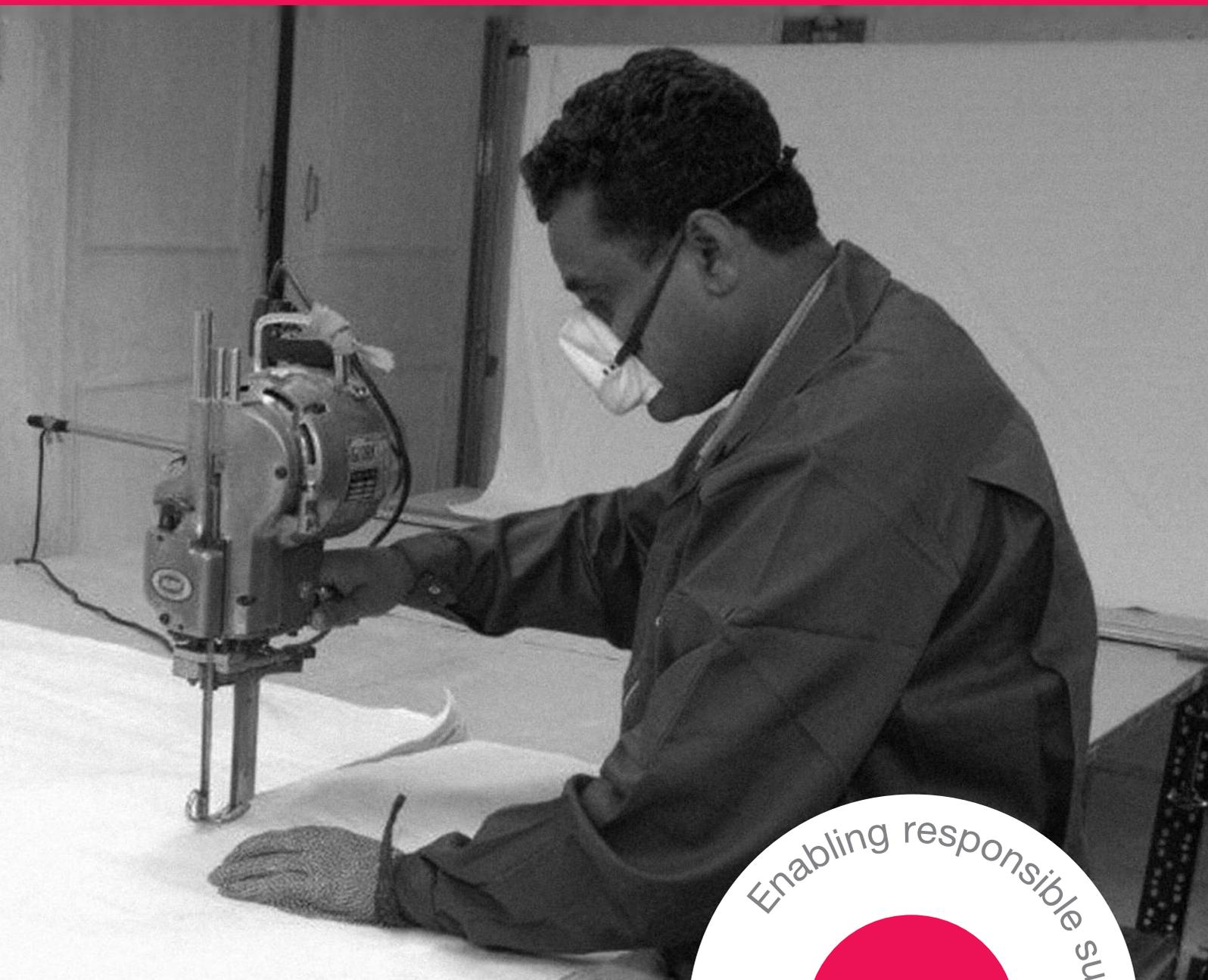


# Sedex Members Ethical Trade Audit (SMETA) Non Compliance Guidance

(Guidance initially for Sedex members only, Version 1.2, June 2010)



This non compliance guidance for ethical trade audits was developed by the current members of the Sedex Associate Auditor Group (AAG) in June 2009 and following feedbacks is now re-issued in June 2010. It has been designed to support the Sedex Members Ethical Trade Audit (SMETA) process.

This document is intended to supplement the knowledge of experienced, trained ethical auditors and to assist retailers, brands and buying companies when reviewing audit reports. It is not intended to be used as a stand alone document but rather to supplement a company's own systems. It may also be useful to suppliers to inform them of the audit process.



# SMETA Non Compliance Guidance

## Executive summary

### BACKGROUND

This common non compliance guidance document has been developed as a consultation document by the Sedex Associate Auditor Group (AAG) in response to a request from Sedex members for a more consistent approach to examples of non compliances, grading of non compliances - critical to minor - and suggested timeframes for correction within the SMETA procedures.

