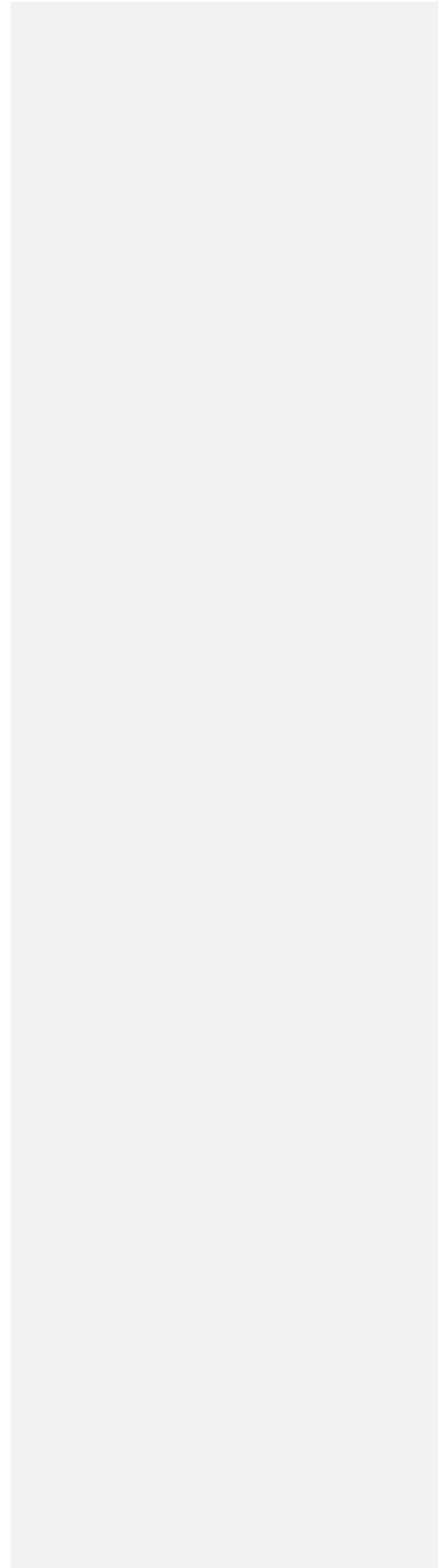




SMETA Corrective Action Plan Report (CAPR)

Version 6.1



Audit Details				
Sedex Company Reference: <i>(only available on Sedex System)</i>	ZC: 000001234	Sedex Site Reference: <i>(only available on Sedex System)</i>	ZS: 000012345	
Business name (Company name):	XXXX Toy Manufacturing Co., Ltd.			
Site name:	China Toy and Associated Products Co., Ltd.			
Site address: <i>(Please include full address)</i>	No 1 Road 2. China Industry Zone	Country:	China	
Site contact and job title:	Mr EEE, Factory Manager			
Site phone:	+86-12345678	Site e-mail:	123@chinatoy.com	
SMETA Audit Pillars :	<input checked="" type="checkbox"/> Labour Standards	<input checked="" type="checkbox"/> Health & Safety (plus Environment 2-Pillar)	<input checked="" type="checkbox"/> Environment 4-Pillar	<input checked="" type="checkbox"/> Business Ethics
Date of Audit:	25-26 February 2019			

Audit Company Name & Logo: AAC	Report Owner (payee): <i>(If paid for by the customer of the site please remove for Sedex upload)</i> XXXX Toy Manufacturing Co., Ltd.
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Audit Conducted By					
Affiliate Audit Company	<input checked="" type="checkbox"/>	Purchaser	<input type="checkbox"/>	Retailer	<input type="checkbox"/>
Brand owner	<input type="checkbox"/>	NGO	<input type="checkbox"/>	Trade Union	<input type="checkbox"/>
Multi-stakeholder	<input type="checkbox"/>	Combined Audit (select all that apply)			

Audit Content:

