, but not be limited to:

6.6.1 Communications – Internal

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

6.6.2 Site Preparation

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

6.6.3. Required Document List

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

- Facility floor plan
- Applicable laws and regulations
- Labour contracts/written employment agreements
- Employee handbook (terms and conditions of employment)
- Collective Bargaining Agreements (CBA)
- A list of all the chemicals and solvents used on the site
- Training records
- Permits, operating licences, certificates of operations, etc.
- Government Inspection reports e.g. sanitation, fire safety, structural safety, environmental compliance, etc.
- Machinery inspection/service logs

- Accident and injury log
- Emergency action procedures
- Evacuation plan
- Time records for the past 12 months
- Payroll records for past 12 months
- Piece rate records for the past 12 months (if applicable)
- Insurance, tax and other required receipts
- Production records
- Minutes of joint committees on OHS e.g. disciplinary matters
- Previous ethical trade audit reports/corrective action logs
- Any appropriate certifications e.g. OSHAS 18000, ISO 9000, Chain of Custody etc.
- Facility polices:
  - Child labour
  - Wage and hours of work
  - Disciplinary
  - Benefits and allowances
  - Health and Safety
  - Labour/Human rights
  - Environment
  - Training
  - Discrimination and harassment
  - Homeworkers, outworkers and sub-contractors

6.6.4 Pre Audit Assessment (optional)

Sedex members have reported that the risk of a high number of non-compliances at a SMETA audit can be greatly reduced by a pre-assessment of a site's procedures and practices in advance of a SMETA audit.

Members have used a number of approaches to conduct this pre-audit assessment, including but not limited to:

- Customer review of a site's SAQ in collaboration with the site.
- A 2nd party audit conducted by a purchaser in the supply chain e.g. an agent, intermediary or final customer. This could be a SMETA audit or any other audit that would highlight issues.
- A 1st party audit conducted by the site itself, using the SMETA guidance documents and reports to highlight and correct any problem areas in advance of the audit .

Note: Although a 1st and 2nd party audit may lack objectivity, members report that a thorough pre-audit assessment results in fewer corrective actions required and reduces the need for a follow-up audit.

7. Audit Execution

Detailed information on the audit processes to be carried out by the auditor during the audit. See also 'SMETA Measurement Criteria' and '6.5.3.1 Audit Length, Sample size and Time table'.

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

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

The overall aim of the audit is to provide an accurate and clear account of the level of performance of the employment site compared with the relevant standards.

The 'SMETA Measurement Criteria' – a companion publication to this Best Practice Guidance – gives the auditor clear instructions on what is to be examined at audit, based on the ETI Base Code and local law, as well as additional criteria created by members and multi-stakeholder consultation.

The 'SMETA Audit Report' has been created to allow an auditor to record how a site manages all areas of the relevant measurement standards. A section called 'Current Systems and Evidence Examined' appears for each code item within 'Audit Results by Clause' in the audit report. Here the auditor should include a clear description of what the site does to manage each area of the code. As an example, within Clause 4 'Child Labour Shall Not be Used', an auditor must record how age is checked both at and prior to recruitment and how the records of age are maintained and monitored.

In addition, the actual findings reported will give areas of good performance as well as areas which require improvement.

These findings will be described via a list of non-compliances, observations and good examples (good practices) for each individual code item.

A non-compliance must be recorded where the practices of the site of employment do not meet the requirements of either the law, the applicable code or a customer specific code. Since the Sedex system encourages audit sharing it is very important that the standard procedure is followed and that non-compliances are recorded where the site practice does not meet EITHER the law OR the applicable code OR a customer's code OR all three

A non-compliance should be raised where either there is no system in place, the system is not effective in ensuring compliance is met or where a lapse in the system puts workers at a disadvantage.

An observation may be recorded where there is a site practice which does not break the law or standard, but if not corrected, could lead to non-compliance. It may be an opportunity for improvement. An observation should be noted where there are very robust systems in place and there is only an isolated lapse and this can be corrected immediately. An observation is also noted when a non-compliance can be rectified, and correction verified, before the end of the audit.

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

Note: Examples of non-compliances can be found in **'SMETA Non-Compliance Guidance'** *available in the Sedex Advance Knowledge Hub.*

The audit should include the following:

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

Notes:

- *Where appropriate, additional evidence can be sought through a perimeter survey, off-site interviews, etc., which are detailed later in this document*
- *Where a previous audit report and CAPR is available for review, examination of any corrective action plans or outstanding issues should form a major part of the audit*

See **'SMETA Measurement Criteria'** *for information on detailed checks.*

7.1 Opening Meeting

It is essential that the site takes as active a part as possible in the audit process. The audit is intended to highlight to the site management areas where they perform well, and in addition to investigate, with management team's help, areas that require improvement. The opening meeting is an important part of this process.

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

It should be attended by:

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

Note: Where union and/or worker representatives are present at the site auditors should strongly request that they are present at the opening meeting. If this does not occur the auditor should obtain a reason from the site and record this on the audit report.

CHECKLIST – OPENING MEETING

A suggested agenda for the opening meeting is outlined below:

Introduction

- Introduce the audit team to the employment site's management and explain the purpose and scope of the audit, including potential benefits to the employment site.
- Remind management of the importance of having union representatives and any other worker representatives present at all stages of the audit, including the opening meeting. This should have already been covered in the pre-audit communication but should be repeated at this stage if worker representatives are not present at the meeting.
- Clarify that the purpose of an audit is to evaluate the performance of the site against pre-agreed standards – how they manage each area of the code as well as areas for improvement.
- Confirm the standard or code against which the audit will be conducted.
- Re-confirm the list of documents that are required to be available (this should have already been received by the site with the pre-audit information at least 2 weeks ahead of the audit). The site may wish to share other documents at the audit and it may be necessary to agree a more detailed list at the opening meeting.
- Obtain a floor plan (if not already seen) to cross-check the areas to be visited.
- Discuss the need for openness and transparency. For example, indicate where relevant that Sedex members prefer to work with sites on challenging areas such as excessive overtime hours, rather than record that "hours of work could not be verified" because of inconsistent records.

- Establish if the site has any previous audit information that they are willing to share. For example, this could be their own internal audits. Assure them that any information from previous audit information shared will not prejudice the results of this new audit, but rather the auditor will review all areas without bias.
- Auditors should communicate issues and findings during the audit and give management the opportunity to provide additional evidence to show how they are complying. It is best practice to communicate issues as they arise to build agreement around findings and corrective actions and to allow management to:
  - Provide additional evidence where necessary.
  - Address issues immediately. These issues will be recorded, but where corrective actions are taken immediately, the issues will be recorded as observations only and the positive steps taken by the site will also be recorded.
  - Raise questions and address concerns.
- Confirm the confidentiality of the audit and any other recipients of the audit report.
- Review the information provided in the pre-audit employment site profile, including previous non- compliances and follow-up actions using the previous CAPR where appropriate.
- If needed, explain the Sedex process including site registration and upload process (See '8.3 Sedex and Uploading the Audit').
- Confirm that permission has been given to take photographs.
- Check that all staff are aware of the audit and establish that the relevant Code has been communicated to them.
- Re-confirm the auditor/audit company's own Business Ethics policy.

Planning

- Discuss and agree the audit schedule.
- Agree the managers responsible for each area of the labour code (e.g. HR manager, Health and Safety Manager) and where to conduct interviews with these relevant persons.
- Request a list of workers who are scheduled to work that day, together with any details that may be required to ensure that a representative sample can be chosen for interview e.g. gender, nationality, contract type, length of service.
- Confirm the structure of the worker interviews and the availability of an appropriate space.
- Emphasise the confidential nature of the worker interview process and the expectation that workers will be paid for the time they spend at interview.
- Confirm that the workers for interview will be selected by the auditor.
- Confirm employees' working hours and shift patterns.
- Agree tentative time for the closing meeting and invite attendees. If union and/or worker representatives are present at the site, auditors should strongly request that they are present at the closing meeting. Ensure that enough time is allowed to re-investigate non-compliances if further evidence is made available.

- Agree who will support the audit and accompany the site tour.
- Confirm the employment site's peak production periods and explain the need to sample working hours from this period.
- Confirm any special arrangements/ precautions required for the employment site tour and whether a routine fire drill is expected.
- Review floor plan of the employment site including dormitories.
- Review list of chemicals available on site.
- Ask the management if they have any questions.

If the employment site's management do not agree to the participation of worker representatives in the opening meeting or audit process, auditors should note this in the audit report and auditors must always arrange a separate meeting with worker representatives where they exist.

Note: Auditors should communicate issues to management as they arise during the audit. This will help to build agreement around findings and corrective actions and allow management to:

- *Provide additional evidence where necessary.*
- *Address issues immediately (these issues will be recorded, but where corrective actions are taken immediately, the issues will be recorded as observations only and the positive steps taken by the site will also be recorded).*
- *Raise questions and address concerns.*

7.2 Tour of the Employment Site

A detailed list of what must be covered as part of the site tour.