It is intended to promote greater consistency of audit process by giving both the auditor and supplier some suggested guidance during their discussions on corrective actions.

It is proposed to become one of several publications which support a SMETA audit, including but not limited to:

- **SMETA Best Practice Guidance**, which outlines an audit methodology.
- **SMETA Report**, which gives a standard audit report format to record the non compliances, observations, and best practices found during an ethical audit.
- **SMETA Corrective Action Plan Report (CAPR)**, which records the discussion between a site of employment and the auditor to agree corrective actions in response to the findings of an ethical audit.
- **SMETA Non Compliance Guidance (this document)** which can be used by an auditor/supplier/customer during the discussion of a corrective action report. It is intended as a consultation document at this stage, which will be made available only to Sedex members during the consultation period. Following feedback from member users we will make it available for wider comment.

The first three of the above documents are available on the public area of the Sedex website. The fourth document (this document) is initially available only to Sedex members in the members section.

As a further part of the work the group intends to publish a guide to suggested corrective actions which we believe to be at least as important as definitions of non compliances. In the work of continual improvement we believe it is helpful for interested parties to share “what good looks like”.

### CONTENTS

This non compliance guidance document is not intended to be used as a stand alone document, rather it is proposed to supplement a company’s own systems. Non compliances included are not intended as an exhaustive list but may require to be supplemented with more detailed information.

The non compliance issues are detailed under each element of a labour standards code and they aim to cover the majority of non compliances found at audit. Issues listed are specific to SMETA and they are restricted to those titles found on the Sedex system. However they may also be useful guidance for other systems.

The listings are based on the recorded audit reports of Sedex members and we are indebted to them and the auditors for supplying the information.

It is a work in progress and new issues will be added over time. Where a non compliance is not listed, audit participants are encouraged to use judgement to benchmark the new item against those existing, to determine the severity of the issue and agree timescales for correction.

It is a guidance document only, produced in an effort to create greater consistency in the SMETA process. It does not seek to replace members existing procedures, but rather to supplement them where members find it useful.

## USAGE

The suggested significance of issue, recommended completion time scales and verification method are suggestions only and not rigidly set. The final decision is that of the auditor, and the site of employment arrived at during their discussions, in conjunction with the final customer as necessary.

- **Significance of issue:** Is not currently recorded in the audit report, but it may be used as a measurement criteria during further discussions between a site of employment and its customers.

A customer's own systems may use different terminologies for significance of issue, but for the sake of consistency the AAG would like to propose the following definitions.

### Critical non compliance

- a severe breach of a code issue or local law resulting in an issue which presents imminent risk to workers safety/risk to life and limb or constitutes a significant breach of workers' human rights
- a significant breach of a code item or local law which represents a major non compliance that has not been addressed or for which no significant improvement has been made by the time of a follow up audit, in spite of supplier commitment to resolve the issue.
- An attempt to pervert the course of the audit through fraud, coercion, deception or interference.

### Major non compliance:

- A breach which represents a danger to workers /those on site
- A material breach of a code requirement/law. A systematic breaking of a code requirement/law.

### Minor non compliance :

- An occasional or isolated problem
- An issue which represents low risk to workers/those on site
- A policy issue or misunderstanding where there is no evidence of a material breach.

\*\* definitions of significance of issues is taken from "GSCP reference Audit Report Oct 2009"

GSCP = Global Social Compliance Programme, a business driven initiative for companies who wish to harmonise their efforts to improve working conditions and environmental performance in their supply chains

Significance of issue will be judged by the auditor, on the day . If any site is unclear of the criteria used it should check with its customers.

**N.B Observation definition:** A SMETA audit report may also record one further category of audit finding - "observation". This terminology is used by an auditor to record a finding which is not currently in contravention of any code item, but which, if it is not corrected, could lead to a non compliance issue.

- **Completion time scales:** are suggested timelines not rigidly set. Timescales can be reviewed and amended by agreement between auditor/auditee/customer as appropriate.

For issues which risk serious harm to individuals the completion time frame has been listed as immediate. This indicates the requirement to immediately deal with the issue. It is understood that verification of the corrective action by an auditor could take longer, but the time frame for verification should be as short as possible.

We would not expect an auditor to “sign off” a corrective action until documentary evidence confirms a system change. We have therefore set the correction timescale at a suggested minimum of 30 days for most issues.

Since audit information is mainly based on corroborated documentary evidence, the extended completion time scales of 30days+ recognises that an auditor will require at least 30 days records (or one calendar month) to verify corrective actions have been completed. In the case of wages and hours corrections this may be a minimum of 60 days.

