

Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance

(Version 2.1, January 2009)



This best practice guidance for conducting ethical trade audits was developed by the current members of the Sedex Associate Auditor Group (AAG).

This document is intended to supplement the knowledge of experienced, trained ethical trade auditors; it is not intended to be used as a stand-alone, complete set of instructions.

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Sedex Members Ethical Trade Audit

Executive Summary

BACKGROUND

This common best practice guidance was developed by the Sedex Associate Auditor Group (AAG) in response to the challenge from Sedex members to provide a report format for ethical trade audits that could more easily be shared and to give greater transparency into the auditor qualifications and practices that underpin reports.

Ethical trade/social audits are commissioned all over the world to various standards. This guidance document is not an attempt to re-invent ethical trade auditing and it should not be viewed as a new methodology for ethical trade auditing. Rather, it is an attempt to compile the best of current practices.

CONTENTS

This guidance is not intended to be used as a stand-alone document to conduct an audit, but rather as a common set of criteria to supplement professional audit companies' own systems.

The document details the training and experience requirements that third-party auditors should meet in order to conduct best practice ethical trade audits. It further describes the key steps from pre-audit communication and audit planning through to the conduct of the audit itself and reporting.

These steps are taken based on best practice in the field of ethical trade audits conducted by third-party auditors and rely heavily on the controls that already exist within third-party audit firms that are accredited to a quality management system such as ISO9001:2000 or, more preferably, ISO Guide 62 (the accreditation standard for audit bodies).

USAGE

This best practice guidance document is designed with the following uses in mind:

1. To provide Sedex 'A' and 'AB' Members who are being presented with SMETA audit reports with an overview of the recommended methods employed in the conduct of ethical trade audits.
2. To be used by third-party audit firms, together with their own more detailed internal rules and procedures, to ensure that audits undertaken against this best practice guidance follow a common set of criteria, thus making it easier for audit reports to be shared by multiple retailers/brands.
3. It is recommended that Sedex members commissioning audits should assure themselves of the qualifications of the auditors and their ability to meet the requirements set out in this document.

APPLICATION

SMETA provides experienced ethical trade/social auditors with a template for conducting ethical trade audits that will meet the requirements of multiple retailers and brand members of Sedex.

Companies who are not members of Sedex are able and encouraged to use SMETA as well. Any deviations from this best practice guidance must be noted and recorded in the report in the appropriate place.

SMETA principles are applicable both in developed and developing countries, for suppliers and sites of employment in various sectors: clothing, food, packaging, toys, etc.

REVIEW

This best practice guidance has been piloted by members of the Sedex Associate Auditor Group and input was sought from Sedex B members who had had SMETA audits, NGOs and other stakeholders through a stakeholder engagement process.

This guidance will be reviewed every six months and a similar engagement process will be employed. All feedback will be reviewed and considered by the AAG and the Sedex Board of Directors. Revised versions will be launched periodically.



CONTENTS

Pg

SECTION 1: AUDIT PLANNING

6

1.0 Pre-Audit Communication

6

1.0.1 Audit Request

6

1.0.2 Quote General and Basic Audit Information

7

1.0.3 Overview of Typical Pre-Audit Activities

8

1.1 Audit Length

9

1.1.1 Sample Size Audit Days for Initial and Re-Audit

9

1.2 Audit Plans

10

1.2.1 Example Programme for One Audit Day Ethical Trade Audit

10

1.2.2 Example Programme for Two Audit Day Ethical Trade Audit

10

1.2.3 Example Programme for Two Man Day Ethical Trade Audit

11

1.3 Follow-Up Audit Process

12

1.4 Auditor Allocation

13

1.4.1 Nominated Audit Team

13

1.4.2 Guidance Notes

13

1.4.3 Determining Living Wage, Minimum Wage, Worker Age and Hours Worked

13

1.4.4 Audit Administration

14

1.4.5 Auditor Training and Qualifications

14

1.4.6 Audit Body Management System

16

1.4.7 Auditor Monitoring

16

1.4.8 Audit Type Definition

17

SECTION 2: AUDIT EXECUTION

18

2.1 General Audit Guidelines

18

2.2 Normal Audit Process

19

2.2.1 Opening Meeting

19

2.2.2 Site Tour

20

2.2.3 Worker Interviews, Including Group Interviews

21

2.2.4 Pre-Closing Meeting

22

2.2.5 Closing Meeting

22

SECTION 3: GUIDELINES BY CLAUSE	24
3.1 Forced Labour	24
3.2 Freedom Of Association	24
3.3 Health and Safety	25
3.4 Child Labour and Young Workers	26
3.5 Living Wage	28
3.6 Working Hours	29
3.7 Discrimination	30
3.8 Regular Employment	30
3.9 Discipline	31
 SECTION 4: OTHER ISSUES	 32
4.1 Entitlement to Work and Immigration	32
4.2 Code and System Implementation	33
4.3 Sub-Contracting and Homeworking	34
4.4 Environment	35
4.5 Community Benefits	35
 SECTION 5: AUDIT REPORTING AND FORMS	 36
5.1 NCR Grading; Non-Compliance Rating (ETI)	36
5.2 Report Format and All Forms	36
5.2.1 Describing Non-Compliance	36
5.2.2 Collecting Good Examples	38
5.3 Communication of Results with Client	38
5.4 Sedex Uploading	38

Section 1: Audit Planning

1.0 PRE-AUDIT COMMUNICATION

1.0.1 AUDIT REQUEST

The client contacts the audit body to request an audit. The audit body provides them with an “Application Form” so that required details are obtained from the client to effectively plan and execute the audit and to provide a quote. Information required should include but not be limited to:

Sedex SAQ (self-assessment questionnaire).

Before carrying out the SMETA methodology, the auditor should request access to the site of employment’s Self-Assessment Questionnaire at the same time as requesting the audit on the system. The SAQ provides an overview of the site to the auditor and is based on Labour Standards, Health and Safety, Business Integrity and Environment. Site of employment information as provided on Sedex are:

- Site details
- Company name/address/email address/telephone and fax numbers
- Contact name/position
- Description of product(s)/service(s)
- Description of location
- Working hours of facility (not currently a question on Sedex)
- Total number of all employees and employee types (full time, temporary, homeworkers, agency etc.), shift details, specific activities (such as date of pay day, medical evaluations), which may be of importance for seasonal variations and exceptional business circumstances
- Details of peak/low seasons
- Breakdown of workforce to include: spoken languages, nationalities, gender
- Existence of other management systems
- Names of management representative and workers’ representative
- Any details of local organisations that the site of employment is involved with (Trade Unions / NGOs etc.)
- Type of audit requested
- Payee of the audit

The standard ETI letter, part of the Briefing for the ETI Risk Assessment Guide, can be used for the pre-audit communication. If the pre-audit information requested from the client is not provided in advance then the audit should not normally take place. When requesting information be clear that this is necessary for the audit to take place and detail a date of when this information is required by.

1.0.2 QUOTE GENERATION AND BASIC AUDIT INFORMATION

The audit company supplies the client with a quote and contract details for approval. Details within the quote for approval shall contain but not be limited to the following:

- Fee for the audit
- Expenses
- Date of audit or date of when this will be known
- Audit length
- Report receivers
- Third-party report release approval

The audit company also provides to the client basic information on the audit aspects and process. These include:

- Standard/Code and local law that shall be audited against
- Audit scope
- Audit programme (see below)
- List of documentation to be available on the day of the audit (see below)
- List of key people to be available shall include but not be limited to:
 - Management personnel
 - Union and/or Works Committees representative
 - Health and Safety representative
 - Payroll and HR representative
- Principles of “Employee Interviews”
- Confidentiality/Data protection
- Non-compliance process
- Report receivership and third parties
- Worker education materials (e.g. ETI worker education leaflet, or DVD, as applicable) and explanation that the ETI Base Code requires that all employees are fully aware of the Code
- Standard information regarding Sedex and this best practice audit guidance (fact sheet, referral to website, etc. as applicable); NB: These documents have yet to be developed by Sedex and the AAG

List of documents that should be made available to the audit body on the day of the audit:

- Facility floor plan
- Applicable laws and regulations
- Labour contracts
- Employee handbook (terms and conditions of employment)
- Collective Bargaining Agreements (CBA)
- A list of all the chemicals and solvents used on this site
- 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 the past 12 months
- Piece rate records for the past 12 months (if applicable)
- Insurance, tax and other required receipts

- Production records
- Minutes of joint committees on OHS and disciplinary matters
- Previous ethical trade audit reports/Corrective Action logs

Facility policies:

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

1.0.3 OVERVIEW OF TYPICAL PRE-AUDIT ACTIVITIES

- Initiating the audit
 - Appointing the audit team leader
 - Defining the audit objectives, scope and criteria
 - Determining the feasibility of the audit
 - Selecting the audit team
 - Establishing initial contact with the auditee
- Conducting document review
 - Reviewing relevant management system documents, including records, and determining their adequacy with respect to audit criteria
- Preparing for the on-site audit activities
 - Preparing the audit plan
 - Assigning work to the audit team
 - Preparing work documents

In preparing for the audit, the breakdown of the audit team and the audit plan should take account of the risks already identified from the information received.