The purpose of the employment site tour is for the audit team to observe physical conditions and current practices in all areas of the employment site, and to form a view of how they compare with the applicable standards and codes. At the same time, the auditor should be checking how the site performs against its own policies and procedures.

Where a site is meeting the required customer standard of the law and the code, but is not meeting its own internal standards, this can be recorded as an "opportunity for improvement" and can be recorded on the audit report as an observation.

The tour is also an opportunity to hold unstructured conversations with management and workers, seek site- based evidence to support findings and to view site-based records. The findings from the tour are checked against evidence from management, document reviews and worker interviews.

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

The ability of management to continue production at the site during a visit is crucial to enable the auditor to gain an accurate idea of working conditions and to secure management co-operation for the remainder of the visit. Therefore, auditors should make every effort to

ensure production is not disrupted during the employment site tour, whilst ensuring that they are able to view the production area during busy production periods. It should be possible to move around the site without delaying or halting production.

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

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

The first selection of workers to take part in interviews should be made during this site tour, with the auditor taking care to select a representative sample including workers who may be considered more vulnerable such as those in more hazardous jobs.

The site tour is important to establish an overview of health and safety issues. However, it is advisable that the time spent on the site tour is managed carefully so that it does not disproportionately impact on the time available to investigate other areas of the code.

For detailed information on numbers of workers to be selected for interview see **'6.5.3.1 Table for Auditor days and sample size'**.

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

OBJECTIVES OF A SITE TOUR

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

- Understand the types of work.
- Evaluate Health and Safety.
- Identify potentially vulnerable groups of workers.
- Assess whether some operations may be sub-contracted to other units.
- Observe management systems and practices, including interaction between management and workers.
- Take the opportunity to have some informal conversations with workers during the tour.

During the site tour, the auditor should include the following areas of focus:

Working Environment and Health and Safety

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

Employment and Labour Practices

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

Locating documents and records:

- Emergency procedures.
- Quality records.
- Production records.

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

PERIMETER SURVEY

An optional perimeter survey can be useful to provide additional information about the employment site and its local context, and to identify specific risk issues e.g. fire risks associated with waste storage etc.

Note: A perimeter survey should only be undertaken if sufficient time is available. It should not detract from the time spent inside the employment site.

The perimeter survey focuses on:

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

7.3 Management and Worker Interviews

It is essential that site practices are observed to confirm the active implementation of policies and written procedures. Information from manager and worker interviews forms a key part of this observation.

7.3.1 Management Interviews

The audit team should work through the relevant code and local laws, talking to managers about each issue area. It is essential to establish and record what procedures the site already has in place to manage all areas of the measurement criteria. This is reported by the auditor in the SMETA Audit Report under 'Current Systems and Evidence Examined'.

Open questions and discussion techniques should be used. It is important not only to talk to the senior managers, but also to less senior managers who may have a different perspective.

Example questions:

Ask - "How do you check ages when recruiting new workers?"

This question allows for better responses and therefore better information gathered than "Do you ensure that all workers are over the minimum age at recruitment?"

Ask - "Can you show me the evidence to support how you check this?"

This should allow the site to take an active role in re-examining their own procedures.

This affirmation of policies and procedures by managers, and the process of examining and sharing their practices with the auditor, will allow the site to review its own practices during the audit.

The audit team should work with administration staff, combining interviews with document review. If management is in possession of any worker survey feedback, this should form part of the management interviews and can used in subsequent worker interviews if permitted by management.

The audit team should be prepared to challenge management to obtain genuine information about management practices but should remain courteous and cooperative.

7.3.2 Worker Interviews

INTERVIEW PRINCIPLES

It is essential that workers are interviewed to hear directly what they think of working conditions at the employment site. The number of workers to be interviewed relates to the total number of workers at the site. See '6.5.3.1 Audit Length, Sample Size and Timetable' for information on sample sizes.

Individual or group interviews may raise new issues, confirm compliance or confirm suspected non-compliance. This is when the personal skills and experience of an auditor are invaluable in creating the trust needed for workers to feel comfortable disclosing details about the workplace.

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

Workers should be interviewed individually and in groups, without management present and preferably in their own language. Where necessary, an independent, professionally-qualified translator should be used. Management or their representatives must not act as translators. Where a single language group makes up

50% or more of the total workforce, the worker interviewer must be a native speaker of that language.

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

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

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

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

7.3.3 Planning Interviews

Workers must be selected to take part in interviews by the auditor only. Ideally, worker selection should be balanced and proportionate, taking account of the types of workers, such as local and migrant, agency workers, workers provided by service providers etc. All worker types on site are in scope. The auditor should also be aware of underlying issues e.g. shift, pay rates, worker category, job role and different contract types.

Wherever possible, the identities of interviewees should be kept confidential. Where this is not possible, a sufficient number of employees must be selected for interview to enable confidentiality of feedback to be maintained. Where it is felt that confidentiality cannot be achieved, care should be taken regarding the issues that are documented in the CAPR and final audit report.

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

In countries where Data Protection Laws apply, the auditor should ensure that appropriate permissions are obtained to view worker files.

Details of the number of workers that should be interviewed and the methods for selecting them are covered in **'6.5.3.1 Audit Length, Sample Size and Timetable'**.

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

BEST PRACTICE – INTERVIEW DESIGN

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

- Workers interviewed are representative of worker type and departments within the employment site.
- The worker interview samples take account of the proportion of local and migrant workers and include workers on different contract types e.g. permanent, temporary and agency workers, as well as different shifts and types of work where possible.
- Interviewees should be selected by the audit team and never by management. In making the selection, the auditor considers:
  - The gender balance of the workforce.
  - The spectrum of ethnic, national, linguistic, migrant or religious groups.
  - Youngest and oldest workers.
  - Different departments including security, canteen workers, cleaners and production workers.
  - Different levels/grades of workers and supervisors involved in production.
  - Union representatives and/or worker representatives.
  - Health and Safety Committee representative(s).
  - New employees/trainees (to evaluate training quality).
  - Workers in all pay grades (from lowest to highest) in order to evaluate wages and working hours.
  - Pregnant women.
  - Workers in potentially hazardous jobs e.g. with machines or chemicals.
  - Employees from different shifts.
  - Workers not wearing uniform.
  - Workers who have taken leave recently.
  - Workers whose records show specific issues such as disciplinary action.
- The selection of workers should take place as late as possible i.e. just before the interview, in order to minimise the risk of workers being coached.
- The interviewer should aim to talk to a wide range of workers including potentially vulnerable workers and those in less skilled positions.
- For sites with non-employee workers (meaning any worker on site who is not directly employed by the site), Sedex members recommend the following breakdown within the sample size in order to ensure a representative view of all types of workers.

Non-employee worker number	Non-employee worker interview sample
1	1
2	2
3-7	3
8-48	4
49-54	5
55-64	6
Increases of 10 workers	Increase by 1 additional non-employee worker
245+	Maximum 25

7.3.4 Conducting Interviews

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

Examples of good technique include:

- The auditor must emphasise the confidential nature of the interviews and must never mention an individual worker's identity to management.
- The auditor must conduct the interview using an informal "conversational" technique, using open questions that encourage dialogue. A comfortable, relaxed atmosphere is the target.
- Auditors must aim to make the interviewee comfortable i.e. in the way they dress, approach the interviewees and arrange the interview room. It may be beneficial to arrange chairs so that there are no obstacles between auditors and workers e.g a desk can create an artificial barrier that interferes with rapport.
- Where two auditors are conducting interviews together, it may help communication if one auditor takes notes while the other concentrates on establishing a rapport with the interviewee(s).
- Where necessary, worker interviewers can take place through a translator. Translators must be independent of employment site management and must speak the language concerned. Where there is a 50% majority language at the site the worker interviewer must be a native speaker of that language.
- Where a translator is being used, they must be fully briefed on the need for interviewee protection and confidentiality.
- The auditor should provide interviewees with details of a suitable confidential contact in the event that a worker wishes to add information outside the interview or while not at work.

7.3.5 Individual and Group Interviews

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

The following points are guidance only and may be modified depending on circumstances. However, the total number of interviewees given in '6.5.3.1 Audit Length, Sample Size and Timetable' should be adhered to as a minimum. Where interview numbers differ from this guidance, this must be stated in the 'SMETA Declaration' with reasons for this difference included.

7.3.5.1 Individual interviews typically last between 15 and 30 minutes. Longer interviews will be required in some circumstances. Auditors should respond to any signals (verbal and non-verbal) from workers and may choose to convert an individual interview to a group interview or vice versa.

7.3.5.2 Group interviews enable more rapid consultation with a larger number of people. Group interviews can be useful at the beginning of an audit to gather information quickly to inform the audit process. Auditors should never use group interviews to discuss personal issues such as an individual's wages.