**As an example time line**

Agree corrective actions and time frames	day 0	(date of audit)
↓		
Site starts corrective actions	day 1	(audit date +1)
↓		
Site uploads corrective action plans to Sedex	day 1-5	(audit date (1-5))
↓		
Site uploads its corrective action evidence to sedex and requests verification		(audit date + specified completion timescales e.g. audit date +30, 60, 90 days)

- **Verification method:** suggests the method which may be used to verify corrective actions.

- **Desktop:** the AAG has recommended the use of desktop verification where reasonable.

This recognises that the completion of corrective actions and proving that these are sustained is the responsibility of the site of employment. If completion of a corrective action can be proven by remote inspection e.g. by copy documents or photographs this is recommended as verification by ‘desktop’ i.e. the auditor is not required to visit the site.

**Evidence for verification by desktop may include but not be limited to:**

- A written outline of corrective action taken.
- Review of copy documents/records confirming a new procedure included in the management system.
- A visual illustration (photo) of the newly corrected issue (perhaps before and after).
- A copy of any new policy documents.
- A description of any system introduced to ensure that the non compliance issue will not re-occur.
- **Follow up:** a follow up audit is required when corrective actions cannot be verified by evidence supplied through a desktop review only.

Evidence examined during a follow up audit may include, but not be limited to:

- A published policy on the issue. The policy should meet the requirement of the standard.
- Document review and worker interviews at the site of employment which confirms that a corrective action has been completed. This is likely to be minimum of one month's( 30 days ) records and for hours and wages issues, may be a minimum of 2 months( 60 days ) For seasonal work the timeframe for verification may be longer , and is left to the discretion of the auditor/supplier/client.
- Proof of a system in place which checks whether or not the corrective action has been sustained, for example, an internal audit by a member of staff from a different department which proves the issue has not re-occurred.

For more details on recommended evidence for verification in each non compliance clause please see the following pages.

## APPLICATION

SMETA guidance and report formats provide 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, and to feedback any comments or suggestions for improvements.

## REVIEW

This common non compliance document has been created by the members of the Sedex Associate Auditor Group with input from the wider Sedex membership, many of whom have experienced ethical audits. It is a consultation document and we welcome any comments/feedback on its usefulness or content.

Over the next months we will use this feedback to improve this document and would hope to publish it as part of the suite of SMETA documents in our next revision of SMETA at the end of 2010.

## CONTACT US

Companies who are not members of Sedex are also able and encouraged to use SMETA, and we welcome any feedback on the SMETA documents. Please e-mail [info@sedex.org.uk](mailto:info@sedex.org.uk) or for more information on Sedex please go to [www.sedex.org.uk](http://www.sedex.org.uk).

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## Use of the table

### COLUMN 1: Issue title

The issues listed are in broad agreement with the issue titles listed on the Sedex “Audit upload” section of the web site. It should therefore be possible for Sedex members, auditors and suppliers to use these tables to improve consistency when uploading non – compliance issues onto the Sedex system.

The list cannot include all issues which occur and auditors and suppliers are encouraged to use their judgement to match any new issues to those listed, in order to arrive at a decision on significance of issue and corrective action time frame .

Since it is work in progress and new issues will be added over time, we welcome feedback on potential new additions .

### COLUMN 2: Significance of issue

This is not currently recorded on most audit reports, but this column gives guidance on how seriously Sedex members view each particular issue. We hope this may bring some convergence to how members deal with findings especially where audit information is shared. It is intended as a broad categorisation aimed at supplementing and not replacing any grading system that individual Sedex members may already be using.

### COLUMN 3: Completion time scale

These time scales are suggestions only and not rigidly set. The time periods refer to the time thought to be necessary to demonstrate that a non compliance has been corrected.

**Completion of corrective actions, normally requires a 3 step process:**

**Step 1:** The non compliance activity ceases immediately.

**Step 2:** A system is put in place to ensure there is no re-occurrence of the issue.

**Step 3:** An auditor verifies completion of the corrective action by checking documentary evidence to confirm a system change and also where appropriate uses interviews to substantiate the evidence.

The completion timescale in column 3 reflects the time required to prove completion to a verifying auditor. It does not denote the time taken to carry out the corrective action.

Therefore in the majority of cases the completion time scale is given as a minimum of 30 days and has been extended where established records are needed as proof of sustained improvement.

### COLUMN 4: Verification method

The recommended method of verification confirms how completion of a corrective action in response to a non – compliance finding can be substantiated.

Verification by desktop review has been recommended wherever possible. This will permit agreement of corrective action completion between supplier and auditor by remote evidence for example by document copy or by a photograph. However the decision on substantive evidence remains between the auditor and the auditee, the verification method listed is a guideline only.

