SMETA Supplier Member Manual

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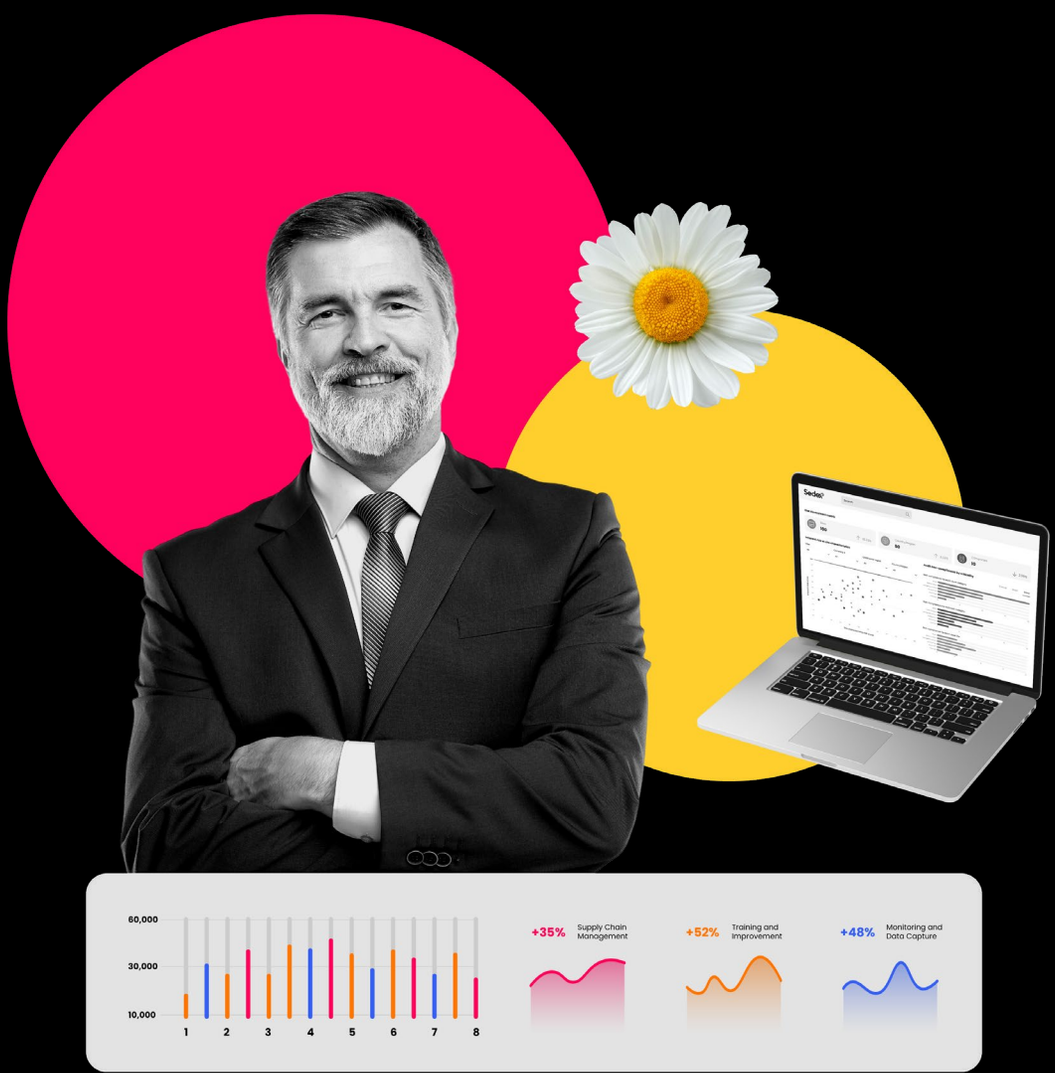

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1. Introduction



Introduction

The Supplier Ethical Data Exchange (Sedex) is a membership-based data platform, that leads work with buyers and suppliers to deliver improvements in responsible and ethical business practices in global supply chains.

Sedex was founded in 2001 by a group of retailers to drive convergence in social audit standards and monitoring practices.

Sedex' social audit methodology, the Sedex Members' Ethical Trade Audit (SMETA), is the world's most widely used social audit. Businesses use SMETA to understand and make improvements to working conditions and environmental performance in their operations and supply chain. SMETA was created by Sedex members to give a centrally agreed protocol to monitor performance against the Ethical Trade Initiative's (ETI) Base Code of labour practices. The SMETA methodology measures a site against the ETI Base Code, International Labour Organisation (ILO) Conventions and local law.

This document provides clear information for supplier sites on what is covered in a SMETA audit and what a supplier site can expect to happen whilst the auditor is on site.

This guidance sits within a suite of guidance documents accompanying the SMETA Methodology:

1. SMETA Manual: Introduction and Overview

2. SMETA Minimum Requirements

3. SMETA Stakeholder Guidance:

a. Auditor Manual
b. Buyer Member Manual
c. **Supplier Member Manual**

4. Guidance by Base Code Area:

0: Enabling accurate Assessment
1: Employment is Freely Chosen
1.A: Responsible Recruitment & Entitlement to Work
2: Freedom of Association and Right to Collective Bargaining are Respected
3: Working Conditions are Safe and Hygienic
4: Child Labour Shall Not be Used
5: Legal Wages are Paid
5A: Living Wages are Paid
6: Working Hours are Not Excessive
7: No Discrimination is Practiced
8: Regular Employment is Provided
8A: Sub-contracting and Homeworkers are Used Responsibly
9: No Harsh or Inhumane Treatment is Allowed
10A: Environment 2-pillar
10B: Environment 4-pillar
10C: Business Ethics

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2. SMETA Framework



SMETA Framework

This chapter outlines the predetermined options available for a SMETA audit, including the SMETA structure, audit types and audit sequence.

2.1 What is SMETA?

SMETA is an audit, which helps its members to understand their performance against agreed standards of labour, health and safety, and environmental performance at site level. SMETA assesses sites against both local law and the ETI Base Code, ensuring the highest protections for workers are recognised. The same standard is applied to all businesses, regardless of country, size or industry. This creates a comparable dataset for businesses globally, ensures a fair assessment of all sites, and enables suppliers to share one audit with multiple customers.

> "The ETI Base Code is founded on the conventions of the International Labour Organisation (ILO) and is an internationally recognised code of good labour practice. It is viewed as a global reference standard and is widely used as a benchmark against which to conduct social audits and develop ethical trade action plans"
>
> **Ethical Trading Initiative**

The reference to a 'SMETA audit' can only be used when the framework and methodology outlined in this document have been used during the audit process and a site has been measured against both the Base Code and local legislation.

Sedex is not a certification body and does not impose a pass/fail model within the SMETA audit. Rather, Sedex encourages the use of the data and the findings by supplier and buyer members alike to identify what next step activities need to be undertaken in order to improve their businesses' impacts on workers and the environment, and to track improvement over time.