- (1) A SMETA audit was conducted which included some or all of Labour Standards, Health & Safety, Environment and Business Ethics. The SMETA Best Practice Version 6.1 November 2018 was applied. The scope of workers included all types at the site e.g. direct employees, agency workers, workers employed by service providers and workers provided by other contractors. Any deviations from the SMETA Methodology are stated (with reasons for deviation) in the SMETA Declaration.
- (2) The audit scope was against the following reference documents
2-Pillar SMETA Audit
 - ETI Base Code
 - SMETA Additions
 - Universal rights covering UNGP
 - Management systems and code implementation,
 - Responsible Recruitment
 - Entitlement to Work & Immigration,
 - Sub-Contracting and Home working,**4-Pillar SMETA**
 - 2-Pillar requirements plus
 - Additional Pillar assessment of Environment
 - Additional Pillar assessment of Business Ethics
 - The Customer's Supplier Code (Appendix 1)
- (3) Where appropriate non-compliances were raised against the ETI code / SMETA Additions & local law and recorded as non-compliances on both the audit report, CAPR and on Sedex.
- (4) Any Non-Compliance against customer code shall not be uploaded to Sedex. However, in the CAPR these 'Variances in compliance between ETI code / SMETA Additions/ local law and customer code' shall be noted in the observations section of the CAPR.

SMETA Declaration

I declare that the audit underpinning the following report was conducted in accordance with SMETA Best Practice Guidance and SMETA Measurement Criteria.

- (1) Where appropriate non-compliances were raised against the ETI code / SMETA Additions & local law and recorded as non-compliances on both the audit report, CAPR and on Sedex.
- (2) Any Non-Compliance against customer code alone shall not be uploaded to Sedex. However, in the CAPR these 'Variances in compliance between ETI code / SMETA Additions/ local law and customer code' shall be noted in the observations section of the CAPR.

Any exceptions to this must be recorded here (e.g. different sample size): Nil

Auditor Team (s) (please list all including all interviewers):

Lead auditor: Mr AAA, Senior Auditor

Team auditor: Miss CCC, Auditor

Interviewers: Miss CCC

Report writer: Mr AAA

Report reviewer: Miss YYY, Senior Report Reviewer

Date of declaration: 26 February 2019

Note: The focus of this ethical audit is on the ETI Base Code and local law. The additional elements will not be audited in such depth or scope, but the audit process will still highlight any specific issues.

This report provides a summary of the findings and other applicable information found/gathered during the social audit conducted on the above date only and does not officially confirm or certify compliance with any legal regulations or industry standards. The social audit process requires that information be gathered and considered from records review, worker interviews, management interviews and visual observation. More information is gathered during the social audit process than is provided here. The audit process is a sampling exercise only and does not guarantee that the audited site prior, during or post-audit, are in full compliance with the Code being audited against. The provisions of this Code constitute minimum and not maximum standards and this Code should not be used to prevent companies from exceeding these standards. Companies applying this Code are expected to comply with national and other applicable laws and where the provisions of law and this Code address the same subject, to apply that provision which affords the greater protection. The ownership of this report remains with the party who has paid for the audit. Release permission must be provided by the owner prior to release to any third parties.

Audit Parameters

Audit Parameters			
A: Time in and time out	Day 1 Time in: 9:00 Day 1 Time out: 17:00	Day 2 Time in: 9:00 Day 2 Time out: 15:00	Day 3 Time in: Day 3 Time out:
B: Number of auditor days used:	3.5 (2 auditors X 1.75 days)		
C: Audit type:	<input checked="" type="checkbox"/> Full Initial <input type="checkbox"/> Periodic <input type="checkbox"/> Full Follow-up <input type="checkbox"/> Partial Follow-Up <input type="checkbox"/> Partial Other If other, please define:		
D: Was the audit announced?	<input type="checkbox"/> Announced <input checked="" type="checkbox"/> Semi – announced: Window detail: 3 weeks <input type="checkbox"/> Unannounced		
E: Was the Sedex SAQ available for review?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If No, why not The factory had only just started the SAQ and so did not make it available to the auditors.		
F: Any conflicting information SAQ/Pre-Audit Info to Audit findings?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes , please capture detail in appropriate audit by clause		
G: Who signed and agreed CAPR (Name and job title)	Mr EEE – Factory Manager		
H: Is further information available (if yes, please contact audit company for details)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
I: Previous audit date:	N/A		
J: Previous audit type:	N/A		
K: Were any previous audits reviewed for this audit	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A		