## LOCAL LAW

Breaches of Local or National Law, represent significant risks to a brand and its supply chain and wherever possible remediation should be immediate.

# 1: Employment freely chosen

Issue	Significance of issue	Completion time scale	Verification method
1. Work is not voluntary, for example, unpaid overtime, bonded, forced or trafficked	Critical	30 days	Follow up
2. Workers who refuse overtime are penalised, for example, threats of dismissal, pay cuts, demotion etc.	Critical	30 days	Follow up
3. Any involuntary prison labour.	Critical	30 days	Follow up
4. Retention by employer or employment agent of original identification papers and/or passports unless required by law	Critical	30 days	Follow up
5. Workers are not allowed to leave the facility when shifts end	Critical	30 days	Follow up
6. Workers are not able to resign from the factory	Critical	30 days	Follow up
7. Workers paying deposits when commence employment	Major	30 days	Follow up
8. Unreasonable delays in payments due to workers when they leave	Major	60 days	Follow up
9. Unreasonable notice requirements or financial penalties for leaving	Major	60 days	Follow up
10. Monetary deposits, for example, for work tools, PPE, training	Major	30 days	Follow up
11. Excessive monetary deposits for accommodation	Minor	30 days	Follow up
12. Complete absence of toilet and rest breaks	Critical	30 days	Follow up
13. Workers monitored when they go to toilets	Major	30 days	Follow up
14. No policy on prison labour	Minor	30 days	Desktop
15. No free employment policy	Minor	30 days	Desktop
16. Extended probation period	Minor	90 days	Follow up



Employment is freely chosen

### Possible verification evidence:

- Evidence that workers are permitted to refuse overtime, for example a system in which workers are able to agree/disagree to do overtime.
- A clause in contracts or employees handbook which informs that overtime may be requested but makes it clear that overtime is voluntary.

## 2: Freedom of association

Issue	Significance of issue	Completion time scale	Verification method
1. Workers who wish to form or join a trade union or worker committee but are prevented by management from doing so - and there is a breach of national law	Critical	30 days	Follow up
2. Workers who wish to join union or worker committee but are unable to do so - and there is no breach of national law i.e. minority of workers want to join	Major	60 days	Follow up
3. There is no formal structure for worker representation	Major	30 days	Follow up
4. Failure to have works councils/worker participation in committees or equivalent where a legal requirement.	Critical	30 days	Follow up
5. Penalising or discriminating workers or workers reps in any way for seeking to join, joining, being members of, taking part in activities of or seeking to establish or be represented by a trade union or worker committee	Critical	60 days	Follow up
6. Consistent refusal of facilities for trade union activities	Critical	60 days	Follow up
7. Employer interferes with union decision making or the election or appointment of workers representatives	Critical	30 days	Follow up
8. Employer obstructing recruitment activities or denying unions reasonable access for recruitment	Critical	60 days	Follow up
9. Evidence of a critical communication breakdown between workers and employers which may lead to serious conflict or abuse	Critical	30 days	Follow up
10. Workers reps are not democratically elected	Major	60 days	Follow up

### Freedom of association

#### Possible verification evidence:

- Documentary evidence of communication meetings between worker representatives and management with action taken following points raised.
- Evidence of elections of worker representatives.
- Publication of names of reps and minutes of meetings to the total workforce.

## 2: Freedom of association (Continued)

Issue	Significance of issue	Completion time scale	Verification method
11. Lack of regular elections for workers reps where there is a legal requirement	Critical	90 days	Follow up
12. Unequal representation of management to workers	Major	60 days	Follow up
13. Workers representatives not given time off to meet and address issues	Major	60 days	Follow up
14. Collective agreements fail to comply with local law	Critical	30 days	Follow up
15. Collective agreements not in writing or not available to workforce	Major	60 days	Follow up
16. Company does not comply with collective agreement	Major	60 days	Follow up
17. Workers forced to talk to managers about sensitive issues	Major	30 days	Follow up
18. No policy on Freedom of Association and Right to Collective Bargaining	Minor	60 days	Desktop
19. Inadequate facilities for union activities	Minor	60 days	Desktop
20. Workers do not know who their reps are	Minor	60 days	Follow up
21. No training for worker representatives	Minor	60 days	Desktop
22. No action taken on issues raised during meetings	Minor	60 days	Desktop
23. No records kept from management/worker meeting	Minor	60 days	Desktop
24. Lack of documentary evidence of bargaining	Minor	60 days	Desktop
25. Lack of effective worker/management engagement	Major	60 days	Follow up