2.2 Audit Structure

The Audit Structure determines what will be assessed through a SMETA audit. Sedex members can choose between two options: a 2-pillar Audit or a 4-pillar Audit. Suppliers should work with their buying companies or customers to determine which option they should choose and communicate their choice to the AAC ahead of the audit.

2-pillar audit

A 2-pillar audit must cover both Labour Standards and Health & Safety, and a basic assessment of environmental management systems (Environment 2-Pillar). For each Base Code Area the auditor will assess the associated Workplace Requirements against the Base Code and local legislation (see section 3.2 Workplace Requirements), complete the Management Systems Assessment (see section 3.1 Management Systems Assessment), and input the relevant additional data points.

Included in a 2-pillar audit:

1. **Labour Standards Base Code Areas:**
   - 0: Enabling accurate Assessment
   - 1: Employment is Freely Chosen
   - 1.A: Responsible Recruitment & Entitlement to Work
   - 2: Freedom of Association and Right to Collective Bargaining are Respected
   - 4: Child Labour Shall Not be Used
   - 5: Legal Wages are Paid
   - 5A: Living Wages are Paid
   - 6: Working Hours are Not Excessive
   - 7: No Discrimination is Practiced
   - 8: Regular Employment is Provided
   - 8A: Sub-contracting and Homeworkers are Used Responsibly
   - 9: No Harsh or Inhumane Treatment is Allowed
2. **Health & Safety Base Code Area:**
   - 3: Working Conditions are Safe and Hygienic
3. **Environment Code Area:**

   10A: Environment 2-pillar

4-pillar audit

The SMETA 4-Pillar audit builds upon the content of a 2-Pillar audit with two additional assessments: Environment 4-Pillar and Business Ethics. The assessment of the additional requirements of a 4-pillar audit adds an extra 0.5 day to an audit's time on site. In all, a SMETA 4-Pillar audit comprises:

1. **Labour Standards Base Code Areas:**
   a. Same as with a 2-pillar audit
2. **Health & Safety Base Code Area**
   a. Same as with a 2-pillar audit
3. **Environment Code Area:**

   10A: Environment 2-pillar

   10B: Environment 4-pillar
4. **Business Ethics Code Area:**

   10C: Business Ethics

Additional Assessments: Customer Requirements

Customers may request an auditor checks additional requirements when conducting a SMETA audit. These requirements are not part of the SMETA methodology and may be assessed in isolation. Any findings against customer requirements will be recorded in an auxiliary document, which can be shared directly with the relevant customer. The auditor will ensure that customer requirements do not impede on the time required to undertake a full SMETA audit, and will add additional time where it is necessary. Buyers should communicate their requirements for NC closure to their suppliers. This may be done through the auditor.

SMETA Pillars



Labour Standards

Assesses adherence to human rights and labour standards such as modern slavery risks and forced labour prevention, which cannot be accurately assessed via desk audit.



Health & Safety

Evaluates working conditions and adherence to health & safety policies. Can include review of prior inspection reports, if available.



Environment

Assesses site's management of environmental-related areas, such as waste management and resource efficiency. Reviews environmental policy and processes on-site (e.g. disposal of waste).



Business Ethics

Reviews management controls and policy implementation on the ground, assessing for evidence of corruption and bribery and reviewing policies to manage these risks.

2 Pillar | Illustrative time to conduct | **2 days**

4 Pillar | Illustrative time to conduct | **3 days**

2.3 Audit Types

The audit type determines how a SMETA audit will be scheduled and the site notified, if at all. Sedex members can request one of three types of audit scheduling. The audit type is determined by the audit requestor. Where this is a buyer member, they should have communicated their requirements around audit type and frequency to their suppliers and AACs, so the appropriate scheduling can occur.

- **Announced:** When an audit date is agreed with, or disclosed to, the audited site.
- **Semi-announced:** When an audit date falls within an agreed 'window' of three weeks minimum, specified by the buying company or the audit body
- **Unannounced:** When no prior notice of the audit date is given to the site.

Sedex recommends audits are semi-announced or unannounced. Where an announced audit has been requested a reason needs to be provided to the auditor by the audit requestor.

The validity period of an audit is 24 months, which is the timeframe during which the information is considered up –to- date by Sedex. However, Sedex does not mandate how frequently sites are audited, allowing Sedex members to assess what is most relevant for their sites. Sedex's recommendations for initial/ periodic audits are that high risk sites are audited on a yearly basis, medium are audited every two years, and low at buyer's discretion. Sedex's risk assessment tool, Radar, is often used by buying companies to help them determine a site's risk rating.

2.4 Audit Sequence

Audit Sequence refers to the stages at which a SMETA Audit is undertaken and for what purpose. The classification of SMETA audits follows the below recognised audit sequence:

- **Initial Audit:** The first SMETA audit at a site of employment or the first SMETA audit at a site of employment by an AAC.
- **Periodic Audit:** A full audit used to monitor supplier sites on an on-going basis. The intervals between periodic audits may vary depending on the individual member.
- **Follow-up Audit:** Where progress against corrective actions is verified by an auditor. The nature of the follow-up audit is determined by the findings raised on site. These may be either:
  - **Desktop:** Used where corrective actions do not require a site visit, and can instead be verified remotely, e.g. through photographic evidence or documents, provided via e-mail.
  - **On-site:** Where the auditor visits a site but only checks progress against issues found during a previous audit.

For a glossary of key terms used in this document please see **Annex 1.**

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3. SMETA Methodology



SMETA Methodology

This section focuses on the SMETA Methodology, which is comprised of the Management Systems Assessment (MSA), the Workplace Requirements (WRs), and additional data points collected by the SMETA Audit report. This section explains the methodology and how it will be applied in practice by the auditor.

3.1 The Management Systems Assessment (MSA)

3.1.1 What is a Management System?

A management system is defined as a comprehensive framework comprising of processes, policies, procedures, and tools that are strategically designed and implemented within a business to plan, organise, execute, monitor, and continuously improve its activities. Management systems are the systems that underpin how a company runs its day-to-day operations, makes decisions, and helps avoid the recurrence of common problems.

Management systems support sites in meeting legal and customer standards, including the Base Code. Every company, regardless of size or sector, should have management systems in place to manage how they comply with the Base Code. Many sites may currently have an informal system, relying mostly on unwritten procedures, verbal direction and not much in the way of documentation or formal verification to see if things are working properly. Sites with more supportive systems will have written policies and procedures in place; a governance structure, including responsibilities assigned to appropriate roles; employees will be trained on these policies and processes, so they fully understand their rights, and what they are expected do and how to do it; and a process to check that the policies and procedures are being followed, and are fit-for-purpose.

Management systems should support all elements of management of workers' rights. They can help ensure that ethical recruitment practices are followed, workers' rights are respected in the workplace, they are treated with respect, and in the end, leave or are terminated in a way that respects their legal rights. Systems should account for directly and indirectly employed workers and those that work remotely, including homeworkers.

SMETA implements a consistent approach to assessment but does not impose a specific model for a site's management systems to manage their labour rights, health & safety, business ethics and environmental risks. Instead, sites should have processes that are "fit for purpose" for the size and type of site.