Audit attendance	Management	Worker Representatives	
	Senior management	Worker Committee representatives	Union representatives

A: Present at the opening meeting?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
B: Present at the audit?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
C: Present at the closing meeting?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
D: If Worker Representatives were not present please explain reasons why (only complete if no worker reps present)	<p>Worker committee were present during this audit; however, the factory management said the workers could not be spared for opening and closing meeting.</p> <p>The management would communicate the outcome of the audit to the workers though poster in the workshops and would discuss at next worker committee meeting.</p>		
E: If Union Representatives were not present please explain reasons why: (only complete if no union reps present)	<p>There is no union at this factory.</p>		

Guidance:

The Corrective Action Plan Report 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 ETI Base Code, Local Laws and additional audited requirements. After the initial audit, the form is used to re-record actions taken and to categorise the status of the non-compliances.

N.B. observations and good practice examples should be pointed out at the closing meeting as well as discussing non-compliances and corrective actions.

To ensure that good practice examples are highlighted to the supplier and to give a more 'balanced' audit a section to record these has been provided on the CAPR document (see following pages) which will remain with the supplier. They will be further confirmed on receipt of the audit report.

Root cause (see column 4)

Root cause refers to the specific procedure or lack of procedure which caused the issue to arise. Before a corrective action can sustainably rectify the situation it is important to find out the real cause of the non-compliance and whether a system change is necessary to ensure the issue will not arise again in the future.

See SMETA BPG Chapter 7 'Audit Execution' for more explanation of "root cause".

Next Steps:

1. The site shall request, via Sedex, that the audit body upload the audit report, non-compliances, observations and good examples. If you have not already received instructions on how to do this then please visit the web site www.sedexglobal.com.
2. Sites shall action its non-compliances and document its progress via Sedex.
3. Once the site has effectively progressed through its actions then it shall request via Sedex that the audit body verify its actions. Please visit www.sedexglobal.com web site for information on how to do this.
4. The audit body shall verify corrective actions taken by the site by either a "Desk-Top" review process via Sedex or by Follow-up Audit (see point 5).
5. Some non-compliances that cannot be closed off by "Desk-Top" review may need to be closed off via a "1 Day Follow Up Audit" charged at normal fee rates. If this is the case then the site will be notified after its submission of documentary evidence relating to that non-compliance. Any follow-up audit must take place within twelve months of the initial audit and the information from the initial audit must be available for sign off of corrective action.
6. For changes to wages and hours to be correctly verified it will normally require a follow up site visit. Auditors will generally require to see a minimum of two months wages and hours records, showing new rates in order to confirm changes (note some clients may ask for a longer period, if in doubt please check with the client).