Freedom of association

## 3: Health and safety

### 3.1: FIRE SAFETY

Issue	Significance of issue	Completion time scale	Verification method
1. Locked or no fire exits	Critical	Immediate	Follow up
2. Insufficient fire exits	Major	60 days	Follow up
3. No fire exit signage	Major	30 days	Desktop
4. Fire escape doors poorly marked and/or maintained	Major	60 days	Desktop
5. Missing fire assembly points	Minor	60 days	Desktop
6. Blocked aisles/exits preventing use	Major	30 days	Desktop
7. No fire fighting equipment on site	Critical	30 days	Follow up
8. Fire fighting equipment inaccessible, insufficient, unusable or wrong type or no training on its use	Major	60 days	Desktop
9. Fire extinguishers out of date	Major	60 days	Desktop
10. Fire extinguishers installed at the incorrect height	Minor	30 days	Desktop
11. No fire alarm	Major	30 days	Desktop
12. Lack of distinctive fire alarm	Major	30 days	Desktop
13. No evacuation procedures, drills or training	Major	60 days	Desktop
14. No records of fire evacuation drills	Minor	60 days	Desktop
15. Incomplete records of fire evacuation drills	Minor	60 days	Desktop
16. No, or no adequate, functioning emergency lighting	Major	30 days	Desktop
17. Poor maintenance emergency light	Minor	60 days	Desktop
18. Failure to comply with requirements for electrical safety inspections	Major	30 days	Desktop
19. Electrical wiring not adequately encased or secured	Major	30 days	Desktop
20. No or inadequately maintained equipment or procedures to prevent explosions	Major	30 days	Desktop

#### Health and safety

#### Possible verification evidence:

- Where ever possible health and safety corrective actions should be verified by desktop review.
- Supporting evidence of corrective actions include photos, new policies, and a system to ensure correction is sustained.
- Some issues which are judged as critical, and which cannot be demonstrated by a photo will require a Follow up visit, for example, buildings not structurally safe.

### 3.2: BUILDINGS

Issue	Significance of issue	Completion time scale	Verification method
1. Premises are not structurally safe	Critical	Immediate	Follow up
2. Premises require repairs that affect personal safety	Major	30 days	Follow up
3. Inadequate lighting in hazardous areas	Major	60 days	Desktop
4. Generally inadequate lighting in some areas	Minor	60 days	Desktop
5. Heating and ventilation and Air Conditioning – Systematic failures in maintenance programme	Major	60 days	Follow up
6. Heating and ventilation and Air Conditioning - Isolated failures in maintenance programme	Minor	90 days	Desktop
7. The facility lacks the permits and certificates required	Major	90 days	Desktop



Health and safety

### 3.3: MANAGEMENT SYSTEMS

Issue	Significance of issue	Completion time scale	Verification method
1. No Health and Safety Management Systems in place	Critical	90 days	Follow up
2. Systematic failures in health and safety systems	Major	60 days	Follow up
3. No health and safety certificates	Major	90 days	Desktop
4. Health and safety certificates expired	Minor	90 days	Desktop

### 3.4: CHEMICALS

Issue	Significance of issue	Completion time scale	Verification method
1. No or dangerous storage/disposal facilities for hazardous chemicals	Critical	30 days	Follow up
2. Storage of hazardous materials in accommodation premises	Critical	30 days	Follow up

## 3.4: CHEMICALS (Continued)

Issue	Significance of issue	Completion time scale	Verification method
3. Inadequate storage facilities, disposal, labelling, training, containment or spill kits for hazardous chemicals or lapses in their use	Major	60 days	Desktop
4. Inadequate provisions for safe handling of hazardous chemicals or lapses in their application	Major	30 days	Desktop
5. MSDS not available	Major	60 days	Desktop

Health and safety

## 3.5: ACCOMMODATION

Issue	Significance of issue	Completion time scale	Verification method
1. Accommodation not structurally safe	Critical	Immediate	Follow up
2. Production area and dormitory area together	Major	30 days if unsafe 120 days if new build	Follow up
3. Personal living space does not meet legal and industrial minimum standards	Critical	60 days	Follow up
4. Each individual does not have own sleeping mat/bed	Major	60 days	Desktop
5. Personal living space and/or sleeping areas are not separated by gender	Major	30 days	Desktop
6. Living conditions are unsanitary	Major	30 days	Desktop
7. Unsafe appliances	Major	30 days	Follow up
8. No secure personal storage for personal effects	Major	60 days	Desktop
9. Inadequate laundry facilities	Minor	60 days	Desktop
10. Poor housekeeping	Minor	30 days	Desktop
11. Inadequate secure storage for personal effects	Minor	30 days	Desktop