The overview of typical audit activities is based on the BS EN ISO 19011:2002 guidelines, Figure 2, page 10, in the document: "Guidelines for quality and/or environmental management systems auditing".

1.1 AUDIT LENGTH

Below is a man-day table for a best practice ethical trade audit, based on the number of employees and recommending the number of individual and group worker interviews. The table excludes audit preparation, travel, Sedex “report uploading time” and report writing, but includes production of a CAP (Corrective Action Plan) on site. The provisions of the audit apply equally to permanent, contract agency and migrant workers. For best practice ethical trade audits, worker interviews must include a representative sample of people and departments within the site of employment including agency and migrant workers. These suggested man-days are only guidelines. Auditors use their discretion and consider industry, location and individual facility knowledge when defining the number of employees to interview.

1.1.1 SAMPLE SIZE AUDIT DAYS FOR INITIAL AND RE-AUDIT

Audit Days	No. of Workers (excl. Managers)	Individual Interviews	Group Interviews	Total Employees Interviewed	Worker Files/ Time and Wage Records	Effective Time Spent on Interviews
1	1-100	6 (or total number of workers if <5)	1 group of 4	10	10	2.5 hours
2	101-500	6	4 groups of 5	26	26	6 hours
3	501-1000	12	6 groups of 5	42	42	8.5 hours
4	1001-2000	20	8 groups of 4	52	52	12.5 hours
TBC	>2000	Above 2000 workers is capped at 4 man days, but can be increased at the discretion of the client				

Exceptions:

- 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
- For primary producers consideration should be given to the size, spread and the number of growing locations to ascertain man days required

Notes:

1. The ratio of individual and group interviews is for guidance only and may be modified depending on circumstances but the total number should be adhered to. Where this is not possible clear explanation for a lower number of interviews should be given in the report.
2. The time spent on interviews has been based on an estimation of 15 minutes for individual interview with no issues, 30 minutes for individual interview where issues are raised. Group interviews are estimated at 45 minutes taking into account the additional time to get workers to attend and to give everyone an opportunity to express themselves. This length is only a guideline/suggested minimum. Auditors will rely on their training and experience to determine the length of actual interviews with individual employees. If issues are uncovered with a particular worker, the interview will be extended to fully explore the issue. Alternatively, if workers are consistently providing the same information, interviews may be the minimum time frame.
3. Total time and wage records are selected from peak and current periods. The records for the workers who have taken part in individual interviews should always be checked with the remainder coming from the broader pool of employees. In countries where Data Protection laws apply, permission should be obtained in order to review records.
4. In addition to the sampling in the table above, a full 12 months wage and hours records should be reviewed for a relevant sample dependent on the risks of the country and industry. However as a minimum 10 records or 1% of the workforce if above 1,000 workers should be reviewed.
5. In order to supplement the individual and group interviews, auditors may choose to also provide a written survey to a large number of workers on site. The usefulness of written questionnaires is dependent upon the literacy level of workers.

1.2 AUDIT PLANS

Audits should be planned to take place at a time that is truly representative of the sites activities e.g. during peak production or harvesting.

1.2.1 EXAMPLE PROGRAMME FOR ONE AUDIT DAY ETHICAL TRADE AUDIT

● Example 50 workers

09:00	Opening meeting (management team including H&S, environmental, union and HR representatives)
09:30	Site Tour (H&S rep. and environmental rep. to be available), Health and Safety, including selection of six employees for interviews
10:30	Employee interviews (six interviews). Also including union representative interview
12:30	HR documentation (handbooks/employee files/payroll/time records) including paperwork (when authorised) of those individuals interviewed
13:00	Lunch
13:30	Further review of payroll/time/employee files if required
14:15	H&S documentation and group interview (one group of four people)
15:15	Auditors prepare CAP report for closing meeting
16:00	Closing meeting with management team: raise findings, best practice and issues with management
17:00	Finish

Notes: guideline for duration of interviews: 15 minutes for individual interviews, 45 minutes for group interview, 30 minutes for union interview. (As stated above, this length is only a guideline/suggested minimum. Auditors will rely on their training and experience to determine the length of actual interviews with individual employees).

1.2.2 EXAMPLE PROGRAMME FOR TWO AUDIT DAY ETHICAL TRADE AUDIT

● Two auditors over one day – example 500 workers

09:00	Opening meeting (management team including H&S, environmental, union and HR representatives)
09:30	Site tour (H&S rep. and environmental rep. to be available), Health and Safety, including selection of employees for interviews. Both auditors
10:35	Individual employee interviews (five total, 15 minutes each), including one union representative interview of 30 minutes. Both auditors to conduct interviews according to skill set
12:00	Both auditors. HR documentation (handbooks/employee files/payroll/time records) including paperwork (when authorised) of those individuals interviewed. Both auditors, six records each, 12 total
12:45	Lunch
13:15	Group employee interviews and remaining individual interviews split between auditors as per skill set
15:30	H&S documentation and further tour/interviews if required. One auditor for documentation, one for interviews, depending on skill set
16:30	Auditors to prepare CAP report for closing meeting. Both auditors
17:00	Closing meeting with management. Both auditors and management: raise findings, best practice and issues with management

Notes: guideline for duration of interviews: 15 minutes for individual interviews, 45 minutes for group interview, 30 minutes for union interview. (As stated above, this length is only a guideline/suggested minimum. Auditors will rely on their training and experience to determine the length of actual interviews with individual employees).

1.2.3 EXAMPLE PROGRAMME FOR TWO MAN DAY ETHICAL TRADE AUDIT

- One auditor over two days – example 150 workers

Day 1:

- 09:00 Opening meeting (management team including H&S, environmental, union and HR representatives)
- 09:30 Site tour (H&S rep. and environmental rep. to be available), Health and Safety, including selection of five employees for interviews
- 10:30 Individual employee interviews (four total, 15 minutes each), including one union representative interview of 30 minutes
- 13:00 Lunch
- 13:30 Group employee interviews (four groups of five people) each auditor one group and remaining individual interviews (two total, 15 minutes each)
- 15:30 H&S documentation and further tour/interviews if required
- 16:30 Raise findings, best practice and issues with management, with presentation of plan for the next day

Day 2:

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

Notes: guideline for duration of interviews: 15 minutes for individual and group interviews, 30 minutes for union interview. (As stated above, this length is only a guideline. Auditors will rely on their training and experience to determine the length of actual interviews with individual employees).

1.3 FOLLOW-UP AUDIT PROCESS

Follow-Up Table:

Audit Days	No. of workers	
1	1-100	During the follow-up audit a sample of interviews and record review will take place. The sample size of these reviews will be determined by nature and corrective actions being verified. This is at the discretion of the auditor, but the size of these reviews should not be less than the sample size defined per man day in the initial audit day table.
1	101-500	
1	501-1000	
2	1001-2000	
TBC	>2000	Above 2000 workers is capped at 2 man days but can be increased at the discretion of the client.

A follow-up audit is only required when corrective action cannot be verified via evidence supplied through “desktop” review only. In the case of a desktop sign off there is no mandatory requirement to re-visit these issues but an auditor would be expected to be observant at the site and to raise a non compliance for new issues or for a re-occurrence of previously closed off issues.

If the corrective action evidence cannot be effectively verified by desktop review then a follow-up audit is required. Examples of such issues would include working hours and wage related issues and/or non-compliances raised as a result of evidence from employee interviews.

The follow-up is not a full audit but a shorter visit to verify if corrective actions have been taken in response to a complete/initial audit. A minimum of two months new records need to be available for review prior to verification of corrective actions for wages and hours. Even in the event that wage and hours non-compliances are not being followed up, employee interviews and hours of work and payroll review should still be undertaken. However, the sampling numbers will be lower than for a full audit. Any follow up audit must take place within 12 months of the initial audit and the information from the initial audit must be available for sign off of corrective actions.

At this point, the follow-up report is issued. This is an updated version of the original report with all new elements highlighted so as to be clearly seen. The number of interviews conducted and records checked must be clearly stated.