Corrective Action Plan

Corrective Action Plan – non-compliances									
Non-Compliance Number	New or Carried Over	Details of Non-Compliance	Root cause	Preventative and Corrective Actions	Timescale	Verification Method	Agreed by Management and Name of Responsible Person:	Verification Evidence and Comments	Status
<i>The reference number of the non-compliance from the Audit Report, for example, Discrimination No.7</i>	<i>Is this a new non-compliance identified at the follow-up or one carried over (C) that is still outstanding</i>	<i>Details of Non-Compliance</i>	<i>(completed by the site)</i>	<i>Details of actions to be taken to clear non-compliance, and the system change to prevent re-occurrence (agreed between site and auditor)</i>	<i>(Immediate, 30, 60, 90,180,365)</i>	<i>Desktop / Follow-Up [D/F]</i>	<i>Note if management agree to the non-compliance, and document name of responsible person</i>	<i>Details on corrective action evidence</i>	<i>Open/Closed or comment</i>
NC 1 0B Management systems and code implementation - 1	New	During worker interview, 10 out of 42 workers interviewed were not aware of the EII code and were not aware it was posted in the factory in local language.	<input checked="" type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input type="checkbox"/> Other – please give details:	It is recommended that all workers are made aware of the content of the EII code and that it is additionally displayed in the worker's canteen, for increased visibility.	60 days	Desktop	Mr. FFF HR Manager		
NC 2 0B Management systems and code implementation - 2	New	It was noted that there were inconsistencies regarding working hours among the time records provided by factory management, production records collected from workshops and employees' representation. Thus, the status of minimum wage, overtime wage and working hours	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input checked="" type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: poor record keeping, inadequate internal checks	It is recommended that the management adopt practices and controls to ensure that accurate and complete records are provided to auditor so that the compliance status of wages and working hours can be verified.	60 days	Follow-Up	Mr. FFF HR Manager		

Commented [A3]: Root Cause: This is an opportunity for the site to reflect on what the reason for the NC is, and what in their practices is the root cause of the NC.

Commented [A2]: Details of Non-Compliance: should be raised with the site as soon as they are found in order that the management can identify root causes. It is not necessary to cite the full law/code reference here – this should be written in the report.

Commented [A4]: Verification Method: Please refer to Non-Compliance Guidance.

Commented [A1]: Non-Compliance numbers: Should be easy to understand, and easy to connect to corresponding NC in report.

Commented [A6]: Verification Evidence and Comments & Status: only for follow up audits.

Commented [A5]: Please include name and position of responsible person.

		<p>could not be fully verified in this audit.</p> <p>a. The broken needle records showed that some workers (4+3) were working on 16&23 December 2018 while attendance records showed it was a rest day (see also hours section).</p> <p>b. Production & maintenance records in the moulding and painting workshop showed that workers in the moulding and painting workshop were working on 23 December 2018 while the attendance records showed they were resting (see also wages and hours sections).</p>							
NC 3 1 Freely chosen Employment - 1	New	<p>In the sample review of 42 files one was found with an original ID card and a check was made on all other files (610). In full check 2 files were found to have an original ID, 3 were found with original birth certificate and 5 were found with original academic qualification - all others had copies. These workers had joined the factory in the last 6 months, and the management believe that the personnel</p>	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Poor internal checking of personal records	<p>Management believed it was an isolated mistake by the personnel office and that the procedure for handing back ID cards after copying was written down and clear. This was confirmed by 30 recently joined workers all having copied ID's only in their files. Managers suggested that they implement a system for the HR</p>	30 days	Follow-Up	Mr. FFF HR Manager		

		office had overlooked giving the originals back to the workers.		manager checking the files of all new joiners at the end of each month to ensure that ID cards had been given back.					
NC 4 1 Freely chosen Employment - 2	New	Based on documents review and interview with employees and management representative it was found workers were required to lodge "deposits" of RMB 100 separately for the PPE (all workers), workers in sewing and cutting additionally had to pay for scissors (approx. 115 workers). These deposits were not always returned to workers (from document review approx., 50% got their deposits back).	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Work materials should not carry deposits. Possible lack of knowledge of the code.	It is recommended that the factory should stop such behaviour and ensure no more deposit happen.	30 days	Follow-Up	Mr. FFF HR Manager		
NC 5 2 Freedom of Association - 1	New	The worker's committee existed in theory but did not appear to function. It had met only once in the last 6 months and the number of workers had dropped from 10 to 6. The female members had left which mean that the 60% of the workers at the site had no gender representation in the worker's committee. Committee members	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of knowledge of local law and code requirements in the area of freedom of association.	The site agreed that worker/management committee meetings would take place every 3 months and that female workers would be elected to the committee. If necessary, women representatives would meet separately with a female manager. Management agreed to publish the	60 days	Desktop	Mr. FFF HR Manager		