3.1.2 Determining whether Management Systems are "Fit for Purpose"

Whether a Management System is "Fit for purpose" is determined by:

a. An understanding of the likely risks determined by variables such as the country or region, the sector, the size of the site, and the workforce demographics.

b. The type of measures required to prevent these risks from occurring.

c. The appropriate use of resources to effectively prevent the risk from occurring.

When assessing management systems, the auditor will consider the risks inherent and present at the site, and how capable the systems are at achieving compliance in these circumstances. For example, a smaller site may need fewer systems in place to comply with most Base Code Areas, however, if they have a high proportion of casual women workers and are located in a geography and sector where gender-based risks to workers are higher, then they would likely need more intensive systems in place in order to assure compliance with Base Code Areas 7 and 9. It should be noted that this does not reduce the scope of a SMETA audit, the assessment considers the scale of the management systems needed to meet all the Workplace Requirements under each Base Code Area.

Below is a diagram of some of the considerations an auditor may include, alongside the evidence gathered on site, when assessing what is fit-for-purpose for the site's context.



3.1.3 The Management Systems Assessment in practice

As part of the SMETA audit, the auditor will conduct the Management Systems Assessment (MSA). The MSA assesses each Base Code Area individually, providing evidence of the systems in place and their efficacy at managing each Base Code Area in its entirety.

Even if fully documented and implemented, management systems alone might not guarantee compliance against all of the Workplace Requirements. Equally, the absence of NCs in operational compliance does not guarantee that management systems are fully implemented at the site. Instead, the absence of effective procedures could imply that the current compliance level is not sustainable.

Through the MSA, auditors identify where sites can take proactive, longer-term action to reduce risks to workers and the environment on site, addressing the root cause of many risks.

3.1.4 The Management Systems Assessment Elements

The SMETA methodology assesses a site's management systems against four factors which are referred to in SMETA as the Management Systems Assessment 'Elements'. Each Element is prescriptive in nature. As such, sites are expected to:

1. Develop and maintain relevant policies and procedures to ensure Workplace Requirements are met.

Sites must provide evidence that they have developed policies and procedures to ensure ongoing compliance with all the Workplace Requirements within the Base Code Area. These should ideally be formally documented policies and procedures with details of responsibility structures, and systems to measure outcomes, monitor effectiveness, and update systems on a regular basis.

There could be cases in which the site does not have written procedures but has the correct implementation of them. In this case, the auditor will exercise due diligence to verify and demonstrate the implementation of the unwritten procedures through triangulation, but the risks inherent in undocumented procedures will be reflected within the grading. Whilst the systems may be functioning at a high standard, without written procedures and policies these systems are dependent on individuals and cannot be guaranteed to function in perpetuity. Sites with implemented but undocumented procedures are, therefore, not considered to have a robust management system in place and only achieve a maximum of a 'Fundamental Improvements Required' Grade for this Element of the SMETA MSA. If procedures are un-documented and cannot be triangulated with additional evidence, they shall be graded 'Not Addressed'.

2. Appoint a manager with sufficient seniority who has operational responsibility and accountability for the implementation of the procedures.

Sites must provide evidence that a management structure clearly assigns all necessary responsibilities for ensuring the workplace requirements are met, and that nominated managers have sufficient seniority, authority and access to resource to ensure conformance. Auditors will focus this assessment on the relevance of the management roles and how they meet these criteria, rather than assessing the competence of individuals performing the roles.

3. Communicate and train employees and other workers, including managers and supervisors, on relevant policies and procedures.

Sites must provide evidence that policies and procedures have been effectively communicated to all stakeholders relevant to ensuring ongoing compliance. This could include publication of information; ensuring communications are accessible and understood; and delivering effective training programmes which are well documented. In all cases, the efficacy of the communication and training to achieve sustainable compliance with the workplace requirements will be considered.

4. Monitor the effectiveness of procedures to meet policy and Workplace Requirements.

Sites must provide evidence that they effectively monitor the implementation of procedures put in place to ensure ongoing compliance. Even where good policies are in place, they might not be implemented in practice due to failures in effective monitoring. This shall include how these procedures are reviewed and updated to ensure they continue to achieve the desired result and to ensure ongoing conformance as standards change. In the Management Systems Assessment, the auditor will capture monitoring of implementation of management procedures rather than any operational monitoring which could be mandated by a particular Base Code element (for example, in the MSA the auditor will not capture the monitoring of noise levels but rather the monitoring of procedures in place to mitigate noise damage, such as spot checks on those processes).

Elements	Not addressed	Fundamental improvements required	Some improvements recommended	Robust Management System
1. Policies & Procedures: Develop and maintain relevant policies and procedures to ensure Workplace Requirements are met				
2. Resources: Appoint a manager with sufficient seniority who has operational responsibility and accountability for the implementation of the procedures				
3. Communication & Training: Communicate and train employees and other workers, including managers and supervisors, on relevant policies and procedures				
4. Monitoring: Monitor the effectiveness of procedures to meet policy and Workplace Requirements				

3.1.5 Management Systems Assessment Grades

The Management Systems Assessment elements will be assessed using a structured framework which examines their maturity against four fixed grades. These **grades** act as key parameters for a thorough assessment of various aspects of the management system.