7.3.5.3 Group interviews should be handled with sensitivity. Some workers may be encouraged to talk more freely in the presence of colleagues. However, other individuals may become introverted in group situations or may follow the majority opinion rather than express their own.

7.3.5.4 Group interviews should be planned to last between 30 and 45 minutes taking into account the additional time needed to get workers to attend and to give everyone an opportunity to express themselves. If issues are uncovered, the interview may need to be extended to fully explore them. Alternatively, if workers are consistently providing the same information, interviews may be completed within the minimum timeframe.

7.3.5.5 Group interviews are most valuable when workers actively participate. In regions where literacy levels are low, it may be beneficial to use drawings to assist communication, for example by using paper and drawing tools to describe what they know about fire exits. In this way, the quieter workers can be encouraged to take a more active part. Another example would be the use of a priority chart to establish the group's view on the most problematic issues for workers at the site. For more information on these possible techniques, please see chapters on 'Measuring Impact' and 'Encouraging worker/management dialogue' in 'SMETA Measurement Criteria'.

7.3.5.6 To supplement the individual and group interviews, auditors may choose to provide a written survey to a large number of workers on site. To encourage responses, these can be anonymous but their success will depend on literacy levels.

7.3.5.7 As stated in '5.4 4-Pillar SMETA Audit', the auditor should interview a minimum of one manager and one worker from each area of Environment and Business Ethics.

Note: See '6.5.3.1 Audit Length, Sample Size and Timetable' for guidance on number of interviewees. The auditor must select the correct total number but there is flexibility as to whether they are interviewed individually or in groups.

7.3.6 Off-Site Interviews

It may be useful to interview some workers off-site, where they may feel more able to speak freely about any concerns. This is often done when there is a perceived atmosphere of fear that prevents an open discussion in the workplace. However, only very experienced auditors should undertake this type of interview. Off-site interviews should also preferably be conducted in pairs, both

for safety reasons and to capture and interpret information accurately.

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

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

Where Pre-Audit Employment Site Profile/SAQ information indicates that production processes are undertaken by homeworkers, the auditor should check with the audit requestor whether these are to be included in the audit's scope. Where homeworking is discovered during an audit, the auditor should, at the least, report the presence of homeworking and, again, check with the audit requestor whether a visit to homeworkers is within the audit's scope. In cases where a visit is not possible, for example due to location constraints, a separate audit of homeworkers and their working conditions may be required.

Similarly, if a site is found to be sub-contracting, the auditor should try to establish whether this falls within the scope of the audit. The auditor may be required only to establish what systems the audited site has in place to control sub-contractors, or they may be required to pay a visit to sub-contractors. In any event, sub-contracting should always be reported on a SMETA Audit Report.

If the auditor is required to pay a visit to the subcontractors, this ideally should be pre-agreed ahead of the audit. The scope of the audit can then be increased to give time for visits to external sites alongside ensuring that the correct time is spent on the SMETA audit at the main site.

7.3.7 Other Types of Interview

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

It is essential to establish the effectiveness of any worker representation present, especially where there is a legal requirement for formal worker management dialogue. For example, in some areas where there may not be a legal requirement to have a union, there may instead be a law that requires a functioning workers' committee. It is important that the auditor establishes and records the responsibilities and actual function of any committee present – Have they been elected by co-workers or selected by management? Does the committee only arrange leisure activities or does it also negotiate on behalf of workers?

External interviews with unions and NGOs in the region can give useful information regarding prevailing labour conditions and the main issues for local workers.

Caution: A site's details should not be discussed between auditors and any local groups (unless expressly directed by the audit requestor) as this is confidential information to the site and its customers. (See also **'6.2.1 Background and context review'***).*

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

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

7.3.8 Protection of Interviewees and Use of Interview Information

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

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

Note: The auditor may need to keep identity information for traceability reasons but this must not be disclosed. See also **'Supplementary Guidance for Dealing with Sensitive Issues Raised at Audit'** *in the Sedex Advance knowledge hub.*

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

Any issues of a sensitive nature or unsubstantiated information should not be mentioned to the site's management if this endangers workers. However, the issues or information may be reported confidentially and separately to the brand/retailer via an alert notification.

This can only be done if the name of the brand/retailer is known and the auditor is aware of their requirements regarding the use of Alert Notifications and/or Supplementary Information. Wherever possible, these details must be sought ahead of the audit.

Any Alert Notifications and/or Supplementary information produced must not be uploaded to the Sedex platform in order to protect the confidentiality of the worker.

Examples of appropriate tools such as a 'Supplementary Audit Report' are available through the Global Social Compliance Programme (GSCP) **'Reference Tool on Audit Programme and Methodology'**.

Auditors may feel the need to produce a separate, supplementary audit report or alert notification for the audit reviewer (see also **'Supplementary Guidance for Dealing with Sensitive Issues Raised at Audit'**). The contents of these reports and notifications are outlined below.

7.3.8.1 Supplementary Audit Report

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

Supplementary reports may be appropriate:

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

7.3.8.2 Alert Notification

Note: Where immediate communication is advisable.

- Urgent information, which the auditor feels must be rapidly conveyed to the audit requestor.
- Where immediate communication is advisable

Note: This type of report may not be appropriate when the audit requestor is the employment site itself. The auditor must check whether separate reports are required. These separate reports containing sensitive information must not be uploaded to the Sedex platform. Please see **'Supplementary Guidance for Dealing with Sensitive Issues Raised at Audit'** *available for members. For this reason there is no SMETA template for these documents but examples are available at GSCP* **'GSCP Reference Tools on Audit Process and Methodology'**.

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

If alert notifications or supplementary reports are required these should be made available to the appropriate reviewers within 24 hours of the issues being identified.

CHECKLIST – PROTECTION OF INTERVIEWEES

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

- A sufficiently large sample of workers needs to be interviewed so that points raised are not attributable.
- The auditor should also consider the use of individual rather than group interviews to achieve a higher level of confidentiality.
- The auditor should keep a confidential note of who is being interviewed so that workers can be protected in future if necessary.
- Auditors should ensure that problems raised by workers are discussed with management in a non- attributable way. Auditors must also ensure that the comments that they report cannot be traced back to an individual worker.

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

Note: See also **'Supplementary Guidance for Dealing with Sensitive Issues Raised at Audit'** *available to members on the Sedex Advance Resources Hub.*

7.4 Document Review

Documentation is key to understanding how a site manages all areas of the labour code. The list of documents required should be sent with the pre-audit information, to be received by the site a minimum of 2 weeks ahead of the audit. This section details how the major documents should be checked.

7.4.1 Document Availability

The documentation needed for the audit should have been requested during initial communications with the employment site. As the document review is an important part of the audit, the need for preparedness and availability of documents, as well as the significance of document reviews for the success of the audit, should be emphasised in communication with the site.

As part of encouraging a site to take responsibility for its own compliance with codes, the auditor should pay special attention to any local inspections carried out by relevant organisations e.g. government bodies, for example, business licenses, checks on health and safety by local government inspectors such as fire department or structural safety checks. Any certifications such as OSHAS 18000/ISO 9000 should be investigated and their reference number and date should be recorded. These should be noted in the SMETA Audit Report under 'Current Systems and Evidence Examined' where appropriate, and copies may be attached to the SMETA Audit Report.

On the day of the audit, all documentation should be available at the employment site for inspection, including payroll and working hours records. All documents should be available covering a minimum 12 month period prior to the audit. If records for the previous 12 months are not available, the employment site should explain why

this is the case. Any non-legitimate absence of documentation should be recorded on the audit report as non-compliance.

For a full list of the documents that need to be reviewed, see '6.6 Preparation for Audit (Site of Employment)'. The list is also included in the 'SMETA Pre-Audit Information Pack'.

7.4.2 Document Sampling for Wages and Hours

Auditors should review at least three months' worth of records from the 12-month set of data (or the available data for all months of production when the factory has been operational less than 12 months) and should include records for the most recent peak season available and for low season or random months. In addition, documents should be checked for correct holiday/leave entitlement. Particular emphasis should be placed on how the site manages all aspects of the relevant code, including how it specifies wages and hours in contracts/engagement letters.

To complete the wages and hours analysis, auditors should concentrate on all types of workers. The following points will help auditors to complete the analysis in line with SMETA Audit Report requirements.

7.4.2.1 It is necessary to examine full wage records for selected workers for a full 12-month period to establish peak production and the extremes of both low and high levels of wages and hours over one year.

7.4.2.2 Working hours and wage records are selected for investigation to cover peak and current production levels, and a random/low month.

7.4.2.3 The records for the workers who have taken part in individual interviews should always be checked. The remainder of records checked should be sampled from the broader pool of employees.