		were dissatisfied at the lack of action by management based on the issues they raised at the one meeting.		meeting minutes by displaying them in the works canteen and to continue to publish the minutes of any further meetings.					
NC 6 2 Freedom of Association - 2	New	Workers interviewed knew there was a worker's committee and that its members had been elected, but did not know: • How the nominations and elections were organised • Who their representatives were • The roles and responsibilities of worker representatives.	<input checked="" type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input type="checkbox"/> Other – please give details:	The site agreed to inform all workers of the worker committee and to include it as part of induction training. Communicate the process for the worker committee to workers, during induction training and on relevant notice boards and in relevant meetings following induction. Ensure worker representatives are known to workers, for example through pictures on notice boards.	60 days	Follow-Up	Mr. FFF HR Manager		
NC 7 2 Freedom of Association - 3	New	Worker committee representatives reported that their requests were being ignored. These included PPE requests for gloves in detail painting workshop (part of painting workshop in production building 2). The H&S manager said he had checked with the supplier of the	<input checked="" type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of feedback mechanisms.	Workers to be made aware that there was need for gloves and that the glues in use in the factory were not hazardous to health. In the future, if committee members make requests, ensure any follow-up is fed back to the committee and to workers, even	60 days	Follow-Up	Mr. GGG H&S Manager		

		adhesives and had been told there was no health and safety risk to workers, in addition some workers did not wish to use gloves as it affected their speed of work and thus their production bonus.		in cases are not followed through.					
NC 8 2 Freedom of Association - 4	New	Suggestion boxes and confidential email for grievances were not known about throughout the workforce, 85% of workers knew about suggestion box and 60% knew about confidential email.	<input checked="" type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input type="checkbox"/> Other – please give details:	Management and worker committee to communicate the existence of grievance mechanisms to workers once more, and how they can be used most effectively. Management to put anonymous suggestion on a notice board above the suggestion box along with the management response to those suggestions. This will show to workers the purpose of the suggestion box as well as keep them informed of the manager's response.	60 days	Follow-Up	Mr. FFF HR Manager		
NC 9 3 Safety and Hygienic Conditions - 1	New	During facility tour, it was noted that one 1-storey building was used as raw materials and finished products warehouse. The floor area of this warehouse	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of	It is recommended that the facility should ensure at least 2 safety exits are available in this warehouse.	30 days	Desktop	Mr. GGG H&S Manager		

		was more than 5000 square meters, however, there was only one safety exit for the warehouse.	legal requirements on H&S.						
NC 10 3 Safety and Hygienic Conditions - 2	New	During facility tour, it was noted that no exit sign was installed for 1 out of 2 safety exits in the packing workshop on the 2nd floor of No.2 production building.	<input checked="" type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of monitoring	It is recommended that the facility should ensure the exit signs are installed on the top of all safety exits in the packing workshop.	30 days	Desktop	Mr. GGG H&S Manager		
NC 11 3 Safety and Hygienic Conditions - 3	New	During the facility tour, it was noted that total 45 workers in the spray-painting department were not wearing rubber gloves, goggles and masks. Examination of the MSDS showed that these were solvent based paints and the recommended safety precautions were to use them with the above PPE.	<input checked="" type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of health and Safety risks. No hazardous risk assessment carried out.	It is recommended that appropriate PPE and training is provided to the workers in the spray department.	30 days	Desktop	Mr. GGG H&S Manager		
NC 12 3 Safety and Hygienic Conditions - 4	New	During facility tour, it was noted that 2 fire extinguishers and 1 fire hydrant were blocked by production materials in the sewing workshop on the 2nd floor of No.1 production building.	<input checked="" type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input type="checkbox"/> Other – please give details: Lack of monitoring	It is recommended that the facility should ensure all the firefighting equipment in the sewing workshop are free of obstruction.	30 days	Desktop	Mr. GGG H&S Manager		
NC 13 4 Child Labour	New	During interview of a selection of juvenile	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems	It is recommended that the facility	30 days	Follow-Up	Mr. FFF HR Manager		