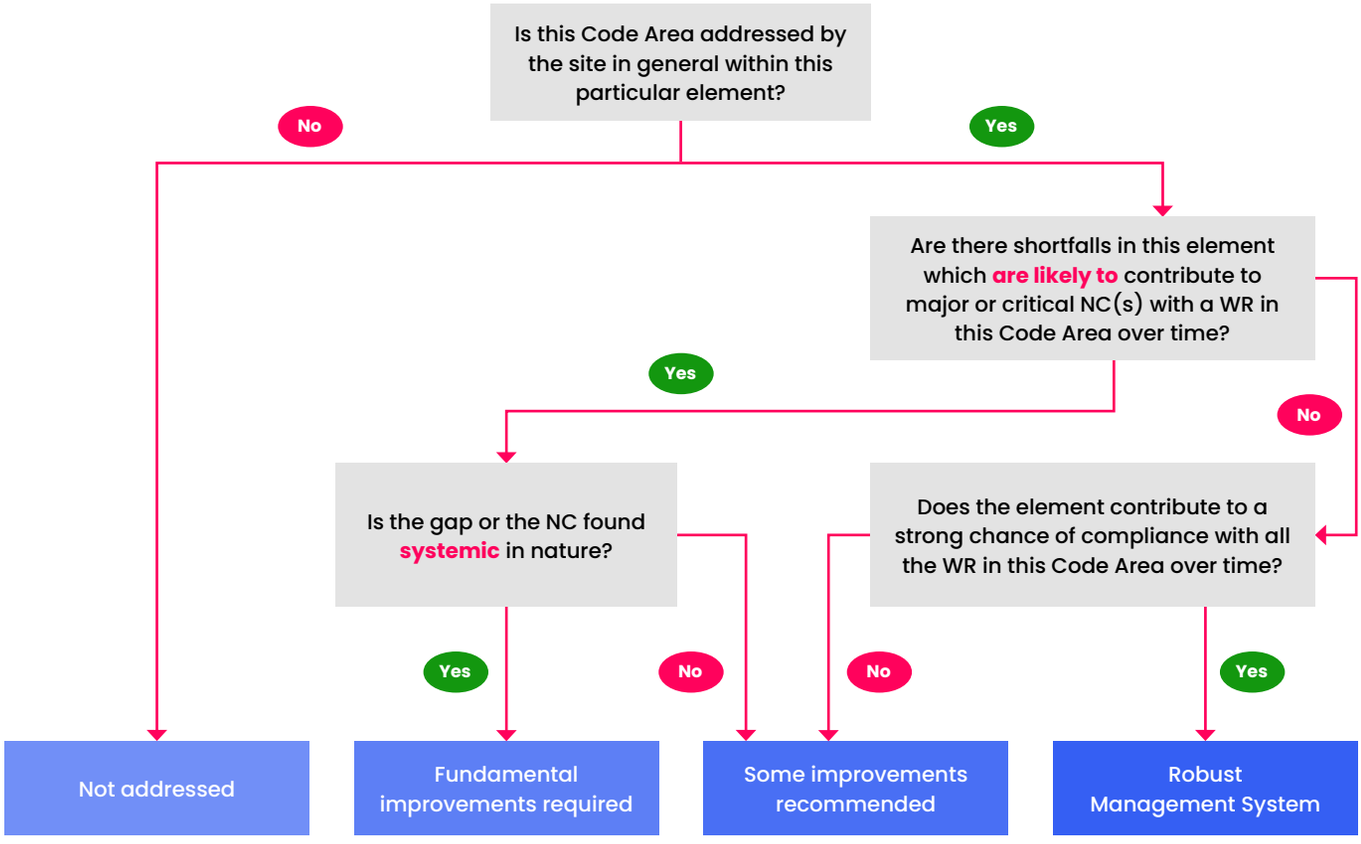
There are two guiding principles the auditor will keep in mind when grading the MSA Elements:

1. Is this element of the site's management system likely to effectively achieve compliance with the Workplace Requirements now and over time?
2. Is this element of the site's management system 'fit for purpose' with the site's context?

This flowchart is also available in **Annex 2,** and additional information on Grading the MSA in **Annex 3.**

The primary distinction between a basic and a robust management system lies in its ability to prevent risks before they arise rather than reacting to them as they occur. Sites should not expect to be automatically robust across all Code Areas. Taking action to improve grades against the MSA can significantly reduce the likelihood of future NCs by addressing potential root causes of multiple issues. However, designing and implementing effective management systems requires considerable time and resources. Improvement should be expected to be incremental. The MSA facilitates continuous improvement by providing data to identify priorities for action and resource allocation. Sites should use the MSA to target resources where their systems are weakest and where risks to workers or the environment are highest, based on their specific circumstances.

The following flowchart provides guiding questions to help the auditor determine the correct grade for a particular element based on the site's ability to achieve compliance over time.



3.2 Workplace Requirements

The SMETA Workplace Requirements (WRs) break down the Base Code into clear auditable requirements and require the auditor to record where the Requirements have not been met.

SMETA WRs are applicable to all sites assessed under SMETA, and the WRs are designed to be manageable at site level. Each WR is preceded by the term 'The site shall', this specifies to the auditor and supplier alike what is expected of suppliers in order to be compliant with SMETA.

SMETA does not impose a pass/ fail model on suppliers nor encourage negative business responses to the identification of issues. SMETA encourages a model of transparency between businesses, to enable continuous improvement. The WRs help suppliers to identify where there are actual and potential risks to workers and environments at their site. Identifying NCs at site can help suppliers to reduce risks and take actions, mitigating those risks for the impacted parties and for the supplier business alike.

Auditors will raise a finding against any WR that has not met either local law or the Base Code. Each WR has multiple related Issue Titles, so it is possible to raise more than one finding against one WR. It is also possible for the same evidence to contribute to multiple WRs not being met. Where this occurs the auditor will raise an NC for each WR that has not been met, ensuring that all sites are fairly assessed against the same criteria. It is then possible for the site to close multiple findings with one action or improvement.

The full list of Workplace Requirements is included in **Annex 4.**

3.2.1 Types of Audit Findings

Audit findings is a collective term given to the possible outcomes of a SMETA Audit, including non-conformances, non-compliances, Collaborative Action Required findings, and good examples. These are individually defined as:

Audit Findings:

- **Collaborative Action Required:** A Collaborative Action Required finding is a type of NC. They are recorded against fixed Workplace Requirements where there is a site practice that does not meet the Base Code, but the responsibility and ability to enact closure could reside with more stakeholders than just the audited site.
- **Good Example:** A Good Example is recorded where the site practice exceeds the requirements and goes above and beyond the law or Base Code expectations.
- **NC:** The initialism "NC" is used as a collective reference to Non-Compliance(s) and/or Non-Conformance(s). A finding will be raised if either a non-compliance or a non-conformance is identified, ensuring the highest level of protection for workers is maintained.
- **Non-compliance:** When a site does not meet local, national, or international law requirements.
- **Non-conformance:** When a site meets the law but does not meet the Base Code.

Audit Finding Descriptor:

- **Issue Title:** Provides more detail about the nature of an NC. Issue titles have an assigned criticality which define the severity of the finding.
- **Isolated:** An NC is isolated when the corresponding management system is largely fit-for-purpose and implemented effectively, but a failure occurs due to random and/or rare causes. Where there are 3 or less instances for issues checked by sampling or less than a 10% occurrence rate for issues not based on sampling (and it is not a recurring or ongoing issue) the auditor may consider the issue isolated. But the auditor will raise the issue as systemic if further investigation shows it to be systemic according to the general definition (see below), even if the occurrence rate is below these parameters.
- **Systemic:** An NC is systemic when the supporting management systems are weak, not fit-for-purpose, or absent, and are the contributing factor that has led to the NC. In cases where there are more than 3 instances of an issue checked by sampling, such as those related to workers files, wage and benefits, working hours, etc; or more than a 10% failure rate for issues not based on sampling, the auditor will investigate further and record the issue as systemic.

3.2.2 Criticalities for NCs

Criticalities determine the severity of an issue found at site. Auditors do not determine criticalities; these are pre-determined by Sedex and fixed to the Issue Titles. Auditors are not provided with the criticalities within the SMETA Platform, and therefore will not disclose NC criticalities to the site management during an audit. Auditors will select Issue Titles based on their relevance to the issue found, rather than the criticality. The criticalities associated with each Issue Title are set according to the following principles:

Business Critical NC:

- A breach of a Workplace Requirement which presents an imminent or serious risk to life and limb, or which constitutes a severe human rights impact that could be difficult or impossible to remedy.