### 3.6: WORKER HEALTH

Issue	Significance of issue	Completion time scale	Verification method
1. Clean drinking water not available	Critical	Immediate	Follow up
2. Clean drinking water not easily accessible	Major	30 days	Desktop
3. No testing of water for potability.	Minor	30 days	Desktop
4. Some lapses in records of water testing	Minor	30 days	Desktop
5. Factory equipment inappropriately used, maintained or designed that could lead to loss of limb or life	Critical	Immediate	Follow up
6. Factory equipment inappropriately used, maintained or designed that could cause serious injury	Major	30 days	Follow up
7. Lack of regular maintenance by appropriately trained personnel of machines which are a potential danger to life or health	Critical	60 days	Desktop
8. Workstations and work areas are untidy creating a risk of serious injury	Major	30 days	Desktop
9. Workstations and work areas are untidy creating a risk of moderate injury	Minor	30 days	Desktop
10. Slippery surfaces creating injury risk	Major	30 days	Follow up
11. Suitable PPE not issued to workers or not worn in hazardous environments	Critical	30 days	Desktop
12. Suitable PPE not always issued, for example, insufficient hearing protectors in areas where noise exceeds recommended limits	Major	30 days	Desktop
13. Suitable PPE issued but not consistently worn or maintained	Minor	30 days	Desktop
14. No health and safety training for workers in hazardous areas	Critical	30 days	Desktop
15. Inadequate health and safety training for workers in hazardous areas.	Major	30 days	Desktop



Health and safety

## 3.6: WORKER HEALTH (Continued)

Issue	Significance of issue	Completion time scale	Verification method
16. Systematic failures to provide health and safety training for workers	Major	30 days	Desktop
17. Isolated failures to provide health and safety training for workers	Minor	90 days	Desktop
18. Lack of appropriate equipment or training for safe handling of loads which constitute a serious risk	Major	30 days	Desktop
19. Lack of eye or needle guards on sewing machines or belt guards on machines	Major	30 days	Desktop
20. No wash facilities in hazardous environments including eye wash facility where appropriate.	Critical	30 days	Desktop
21. Inadequate toilet and washing facilities and/or facilities not separated by gender	Major	90 days	Desktop
22. Injuries/accidents are not recorded	Major	30 days	Desktop
23. No appropriate medical examinations of workers in hazardous environments (for example, for hearing loss because of noise)	Major	90 days	Desktop
24. Isolated failures to carry out medical examinations	Minor	90 days	Desktop
25. No medical room was provided for the workers	Major	30 days	Desktop
26. No trained first aid personnel	Major	30 days	Desktop
27. Insufficiently trained first aid personnel/workers do not know who they are	Minor	60 days	Desktop
28. Inadequate health and safety provision and procedures for pregnant workers	Major	30 days	Desktop
29. No Health and Safety representatives and/or Committee	Major	30 days	Desktop
30. No first aid kits available	Critical	Immediate	Follow up
31. Inadequate numbers or maintenance of first aid kits	Minor	30 days	Desktop
32. Inadequate provision for hygienic food storage and preparation	Major	30 days	Desktop
33. No noise assessment has taken place	Minor	60 days	Desktop
34. Worker transport where provided is unsafe or inadequate	Major	30 days	Follow up

Health and safety

## 4: Child labour

Issue	Significance of issue	Completion time scale	Verification method
1. Under 15 years	Critical	Immediate	Follow up
2. Under country's legal minimum age but >15	Major	30 days	Follow up
3. Systematic cases of evidence of individual's age and identity being unavailable, incomplete, false, or not kept on personnel file	Critical	30 days	Follow up
4. Isolated cases of evidence of individual's age and identity being unavailable, incomplete, false, or not kept on personnel file	Major	30 days	Follow up
5. Company accepts photocopy IDs from workers without checking originals	Major	30 days	Follow up
6. Child on site but not working	Major	30 days	Follow up
7. Young persons hours of work contrary to local law	Major	30 days	Follow up
8. Young persons engaged in night work	Major	30 days	Follow up
9. Young persons engaged in hazardous work *could be critical in some cases	Major *Critical	Immediate	Follow up
10. Young workers not registered or recorded per legal requirements with local labour bureau or equivalent	Major	30 days	Follow up
11. No risk assessments for young workers	Major	30 days	Desktop
12. No health examination for young workers	Major	30 days	Follow up
13. No recruitment policy for young workers	Minor	30 days	Desktop
14. No remediation policy in place for child workers	Minor	30 days	Desktop
15. Contracts for young workers not signed by parent or legal guardian (see <i>Employment is Freely Chosen re general issues on contracts</i> )	Minor	30 days	Desktop
16. No policy on child labour	Minor	30 days	Desktop



### Child labour

#### Possible verification evidence:

- As a critical issue, with high levels of market awareness, non compliances in this area will often require a Follow up visit.
- Incidences of child labour must be solved bearing in mind the rights of the child and their families. A decision to get rid of any child workers needs careful consideration and must be part of an agreed remediation plan. For this reason the auditor will require to re-visit to verify that the actions completed follow that which was agreed between the site of employment and its customers.
- Where the only non compliance is one of an incorrect or insufficient policy, but practice is as required, a desktop review may be sufficient.