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

If new non-compliances are found these should also be indicated and highlighted.

These should detail:

- Description of non-compliance
- Local law/Code of Conduct requirement
- Recommended corrective action
- Objective evidence observed

A new CAP is issued, in conjunction with those present at closing meeting, listing open non-compliances and any new non-compliances.

1.4 AUDITOR ALLOCATION

1.4.1 NOMINATED AUDIT TEAM

The audit planning ensures that:

- The team is led by a qualified team leader
- The team includes at least one Social Audit (SA) auditor, i.e. an individual with audit skills, who has passed a recognised SA course
- The team possesses or has access to knowledge of local working conditions. This can be obtained through an auditor/specialist possessing that knowledge and through the use of guidance notes
- At least one team member is fluent in the local language (this may include a translator)
- All auditors in the team have received suitable training about general social issues and basic auditing
- The team can communicate in the main languages spoken in the company
- The team has at least one member that has knowledge of the applicable industry. This can be via guidance notes
- All team members shall be qualified under the audit body's quality system
- Ideally, the distribution between male and female workers shall be taken into account when selecting the audit team
- If a specialist is being used because of the specific nature of the contract, then they should also be qualified under the audit body's quality system
- The audit team shall be able to communicate effectively with the employees of the company being audited. Therefore, whenever possible, auditors speaking the language(s) used in the company should be used. When that is not possible, translators should be used

1.4.2 GUIDANCE NOTES

Audit bodies will have access to documented information about working conditions and legislation in that country/region. Local social accountability guidance notes will include identification of local legislation and SA issues. These can be obtained from many different sources including interested parties, unions, NGOs which will represent the issues related to SA, e.g. child labour, human rights, labour working conditions. Guidance notes about the specific working conditions and legislation in that country/region should be reviewed annually.

1.4.3 DETERMINING LIVING WAGE, MINIMUM WAGE, WORKER AGE AND HOURS WORKED

The audit body develops and communicates to the auditors prior to the audit:

- Basic needs wage for a standard working week for a given geographical area (national/regional/local)
- Standard industry minimum wage (if existing)
- Legal minimum wage (if existing)
- Legal working hours

Obtaining/determining the basic needs wage and working age may be done by several methods or obtained from several sources:

- The SA8000 guidance document, the Basic Needs Formula and the Market Basket Survey
- National ministries
- The International Labour Office of the country
- The World Health Organisation through its local office
- Local NGOs

1.4.4 AUDIT ADMINISTRATION

The administration personnel ensure the following activities are undertaken:

- Client is sent “quote/application” form
- The “quote/application” form is reviewed by a technically approved individual
- The client is sent the completed “quote” and the basic information regarding the audit
- Receives quote approval from the client
- Logs the job and allocates an audit date
- Agrees audit date
- Notifies client of date
- Prepares “auditor pack”
- Receives audit report and CAP from audit team
- Ensures that report and CAP is reviewed by technically approved individual and sent to client within agreed time frame
- Forwards report to applicable recipients and ensures that this is passed to the appropriate people for Sedex upload
- Archives documents

1.4.5 AUDITOR TRAINING AND QUALIFICATIONS

In order to ensure that reliance can be placed on the audit process, it is essential that auditors be appropriately qualified. This section describes the training and qualifications that auditors conducting third-party commercial audits will have, mostly based on ISO 19011, but specific to SA auditing requirements where appropriate. The importance of this is recognised and work is currently being undertaken within the Associate Auditor Group at Sedex to expand this section (this will be added as soon as available) to include detail on key competencies and desirable skills; and that experience also plays an important role along with soft, interpersonal skills and a cultural awareness.

SA Auditor

To become an auditor a person should have the following attributes:

Education

Completed a secondary education sufficient to permit him or her to achieve the “General Areas of Competence”:

- Audit procedures, methods and techniques
- Management systems and reference documents
- Relevant laws, regulations and other requirements

Training

Undergone training to develop the knowledge and ability necessary for conducting audits. Attended an IRCA certified QMS, EMS, FSMS, ISMS or OH&SMS Auditor/Lead Auditor course (or an acceptable alternative). Attend and pass a recognised SA course, such as the IRCA Social Systems course, or equivalent training that focuses on soft skills such as interviewing and worker communication skills.

Appropriate Work Experience

Appropriate work experience should include work in a technical, managerial or professional position. This can include a background in social sciences.

Audit Experience

Gained experience in audit activities, including document review, interviewing and communication skills, on-site work and reporting. The experience should be gained through four complete audits and not less than 20 days ethical trade audit experience. Records are to be kept of audit experience.

Areas of Specific Competence of Auditor

SA Auditors should have additional competence in the following areas:

- Knowledge and understanding of local working conditions
- Social issues; labour and/or health and safety issues
- Regulations for labour and/or health and safety conditions
- Social management systems
- Language (in which the individual can conduct an audit)

Approval of Competence

When assessing the competence of an auditor or sub-contractor to conduct SA audits the following documents are required:

- Copies of certificates for qualifications and other training courses
- Current and up-to-date CV
- Current and up-to-date training record and audit log
- Recommendation from Technical Manager of audit body

Team or Lead Auditor (Additional audit experience other than above)

In addition to the requirements above, prior to assuming responsibility for leading an SA audit team, an auditor should:

- Demonstrate the knowledge, abilities and personal attributes necessary for the effective leadership of the audit team and efficient management of the audit. This includes planning, organising, directing, performing and reporting audits
- Be able to make judgement on the overall capability of the management system
- Undertake 20 days training to become an auditor and undertake three audits as the “lead” under observation (note: in practice, most Lead Auditors will exceed these minimum qualifications)

Translator and Interviewers

A translator should only be used where the audit company does not have access to auditors who can converse in the workers’ spoken languages. Prior to participating in their first audit, the translator shall:

- Sign a Confidentiality and Non-Conflict of Interest Statement
- Be competent for the work they perform. Evidence of competency shall be maintained by the office that is employing the translator
- Shall be independent of the facility and appointed by the auditor
- Be familiar with social issues and the audit process and any previous audits conducted on this site of employment

- Not be included in the calculations for number of man days

A translator can conduct interviews during the audit if and when the situation allows for or requires this.

A translator or interviewer used solely for the purpose of interviewing and translating does not necessarily need the auditor or literacy skills as mentioned in the above sections. However this is only applicable if the translator/interviewer is accompanied and supervised by a qualified auditor.

1.4.6 AUDIT BODY MANAGEMENT SYSTEM

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

1.4.7 AUDITOR MONITORING

Maintenance of Auditor Qualification

Auditor Evaluation Process

In order to achieve consistency all auditors are subject to a review and appraisal of their performance. This is achieved by combining a number of activities:

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

The Technical Manager determines a sample plan for each of their auditors based on the auditor's experience and past performance from both previous audit reports.

Quality Control and Global Consistency

These are managed by the following processes:

- Production and implementation of SOPs for all functions related to delivery of the SA audit service
- Regular training of personnel on those SOPs
- Ensuring personnel are suitably trained and experienced for their job role and responsibilities
- Implementation and maintenance of the audit body's management system
- Implementation and maintenance an internal audit programme
- Production of KPIs and objectives and targets to ensure continual improvement in service delivery
- Implementation and maintenance of specific processes to ensure global consistency of service delivery

These should include:

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

1.4.8 AUDIT TYPE DEFINITION

Below are the definitions of the different types of audits that may be undertaken when executing an ethical trade audit.

- First party:** supplier auditing or assessing himself using his own auditing resource
- Second party:** an audit or assessment of supplier undertaken by the purchasing company
- Third party (commercial):** an audit or assessment carried out by an independent commercial auditing company
- Third Party (NGO):** an audit or assessment carried out by an independent NGO (non-governmental organisation).
- Third Party (Union):** an audit or assessment carried out by an independent trade union
- Multi-stakeholder:** an audit or assessment carried out by a group of stakeholders, including NGOs (non-governmental organisation) and/or trade unions where the NGO and/or trade union has been involved in a shared decision-making process on inspection methods



Section 2: Audit Execution

The aim of the audit is to evaluate the compliance of a facility against the Ethical Trading Initiative Base Code, local law and additional requirements as set out through the following:

- Management interview with reference to company practice
- A detailed and in-depth review of appropriate documentation and records, based on a sample on the day of audit
- A tour of the premises
- Employee interviews of a selected sample of the workforce both individually and in groups, the selection process to include a supervisor and a union representative and/or members of any worker committee
- Supply of constructive, factual report with emphasis on positive reporting

In addition, the findings on the day will be compared to the Self-Assessment Questionnaire supplied by the site and any significant differences noted on the report.