7.4.2.4 For each pay period selected, a minimum of 10 records for a site up to 100 workers should be reviewed. For larger sites the number of workers reviewed should follow the sample size table detailed in this document. A larger sample may be reviewed for confirmation if issues are found in the initial sample. A minimum of 3 pay periods should be checked including peak, current (or the most recent available) and random/low month. For the avoidance of doubt the full sample should be reviewed for each of the pay periods selected.

7.4.2.5 Wages and overtime rates paid must be recorded at the level of each individual worker (see wages analysis table SMETA Audit Report) . It must be made clear to the reader of the audit report whether the rates meet local law requirements and whether they have been agreed with representatives of the workforce.

7.4.2.6 Hours worked must be recorded at the level of each individual worker (see working hours analysis table SMETA Audit Report) . It must made be clear to the reader of the audit report whether the hours meet local law requirements and whether they have been agreed with representatives of the workforce.

Note: The auditor should extract sufficient detail to be able to complete the SMETA wages and hours analysis, which requires highest, average and lowest wage information for workers. Where discrepancies exist, for example between production records and payroll records, the auditor should still endeavour to complete the wages and hours table for individual workers.

See **'6.5.3.1 Audit Length, Sample Size and Timetable'** *for details.*

7.4.3 Presence of Waivers

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

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

In the case of a local waiver that allows a total number of annual overtime hours the auditor should examine (where possible) hours records from a 12-month period for a sample of workers to ascertain whether their actual hours worked meet the waiver.

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

Note: Even if a local waiver is in place that overrides the local law, it can still be a non-compliance against the ETI Base Code.

7.4.4 Data Protection

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

Note: See **'SMETA Pre-Audit Information Pack'** *for more detail.*

7.4.5 Document Inconsistencies

The falsification or incomplete disclosure of documentation makes it difficult to carry out an effective audit. Such actions are often due to misconceptions by site management that the auditor will 'fail' the site if issues

are found. To try to overcome this lack of trust, auditors should develop a rapport with management to explain that SMETA audits do not 'pass or fail' sites and to encourage management to provide accurate records which present the full picture of the employment site's operations. It should also be explained that Sedex members will likely consider falsified or withheld information as a serious non- compliance.

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

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

Note:

- *The auditor should not use 'unable to verify' as a reason for not completing the wages and hours analysis, but rather should complete the table with the information available. At the same time the auditor should clearly state in the appropriate section of the SMETA Audit Report whether inconsistencies were an isolated incident or repeated occurrence.*
- *To ensure the site is made aware that customers will be informed of document inconsistencies, the audit should record in the comments box below the wage and hours table whether the information in the wages analysis and hours analysis are 'best available' and could not be verified as there was disagreement between production records and wages and hours records for example, OR if they are, in the opinion of the auditor, correct as verified by checking other documents e.g. broken needle record, production records etc. Members request that as much detail as possible is given about any inconsistencies e.g. what records are showing inconsistencies, how many workers are affected, is it a single occurrence or a site practice?*
- *If an employment site volunteers information about incomplete and/or inconsistent records, this should be noted. Sedex members may downgrade to a less serious non-compliance when site management have been transparent about issues.*

7.4.6 Zero-hours contracts, gig-economy and other casual work

Whilst there is a large focus on monitoring excessive hours, there are also issues related to short shift times, zero-hours contracts, gig-economy and other similar examples. In these instances, workers are paid for their individual hours / orders / assignments and neither party agrees to offer minimum hours nor accept a minimum amount of work.

These scenarios can offer flexibility, however they also incur higher risk as often holiday and/or sick pay is not covered. There may be several reasons for these flexible types of working arrangements, however full details should be declared under the regular employment section in the SMETA audit report together with substantive evidence and details on holiday, sick pay and other benefits.

7.4.7 Purchasing Practices

Whilst Sedex members do all they can to work together with their suppliers in a collaborative way, the supplier may feel that there are circumstances outside of their control that lead to excessive overtime hours.

Suppliers may have several reasons for excessive overtime hours and they should be encouraged to share these with the auditor. Their views should be recorded at the end of the Working Hours Analysis table under

'Comments (please state here any specific reasons/circumstances that explain the highest working hours)' in the SMETA Audit Report.

Suppliers may feel that customers play a key role in managing overtime levels by ensuring that they give sufficient notice for production, in order for it to be well planned. There might be elements of the customer's practices or buying patterns that increase the risk for excessive hours, and in the interest of continuous improvement and collaboration, it is important that this is captured.

Where a supplier states that this is happening and that given lead times are too short, the auditor should record this and, wherever possible, should seek substantive evidence e.g. order dates and requested delivery dates.

This exercise can often give the site an opportunity to examine their own systems to establish whether their own internal ordering systems are operating efficiently.

The auditor's recorded information is of use to the customers as they start to examine their own role in the effective management of working hours.

7.5 Pre-Closing Meeting

It is important that the audit team (even if only 1 auditor) confirms all findings, which are to be presented at the closing meeting. This is done at a pre-closing meeting.

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

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

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

7.5.1 Grading Non-Compliances

SMETA does not give guidance to auditors regarding the grading of issues. If the audit requestor requires the auditor to grade non-compliances, the auditor should use the audit requestor's grading structure. Guidance on severities can be found in the **'SMETA Non-Compliance Guidance'** on the member resources of Sedex.

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

7.5.2 Corrective Action Plan Report

The **'SMETA Corrective Action Plan Report (CAPR)'** has been designed to provide a structure to the audit team's findings in order to help the site develop a corrective action plan at the closing meeting.

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

The auditor should complete a draft CAPR prior to the closing meeting with the objective of agreeing findings and then recording the site's proposed corrective actions at the closing meeting. Non-compliances confirm instances in which the site's practices do not meet the law and/or the applicable code.

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

Note: For definitions of non-compliances, observations and good examples, see section 7 **'Audit Execution'**.

For each non-compliance or observation, the SMETA Audit Report should provide:

- A description of the non-compliance or observation, its frequency and the number of people concerned.
- Whether it is an isolated incident or a more systemic problem.
- Evidence to substantiate findings.
- Reference and details of the relevant area of the code and/or local law.
- Recommended corrective action with a timeframe for completion, responsibility and verification method required.

The Corrective Action Plan Report (CAPR) should:

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

Note: Where extra copies cannot be signed on the day, the documents should at least contain the signatories'names as evidence of signatures.

The CAPR should be issued to the site management immediately/as soon as possible after the audit has taken place. If amends are required, a new version is issued with the audit report to all 3 parties.

CHECKLIST FOR COMPLETING A CAPR

Non-compliance number

This should include a separate line for each non-compliance. The ETI Base Code number for the element of the labour code or local law that has not been met should be used. It should be numbered as per the ETI Base Code i.e. number 2 is 'Freedom of Association'.

Details of non-compliance

The non-compliance should be described clearly and concisely, with reference to the element of the labour code and/or local law that has been breached. The information in the CAPR can be more concise than in the audit report, but it is important that the information is consistent with the audit report and makes clear which non-compliance the action refers to.

Root cause

The main objective of the CAPR is to promote improvement at the employment site. The auditor should encourage the site to identify the root causes of issues as far as is practical to do so. This is best achieved by repeatedly asking "why" to develop a deeper understanding of underlying causes and their relationship to the non-compliance identified. Finding and removing a root cause will often prevent a re-occurrence of that non-compliance (see the **'SMETA Corrective Action Plan Report (CAPR)'** document for more information on how to identify root causes).

Preventative and Corrective Actions

This column contains details of actions to be taken to clear the non-compliance i.e. immediate actions and the system changes required to prevent re-occurrence i.e. longer-term actions. The recommendations for corrective actions should be made either by site management or by workers and, only if necessary, by the auditor. Auditors are encouraged to share best practice and solutions from their own experience but should not give specific corrective actions to the site.

The auditor should attempt to ensure that the recommended actions address root causes as far as practical.

Note: Auditors should direct suppliers to information available on the member's section of Sedex website e.g. **'Supplier Workbook'** *and* **'SMETA Corrective Action Guidance'.**

Timescale

This is the time required for the recommended corrective actions to be implemented and for the issue to be closed. Immediate correction may be listed in the timescale column, but the time allocated for corrective actions to be completed should be appropriate and realistic. Longer term actions and recommendations of how to address root causes may require extended timescales and cannot be decided at the closing meeting. In this case, they need not be included.

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

Recommended timescales are given in the **'SMETA Non-Compliance Guidance'**.

Verification Method

This column should be completed by the auditor in agreement with the site's management. The options are for 'desktop' or 'follow-up'. The auditor should ensure that management clearly understands the implications of the verification route selected and the next steps required.

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

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

Note: For a guidance on verification methods, see **'SMETA Non-Compliance Guidance'** *on the Sedex advance knowledge hub., which gives examples of timescales and methods for verifying corrective actions.*

7.6 Closing Meeting and Summary of Findings

It is essential that sufficient time is allowed for a full discussion at the closing meeting. The corrective actions suggested by the site must be fully discussed and recorded once agreed. Close attention should be paid to whether the suggestions are practical and whether the site is certain they can be completed within the agreed time frame.