Critical NC:

- A systemic, deliberate, or severe breach of a Workplace Requirement which represents a danger to workers or others, or which denies a basic human right.
- An attempt to pervert the course of the audit through fraud, coercion, deception, or interference with the audit process.

Major NC:

- A systemic breach of a Workplace Requirement, or local law that could present a danger to workers or violate a human right.

Minor NC:

- An isolated breach of a Workplace Requirement which represents low risk to workers.
- A policy issue or misunderstanding where there is no evidence of a material breach of a Workplace Requirement.

For a full list of key terms in this document please see **Annex 1.**

3.2.3 Collaborative Action Required

The SMETA Workplace Requirements have identified certain specific issues where a site does not meet the Base Code, but the usual mechanisms of NC verification and closure are not appropriate for some or all the following reasons;

- The audited party does not have the capacity/ responsibility to close the issue without support from other relevant stakeholders, such as commercial partners/buyers.
- Remediation of the issue requires an indeterminate and possibly extended timeframe, rather than a predetermined deadline as set within the Sedex platform.
- There is a risk of adverse consequences if closure of a particular issue is not approached with due consideration and time provided for adequate risk assessment.
- Evidencing effective remediation is complex and it is outside the capacity of existing SMETA methodology to validate through evidence provided during an onsite assessment alone.

These specific WRs have a Collaborative Action Required (CAR) finding raised against them.

CAR findings require a different way of working from other NCs for buyer and supplier members. The activities required to close these issues are dependent on stakeholders beyond the site alone, this may include the site's buyers/ customers, as well as additional stakeholders such as third-party labour providers, impacted workers, local NGOs, and trade unions. Due to the complexity of the issues and the spectrum of potential stakeholders that may need to act, CARs may need long-term closure plans, potentially spanning multiple years.

For more information, please see **Annex 5** Introduction to Collaborative Action Required.

To facilitate a longer-term approach and to reduce the likelihood of undue pressure on suppliers to close issues that may be out of their control, Sedex does not prescribe a closure date nor a verification methodology for these findings. Sedex encourages all its members to work collaboratively and responsibly on these issue areas, sharing responsibilities and actions as appropriate.

When developing a methodology to remediate these more complex issues, Sedex recommends following a due diligence process and prioritising activities based on the most salient risks.

> "A company's salient human rights issues are those human rights that stand out because they are at risk of the most severe negative impact through the company's activities or business relationships.
>
> This concept of salience uses the lens of risk to people, not the business, as the starting point, while recognizing that where risks to people's human rights are greatest, there is strong convergence with risk to the business"
>
> **UNGPs Reporting Framework**

CAR findings can only be raised against certain WRs, and those WRs can only have CAR findings raised against them. Where CARs are raised sites should develop and share an action plan for the CAR. Once the action plans are uploaded on to the Sedex Platform the status of the CAR finding will be changed from "open" to "in progress". The auditor will not assess the action plans submitted on the Sedex platform, as the viability of the action plan would take a broader landscape mapping of additional stakeholders, which sits outside of the remit of a social audit. Management and assessment of action plans is encouraged as an activity between linked buyer and supplier members.

CAR findings will be superseded and closed in periodic audits. The auditor will assess the WR anew and raise a CAR in following audits until there is no longer a finding to raise. CAR findings will not be reviewed in a follow-up audit.

3.3 Additional Data Points

Alongside assessing the site's management systems and against the Workplace Requirements, the auditor will also gather and input additional data points. These data points provide both important information and context on the site being audited, and clarity on the scope of the audit. These data points can be found in the following sections of the Audit Report:

- Site Details:
  - Company Information
  - Site Activities
  - Site Scope
  - Worker Accommodation and Transport
  - Work Patterns
  - Site Assessments
- Worker Analysis
- Worker Interviews
- Measuring Workplace Impact
- Data Points against each Base Code Area

The auditor may collect some of the relevant data points as part of their pre-audit information collection, so sites are encouraged to build systems to enable easy extraction of this data.

3.3.1 Gender-disaggregated data

The SMETA audit report includes multiple data points that can be gender-disaggregated. This data allows the auditor and audit report readers, including supplier members, to understand the gendered context of the site, and the potential for gender-specific risks. Sedex encourages all members to take a gender-sensitive approach to improvements at site level, engaging with different workforce demographics to understand their specific risks and needs.

The report also includes the ability to input data for genders beyond the binary of male and female, classified as 'other genders'. This data will only be collected where it is safe for workers to disclose and for the auditor to collect this data. The auditor will never undertake to gather this data for themselves at site, it can only be included where the data already exists and has been freely provided by workers of their own volition.

3.3.2 Sedex SAQ

Many of the data points included in the SMETA audit report are data points additionally collected through the Sedex Self-Assessment Questionnaire (SAQ). The auditor will request the site's latest SAQ prior to audit, and will use it as part of their preparatory documentation for the audit.

Sedex recommends that the SAQ is updated and resubmitted at least once a year, when there are any significant changes to the company, and in advance of any SMETA audit. The data collation and questions can help sites to prepare for an audit and provide areas to focus improvements between audit periods.

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4. SMETA Audit Process



SMETA Audit Process

This section details the key audit steps from request to completion. It covers the preparation a site should undertake prior to audit and what to expect on the day of an audit.

4.1 Audit Request

For the audit process to commence an audit must be requested. Any company, organisation, or site requesting an audit is termed an "audit requestor". An audit may be commissioned and paid for by a buying company, by a supplier, by the site of employment or by any other party with a legitimate interest in the site's performance in relation to responsible business issues, for example, certification bodies or multi-stakeholder initiatives.

If a supplier is booking an audit, they should check the requirements of their customers and contact an appropriate Affiliated Audit Company (AAC) in an official channel.

Audits **must** be undertaken during a period of high employment numbers of at least 60% of the workforce, and when the employment site is in full operation (such as peak production or harvest). If the audit is completed at less than 80% of peak workforce, but more than 60%, a clear reason why the audit is not being conducted at higher workforce employment must be provided to the auditor and this will be included within the audit report. Audits **must not** take place during low season or below 60% of the peak workforce.

4.2 Pre-Audit Preparation

Before an audit can take place, certain information may be requested by the auditor. The following sections cover some of the information they may share and request from the site.

4.2.1 Communicating with the Auditor

It is important that the site takes an active part in the audit process and provides accurate and clear information in response to auditor requests. Providing transparent information on the scope of the site, the workforce profile, productions processes and other key data points will prevent delays to the audit process and potentially NCs being raised against the site.

The site shall expect to receive the below pre-audit information from the AAC or the auditor at least 2 weeks before the audit takes place. This information enables the site to prepare for the audit and to understand what will be required of them on the day.