2.1 GENERAL AUDIT GUIDELINES

The auditor should be clear about the report owner and the reviewers of the report and ensure that they conduct the audit in the best interests of all stakeholders in the process.

Auditors should provide sufficient information to allow an informed decision of the compliance status of a facility to be evaluated by the client and reader.

Wherever possible, examples of good practice should be given. It is not sufficient to state that a facility complies with a given clause of the code but examples should be given to demonstrate compliance and in particular auditors should note additional benefits such as free meals, free transport, private health schemes, etc.

Where a non-compliance is noted, the management must be given an opportunity to respond at the earliest opportunity rather than waiting until the closing meeting as there may be further information available that the auditor should consider. For example, in instances of inconsistencies in hours, wages or age records, management shall be invited to provide accurate records as soon as inconsistencies start to be discovered.

Issues of a sensitive nature should not be mentioned to the site management if this may place a worker in danger. Where the Sedex “A” member or other principal is known an urgent communication should be sent to that contact to ensure that action or further investigation may be undertaken as appropriate.

Potential issues should also be recorded. A potential issue is defined as a situation or item that is not non-compliance but is an opportunity for improvement or a situation which if not dealt with could lead to a later non-compliance.

Current Practice

When a clause of the standard is fully compliant then the auditor should use this area of the report to document how the facility is complying with that requirement, e.g. if there is no child labour then the auditor should document what systems/controls the site of employment has in place to prevent child labour.

The principle here is to give the reviewer of the report a clear picture of how the facility is managing this aspect of the Code of Conduct at the time of the audit.

Waivers

The acceptance of waivers should be verified and the “loop closed”. For example, if a waiver is presented to allow workers to work in excess of the legal maximum, the auditor should verify that the workers have agreed to such practice and that they are suitably compensated at the correct rates with the application of overtime premiums as required. Details should be documented in the audit report and copies attached. Note any endorsement or certification by local government. Also full details of the waiver and its actual application in the facility should be recorded, ideally in English or as a minimum a brief summary in English of key points within an attachment.

It should be clearly indicated whether non-compliances are contrary to local law as well as the ETI Base Code. The existence and legality of local waivers should be investigated. It should be noted that even if a valid waiver is in place which overrides local law, there could still be a non-compliance against ETI base code.

Audit findings may be read by people who have not visited the facility, so findings should be as clear as possible.

2.2 NORMAL AUDIT PROCESS

The on-site audit will usually follow a number of steps:

- Opening meeting
- Site tour
- Management interviews and documentary reviews
- Worker interviews
- Auditor pre-closing meeting
- Closing meeting

2.2.1 OPENING MEETING

The opening meeting is to ensure that the management of the facility being audited understands the purpose of the Code and the requirements against which their facility is being judged, the audit process, the timescales and activities of the audit and to re-confirm requests for information. A worker representative or representative from the Trade Union should be invited to both the opening and closing meetings.

During the opening meeting, the team leader will:

- Introduce the audit team to the facility management
- Check that all staff are aware of the visit and its purpose and ascertain how the Code has been disseminated internally
- Present an overview of the ETI Base Code, local law and/or client’s Code of Conduct (clarify issue/date status)
- Confirm purpose and scope of the audit
- State that this is not a pass or fail audit process, but about continual improvement
- Explain the audit process including the facility and audit body’s responsibility and the significance of the CAPR

- Confirm the confidentiality of the audit and any other recipients of the audit report
- Confirm the audit programme
- Explain Sedex process
- Confirm the availability of office space
- Confirm who will be guides for the day
- Arrange for a familiarisation tour of the facility
- If not already sent, obtain a floor plan of the facility and dormitory(ies)
- Explain the selection process for employees for interview and that these are confidential
- Ask when the peak production period is and explain the wage record requirements
- Obtain a list of chemicals if not previously received
- Ensure the management understands the purpose of the audit and that it is intended that all issues be closed out at closing meeting
- Emphasise that the audit is conducted on a sampling basis
- Check whether any health and safety issues apply and if any fire drill is expected
- Invite the management team to the closing meeting
- Agree tentative time of closing meeting. Ensure that enough time is allowed to re-investigate non-compliances if challenged, i.e. find out what time the workers leave as it may be necessary to re-interview to verify a response
- Ask the management team if they have any questions

2.2.2 SITE TOUR

The purpose of the visual assessment is for the audit team to review physical conditions and implemented practices in all areas of the facility to establish evidence that activities are conducted in a manner consistent with the facility policies, stated practice, client code, legal and regulatory requirements and other relevant requirements.

This element primarily comprises a physical review of conditions and activities within the facility. The unstructured interview of personnel responsible for these areas under review and examination of pertinent records supplements this physical review process.

During the site tour, the auditor seeks to meet facility staff/workers including production managers and support staff; warehousing managers and support staff; engineering staff; facility cleaning and maintenance staff; dormitory supervisors; Health and Safety Manager; clinic/first aid staff; kitchen and security staff. The auditor should not be purely guided by management on areas to visit and should freely investigate all areas that they feel applicable.

During the site tour, the auditor is seeking evidence relating to:

- Health, safety and emergency equipment, working environment and conditions including fire, first aid, mechanical, electrical, hazardous materials, personal protective equipment, etc.
- Evacuation plans and means of egress
- Approval certificates of the building/construction, equipment and special process operators, as necessary
- Toilets/sanitation and availability of potable water
- Visual checking/verification of any child labour (a few questions on-site with workers who look younger or in question)
- Unreasonable restriction on workers' freedoms or rights
- Selection of individual workers for quick interview on the side
- Approval certificates of kitchen, as necessary
- Visual hygiene issues e.g. food storage areas

- Visual potable water
- Canteen and recreational facilities
- First aid equipment and facilities
- Availability of trained first aiders and their qualification
- Review of health and safety accident records and training records
- Other issues (as required by the client code and/or checklist, e.g. environmental issues, on-site verification of how to handle waste water discharge, solid waste including hazardous wastes disposal, air emission, reuse and recycling, ventilation and general housekeeping)

Where the facility operates dormitories, the site tour includes a visit to these to evaluate:

- Health, safety and emergency equipment, environment and conditions including fire, first aid, mechanical, electrical, hazardous materials, etc.
- Evacuation plans and means of egress
- Physical size, conditions and amenities
- Approval certificates of the building/construction, equipment, as necessary
- Hygiene issues e.g. food storage areas
- Toilet and potable water, showers availability
- Dormitory rules
- Provision to ensure the safety of the workers
- Unreasonable restriction on workers' freedoms or rights
- Gender segregation and privacy

2.2.3 WORKER INTERVIEWS, INCLUDING GROUP INTERVIEWS

Selection of workers will only be undertaken by the audit team. In selection the auditor will consider shift patterns, worker type and gender. The auditor will ensure a fair representation of workers is interviewed.

Where possible, the first round of interviews will be undertaken towards the beginning of the audit so that comments and points raised can be followed up before the closing meeting. However interviews will be continued throughout the day as required.

All worker interviews will be undertaken in an area where the workers feel comfortable NOT a manager's or admin office. No management or supervisors should be present in interviews.

If this is not achievable, for example, because personnel records are needed which cannot be moved out of the office, then make use of the point below.

Whatever the situation, the auditor will interview at least one or two groups in a "worker place", e.g. canteen or recreation area. Please be mindful of the need to limit their absence from places of work for as short a time as possible, e.g. avoid walking 10 minutes to a dormitory.

In addition to one-to-one interviews, a minimum of one or two groups will be interviewed. One of these groups should include representatives from the workers council, union representatives or whatever worker representation the facility has.

In all cases, appropriate body language will be used to put the workers at ease. For example, the auditor will not sit behind a table or desk but always on the same side so as to reduce barriers.

These group interviews should only deal with wages and hours in a general way (under no circumstances should workers be asked their wages in a group situation as that is personal and private), and should aim to tease out how the workers feel about working in that facility, what they like and do not like and how this facility compares with others in the region.

The auditor should communicate to interviewees that all information will be managed with discretion and the interviewee's identity will remain confidential.

Care must be taken on what is shared with facility owners; only substantive evidence can be reviewed in the closing meeting. Any unsubstantiated worker anecdotes should be reported back to the client to guard against possible victimisation. Issues of a sensitive nature should not be mentioned to the site if this may place a worker in danger. The communication of sensitive issues is currently under review by Sedex.

The auditor should provide guidance and a relevant local office number for use by workers in the event of a complaint or victimisation following worker interviews.