The aim of the closing meeting is to inform and agree the findings of the audit with the employment site's management, and to verify their confirmation of the findings through the signing off of the CAPR and agreed timescales. Most of these findings should have been communicated as soon as possible throughout the audit. The closing meeting is also another opportunity for the site to supply any additional information not yet seen.

Where the site is able to supply sufficient evidence at the closing meeting to correct any identified non- compliances, this may be recorded as an observation. However, it is important that the original issue is fully recorded along with the evidence provided as a corrective action, and that the auditor is satisfied that the information provided ensures that the problem will not re-occur.

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

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

The final CAPR must be available and left with the site in a language understood by the site, however it will also be necessary to supply a copy in English – especially to the appropriate customers. CAPRs uploaded onto the Sedex system must, at a minimum, be uploaded in English. For SMETA audits, the CAPR must be uploaded to the Sedex system, ideally as a pdf along with the audit report.

Note: In cases where management does not agree, they should sign the 'dispute' section of the CAPR and state their reasons.

7.6.1 Agreeing Corrective Actions

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

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

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

7.6.2 Immediate Correction of Non-Compliances

If evidence is produced which clears non-compliance, the non-compliance may be recorded as an observation. The evidence produced at the closing meeting should be recorded on the CAPR as an immediate corrective action completed, for example a fire certificate produced at the closing meeting that had not

previously been seen by the auditors.

If a non-compliance can be corrected immediately e.g. a blocked gangway, it should be recorded as an observation, but only if the auditor is shown proof of a system that can ensure the route will be kept clear.

The auditor should always investigate and document how compliance will be maintained before recording an observation rather than a non-compliance.

7.6.3 Conclusion of the Audit

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

See '8.3 Sedex and Uploading the Audit' for more detail.

CHECKLIST – CLOSING MEETING:

- Thank the management for their time and contribution.
- Re-confirm the purpose and scope of the assessment.
- Remind them that they may challenge findings at the meeting, but any issues they have agreed to cannot be queried later.
- Recognise good examples that have been observed during the day.
- Agree any non-compliances and explain that the audit was based on a sample examination of their employment site and there may be some non-compliances that were not observed.
- Ask the site to identify root causes, suggest corrective actions, timescales and person responsible for correction. Record the corrective actions.
- Cancel any non-compliances where evidence is produced to show the finding is not correct, ensuring that this is verified by another route as necessary.
- Record non-compliances that can be corrected immediately.
- Answer any questions that management have.
- Explain when the full audit report will be completed and who it will be sent to.
- Summary of Findings and Corrective Actions must be signed by both the lead auditor and site representative.
- Leave an understandable copy of the corrective action plan with management.
- The corrective actions should include a timeframe for completion and the type of verification needed.
- If the Summary of Findings and Corrective Actions are not agreed, the auditor should ask the site to sign the CAPR in the dispute box along with reasons for the dispute. The auditor should then leave a copy with the factory and report disputed points to the audit requestor, copying in the factory.
- Inform the facility of the Sedex uploading and corrective action management process that forms part of the Sedex system, ensuring they are made aware of their responsibilities.

See section 8 'Audit Report and Outputs' for more information.

7.6.4 Dispute of Findings

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

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

Note: The CAPR must always be signed by a site representative, either in the "confirming that the above findings have been discussed and understood by the management (you) signature:_____"

Or in the box "please indicate below if you, the site management, dispute any of the findings signature::_____"

Where it is not possible to include a handwritten signature on the uploaded CAPR, the document should at least include typed names of signatories as evidence of signatures.

In cases where the site refuses to sign either section, and particularly if the auditor may feel they are at risk as a result of the audit findings, this should be recorded in the management attitude section of the audit report – ensuring that there is no risk to the auditor.

Note: The 'SMETA CAPR' invites feedback on the audit process. A link on the final page of the CAPR gives access to a survey, which records views concerning the audit experience.

Chapter 4 (Section 8) Audit Reports and Outputs

8. Audit Report and Outputs

The SMETA Audit Report and CAPR are the most important outputs from an audit as this information is visible to the site's customers. It is essential that both the audit report and CAPR are clear and contain as much useful information as possible. The auditor must remember that the parties reviewing the audit were usually not present at the audit.

8.1 Audit Report Completion

This section includes details of how an audit report should be written including timeframes for delivery.

8.1.1 General Points

The SMETA Audit Report should be completed as soon as possible after the audit and should always meet the Service Level Agreement (SLA) of the auditor/audit requestor. The audit report should be written to present a full and balanced account of findings. To facilitate co-operation on continuous improvement, the audit report should be shared with all interested parties e.g. employment site/supplier/customer as soon as possible after the audit.

If the SMETA Audit Report and CAPR are to be uploaded to the Sedex platform, they must at the least be written in English and must use the standard **'SMETA Audit Report'** template. In addition a copy of the audit report should also be available in the language of the employment site's management (two languages may be combined on one copy if agreed by all relevant parties). Any deviation from the SMETA must be recorded in the SMETA Declaration at the front of the audit report.

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

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

A description of the current situation and how requirements are managed (see **'8.1.2. Specific Points'**).

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

Note: Sufficient detail should be included so that a reviewer who was not present at the audit is able to accurately understand the type and scale of the finding.

8.1.2 Specific Points

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

8.1.2.1 Completing Current Systems and Evidence Examined

Most Sedex members are interested in working with their suppliers on a programme of continuous

Improvement. To understand improvement opportunities, readers need a detailed picture of the current systems of a supplier site. When correctly completed, a detailed SMETA audit report will capture sufficient information to facilitate a discussion of how improvements can be made.

Most importantly, the auditor should fill in 'Current Systems and Evidence Examined' for each area of the code. This is an opportunity for the auditor to inform the reader of how the specific code item is managed by the site. It is the place on the audit report where a detailed description of the management system that either prevents or leads to a non-compliance can be recorded.

Under Current Systems for each clause, the auditor must record the processes in place to manage each area of the labour code. For example:

- How does the site recruit workers (linked to minimum age of employment)?
- How does it confirm employment e.g. letters of engagement, contracts?
- How does it manage hours of work for each individual worker, what recording system is used, and how is overtime managed?
- How are workers paid, how are wages calculated, is it piece rate or hourly and how does management ensure at least minimum legal wage is paid for standard hours?Clause 4: Child labour shall not be used

An employment site should have detailed, robust procedures for hiring workers of the correct age.

Under 'Current Systems', the SMETA Audit Report should detail:

- How workers are hired.
- What is checked?
- Who is responsible for checking?
- Is it documented? Can someone take over that responsibility if required?

The above information should be checked and recorded by the auditor, investigated by asking open questions of the management and allowing the responsible manager to demonstrate to the auditor how this area of the code is managed. This can be substantiated at worker interviews by confirming the hiring procedures from a worker perspective.

By detailing the above procedures and practices and the evidence checked in this section, the responsible manager and the audit report reader can judge whether any problems found are likely to occur or re-occur.

8.1.2.2 Completing Wages and Hours Tables

The wages and hours tables were created to provide an overview of payment to and hours worked by individual workers. The additional selection criteria for the individual workers is based on their wage levels, and the table requires an auditor to identify proportions of the lowest paid, average paid and highest paid. The aim of the table is to give the audit report reader a snap shot of wage levels, at the level of individual workers, particularly in a situation where it is not possible to verify hours of work and wages because of discrepancy between records e.g. production records and wages/hours records.

It is important that both of these are filled out as correctly as possible making sure that all time intervals and currencies are included - per hour/per week/per month and the units stated.

Wages table

The wages table contains a number of questions that need to be answered for three individual workers based on their wages levels. The records used as the basis for filling out the wages table

should be selected from the pool of records reviewed within the scope of the audit. For all three wage levels presented in the table, the same month should be reviewed (e.g. October).

It does not make any difference which of the peak, current or random/low sampled months the wages table is based on, but it is recommended that the auditor chooses an example month which is representative for the site. The aim of the wages table is to give the reader an understanding of (amongst other things):

- Whether or not the workers receive minimum wage or above/below minimum wage.
- The spread of wage levels.
- If the workers are paid extra for overtime and, if so, how much.

If they receive basic benefits, such as social insurance.

It is essential that units of currency and the time period are stated for each entry.

Working hours table

The working hours table should be answered with information from all sampled workers' records in the audit and, where needed, for the full workforce. ETI updated their working hours standard in April 2014, and these changes have now been incorporated into SMETA (for more information see ETI website on 'Working Hours').