- The agreed scope of the audit in terms of companies, sites and buildings. The principle of one audit per company (per business license) must be adhered to. This should cover any shared areas e.g. fire evacuation routes etc. For full details see the section on Site Scope. Where multiple business licenses exist for a common management entity or ownership at the same premises, the auditor should record all licenses on that site. A description of the building(s) on site will be included in the SMETA audit report.
- A list of documentation that needs to be available during the audit.
- A list of the key people who need to be available on the day of the audit.
- The audit agenda and the process for raising issues.
- The required presence of union and/or worker representatives at all stages of the audit including the opening meeting.
- Requirements for employee interviews.
- Requirements for taking photographic evidence.
- Relevant confidentiality/data protection regulations and how these apply to the audit.
- Details of the audit report circulation and arrangements for uploading to the Sedex platform, including clarification of pricing.
- For a follow-up audit: a copy of any previous CAPR in the possession of the AAC.

The auditor may take this opportunity to collate some of the required additional data points for the SMETA audit report, and the supplier should support this process by providing up-to-date, accurate information. This will help to streamline the audit process on the day and can lead to a less disruptive process.

4.2.2 Information for Workers

It is good practice for the auditors to provide clear information about the audit that can be communicated to workers by the employment site, explaining the purpose of the visit and the process. Such information is usually provided by the audit body for the employment site to distribute ahead of the audit, although it may also be provided by a buying company or other audit requestor.

Where undertaken, the information should be available in the principal languages spoken by workers and should include:

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

Supplier sites may want to develop their own communications for the workforce, to build trust through transparency with their workers, and encourage an active participation in the audit process.

4.2.3 Planning the audit

Determining the Site Scope

In order to ensure that all audit readers have a consistent and accurate understanding of the scope of the audit, the following rules must be followed. Providing an accurate account of the site reduces the need for clarification activities, often including additional audits, builds trust with linked members, and is absolutely necessary to conducting a SMETA audit.

The scope of the audit **must** include:

- Any business under the same ownership, business license and/or management system which is adjacent to or within the same perimeter of the audited facility and supplies material to it, or deals with the waste it produces, or sub-contracts any part of the manufacturing or packaging process.
- Any business adjacent to or within the same perimeter of the audited site that shares workers or employs workers on the same payroll.
- Any accommodation arranged for the workers by the audited site, whether directly or via third parties, regardless of whether it sits under the same ownership or business license, may be in scope for the SMETA audit. Where such accommodation is within the site perimeter or adjacent to it, this will be included in the SMETA audit. Where it does not, this shall be noted at the booking stage and the appropriate data point in the report. Such offsite accommodation may be included in scope upon client request, and be accounted for with an appropriate addition of auditor time.

The scope of an audit may be limited in the following circumstance:

- In the case of a very large group of buildings (e.g., 1000+ workers) under the same business license where multiple facilities operate as distinct and (in terms of supply chain transparency) distinguishable manufacturing facilities.

The scope of an audit cannot be limited if any of the following conditions apply:

- If it omits a part of the manufacturing process which is being undertaken at the facility, regardless of product customer destination of different lines or locations.
- If it omits part of the building at which the audit is being undertaken (other than offices used exclusively by administrative staff, managers or other professional)

The scope of the audit cannot be widened to include:

- Facilities with different Sedex Site Profiles (ZS numbers)
- Facilities with different ownership, business license, or management system
- Facilities which, due to their distance from each other, incur one hour or more travel for the auditor per audit day, unless arrangements are made in advance of the audit to arrange additional time for the audit. This additional time will at minimum be set by the AAC as follows;

Total travel per audit day	
1-2hrs	– additional half day
3-4hrs	– additional day

With each additional 2hrs travel thereafter accounting for an additional half day.

If additional time cannot be arranged, separate audits must be booked for distinct sites. If the distinct locations have to be audited as one site (according to the guidelines set out here), the additional time must be arranged as part of the audit booking.

Audit Length, Sample Size, and Timetable for Initial and Periodic 2-pillar Audits

The audit length will be decided at the quoting stage. Below is an "auditor day" table setting out the number of auditor days, individual and group interviews as well as a sample size for review of files and time/wages records. The auditor will follow the below table as a minimum on auditor days, total worker interview numbers, and workers' files review. SMETA audits are not recommended for sites with less than 5 workers.

For the purpose of calculating the worker sample during audits, all workers must be included, with the exception of management personnel. This includes, but is not limited to, security guards, canteen staff, cleaning personnel, and any other non-management staff present on-site. This requirement applies only to the selection of the worker sample for document review and interviews.

For the full scope audit (i.e. initial audit and periodic audit), the auditor will be given 0.5 auditor-day for the report writing.

Table of Auditor Days and Sample Size for Initial and Periodic 2-Pillar audits

Auditor days	No. of workers	Individual interviews	Group interviews	Total Workers interviews	Total Workers files	Effective time spent on interviews
1	5-100	5	1 group of 5	10	10	2.5h
2	101-500	6	4 groups of 5	26	26	6h
3	501-1000	12	6 groups of 5	42	42	8.5h
4	1001-2000	20	8 groups of 4	52	52	12.5h
4	2001 +	22	8 groups of 5	62*	62	14h

Audit Sampling on Sites with more than 2,000 workers

The below table contains recommendations auditors may follow on how to audit sites with more than 2,000 workers.

Auditor days	No. of workers	Individual interviews	Group interviews	Total Workers interviews	Workers files	Effective time spent on interviews
5	3,001-5,000	30	9 groups of 5	75	75	18h
5	5,001-7,500	36	10 groups of 5	86	86	20h
6	7,501-10,000	42	12 groups of 5	102	102	22h
7	10,001-15,000	50	14 groups of 5	120	120	24h
8	15,001-20,000	55	16 groups of 5	135	135	26h

Audit Length, Sample Size, and Timetable for Follow-up Audits

Auditor days	No. of workers	Workers Files
1	5-100	During the follow-up audit, a sample of interviews and record reviews will take place. The sample size of these reviews will be determined by the nature and corrective actions being verified.
1	101-500	
1	501-1,000	
2	1,001-2,000	
TBC	2,001 +	



4.3 Audit Execution

This section covers the execution of a SMETA audit onsite. This includes the opening meeting, site tour, management and worker interviews, document review and closing meeting.

The audit must include the following stages:

- Opening meeting.
- Tour of the employment site.
- Management and worker interviews.
- Document review.
- Pre-closing meeting.
- Closing meeting and summary of findings.

Sedex does not mandate the order in which these stages take place, but all stages must be undertaken for a SMETA audit to be completed.

It is recommended that site management take an active role throughout the audit. Auditors will endeavour to raise issues as they identify them, this allows management to:

- Provide additional evidence where necessary.
- Address issues immediately.
- Raise questions and address concerns.
- Build consensus on the issues identified, speeding up the closing meeting process.

External Stakeholders

Suppliers may use external stakeholders, such as consultants or representatives from customer companies, to provide advisory services in preparation for audits and for mitigatory and remediation activities following an audit. External stakeholders may be present and provide a supportive role to the site management during an audit, but they cannot interfere with the audit process.

External stakeholders are prohibited from interfering in the audit scheduling process, appointment of the auditor, and the auditor's duties and activities whilst undertaking the audit. They may not attempt to change the scope of the audit and they cannot assume the responsibilities of the site management during the audit. Any attempts to interfere with the audit process will result in a non-conformance raised under Code Area 0: Enabling Accurate Assessment.