2.2.4 PRE-CLOSING MEETING

This is a meeting between the audit team members with the following objectives:

- Review and discuss the evidence presented
- Examine the observations made and reach consensus on the findings
- Determine the compliance status of each clause within the audit
- Examine specific documentation or evidence to verify identified non-compliances
- Develop the CAP

2.2.5 CLOSING MEETING

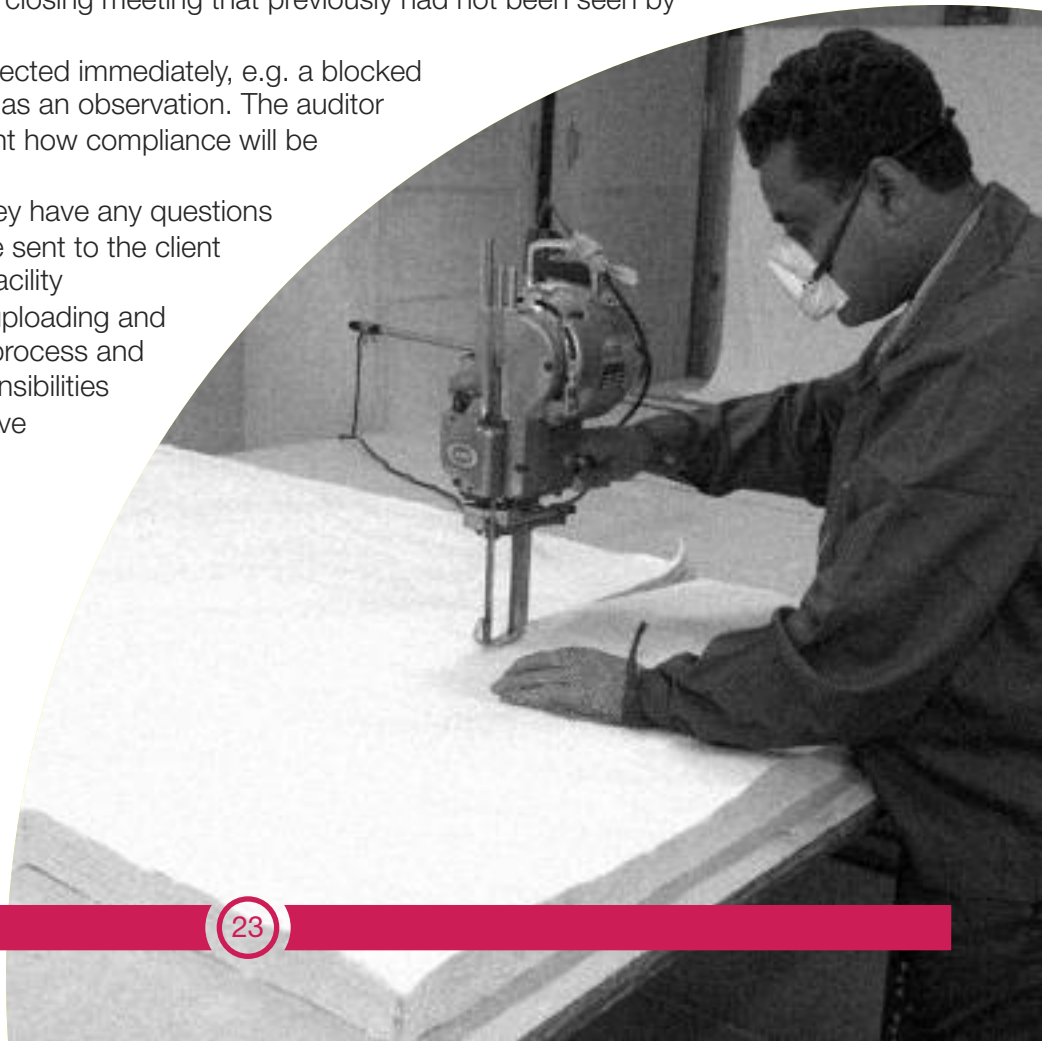
The aim of the closing meeting is to inform and agree with the facility management the findings of the audit and to verify their confirmation of the findings through signing off the CAP and agree timescales. It is intended that all issues be closed out by the end of the meeting. This should be communicated in the native language of worker representatives/all present. If no worker representative is present, then details of how information will be communicated further needs to be ascertained and noted on the CAPR.

Note: There are two signature lines on the CAP.

- Line 1 – Non-compliances agreed. The auditor should make every effort to reach agreement with the facility and obtain their representative's signature.
- Line 2 – Where there are any unresolved non-compliances the facility management should be invited to complete the second part of the signature box and to state their reason for any dispute.
- The CAPR document may be subject to review to ensure consistency of approach. Any changes at this review stage will be first agreed with the site.

During the closing meeting the team leader will:

- Thank the management for their time and patience
- Remind them that they may challenge findings at this meeting but any issues they have agreed to cannot be queried later
- Ensure that any agreements or disagreements are clearly recorded on the CAP and that an outcome is achieved
- Re-confirm the purpose and scope of the audit
- Mention good working practices that have been observed during the day
- Explain where instances have been observed that the facility is not in compliance with ETI Base Code (clarify issue/date status) with local law (if applicable) and with the other requirements of the Sedex members best practice guidance
- Explain that the audit was based on a sample examination of their facility and there may be some non-compliances that were not observed
- Suggest, or ask the management to suggest corrective actions
- Corrective actions should be agreed upon and should reflect long term sustainable solutions which take account of the root cause of the problem. The auditor should encourage the auditee to take time to formulate a Corrective Action Plan that takes account of the root cause of the issue. e.g. if multiple fire exits are blocked a system is required to ensure that they remain clear, not just a photo of one point in time. However, for endemic long term issues e.g. excessive working hours the facility management may need to formulate a Corrective Action Plan in collaboration with their customers but should acknowledge their acceptance of the non-compliance
- Ask the management to sign the CAP
- If they do not agree with any finding, 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
- If evidence is produced which clears a non-compliance, the non-compliance can be cancelled, e.g. a fire certificate produced at the closing meeting that previously had not been seen by the auditors
- If a non-compliance can be corrected immediately, e.g. a blocked gangway, it should be recorded as an observation. The auditor should investigate and document how compliance will be maintained
- Ask the management team if they have any questions
- Explain that the full report will be sent to the client who will be in contact with the facility
- Inform the facility of the Sedex uploading and corrective action management process and make them aware of their responsibilities
- Thank the management and leave



Section 3: Guidelines by Clause

3.1 FORCED LABOUR

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

The aim of the audit is to ensure:

- That there is no forced, bonded or involuntary labour
- There are no deposits of money or ID on commencement of employment
- That employees are free to leave after reasonable notice
- That employees are free to leave at the end of their shift

The auditor verifies:

- The law of the country/region in respect of this issue
- That employment is entirely voluntary
- That employees are free to leave at the end of their shifts and there is no compulsion to work overtime if the employee does not agree
- That the workers are 'free to move'
- That there is no retention of IDs and lodging of deposits
- The circumstances relating to any form of prison labour should be reviewed.
- That in any such scheme, where prison labour is voluntary, workers are paid minimum wage plus overtime and that access to paid work is not discriminatory should be recorded as an observation and the exact situation should be documented on the audit report. If this cannot be established, a non-compliance should be raised
- The purpose of any CCTV or security guards posted, e.g. for normal security reasons or to control the workforce

3.2 FREEDOM OF ASSOCIATION

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

The aim of the audit is to ensure:

- That workforce rights are recognised
- That union officials/site of employment representatives are fairly selected and perform their duties to the benefit of the workers

The actual situation will vary depending upon country, but in principle, the auditor:

- Should maintain a relationship with key trade unions and NGOs in the countries that they carry out audits, and prior to the audit should check to see if there are any sites in the sector/region with issues (auditors should not name sites)

- Clearly states the law of the country/region in respect of this issue. Is it a legal requirement to have a union? Are unions not allowed?
- Needs to evidence that a site has an active Trade Union, effective workers' committee and an open approach to Freedom of Association (FOA.), including a policy. That it provides training to ensure workers understand their rights, and demonstrates active encouragement towards effective collective bargaining, which covers all types of workers
- If lawful trade unions or workers' associations exist, checks that workers are free to join or not as they wish
- If a company allows trade unions, but workers choose not to join, check that the factory facilitates worker feedback in as many ways as possible e.g. a workers' committee, suggestion box, worker survey, focus groups, confidential hotline
- Where the right to freedom of association and collective bargaining is restricted under law, verifies that workers have a mechanism (parallel means) to make their views known to management and that evidence exists that it is effective. For example, checks that representatives on workers' councils are volunteers, are fairly selected, minutes are available of meetings in an appropriate language and there is evidence of management action being taken following the raising of issues. Documents brief details of mechanism for audit report
- Verifies the remit of the union or workers' committee – does this include full collective bargaining? Ensures that this is reported
- If trade unions exist, checks that officials are freely elected and that they are allowed the required time to perform their functions if permitted in law without financial penalty
- If a workers' committee exists, obtains a list of committee members and job titles and checks how they are elected. Are they fairly democratically elected without management interference, representative of the whole workforce and not management grade
- Includes members of the union/workers' council amongst those selected for interview
- In the case where the site of employment is very small (<30 people) and there may not be a committee etc. verifies access to line manager and effectiveness