The aim of the working hours table is to give the reader an understanding of (amongst other things):

- How many standard hours the workers do per day/week/month.
- How many overtime (OT) hours the workers do per day/week/month.
- How many rest days the workers have in any 7- or 14-day period.
- If there are deviations from the standard, any specific reasons for this.

For both of the above tables, the information should be retrieved by checking the provided records. If the information is not clear, an additional number of records can be checked to clarify the situation. If the wages level or working hours cannot be confirmed due to inconsistencies in records, the auditor should report on the findings based on provided information but comment on inconsistencies in other applicable parts of the audit report (Current Systems and Evidence Examined, Non-Compliances, Key information, Management Systems). Members request that the auditor does not state 'unable to verify' in the wages or hours table.

8.1.2.3 Other areas of the SMETA Audit Report

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

- Any variation to the standard SMETA process must be recorded in the SMETA declaration on page 2 of the audit report e.g. different sample sizes or audit duration. A common error is a shorter duration of audit than described in '6.5.3.3 Example Programmes', without any explanations in the SMETA declaration.
- Key information in the SMETA Audit Report asks whether the lowest paid worker at the site is below minimum wage, meets minimum wage or is above minimum wage. The auditor should check the correct box and attempt to estimate from the total wage analysis what % of workers are below, meet or exceed the minimum legal wage.

- Migrant worker numbers are required in the 'Worker Analysis' in the SMETA Audit Report. 'Migrant worker' definitions vary depending on the country. Auditors should be clear about country/place of origin. Definitions include:
  - A worker who has moved to a country, province or region where they are not a native and where they are not eligible to become or do not intend to become permanent residents.
  - In some countries/areas, they can be defined as those who require special permits to work in that location.
- Wages and hours analysis must always state the units (for wages) and the payment interval – per hour, per day, per week, per month. For hours analysed, the auditor must record whether they are daily, weekly, monthly for both standard hours excluding overtime as well as for the recorded time period for overtime hours.

8.1.2.4 Describing findings by clause

- Auditors must list non-compliances individually with the appropriate code clause or law and appropriate corrective action accompanying each single non-compliance.
- Current Systems and Evidence Examined by the auditor confirms how the site manages the particular clause (see specific points 8.1.2 above).

For greater clarity in producing a good practice SMETA audit report, the SSF has produced the 'Guide to Completing a SMETA Report' and 'Guide to Completing a SMETA Corrective Action Plan Report', both publicly available on the Sedex website.

Note:

- *Guidance on completion timeframes and method of verification can be found on the member resources section of the Sedex website (see 'SMETA Non-Compliance Guidance').*
- *The audit report must not include any information that could be used to identify specific workers such as names, ID numbers, job descriptions and/or work location.*
- *Unless agreed otherwise, the audit body will not distribute the audit report outside Sedex to any entities except the audit requestor.*

8.2 Describing Non-Compliances, Observations & Good Examples

Sedex members have provided some examples to encourage consistent reporting on issues found.

8.2.1 Describing a Non-Compliance

A non-compliance must be recorded where the practices of the site of employment do not meet the requirements of either the law, the applicable code or a customer specific code. Since the Sedex system encourages audit sharing, it is very important that the standard procedure is followed and that non-compliances are recorded where the site practice does not meet EITHER the law OR the applicable code OR a customer's code OR all three.

A non-compliance should be raised where either there is no system in place, the system is not effective in ensuring compliance is met or where a lapse in the system puts workers at a disadvantage.

- A non-compliance: when a site does not meet local/national/international law requirements.
- A non-conformance: when a site meets the law but does not meet the ETI code or customer code requirements.

Sedex members suggest providing maximum detail of the non-compliance action in the audit report, which should include a description of the non-compliance, the local law and/or ETI requirement, the recommended corrective action and the objective evidence observed.

A non-compliance should report on:

- A description of the non-compliance, its frequency and the number of people concerned.
- Whether it is an isolated incident or a more systemic problem.
- Evidence to substantiate findings.
- Reference and details of the relevant area of the code and/or local law.

Recommended corrective action with a timeframe for completion, responsibility and verification method required.

Examples:

Issue title: Provision of PPE

- Description of Non-Compliance:

  - NC against ETI
  - NC against local law

  During the site visit it was noted that all 6 workers in the spray-painting department were not wearing rubber gloves, goggles and masks. Examination of the MSDS showed that these were solvent-based paints and the recommended safety precautions were to use them with the above protective equipment (PPE).

- Local law and/or ETI requirement:

  ETI 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.

  Local Law 'Safety Manufacturing Law Article 37' states that "units shall provide PPE for employees and arrange the correct supervision and training."

- Recommended Corrective Action:

  The Health and Safety Manager Mr FFF discussed with the factory manager that PPE must be obtained for all 6 workers in the spray-painting workshop and that he (Mr FFF) would ensure that all workers were trained in its correct use. He believed that training was available from the supplier of the paints and would organise for the supplier to visit to provide a training session.

  Action By: Mr FFF *Time frame:* 30 days.

- Objective Evidence Observed:

  Site tour and MSDS of paints.

Issue title: Effectiveness of representation body

- Description of Non-Compliance:

  • NC against ETI • NC against local law

  Workers expressed dissatisfaction with performance of the welfare committee citing ineffective representation and delays in receiving feedback from management.

- Local law and/or ETI requirement:

  ETI 2.1 - Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.

- Recommended Corrective Action:

  It is recommended that the welfare committee meets regularly, that meetings are minuted and that minutes are shared with the workforce.

  Action By: Personnel Manager *Time frame:* 60 days.

- Objective Evidence Observed:

  Following worker interview results, auditors found that the welfare committee met very infrequently, did not discuss the items suggested by the workers and did not produce minutes of meetings.

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

- Current systems and evidence examined:

  "There is no trade union on the farm. However, there is a parallel means of engaging management, by use of a workers' welfare committee. The committee meets with management to review labour and welfare conditions at the work place.

  The workers' welfare committee is also used to communicate to workers. Workers and management discuss and agree on practical solutions to any issues that may have been raised, assign responsibilities and set timelines for actions and follow-up on any actions agreed in previous meetings.

  Other than the welfare committee, there exists a gender and a health and safety committee. Worker representation is from every department of the farm. Workers elect their representatives themselves.

  Training is conducted to enable these committees to effectively discharge their duties. The committees have agendas for their meetings.

  Minutes of all meetings are documented and maintained on file. Meeting proceedings are shared during workers' meetings and posted on notice boards".

8.2.2 Collecting Observations

Description of Observations

An observation may be recorded where there is a site practice which does not contravene the law or standard but, if not corrected, could lead to non-compliance. It may be an opportunity for improvement. An observation should be noted where there are very robust systems in place and there is only an isolated lapse and this can be corrected immediately. An observation is also noted when a non-compliance can be rectified and verified as corrected before the end of the audit.

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

- Minutes of the workers' committee meeting are produced but they are not circulated.
- Fire extinguishers all appear in date and correct but no system is in place for checking.
- Personnel handling chemicals were doing so satisfactorily but no system is in place for training new workers.

Observations can also be raised where a non-compliance is immediately corrected, see '7.6.2 Immediate Correction of Non-Compliances'.

8.2.3 Collecting Good Examples

Description of Good Examples

Good examples should not be raised were the site is merely meeting legal or Code requirements.

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

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

Good examples can be collected through on-site observation and interviews and can be summarised under each section of the Audit Results by Clause of the SMETA Audit Report under 'Good Examples Observed'. The site will not be required to enter an action for a Good Example (GE).

Community Benefits

The auditor should ask the site if they support any local community activity or additional benefits for workers not already recorded. Any information shared should be stated in this section. For example:

- The site supports a local school. They donate their old office equipment to the school when their own is replaced with new. This resulted in donations approximately every 6 months. The previous donation was of 5 computers and printers which were still usable.
- The factory had open days for workers' friends and families. On these days, they are all invited for food and a look around the factory so that they can be reassured of the working conditions of their family members.
- The factory arranges for factory tours for the pupils of a local school for children with sight, hearing and speech disabilities. The pupils learn about life at the factory and, wherever possible, the factory recruits from the school – placing individuals into jobs that suit their capabilities (approx. 5% of the workforce had come from the school).

8.3 Sedex and Uploading the Audit

The Sedex membership depends on and expects good quality audit information to be correctly uploaded to the Sedex system. To demonstrate impartiality, Sedex recommends that the audit information is uploaded by the audit company.

Some brands and retailers have specific requirements regarding which party should upload an audit. Both the auditor and the supplier site are advised to check these requirements and agree this at the quotation stage of the audit. Failure to check the requirements of customers may result in a site doing more than one audit. It is recommended that the site investigates the requirements of all its customers and aims for an audit that is satisfactory for all, wherever possible, to avoid audit duplication.

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

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

The auditor must communicate sufficient information regarding Sedex to the audited facility to ensure that they understand the activities the site must carry out on the Sedex system (please see the **'SMETA Pre-Audit Information Pack'** for examples).