## 5: Wages and benefits

Issue	Significance of issue	Completion time scale	Verification method
1. Employees work without payment	Critical	Immediate	Follow up
2. Employees pay or piece rate earnings below any applicable legal minimum wage or agreed national industry benchmark	Critical	60 days	Follow up
3. O/T premiums not paid at , according to law or not paid for holidays worked	Critical	60 days	Follow up
4. Wages and hours could not be verified due to inconsistent or incomplete records	Critical*	60 days	Follow up
5. Evidence of deliberate falsification of wage and hours records (double books)	Critical*	60 days	Follow up
6. No payroll or time records	Critical	60 days	Follow up
7. Wages not paid on time	Major	60 days	Follow up
8. Legally required allowances, bonuses or benefits are not paid or not paid correctly	Major	60 days	Follow up
9. Legally required social security payments are not paid correctly	Major	60 days	Follow up
10. No paid annual leave	Major	60 days	Follow up
11. Factory is using home working, other factories, or other locations as a way of avoiding paying overtime premiums	Major	60 days	Follow up
12. Unreasonable deductions from wages	Major	60 days	Follow up
13. Isolated inconsistencies between payroll records, payslips and other records (poor record keeping)	Major	60 days	Follow up
14. Pay slips not provided with each payment in local language	Major	60 days	Follow up
15. Workers have not been given information, or understand how wages are calculated	Minor	60 days	Follow up
16. Failure to pay meals allowance where a legal requirement	Major	Immediate	Follow up
*These issues may be downgraded to major significance if a site is able to produce correct records. Refusal or inability to show correct time and payroll records will result in critical significance.			

### Wages and benefits

Correction of these issues must start immediately but a minimum of 2 months records will be required for verification of correction

#### Possible verification evidence:

- Most wages and benefits corrective actions can only be verified by a Follow up visit.
- SMETA guidelines require a minimum of 60 days (or two wages periods) wages records to confirm that corrective actions have been completed.
- Confirmation will also require that documentary evidence is substantiated by worker interview. The number of records reviewed and number of workers interviewed will not be less than the original audit (see SMETA best practice guidelines for information).

## 6: Working hours

Issue	Significance of issue	Completion time scale	Verification method
1. Unreasonable hours i.e. total working hours are in excess of 72 hours per week	Critical	60 days	Follow up
2. Total working hours are in between 60-72 hours or above the legal limit whichever is lower	Major	60 days	Follow up
3. Overtime hours regularly exceed 12 hours per week or local law, whichever is the lower	Major	60 days	Follow up
4. Standard hours regularly exceed 48 or local law, whichever is the lower	Major	60 days	Follow up
5. Isolated cases of overtime exceeding 12 hours per week or local law, whichever is the lower	Minor	60 days	Follow up
6. Isolated cases of standard hours exceeding 48 per week or local law, whichever is the lower	Minor	60 days	Follow up
7. Regular/Systemic 7-day working	Critical	60 days	Follow up
8. Occasional/Isolated 7 days/week working	Major	60 days	Follow up
9. Wages and hours could not be verified due to inconsistent or incomplete records	Critical*	60 days	Follow up
10. Evidence of deliberate falsification of wage and hours records (double books)	Critical*	60 days	Follow up
11. Isolated inconsistencies between payroll records, payslips and other records (poor record keeping)	Major	60 days	Follow up
12. Working without correct legal breaks	Major	60 days	Follow up
13. Pregnant, younger or female workers working illegal hours or without prior approval from local labour bodies	Major	60 days	Follow up
14. No clear policy on overtime working and/or policy has not been communicated to or understood by workers	Minor	30 days	Desktop
* These issues may be downgraded to major significance if a site is able to produce correct records. Refusal or inability to show correct time and payroll records will result in critical significance.			



### Working hours

Correction of these issues must start immediately but a minimum of 2 months records will be required for verification of correction

#### Possible verification evidence:

- Working hours corrective actions will require a follow up visit for verification.
- SMETA guidelines require a minimum of 60 days (or two wages periods) attendance records to confirm that corrective actions have been completed.
- Confirmation will also require that documentary evidence is substantiated by worker interview. The number of records reviewed and number of workers interviewed will not be less than the original audit (see SMETA best practice guidelines for information).
- Where policies are inadequate, but practices meet the standard a desktop review may be possible at the discretion of the auditor.