3.3 HEALTH AND SAFETY

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

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

The aim of the audit is to ensure:

- That workers are not being exposed to risks in the workplace
- That there are adequate systems in place to ensure that proper procedures will be followed and that H&S will not be compromised in the future

To complete this section the auditor:

- Clearly states the law of the country/region in respect of this issue
- Evaluates whether management understand the principles of risk assessment and are applying them
- Checks all necessary permits and certificates relevant to that country of operation are available, e.g. fire certificate, local employment office registration, etc.
- Checks the Health and Safety policy/manual/procedures. How is it applied/implemented and how communicated? Are they sufficiently detailed for the level of risks present?
- Checks that the procedures and systems are sufficient for the level of risk inherent in the industry, e.g. where fire risks are inherent in the products and production methods there should be a greater focus on this element
- Checks purchase records for all necessary protective equipment, ensures that there is a clear history of this being bought and replaced on a regular basis
- Checks that any such protective equipment is provided free of any charge or deposit to the workers
- Checks maintenance records and contracts and ensures that any preventative maintenance visits are being performed
- Checks the policy on personal protective equipment and the implementation – are the management policing the use of such equipment and taking effective action where it is not used?
- Checks the state of the equipment provided – if in “brand new” state this could be indicative that it is not in regular use
- Checks accident books and ensures that reviews of accidents and trends exist and are actioned
- Checks training records
- Where appropriate checks canteen, dormitories and recreational facilities
- Questions workers selected for interview to ensure that they understand the procedures and what to do when problems occur and that they have received training
- Questions workers on how receptive managers are to problems that are reported and their attitude to those who report such incidents
- Checks action taken against all levels of staff who disregard procedures for Health and Safety – is disciplinary action taken? Is it consistent at all levels?

3.4 CHILD LABOUR AND YOUNG WORKERS

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

The aim of the audit is to ensure:

- That there is no evidence of children employed/working in the facility, this is in accordance with the ILO Conventions for minimum ages (C138) and child labour (C182). This states that no person will be employed or engaged in work if they are younger than 15 (or 14 in some developing countries). Light work may be allowed for 12 and 13 year-olds in most developing countries provided it does not interfere with schooling. No person may be employed or work if they are younger than the legal minimum age for work in the country of manufacture, this also applies to persons engaged in a workplace apprenticeship programme
- That there are systems in place to check the age of all workers particularly at the point of recruitment
- That the facility management knows the local laws in relation to this topic

- That there is a clear policy concerning young workers and that policies relating to children and young workers are displayed and communicated
- That training schemes/apprenticeships are not being used as a way to avoid paying the full wage for the job
- That young workers, defined as children under the age of 18, do not engage in any dangerous/hazardous (such as including with or near chemicals, with dangerous machines, heavy work or in an environment that is excessively noisy, it would also include night work and working excessive hours) that might jeopardise their health or safety or harm their development

The auditor:

- Clearly states the law of the country/region in respect of this issue
- Checks system for checking workers' ages. This should be systematic and documentary evidence should be retained, such as copies of original ID cards or other evidence that has been produced. However, this should not be used as an excuse to retain workers' identity papers. The evidence produced will vary from country to country and wherever possible should be cross-referenced to an independent source. The facility management should also be questioned to check whether they are aware of how to check for fraudulent documents
- Checks records of hirings and terminations for the previous 12 month period to see whether there is a pattern of young workers being sacked in the run-up to the audit
- Particular attention should be paid to any training schemes in operation. Conditions relating to these should be clearly stated and where such systems exist, should be registered with local authorities. Where workers are under age, contracts should be signed by a parent or guardian
- Workers selected for interview should be questioned about the company's policy concerning employing children and young workers to ensure that there is a clear communication on this topic
- Workers who look particularly young should be prioritised for interview
- It is important to err on the side of caution and assume that a young-looking worker is a child until verifiable evidence to the contrary is provided. This may involve reviewing age documents of the child and verifying that they are genuine

If any instances of child labour are found, the auditor must:

- Take immediate action to remove any child from any hazardous situation
- Obtain their consensus on the interim arrangements for the child and their commitment for remediation
- Advise the management that it is not acceptable to dismiss them
- Communicate the policies and basic positions regarding remediation of child labour as per the ETI Base Code
- Contact the end client immediately where this does not breach confidentiality agreements. The site should be encouraged to engage a discussion with their customer(s) on these issues
- Capture the true identity and age of the child and note full details i.e. ID number, home address and personnel details
- Give advice on improving age verification systems to ensure that no new child workers are hired.
- Refer them to the Operational Procedures for Remediation of Child Labour in Industrial contexts and local organisations (reference place to be added) for designing and monitoring a remediation programme and local organisations

3.5 LIVING WAGE

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

The aim of the audit is to ensure:

- Since there is as yet, no globally agreed process for establishing a living wage, an auditor should record non payment of living wage (if there is a local definition) as an observation, but should continue to report below minimum wage as a non compliance
- That all hourly and piece rate employees are paid at least the legal minimum wage rate
- That wages are properly calculated and meet the minimum wage for the period
- That all applicable withholdings are properly calculated, withheld and promptly paid over to the appropriate government agency within the specified timelines
- That there are no payroll deductions for employment broker fees, housing allowances, food allowances etc. (unless allowed by local labour law)
- That overtime wage rates are paid at the legally mandated rate
- That all legally mandated allowances and benefits are provided to the employees
- That all employees are provided with a written and understandable statement of their pay for each pay period
- Those contracts are in line with the law

Based on their knowledge of the local living conditions, the auditors:

- Clearly state the law of the country/region in respect of this issue
- Check system for wages. The auditors will check a minimum of two periods (peak and current)
- Verify that the system for calculating wages is systematic and documentary evidence should be retained. Evidence should be cross-checked through employee interview
- Check wages in conjunction with hours of work
- For the purpose of wage and working hours review, the auditors should focus on operators. This definition excludes managers and supervisors but includes production personnel and service workers
- Verify employees are paid regularly. If there is a legal requirement for a minimum wage to be paid in every pay period, check this occurs
- Through employee interview checks that the wage paid is the same as documented in the employee's payroll record
- Check that employees receive and can understand their pay statements
- Check that employees are paid at least at the local minimum wage rate
- If employees are paid below the minimum rate, document the percentage affected
- Check that overtime is compensated at the legally mandated rates or where there is no legal requirement for this, at a premium in line with industry best practice
- Check that employees are paid within the legally allowable period
- Check if workers receive information explaining their payment details
- Check that wages are not withheld as a deposit
- Check whether wages are reduced or deducted as a form of punishment or discrimination; if yes, then is it in line with national law?
- Check whether wages and benefits are rendered in full compliance with all applicable laws

- Where deductions are made for company loans check they are lawful. Verify there is evidence of correct loan accounting
- Check that wages and benefits compositions are advised to workers before joining
- Ensure there is agreement on method of calculation prior to the closing meeting
- Carry out the hours of work review in conjunction with the wage and benefit review

3.6 WORKING HOURS

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

The aim of the audit is to:

- Measure standard and overtime hours against the local laws and the ETI Base Code
- Ensure that the facility management knows the local labour laws in relation to this topic
- Verify whether appropriate waivers are in place and agreed (if applicable) or
- Ensure that working hours are accurately recorded and that double books are not being kept
- Gather evidence to ascertain the facts and also the context of any inconsistencies found

Auditors:

- Review records for all employees who have been selected for individual interviews. The remaining records to be reviewed per the sample size in the table should be taken from the broader population of workers
- Select the sample of records to be reviewed from different work stations and employee levels within the facility
- Review, for selected employees, a relevant sample out of a full 12 months' wage records in conjunction with time card and pay records. A relevant sample is dependent on the risks of the country and industry. However as a minimum 10 records or 1% of the workforce if above 1,000 workers should be reviewed
- For seasonal sites of employment, review a 12 month cycle of records rather than 12 months of records
- Record the details for all records analysed in order to ascertain the standard work week, overtime hours and holiday/weekend working
- Look for management systems being in place that allow workers to volunteer to do overtime, and if present note as good practice
- Review contracts, collective bargaining agreements and other terms and conditions of employment for signs of compulsory overtime or contract "hours required to complete the job"
- Focus on operators, for the purpose of wage and working hours review. This definition excludes managers and supervisors, but includes production personnel and service workers
- Record details of the standard work week and overtime practices in the audit report
- Check if there are any non-compliances, further analysis may be performed to ascertain the full situation
- Carry out the hours of work review in conjunction with the wage and benefit review
- Check where overtime hours exceed national law but are within any waivers obtained; it is particularly important to review a full 12-month cycle
- Ensure breaks, holidays and rest periods are in accordance with local law
- Where inconsistencies are noted, invite management to provide accurate records as soon as these start to be discovered. An investigation should be undertaken to establish the underlying cause and whether this is due to poor record keeping, isolated incidents or repeated occurrences. Sufficient detail to be provided in the report

3.7 DISCRIMINATION

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

The aim of the audit is to ensure:

- **That workers are treated equally in all matters**
- **That there are adequate systems in place to ensure that no form of discrimination occurs either during recruitment or employment**

To establish this, the auditor:

- Is aware of the local political situation and any current or recent changes and interpret findings against this
- Checks the company's systems for advertising and hiring new staff
- Checks whether systems are in place to monitor responses to advertisements and selection for interview or eventual appointment
- Checks policies and any systems for interviewing staff, with particular reference to any health checks to ensure that these do not discriminate against women/men (e.g. pregnancy checks and HIV testing)
- Includes non core workers as well as core workers (e.g. cleaners, sub-contractors, security guards)
- Checks breakdown of workers by ethnic/social group, gender and position
- Ensures that any segregation of workers is due to accepted cultural norms and that equal opportunities still apply across all groups
- Ensures that benefits are being applied equally to all groups and, in particular, that any legal benefits relating to post-natal are given in an appropriate manner, e.g. where mothers returning to work have rights to nursing breaks, there should be a "quiet room" or other suitable place provided
- Checks the system for worker grievances
- Interviews selected workers and asks about their rights to observe religious holidays and about their experiences regarding discrimination
- Arranges some focus groups by ethnic grouping or gender in order to encourage free speech on these issues. In these cases it is advisable to have someone from the same ethnic group or gender leading the meeting
- Should be particularly sensitive to body language and unspoken sub-texts in these meetings
- Asks workers about experiences relating to people reporting issues of discrimination and action taken as a result
- Ensures interviews probe what procedures are in place to deal with any complaints and whether there is any evidence of repercussions

3.8 REGULAR EMPLOYMENT

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

The aim of the audit is to ensure that:

- **Workers are provided with continuous employment**
- **The facility is not using regulations concerning temporary workers in order to avoid liability for pay and benefits that would be accorded to permanent employees**

The auditor:

- Checks hiring and terminations over last six months to ensure no patterns exist
- Checks pattern on hirings etc. around peak period. Checks whether new hirings during peak period are still with the company
- Cross-references staff numbers and hirings to working hours during peak and quiet periods
- Under certain circumstances regular lay-offs during quiet periods may be acceptable, please state the law on the report
- Records details of seasonal or contract workers and compare this with national law. Clearly states the national law
- Checks policy concerning pay during quiet periods – if “annualised hours” are being applied, ensures that this is legal and that overtime hours during busy periods are still being paid as such
- Selects workers who have been with the company for at least one year for focus interviews
- If agency workers are used, determines if there is a Service Level Agreement with the agency
- If contract workers are on site, reviews contract if possible and records details if appropriate
- If contract workers are on site, includes a representative sample in worker interviews
- Reviews employees’ legal right to work and verifies that any agencies being used comply with all applicable legislative and industry requirements
- Ensures contracts are provided and copies held and that these are in understandable language
- Checks and reports how supplier and Agency manage workers e.g. How much notice is given, are workers paid if they turn up, are they paid for down time?

3.9 DISCIPLINE

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

The aim of the audit is to ensure that:

- **Disciplinary practices are fair, non-arbitrary and effective**
- **Employers demonstrate respect for workers’ mental, emotional and physical well-being with regard to any disciplinary action necessary**

The auditor:

- Checks policy and procedures for disciplinary action and ensures that policies exist for appeals and grievances to be heard
- Reviews recent disciplinary cases and outcomes, including frequency of appeals
- Where unions exist, checks whether they are aware of the procedures and have agreed them
- Where security guards are in use, reviews their contracts and terms of reference
- Checks that workers understand the policy and are aware of their rights
- Discusses with the groups any cases they are aware of and what the outcomes of any appeals are
- Checks with workers concerning anecdotal or other evidence of corporal punishment, or of verbal or physical abuse or mental coercion
- Checks with workers their view of the security guards (if applicable) and their role
- Discusses whether there have been cases of complaints made about inappropriate disciplinary action and the outcome
- Verifies that any fines should be clearly documented and the amount calculated as a percentage of the wage. Ensures this does not take workers below minimum wage and states whether fines are legal
- If there are any fears of reprisals, ensures findings are not reported at the closing meeting but are reported to the client

Section 4: Other Issues

4.1 ENTITLEMENT TO WORK, MIGRANT AND AGENCY LABOUR

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

The auditor:

- Checks the identification documents of permanent workers and agency workers to ensure they are entitled to work in the particular country
- Checks workers contracts, pay slips, hours
- Checks that the facility keeps copies of such documents
- Checks that the facility is aware of the types of official documentation that verify a worker's right to work in the country
- Checks that the facility is familiar with immigration rules and regulations if they are employing immigrants/foreign nationals/overseas students
- Checks that the facility is using agencies or labour providers who are in compliance with local legislative requirements (e.g. GLA in UK)
- Checks that the facility maintains control of agencies that they may use to provide temporary labour. This may include regular visits to the agency by the facility or a more formal internal audit of its processes and systems
- Checks that the facility has applicable records relating to these agencies such as contracts (Service Level Agreement) and invoices
- Checks through worker interviews:
- How the workers were recruited and whether any payments were made or inducements offered prior to leaving their point of origin (worker interview)
- What arrangements were made for the worker to travel from the point of origin
- Any deductions and arrangements for items such as travel, accommodation and equipment

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

4.2 CODE AND SYSTEM IMPLEMENTATION

B1 Suppliers are expected to implement and maintain systems for delivering compliance to this Code. **B2** Suppliers shall appoint a senior member of management who shall be responsible for compliance with the Code. **B3** Suppliers are expected to communicate this Code to all employees and to their suppliers. **B4** Suppliers should, where reasonably practicable, extend the principles of this Ethical Code through their supply chain.

The aim of the audit is to provide confidence that compliance with the Code can be ensured over the long term and that:

- The facility management has implemented systems to ensure that all requirements are being consistently met
- The Code and any additional specific client expectations have been effectively communicated to employees
- The level of communication and roll-out of the Code through the facility's supply chain is evaluated (This last point is for information purposes and is not a specific requirement of the Code)

In order to establish the above, the auditor:

- Evaluates whether the facility has a social compliance/ethical trade policy and whether this covers all elements of the Code
- Looks for specific policies covering all issues and in particular discrimination, freedom of association, discipline and general human rights issues
- Checks that the facility is aware of any specific management system requirements their clients may have and has systems in place to manage compliance (e.g. labelling, quality requirements, etc.)
- Evaluates the management system and its implementation
- Reviews how the effectiveness of systems and procedures is measured, reviewed and what systems are in place for improvement
- Checks that all policies and procedures have been communicated and evaluates the effectiveness of such communication – are they available in local language? Is there training/briefing available for those who are less literate?
- Checks that the ETI Base Code or client-specific codes have been communicated to all workers and reports on how this has been done, e.g. poster on wall, worker briefings, etc. and how effective this has been
- Establishes what actions the facility is taking to communicate and roll out the Code to its own supply chain



4.3 SUB-CONTRACTING, HOMEWORKING AND EXTERNAL PROCESSING (SCH&EP)

C1 There should be no sub-contracting unless previously agreed with the main client. **C2** Systems and processes should be in place to manage sub-contracting, homeworking and external processing.