Information should include but not be limited to:

8.3.1. Benefits of Sedex

- Sedex (Supplier Ethical Data Exchange) is a not for profit membership organisation for businesses committed to continuous improvement of the ethical and responsible practices in their supply chains.
- Sedex promotes data sharing to ease the administrative burden on suppliers when trading with multiple retailers/brand customers that require ethical audits. Suppliers can upload audits and share them with their customers, cutting out repetition, cost and administration and reducing the number of audits.
- Sedex also allows the sharing of good practice at the site: site certifications can now be uploaded; details of training programmes; involvement with community projects and NGO's; and good examples in audit reports.

- Sedex members include leading global brands and thousands of suppliers already registered worldwide. The member base is significantly growing each month and an ever-increasing number of customers are likely to be using the Sedex platform.

8.3.2 The Sedex Process

The audit body advises the auditee of the customer requirement, as well as the process for uploading to the Sedex platform and associated fees for these services. The auditor should supply the auditee with links to the relevant guidance packs, which can be accessed and downloaded on the Sedex Knowledge Hub, our members' resource section. To upload an audit to the system, a few pre-requirements are necessary:

- The auditee must be a registered active member of Sedex. If the supplier requires guidance, please see: http://www.sedexglobal.com/wp-content/uploads/2011/06/Supplier-Guidance-Register-for-Sedex-1.pdf
- Once the registration process on Sedex Advance has been successful, we suggest they consult the Knowledge Hub for further steps

How can the Knowledge Hub be accessed? Where can you find the documents on the Knowledge Hub?

The Knowledge Hub and the documents it contains can be accessed by logging into Sedex Advance and either clicking on the Help button or the little pink icons on the top of each page.

- What kind of instructions can I find on the Knowledge Hub?
- How to set up your account and register sites.
- How to add customers and grant access rights.
- Filling out the Self-Assessment Questionnaire – this is highly recommend before an audit.
- Audits on Sedex Advance.
- Adding Corrective Actions.
- The Sedex Supplier Workbook.

The Knowledge Hub offers guidance for auditees/sites to help them complete the following three essential steps before an audit can be uploaded:

- Set up their account and register at least one 'site of employment'.
- Complete a Self-Assessment Questionnaire and share it with the auditor prior to the audit
- Create an 'upload request' in advance of the audit. This will give the auditor access to the Self-Assessment Questionnaire

8.3.3 Uploading the Audit (Supplier Site or Auditor)

- Once the audit has been conducted and completed, it is recommended that the SMETA report and CAPR are shared on the system to minimise audit requests from any further customers. Any social audit from any auditor can be uploaded to the Sedex platform.
- For detailed guidance on how to upload an audit report on Sedex Advance, please consult the Knowledge Hub:
  - Auditors - Please click on the 'Online Modules' section, select 'Auditor Modules' and then '1. Uploading Audit Information'
  - Sites - Please click on the 'Online Modules' section, select 'Member Modules' and then '4. Audits on Sedex Advance'

Please note that where the site has requested the audit on the Sedex system, the system will auto-publish within 7 days of audit upload. Audit firm sends the audit report to the payer and any authorised third parties in a protected and un-editable format. A documented release statement should be obtained by the auditor prior to such release.

- Sedex strongly recommends that external audits are uploaded by the auditing company as this provides greater assurance of independence.

8.3.4 Adding Corrective Actions (Supplier Site)

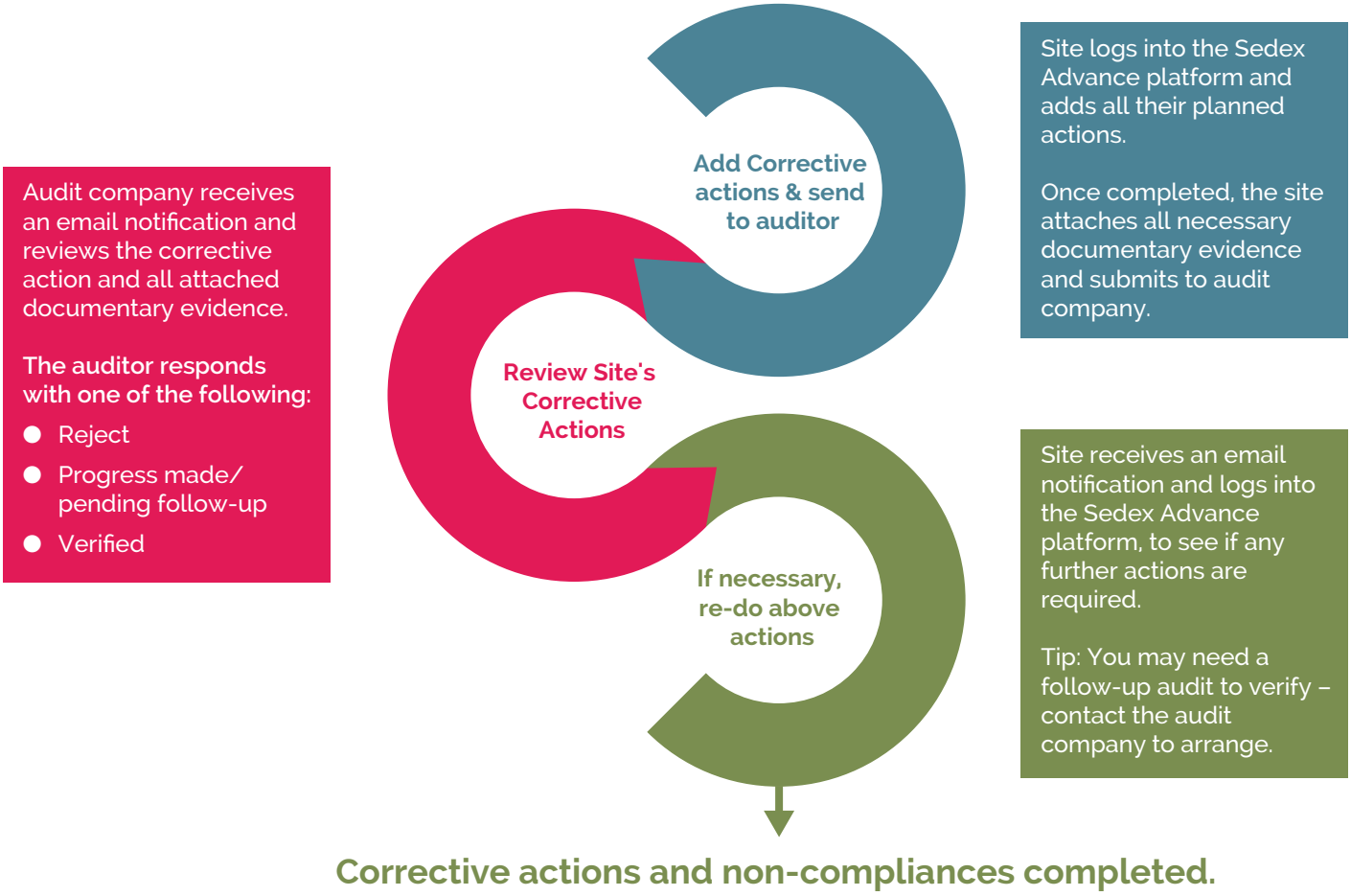
Sedex requires supplier sites to input the actions that they have completed in response to the audit findings.

- The site:
  - Enters corrective actions.
  - Once these actions have been completed, submits the findings (with the corrective actions attached) back to the auditor for verification.
- For step-by-step guidance, please see **'Auditor Guidance Pack Stage 3 – Reviewing Non-Compliances & Corrective Actions'**, available on the Sedex Advance Knowledge hub.

8.3.5 Reviewing Findings (Auditor)

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

- The auditor reviews the attached actions which should include documentary evidence.
- For step-by-step guidance, please see **'Auditor Guidance Pack Stage 3 – Reviewing Non- Compliances & Corrective Actions'**, available on the Sedex Advance Knowledge Hub.



8.3.6 Other Recommendations

While Sedex does not set any standards/requirements, each customer may have their own standards/requirement. Therefore, Sedex recommends that:

- The auditor checks with customers regarding their requirements for Sedex upload and communicates these clearly at quotation stage to the site. This would include their customers' requirements for the timing of the upload and visibility of audit information on the Sedex system.
- External audits are uploaded by the auditing company as this provides greater assurance of independence and greater ability to meet several customers' requirements simultaneously.

8.4 Information Management

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

- The Pre-Audit Employment Site Profile. If the audit requestor is the site, or if the Sedex SAQ is already visible to the audit requestor (through the Sedex system), there is no additional need to provide the Pre-Audit Employment Site Profile.
- The completed audit report (SMETA Audit Report).
- Summary of findings and corrective actions (CAPR).
- Supplementary audit information (where applicable).

