

Introducing SMETA 6.0

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new SMETA 6.0

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Agenda

- Overview of process
 - Major messages
 - SMETA review
 - What's new
 - Launch plan
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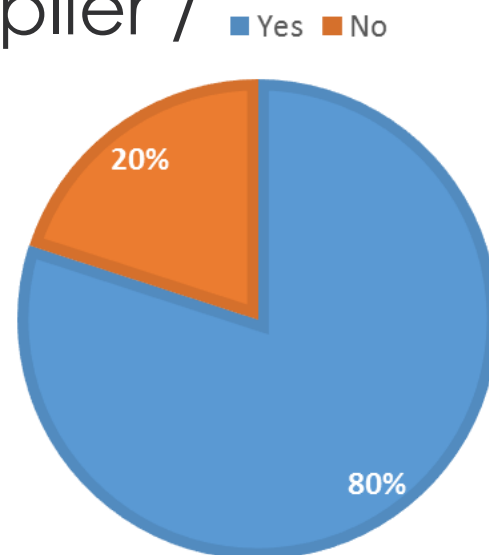
Introducing the work from SMETA WG

- Workgroup leader input & review
- SMETA survey - Customer / auditor / supplier surveys conducted
- Review over past 8 months

Major messages from the membership

1. Generally good circulation of SMETA BPG & it is clearly written & understood
2. Awareness, positive dialogue and positive impact for stakeholder
3. Clear and well-organized audit format
4. Open source protocol generates a consistent communication to supplier / customer & auditor

Does the SMETA Methodology meet your needs?



Major messages

1. Thorough & transferable
2. Equal usage of 2 & 4-pillar audits
3. SMETA generally creates good attitude of auditors who work well with the site, rather than against.

Major messages - Improvement

1. **More reporting on Good Examples**
2. **Pre-audit resources & communications (Benefits of SMETA v other social audits – what are the differences)**
3. **More customers to accept SMETA – drive more acceptance**
4. **Non-compliances – when does something become an NC**
5. **Increase on auditor quality and more individualism for each report – how can we identify good sites?**
6. **Expand to different codes**
7. **Summary report / quick overview**
8. **More details on sample size and worker interview details**

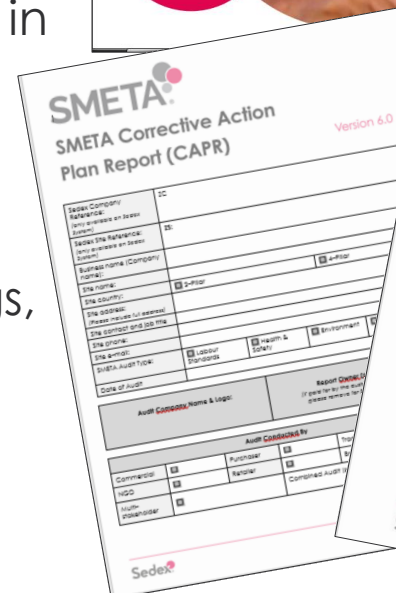
Overview of the documents

SMETA Best Practice Guidance; which describes the Audit process.

SMETA Measurement Criteria; which gives details of the items to be examined during a SMETA audit.

SMETA Report Format; provides a template for recording audit findings in a standardised format that can be uploaded into Sedex.

SMETA CAPR Format; a template for recording a summary of audit findings, along with corresponding corrective actions



What's new?

Included new topics

Universal Rights covering UNGP (Clause 0.A) – an introduction but not a replacement for a full Human rights assessment.

Responsible recruitment (under Regular Employment) – Making recruitment practices more transparent – including migrant, agency and other recruitment practices.

Measuring workplace impact (within Human Rights)– a set of common industry indicators to measure improvements in the workplace.

Land rights – related to legal land tenure and free, informed, prior consent

New Topics

Overview of 0.A. Universal Rights covering UNGP

Checks for Observations:

- Checks for awareness / commitment
- Starting to take responsibility
- Access to a grievance
- Relevant section of SAQ completed

Check for Good Examples – to show and measure good practices

- Broader awareness of their Human Rights impacts
- Giving access to remedy
- Engagement of wider community
- Grievance methods include salient issues, and that a developed level of response is in place
- Demonstrate and implement data privacy procedures for workers' information

New Topics

Overview of Responsible Recruitment (Regular Employment)

Additional Elements: **Responsible Recruitment:**

- Businesses have full understanding of the entire recruitment process including all labour recruiters and intermediaries in terms of required legal and/or ethical requirements.
- There are effective management systems in place to identify and monitor the hiring and management of all migrant workers, contract, agency, temporary or casual labour.
- Employment agencies must only supply workers registered with them.
- All workers pay no recruitment fee at any stage of the recruitment process.
- Worker contracts accurately reflect the agreed payment and terms in the recruitment process and are understood and signed by workers.

New Topics

Overview of Land Rights

Additional Elements: **Land rights & land grabs**: 0.B. Management Systems

- Checks on all applicable / required land rights, licences and permission.
- Check on management systems in place to conduct legal due diligence relating to land title

Additional Elements: **Land Rights & Conservation** – 10.B.4 Environment 4-Pillar

- Checks site management systems and capacity to cover land use change to recognize and apply relating to nature conservation and deforestation
- Site measures and avoid damage to land which has any biological, ecological, social or cultural values which are considered outstandingly significant or critically important, at the national, regional or global level.