4.3.1 Opening Meeting

The purpose of the opening meeting is to ensure that all parties are aligned and understand the objectives of the audit. This is an opportunity for the site management and worker representatives to ask any questions they may have about a SMETA audit, its purpose and the process.

The opening meeting must be held in a language understood by the site management and, if applicable, worker representatives. If the auditor does not speak a language understood by the participants, then a translator will be used.

The opening meeting must be attended by:

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

Sedex encourages the active engagement of worker representatives, and the broader workforce, throughout the audit process. Worker representatives can help sites to identify the root causes of issues identified and the most appropriate corrective actions to stop issues recurring. Engaging workers can build trust and collaboration, as sites evidence their dedication to enabling workers' access to their rights, which can improve worker motivation, performance and loyalty to the business.

4.3.2 Tour of the Employment Site

The purpose of the site tour is for the audit team to observe the physical layout and condition of all areas of the employment site.

The site tour must happen when workers are operating. The ability of the site to continue production during a visit is crucial to enable the auditor to gain an accurate idea of working conditions and to disrupt the operations of the business as little as possible.

The auditor must lead the site tour, deciding its route and stops, unless it is unsafe to do so. To ensure this, the site should provide the auditor with a detailed site map to plan the route of the site tour. The auditor must be able to freely investigate all areas that they feel are needed to perform the audit.

Perimeter survey

An optional perimeter survey may be useful to provide additional information about the employment site, its local context, and specific risks.

Use of photography

The auditor will request to be allowed to take photographs during the audit site tour. These photographs are necessary to provide context and further illumination of findings, and as evidence of the quality of the audit. Sites should provide allowance for photographs, unless there are legal barriers. The auditors will not take any photographs that infringe privacy or data protection requirements, and if any photos have workers' face, full name or other ID information visible, all ID information shall be obscured before the photographs are shared.

4.3.3 Management Interviews

The auditor will interview managers relevant to the implementation of the sites policies and procedures regarding the Base Code. This is an opportunity for management to clarify their processes and to provide an open account of how these processes run in practice.

4.3.4 Worker Interviews

Worker interviews are an essential part of the social audit and help verify the extent to which the site's policies and procedures are implemented and deliver good working conditions for the workers, as per the Base Code. Workers have a unique perspective through their lived experience of the implementation of policies and procedures, which is of great benefit to both the identification of issues and mitigatory activities. In order to enact long-term sustainable solutions, Sedex recommends sites encourage workers to share their experiences openly and candidly, both within and outside of the audit process.

Auditors will select a representational sample of the workforce to interview, ensuring a broad range of worker demographics and worker roles are included. This may also include workers on different shift rotations, including night/ third-shift workers. Worker interviews will be conducted with individuals and with groups of workers.

To facilitate an open dialogue, worker interviews will take place in a safe, private space, without management oversite, and with no representatives of management present. Site management must respect the privacy of workers. Where necessary, an independent, professionally qualified translator will be used by the auditors to facilitate communication. Auditors cannot share any information shared in the interviews with the site in a way that could be attributed to an individual.

4.3.5 Document Review

Documentation is key to understanding how a site manages and complies with all areas of the Base Code. In order to ensure that the site is accurately assessed, and to prevent undue NCs, the site should take note of all documentation the auditor has identified in pre-audit communications, and should allow free and ready access to accurate and complete documentation on site. Key records relating to both employees and non-employee workers onsite may be requested by the auditor, and it is important to ensure that such records are able to be made available in a timely fashion to the auditor. In regards to workers employed or engaged by a third-party, this may include holding copies of key documents, or ensuring documents can be sought from that third-party in a timely fashion during the audit.

4.4 Closing Meeting

This section covers what an auditor will discuss with the site in a closing meeting and how it will be conducted.

4.4.1 Undertaking a Closing Meeting

The aim of the closing meeting is to inform and agree the findings of the audit, and to verify their confirmation of the findings through the signing off of the CAPR and agreed timescales. The findings should have been communicated as soon as possible, once identified, throughout the audit, so the attendees have had an opportunity to present further evidence or information, and to understand the nature of the identified NCs. Where it is necessary, the closing meeting can be another opportunity for the site to supply any additional information not yet seen. Auditors do not determine the criticality of NCs, criticality will not become visible to auditors or suppliers until the CAPR is uploaded on to the Sedex Platform. Auditors identify the most relevant Issue Title for the finding.

During the closing meeting the auditor will also discuss the results of the MSA. The MSA does not result in NCs, and the auditor may prioritise discussing the MSA elements they have assessed to be of most value to the auditor, either due to large gaps in the systems in place, or where those systems gaps may be the root cause of identified NCs.

The auditor will also discuss any identified CAR findings during the closing meetings, ensuring the site understands that these findings do not have an assigned closure time and how to upload a work-plan on to the Sedex Platform to evidence the site is 'In Progress' on these issues.

It is recommended that all attendees of the opening meeting, including worker representatives, attend the closing meeting, and it will be conducted in a language understood by all present.

4.4.2 Agreeing Corrective Actions

Corrective actions should focus on long-term sustainable solutions, which correct the root cause of the problem identified. The site management should formulate a Corrective Action Plan (CAPR) that details permanent solutions to the issues raised, as well as taking steps to solve them in the short-term, where possible. The data from the MSA can be a useful tool in helping to direct this activity.

For Collaborative Action Required findings the auditor will explain the audit finding to those present and the need to develop and share a long-term action plan to close the NC. For issues such as CARs that need long-term solutions to endemic issues, Sedex recommends open dialogue between stakeholders, and taking action collaboratively with relevant parties.

When determining corrective actions, the auditors may be able to share best practice and solutions from their own experience, but they cannot act in a consultative role to either define or enact closure of the corrective actions. The site must identify the actions most relevant to their own business and realistic plans for closure within the prescribed time frames, and these actions will be recorded within the CAPR within the closing meeting.

Timescales

Completion timescales are suggested timelines for completing a corrective action. Timescales are determined by the Issue Titles selected and will be shared with the site during the closing meeting, and can be amended if it is determined necessary based on the site's discussion with the auditor.

Completion timescales reflect the time required to prove completion to a verifying auditor. They do not denote the time that has to be taken to carry out the corrective action. In the majority of cases the completion timescale is given as a minimum of 30 days and has been extended where established records are needed as proof of sustained improvement. For business critical issues, the timescale is listed as immediate, to indicate that actions should be implemented in as short a time as possible.

Verification Method

Verification methods can either be 'desktop' or 'follow-up'. Verification methods are determined by the Issue Titles selected for NCs.

On-site follow-up audits are required for NCs for which corrective actions can only be evaluated through a site tour, interviews, physical review of documentation or where evidence is collected via sampling, such as with individual worker documentation or working hours.

Desktop review can be used to verify corrective actions through photographs, copies of certificates, invoices, etc. submitted by the employment site.