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

8.5 Audit Records

Auditors should retain audit reports (for reference) for a minimum of two years, or longer if agreed with the audit requestor or if required by law.

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

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

Chapter 5 (Section 9)
Audit Follow-Up

Finding issues during an audit is only one part of any audit programme. At least equally important are the actions taken by the site to correct the issues found. Follow-up audits are an important part of the SMETA process, giving both the site and its customers confidence in the actions taken. Auditors should remember that they are auditing for improvement, not only compliance and where a site has made progress against an incomplete corrective action, the progress must also be recorded in the SMETA Audit Report.

9.1 Follow-up Audits

A follow-up audit is commissioned to check on progress against the issues found at an earlier audit. It is important that the agreed CAPR from the previous audit is used as the basis of any follow-up audit.

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

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

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

The auditor days and sampling numbers needed to verify follow-up e.g. for wages or working hours, may be lower than for a full audit. For specific guidance, see 6.5.3.2 'Auditor Days and Sample Size for a Partial Follow-up Audit Process'.

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

Note: The SSF has suggested examples of issues which may be verified by the above two methods. See **'SMETA Guide to Non-Compliance'** *on the Sedex Advance Knowledge Hub for further information. If in doubt, it may be necessary to check with the audit requestor.*

9.1.1 Purpose of a Follow-up Audit

The follow-up audit focuses on the corrective actions agreed during the audit and closing meeting of the previous audit. It is essential that the site has an understandable copy of the CAPR, where relevant. It is also good practice to send an additional copy of the previous CAPR to the site ahead of the follow-up audit as a reminder of what was discussed and agreed. This should be sent along with any pre-audit information, and should be received by the site at least 2 weeks before the follow-up audit.

The opening meeting of any follow-up audit should focus on the previous CAPR, when it is available. The auditor and the site should use the CAPR to guide the follow-up audit process. The following points should be kept in mind:

- The site should be given the opportunity to describe and show what actions have been completed in line with the agreed CAPR.
- The auditor will be responsible for verifying what actions have been taken and recording verification of actions.
- Where a follow-up audit is required, for example on issues relating to working hours and wages or where the original issue was raised by workers, the site should have already been informed that the length of time taken at the follow-up will be related to the number and severity of issues to be verified.
- When only one auditor is taking the role of both auditor and worker interviewer at the follow-up audit, it may be necessary to consider the auditor's gender, especially if there is a majority gender at the site.
- For corrective actions, where it is judged that desk-based verification is adequate, the auditor will review evidence submitted.

9.1.2 Follow-up Audit Reports

The follow-up audit report is an updated version of the original audit report with all new elements highlighted so they can be clearly seen. Where several follow-ups are completed the SSF recommends that different highlight colours are used for the 1st follow-up, 2nd follow-up etc. The number of interviews conducted and the sampling method used must be clearly stated.

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

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

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

9.1.3 Guidance for Follow-up and Desktop Audits

Please see '5.3 Sequence of Audits' for definitions of Follow-up and Desktop Audits.

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

9.1.3.1 A full follow-up audit should include a full review of all areas of the standard audit process, including the complete re-sampling of documents, conducting interviews and the employment site tour. The auditor should focus on identifying changes that address issues raised in the initial audit report by using the previous CAPR, but should also investigate potential additional issues.

9.1.3.2 The audit should be carried out either once the deadline for addressing all of the issues has passed or where urgent actions are necessary to safeguard the safety of workers.

9.1.3.3 Partial follow-up audits generally take place within six months of the date of the initial audit. This can vary – it may be necessary to check with clients.

9.1.3.4 A partial follow-up audit does not include a full review but only focuses on the issues identified in the corrective action plan.

9.1.3.5 A desktop follow-up may be used to verify corrective actions for which it is agreed that remote approval of evidence submitted by the site is sufficient, for example photos, copies of certificates, policies. Desktop follow-up cannot be used where corrective actions need to be verified through worker testimony.

9.1.4 Follow-up by Training

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

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

9.2 Appeals and Disputes

Audit companies must have a system of appeal for sites that, after consideration, believe that some information has been misunderstood. Appeals and disputes should primarily be made to the audit company (although it may be to the auditor directly or another external organisation). The site must be provided with a contact with whom they can communicate following the audit process..

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

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

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

SMETA methodology states that when the CAPR has been agreed, typically it is not possible to raise objections afterwards. However, there may be cases in which further objections are accepted, such as when information has been misunderstood, after reflection the site of employment has questions that remain unanswered, or if the concerns reference the recorded information.

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

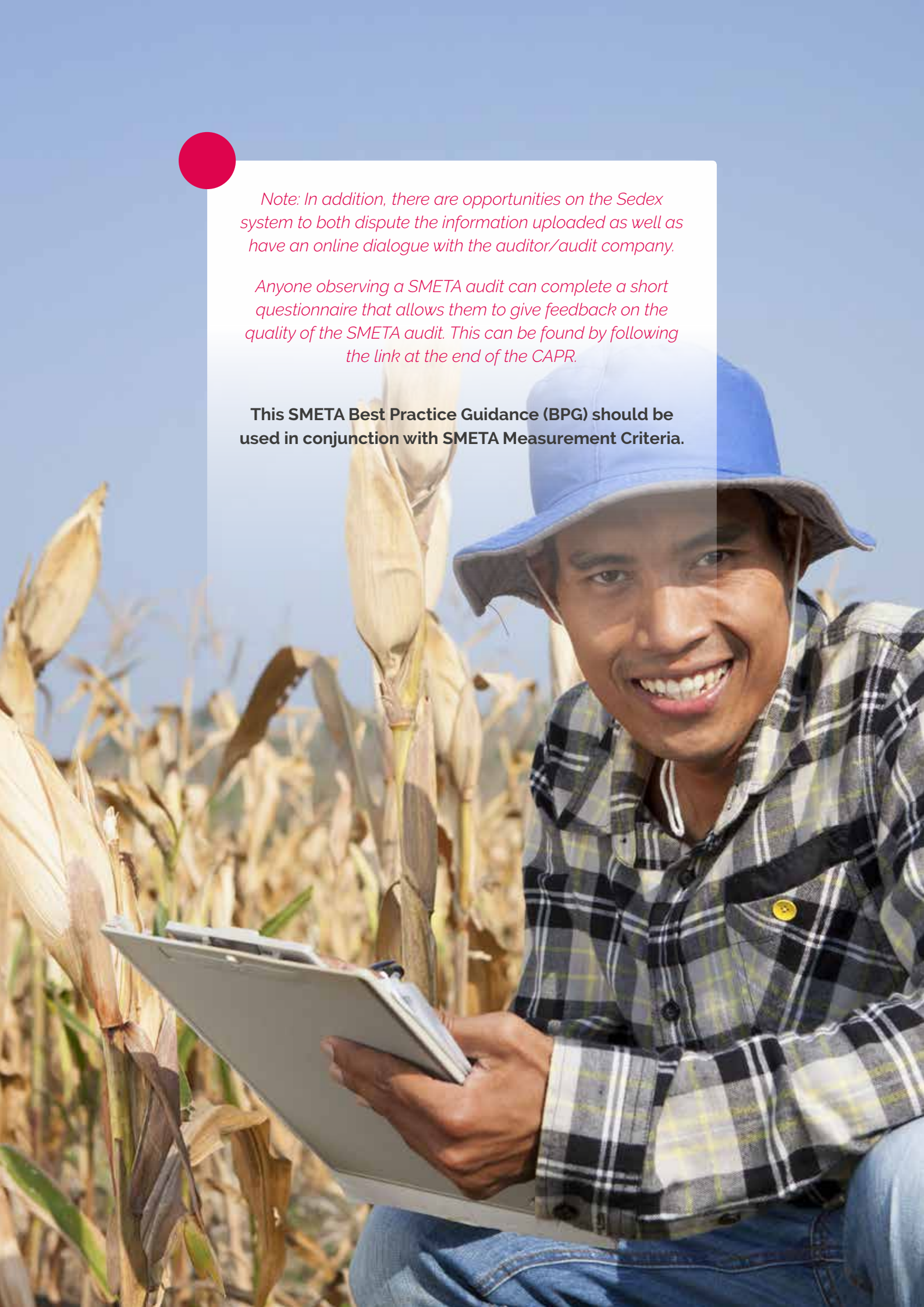
The auditor or audit company should clearly communicate to the site that:

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

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

Anyone observing a SMETA audit can complete a short questionnaire that allows them to give feedback on the quality of the SMETA audit. This can be found by following the link at the end of the CAPR.

This SMETA Best Practice Guidance (BPG) should be used in conjunction with SMETA Measurement Criteria.



Sedex has developed a suite of publications and multi-media resources to help drive improvements in ethical and responsible business practices.

See more on the Sedex Advance Knowledge Hub

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For more information on Sedex, please visit sedexglobal.com

or email helpdesk@sedexglobal.com