## 7: Discrimination

Issue	Significance of issue	Completion time scale	Verification method
1. Sexual abuse or harassment	Critical	Immediate	Follow up
2. Dismissal of Pregnant workers	Critical	Immediate	Follow up
3. Pregnancy testing of employees/potential recruits	Critical	Immediate	Follow up
4. Evidence of 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	Major	30 days	Follow up
5. Not meeting legal requirements on working conditions for pregnant, post partum or lactating women	Major	30 days	Follow up
6. Women returning from maternity leave not given equivalent position and pay	Major	60 days	Follow up
7. Suspicion of discrimination – no proof	Minor	Immediate	Follow up
8. Lack of transparency/lack of policies on employment practices	Minor	30 days	Desktop
9. No policy on discrimination	Minor	30 days	Desktop
<p>Any findings of harassment or abuse must be dealt with immediately, but any policy changes, or implementation of anti – discrimination training may require longer. A period of 30 -60 days is allowed for proof of change and implementation of new policies. However all critical discrimination issues must cease immediately.</p>			

### Discrimination

#### Possible verification evidence:

- This area of non compliance is often difficult to investigate and any corrective actions agreed will mainly be verified by Follow up visit.
- Most of the evidence for this issue will come from interviews with personnel at the site of employment, and therefore any changes in this area will require to be confirmed by interviews.
- The presence of a non discrimination policy is significant evidence of meeting the standard if the auditor finds that site processes and practices support the policies.

## 8: Regular employment

Issue	Significance of issue	Completion time scale	Verification method
1. Complete absence of contracts	Critical	30 days	Follow up
2. Agency does not meet national requirements as a labour provider	Critical	30 days	Follow up
3. Isolated absence of contracts	Major	30 days	Desktop
4. Copies of terms and conditions not provided to workers	Major	30 days	Follow up
5. Workers are required to sign blank papers, resignation letters etc.	Major	Immediate	Follow up
6. Absence of clear, understandable written terms and conditions of employment which comply with local law and are signed by workers	Major	30 days	Desktop
7. Facility imposing additional terms or requirements on worker after employment contract signed	Major	30 days	Follow up
8. Probation periods exceeds legally allowed period	Major	60 days	Follow up
9. Subcontractor failing to meet labour standards	Major	30 days	Follow up
10. Workers are fired and rehired to avoid paying same terms and benefits as for permanent workers	Major	30 days	Follow up
11. Workers are consistently employed on temporary contracts	Major	90 days	Follow up
12. Agency workers not receiving full legal and social security entitlements	Major	30 days	Follow up
13. Unreasonable payment of fee to agent by the worker in own home or host country	Major	60 days	Follow up
14. Agencies are charging workers fees which exceed relevant legal limits	Major	30 days	Follow up
15. Workers are not receiving employment contract in home country and/or having additional contract when in country of work	Major	90 days	Follow up
16. Contract not accurate or up to date	Minor	30 days	Desktop



### Regular employment

#### Possible verification evidence:

- Written policies or standard practices such as incomplete or missing contracts may be verified by desktop review at the discretion of the auditor.

## 9: Discipline

Issue	Significance of issue	Completion time scale	Verification method
1. Any physical punishment or sexual harassment of workers	Critical	Immediate	Follow up
2. Supervisors or managers taking bribes including sexual favours	Critical	Immediate	Follow up
3. Extreme verbal abuse	Critical	Immediate	Follow up
4. Shouting or swearing at or other forms of verbal abuse of workers	Major	Immediate	Follow up
5. Unreasonable personal body searches	Critical	Immediate	Follow up
6. No formal disciplinary or grievance procedure	Major	Immediate	Follow up
7. Rules and disciplinary action not transparent and/or documented	Major	30 days	Follow up
8. Inadequate disciplinary/grievance procedure	Minor	30 days	Follow up
9. Managers and supervisors do not follow the disciplinary procedure	Major	30 days	Follow up
10. Failure to discipline supervisors/ managers or fellow workers who abuse workers	Major	30 days	Follow up
11. Disciplinary and grievance procedures not communicated to/not understood by workers	Minor	30 days	Follow up
12. Unreasonable policy and practice of fining workers for breaking rules	Major	30 days	Follow up
13. Workers fined an unreasonable amount for lateness	Major	30 days	Follow up
All forms of abuse must cease immediately, but a period of 30 days is allowed for implementing a policy against abuse			

### Discipline

#### Possible verification evidence:

- The most critical issue in this item of any labour code is harsh or inappropriate disciplinary practices.
- These are mainly found through interviews of personnel as well as observation on the audit day.
- Thus it is likely that verification of corrective actions will require a Follow up visit to substantiate a change of policy and practice through interviews.

The Sedex non compliance guidance and report has been produced for guidance only.

It has been prepared by the Sedex Associate Auditor Group at the request of A & AB members.

The final decision on severity of non compliances and timescales for correction remain the responsibility of the auditor /site being audited ./customer and they may over-ride these guidelines by agreement and at their discretion.



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