Dispute of Findings

It is strongly recommended that site management and auditors work together to answer outstanding questions to ensure there is no dispute of the findings. In the rare circumstances that disputes cannot be resolved, the site management can dispute the findings in the dispute box of the CAPR and state their reasons why agreement was not reached. The site management can also dispute the findings after the audit is published on the Sedex platform. For instructions on raising a dispute please see Sedex's e-Learning Platform.

Signing the CAPR

The CAPR must always be signed by a site representative and the auditor. Auditors must ensure a copy of the CAPR is left with the site in a language understood by the site's management.

Conclusion of the Audit

At the end of the closing meeting, the auditor will ask the management team if they have any questions. The auditor will also explain the agreed distribution of the full audit report and who will be in contact with the employment site regarding any follow-up. Finally, the auditor will inform the employment site of the Sedex uploading and corrective action management process and explain their responsibilities.

It should be noted that any additional information provided by the site after the audit will be considered as part of the corrective action process, and will not result in changes to the finding prior to audit publication.



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5. SMETA Audit Outputs



Audit Outputs

The SMETA audit report and Corrective Action Plan Report (CAPR) are the most important outputs from an audit as this information is visible to the site's customers.

5.1 Corrective Action Plan Report

The CAPR summarises the site audit findings and a corrective, and preventative action plan that both the auditor and the site manager believe is reasonable to ensure conformity with the Workplace Requirements. After the initial audit, the CAPR is used to re-record actions taken and to categorise the status of the NCs.

The CAPR will include the details of all findings identified, including agreed timescales and method of verification, alongside the Grades of the MSA.

Suppliers should be aware that CAPR may be revised through the technical review process. If amendments are required, an updated version is issued with the audit report to all parties. Suppliers should expect any changes to be clearly communicated and explained to them.

5.2 Audit Report

The audit report includes all information concerning the audit, how it was conducted, what was assessed, and provides additional context and descriptions of findings identified at the site.

This includes all systems and evidence examined on the site, details concerning findings identified, including NCs, CARs and Good Examples, MSA grades and context, photographs taken, and all additional data points recorded. The audit report provides evidence of the quality of the audit undertaken and confidence to all audit readers that an accurate assessment has been undertaken.

The audit report should be submitted on the Sedex Platform by the AAC within 15 calendar days of the audit. The site must publish the audit within seven days after its submission. Sedex auto-publishes all reports of the supplier members that are not published within the allocated timeframe within 14 calendar days after its submission. For more information on how to access CAPRs and audit reports please use resources in Sedex e-Learning platform.

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6. SMETA Audit Follow-up



Audit Follow-up

This section covers what an auditor does in order to successfully complete a follow-up audit.

6.1 Audit Follow-up

Finding issues during an audit is only one part of SMETA. The actions taken by the site to correct the issues found and the evidence examined to corroborate these corrective actions are equally important. SMETA audits are auditing for improvement, not only compliance, and where a site has made progress against an incomplete corrective action, the progress will also be recorded.

Auditor verification of adequate corrective actions can be carried out by desktop review or a follow-up audit:

- A desktop review is the online verification of evidence that the site has uploaded on the Sedex platform. A desktop follow-up may be used to verify corrective actions for which it is agreed that remote approval of evidence submitted by the site is sufficient, for example photos, copies of certificates, policies. Desktop follow-up cannot be used where corrective actions need to be verified through worker testimony.
- A follow-up audit consists of an on-site visit to evaluate corrective actions that cannot be verified by desktop review. Follow-up audits are recommended for NCs for which corrective actions can only be evaluated through interviews and extensive documentation reviews, and/or site tour.

Arrangements for a follow-up audit are determined between the site and the AAC. Sites must book a follow-up audit with the same AAC they used for the previous audit, a different AAC will not be able to close the NCs on the Sedex Platform, so they will remain open.

6.2 Desktop Reviewing

The supplier should have an agreement with the AAC on the desktop review service in advance. The auditor will review the corrective actions and evidence submitted on the Sedex platform within a maximum of 5 working days after submission. Where this has not occurred, suppliers should contact the AAC to understand what has caused the delay. During the review, the auditor will decide which of the following applies:

- **Corrective Action rejected:** the AAC will reject the corrective actions and respond to the supplier, providing reasons for the rejection of the corrective actions.
- **Closed:** the AAC will close the NC only when the actions taken by the site address the root cause of the issue.

6.3 Onsite Follow-up Audits

A follow-up audit is commissioned to check on progress against the issues found at an earlier audit. Follow-up audits generally take place within six months of the date of the initial audit, but this can vary depending on the nature of the activities needed to close NCs.

Follow-up audits always include an opening and closing meeting between the auditors, site management and worker representatives, where relevant. The activities and methodology for detecting whether issues are ongoing are the same as within a periodic or initial audit, including site tour, worker and management interviews, and document review, and will be conducted where they are relevant and following the same methodology as a full audit.

A follow-up audit does not include a full review against all WRs but focuses on the NCs, other than CARs, identified in the previous audit. However, if additional issues are identified whilst the auditor is on site these will also be recorded and a new CAPR created.

A follow-up audit will not include a review of CAR findings, and the auditor is not required to re-review the MSA grades.

It is important that the agreed CAPR from the previous audit is used as the basis of any follow-up audit. It is good practice for auditors to send an additional copy of the previous CAPR to the site ahead of the follow-up audit as a reminder of what was discussed and agreed. This should be sent along with any pre-audit information, and should be received by the site at least 2 weeks before the follow-up audit.

The opening meeting of any follow-up audit should focus on the previous CAPR. The auditor and the site should use the CAPR to guide the follow-up audit process.

During the follow-up audit:

- The site should be given the opportunity to describe and show what actions have been completed in line with the agreed CAPR.
- The auditor will be responsible for verifying what actions have been taken and recording verification of actions, including taking new photographic evidence, where relevant. The auditor will use the same methodology as a full initial/ periodic audit, including a site tour, document review, and interviews, as appropriate.
- Where the site has not undertaken corrective actions to address a particular issue the auditor will still check the current situation of that issue and record it in the report.

For each NC raised, the auditor will explain the evidence reviewed, comments on applicability and effectiveness and whether the issue is now considered:

- **Closed** – The auditor has received sufficient evidence to bring about an adequate resolution of the NC.
- **Open** – The auditor has received insufficient evidence and the NC remains active.

The auditor will then complete the updated CAPR onsite and leave a signed copy with the site management.

6.4 Derogation

Where a site has a legitimate reason, they cannot resolve an NC within the stipulated timeframe they can use their customers' Ethical Derogation process to apply to their customers for derogation of the issue. The determination of the derogation process is between supplier and buyer members, Sedex does not play a role in this process. For more information on Sedex's recommended Ethical Derogation process, including templates, please contact Sedex Helpdesk.

For general queries please contact
helpdesk@sedex.com

For grievances in relation to an Affiliate Audit Company, please follow the Grievance Process on the Sedex Website,
www.sedex.com

For more information on SMETA audits, Sedex tools, the Sedex Platform and e-Learning Resources please visit the
Sedex e-Learning Platform

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