New Topics

Overview of Workplace Impact assessment indicators

Methodology:

Sampling SMETA: Peak, Current, Random

Areas for Included:

Annual worker turnover:

Absenteeism / lost day work cases

work related accidents

% workers on high hours

Areas strengthened

Strengthened the areas of:

Business Ethics – allows NC's to be raised

Living wage – additional questions to track the most commonly used living wage methodologies used

Modern day slavery requirements – additional questions on Modern Day Slavery Act requirements

Environment – additional questions on the monitoring of emissions and waste

Root Cause – new checks to define root causes

Transshipment – now included

Fire Safety - strengthened requirements and checks around the area of fire safety

Incorporating feedback

1. **Good Example reporting** – Good example checklist for each clause
2. **Pre-Audit info** - Additional user friendly 'action boxes' to clarify Pre-audit resources & communications
3. **More customers to accept SMETA** – drive more acceptance – over to you!
4. **Difference of NC and Obs** - Clearer descriptions on definition of Non-compliances and observations
5. **Audit Quality** - New chapter in BPG on auditor quality & individualism of reports.
6. **Expand to different codes** – new customer code appendix on report
7. **Summary report / quick overview** – moved summary table up and expanded to include quick description – the first 4 pages of a SMETA report = a summary report.
8. **Clarity on sampling** - More details on sample size and worker interview details in SMETA BPG.
9. **Report is too long** – large efforts to streamline & remove any duplication

Our impact

NO CHANGE TO AUDITOR DAYS

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

The Launch

6th April

SMETA 6.0 official
launch

- Available on Sedex website for download

1st June

SMETA 6.0
implemented

- All SMETA audits are now conducted with new methodology

SMETA audits
still
conducted
against
SMETA 5.0

Webinars for all

- Available for all SMETA users, will be recorded
- Flyer issued and useable for all

SMETA 5.0
removed from
Sedex
Website
31st May

News & Media

You can find more information on SMETA 6.0 in the [infographic](#) and download the latest document [here](#).

New SMETA logo:



SMETA in numbers
SMETA - the Sedex Members Ethical Trade Audit

SMETA is the world's most commonly used ethical audit format

180,000 → estimated number of SMETA contractors globally
80,000 → SMETAs on the Sedex system
90% → of audits on Sedex system use SMETA
1400 → of factories registered on the Sedex system
150 → countries covered by Sedex members

The Associate Auditor Groups
Made up of approximately 1000 independent auditors from 100+ countries
Africa, Asia, Latin America, China
Sedex working groups including national audit bodies, industry associations and NGOs

Number of shares
SMETA is a public limited company listed on the London Stock Exchange
1.1M shares
1.1M shares
1.1M shares
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Main updates in SMETA 5.0
Most comprehensive SMETA review to date
Enhanced measurement of workers' rights by including base rate changes on impact assessments and worker management dialogue
Extra guidance based on UN Guiding Principles on Business & Human Rights
Additional Ethical Trade Audit chapters on:
Business & Human Rights
Land rights
Local rights
Base Code working hours clause
Responsible Sourcing
Biodiversity
SMETA 5.0 version 5.0

The 3 elements of SMETA
Assessment
Audit report
SMETA

The 4 pillars of a SMETA
Labour
Environment
Business
Human Rights

World's Most Popular Ethical Audit Format Puts Workers Centre Stage
November 28, 2014
Version 5.0 of the Sedex Members Ethical Trade Audit (SMETA) has been fully reviewed and significantly updated to include new guidance around workers' rights, and more

PRESS RELEASE: London – 28 November 2014. Sedex, the leading non-profit organisation dedicated to improving global supply chains, has launched the latest version of the Sedex Members Ethical Trade Audit (SMETA), an audit procedure which is a compilation of good practice in ethical audit technique, which is a responsible business practice.

SMETA version 5.0 is a product of the most comprehensive review of the audit format to date covering the SMETA format itself as well as the existing Best Practice Guidance and the new Measurement Criteria documents. Building on the previous version, 5.0 enhances measurement of workers' rights by including two new chapters on impact assessments and worker management dialogue, as well as extra guidance based on the UN Guiding Principles on Business & Human Rights. The update also includes the new Ethical Trade Audit (ETA) Base Code working hours clause – devised to help companies and suppliers better understand and uphold laws and international standards on working hours – due to be used in audits from 1 December 2014.

Maintaining its position at the leading edge of ethical auditing, SMETA 5.0 tackles the controversial issue of land rights by asking auditors to check the relevant legal permissions to operate are in place at a site. The new format also increases awareness of environmental impacts by measuring how biodiversity requirements are met through the certification programmes in place.

While many more improvements have also been made to SMETA, the format of the audit itself has been simplified in order to make it easier to use for both the auditor and the intended

Empowering responsible business leaders
Sedex

FAQs

1. How to deal with follow-up audits? – They can be conducted on 5.0 for up to one year.
2. Translations – The main SMETA documents will be available in English, Spanish and Mandarin. The report and the CAPR will be in dual language and will need to be written in dual language where necessary.
3. Supporting documents and how they will be updated – Any documents impacted by the changing content will be updated by 1st of June.
4. Windows for semi-announced audits – We recommend semi-announced windows are scheduled on either side of the 1st of June.

Questions and comments

Any Questions?