The aim of the audit is to ensure that where SCH&EP are in place this is with the knowledge/agreement of the main client:

- **SCH&EP can be carried out via complex chains of agents. The auditors should note whether the facility has a good knowledge of where their products are being made and summarise their findings by mapping this chain and gathering evidence of systems to manage and monitor**
- **If SCH&EP is taking place, then the extent should be recorded and the systems that are in place shall ensure that all workers are working in good conditions**

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

For more information on homeworking, refer to:

- The ETI Homeworkers guidelines toolkit: recommendations for working with homeworkers – these are available at www.ethicaltrade.org/Z/lib/2006/07/hmwkr-gls/index.shtml
- The National Group on Homeworking website - www.homeworking.gn.apc.org
- Homeworkers Worldwide - www.homeworkersww.org.uk

The auditor:

- Requests details of any SCH&EP used in the production process. It should be noted that the factory may only have details of the agents used as intermediaries and the level of information available should be noted
- Checks the existence of terms and conditions of engagement for SCH&EP
- Clearly states the law on the country in respect of homeworking and if the country has ratified the ILO Convention on Home Working
- Ascertain and notes as a non-compliance where sub-contracting is taking place without express permission from any retailers concerned. This can be verified in many different ways such as open questions to workers, checks on production records vs order books, internal inspection checks etc. The auditor can also look at order books and check in a busy month if they had enough workers on site to do any processes that are typically outsourced – e.g. embroidery
- Ascertains, where SCH&EP is in place. What systems and policies are in place to manage their ethical position and the site has carried out any audits there to assess conditions
- Requests evidence to show they have communicated the code of conduct
- States the location and number SCH&EP suppliers are sourcing from and provides the name of whom through, if via a contractor, sub-contractor, sub-subcontractor
- Identifies in which part of the production process SCH&EP are used and which period of the year
- Checks the systems in place for setting piece rate pay, gathers evidence of the time and motion studies to establish rate of pay
- Checks if the supplier has implemented systems to carry out random checks on homeworking/shed units via QCs to ensure that basic working conditions are acceptable

4.4 ENVIRONMENT

D1 Suppliers shall seek to make continuous improvements in their environmental performance and, as a minimum, comply with the requirements of local and international laws and regulations.

D2 The supplier shall be aware of and comply with their end clients' environmental requirements.

The aim of the audit is to ensure that:

- **The facility is complying with national and local environmental laws and regulations**
- **The facility is aware of any client-specific requirements and has systems in place to be able to ensure that they meet these**
- **This is not a full environmental audit but a check on basic systems and management approach**

In order to establish compliance with these requirements, the auditor:

- Refers to the actual codes and any national or local legislation as applicable to the industry will vary from country to country and between industries, as such reference should be made to the country briefings
- The facility's management systems are checked to ensure that procedures and work instructions are in place to ensure compliance with the relevant legislation. The extent of the systems in place are commented on and any external audits or certification (e.g. ISO14001) noted
- Interviews the nominated responsible manager to ensure they understand the legislative requirements. The name of the responsible manager should be recorded and their level of seniority commented upon
- Checks that the facility has a list of chemicals used in the manufacturing process and whether they are aware of how they relate to any client requirements and legislation in the destination countries
- Checks for registers of waste being discharged. Where permits or consents are required, these should be viewed and their validity checked
- Checks for test results on waste discharge – who is conducting the tests? Is this being done regularly enough to show due diligence? What plans are in place for action to be taken in the event that acceptable limits are exceeded?
- Documents local inspections from government bodies and similar applicable bodies. Records details of any official complaints, legal actions or recommendations
- Interviews workers from relevant sections to comment on compliance with procedures relating to waste disposal, discharge of effluent, etc., and on actions taken by management if procedures are not followed

4.5 COMMUNITY BENEFITS

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

The auditor is not expected to verify these community benefits and evidence may be from management interviews only.

Section 5: Audit Reporting and Forms

5.1 NCR GRADING; NON-COMPLIANCE RATING (ETI)

Each non-compliance is allocated a recommended timescale for completion. This provides the facility with an insight into the seriousness of the non-compliance. The report also includes a section to allow formal rating of each clause of the ETI Base Code.

The ETI Annual Reporting Working Group has developed a draft list of non-compliance ratings. The Sedex system has now been amended to harmonise the titles of the non-compliances with the titles in this draft list, such that when auditors are filling out audit reports on Sedex, they are able to enter this information in a consistent way. Once the ratings have been sufficiently piloted, Sedex will explore adding non-compliance ratings to the system.

5.2 REPORT FORMAT AND ALL FORMS

The following common documents will be used:

- Sedex Self-Assessment Questionnaire (SAQ)
- Document request list form
- Report
- Corrective Action Plan (CAP)

Audit reports and corrective action plans are completed such that a reader can understand the reported issues. For example, if an issue is found, the auditor should make it clear in the report whether this is a one-off incident or a systematic problem.

5.2.1 DESCRIBING NON-COMPLIANCE

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

The following are some examples:

- **Issue title: Health and Safety certificates**

Detail: A fork lift truck driver was found not to have a fork lift truck driver's license on file.

Local Law or ETI requirement: 3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Recommended Corrective Action: Workers shall receive training commensurate with their job responsibilities.

Objective evidence observed: Based on observations made during document review it was observed that a fork lift truck driver was found not to have a fork lift truck driver's license on file.

- **Issue title : Young workers not registered or recorded as per legal requirements**

Detail: Three juvenile workers were not registered.

Local law or ETI requirement: In accordance with the Regulations for Special Protection of Juvenile Workers (Document No.498) article 9, employment of juvenile workers should be registered.

Recommended corrective action: It is recommended that the factory should register the juvenile workers at the local labour bureau.

Objective evidence observed: Through name rolls review, it was noted that there were three juvenile workers employed in the factory, but no such registration was done for those juvenile workers.

- **Issue title: Age discrimination**

Detail: Factory only recruits workers with ages equal or over 18.

Local law or ETI requirement: In accordance with the ETI Base Code Clause 7.1, there is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

Recommended corrective action: It is recommended that the factory should terminate this rule and stop discriminating against candidates between the ages of 16 to 18 when hiring.

Objective evidence observed: It was noted that from the factory rule article 2, the factory would only recruit workers with ages equal or over 18.

- **Issue title: No rest day for each seven days**

Description of non-compliance: Workers were not provided with one day off in seven, (2 days off in 14).

Local law or ETI requirement: The ETI Base Code states that: 6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every seven-day period on average.

Recommended corrective action: Workers shall be provided with one day off in seven.

Objective evidence observed: Based on observations made during document review, and worker interview, it was found that some workers were working seven days consecutively over a period of weeks.

- **Issue title: No documentation on file/missing documentation**

Description of non-compliance: Employees had not been validated by the employer for their legal right to work by reviewing original documentation.

Local law or ETI requirement: With effect from 1st May 2004, all new employees will be required to provide evidence of their right to work in the UK prior to commencing employment.

Recommended corrective action: Entitlement to work original documentation shall be collected and validated.

Objective evidence observed: Based on documentation reviewed, it was found that entitlement to work documentation had not been collected for employees who commenced work after 1st May 2004. (two cases).

5.2.2 COLLECTING GOOD EXAMPLES

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

Crèche available for the children's workers

Storage for bikes and shower facilities.

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

5.3 COMMUNICATION OF RESULTS WITH CLIENT

Audit firm sends report to the payee and any authorised third parties in PDF. A documented release statement should be obtained by the audit body prior to such release.

5.4 SEDEX AND UPLOADING THE AUDIT

Auditor to communicate the following information regarding Sedex to the facility audited.

Sedex (Suppliers Ethical Data Exchange), is a not for profit membership organisation for businesses committed to continuous improvement of the ethical and responsible practices in their supply chains.

Sedex promotes data sharing to ease the administrative burden on suppliers when trading with multiple retailers/brand customers that require ethical audit. Suppliers can upload audits and share them with their customers, cutting on repetition, cost and administration and reducing the number of audits.

Sedex also allows the sharing of good practice at your site: site certifications can now be uploaded; details of training programmes you are proud of; involvement with community projects and NGOs; good examples in audit reports.

Sedex members include leading global brands and thousands of suppliers already registered in 132 countries. The member base is significantly growing each month and an ever increasing number of your customers are likely to be on Sedex.

The audit body advises the auditee of the requirement and process of the Sedex uploading and management process and associated fees for these services.

To upload an audit in the system, first the facility has to log the audit on Sedex. The auditor will receive an email notification and can upload the on-site conducted audit and actions. Following this, the audit can be visible to the customers. Supplier is then able to enter actions against issues on line which will then be verified by the auditors.

Sedex strongly recommend that external audits are uploaded by the auditing company as this provides greater independence. For more details, the auditor should consult the Sedex Auditor Toolkit.

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

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