- 1		workers (16-18yrs) and on review of their personal files, it was noted that all the 20 juvenile workers were not registered with the local labour bureau in the facility.	<input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of legal requirements on young workers. Inadequate procedures. Inadequate internal management checks.	should ensure all the juvenile workers are registered with the local labour bureau.					
NC 14 4 Child Labour - 2	New	During interview of a selection of juvenile workers (16-18yrs) and on review of their personal files, it was noted that all the 20 juvenile workers were not provided the regular physical examinations.	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of legal requirements on young workers. Inadequate procedures. Inadequate internal management checks.	It is recommended that the facility should ensure all the juvenile workers are provided with regular physical examinations.	30 days	Follow-Up	Mr. FFF HR Manager		
NC 15 4 Child Labour - 3	New	Per attendance records, it was noted that 5 out of 20 juvenile workers were assigned overtime work in January 2019. The 5 juvenile workers worked 8 hours on weekend and total 24 overtime hours in January 2019.	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of legal requirements on young workers. Inadequate procedures. Inadequate internal	It is recommended that the facility should ensure no overtime work was assigned for juvenile employees.	30 days	Follow-Up	Mr. FFF HR Manager		

			management checks.						
NC 16 5 Living Wages and Benefits - 1	New	a. The broken needle records showed that some workers (4+3) were working on 16&23 December 2018 while attendance records showed it was a rest day (see also hours section). b. Production & maintenance records in the moulding and painting workshop showed that workers in the moulding and painting workshop were working on 23 December 2018 while the attendance records showed they were resting (see also wages and hours sections). The auditor was able to verify some wages and hours records, and these are detailed in wages and hours sections.	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: The cause of inconsistencies was workers who wrote the dates on the production records by mistake. We will require all department heads to check the production records on a daily basis to ensure that all and attendance records are correctly completed, in order to avoid such inconsistencies in the future.	It is recommended that the facility keeps accurate and complete attendance records to ensure that wages and hours can be accurately verified.	60 days	Follow-Up	Mr. EEE Factory Manager		
NC 17 5 Living Wages and Benefits - 2	New	During document review of the payroll it was noted that workers were not being paid correct overtime premiums for those workers earning more than the minimum wage. E.g. the highest paid worker in the wages table was paid	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: System in place which fails to meet the legal requirements of premium paid on standard wage.	It is recommended that management should ensure that employees are properly compensated for all overtime worked.	60 days	Follow-Up	Mr. EEE Factory Manager		

		standard wages at 1500 per month (21.75 days and 8 hours per day), that was 8.62 currency units per hour. For 28 hours overtime hours per month the total wage should be: 8.62 (standard wage rate) X 28 (hrs.) X 1.5 (overtime rate) = 362 [currency units], the actual wages paid were 265.4 i.e. overtime rates were calculated on the minimum wage but not the normal wages.	Lack of awareness of legal requirements and of code requirements.						
NC 18 5 Living Wages and Benefits - 3	New	5 of the 42 workers sampled did not receive minimum legal wage for standard hours of 40 hours per week and 174 hours per month. Although each was paid an attendance bonus and production bonus the standard contracted hourly rate for these 5 workers was RMB 5.8 per hour instead of the legal requirement of RMB 6.32 per hour. Management confirmed that 10% of the workforce (65 workers) was contracted at RMB 5.8 per hour and these included cleaners (5% of workforce – 32 workers) and new	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input checked="" type="checkbox"/> Other – please give details: Lack of knowledge of legal requirements for minimum wage.	It is recommended that factory management should ensure that employees are paid at least the local minimum wage.	60 days	Follow-Up	Mr. EEE Factory Manager		

		production workers (5% of workforce – 33 workers). They also stated that new workers could earn production bonus and that both new workers and cleaners could earn attendance bonus. By discussion it was clear that these extra payments were not guaranteed, and that was a legal requirement to guarantee a minimum legal wage of RMB 6.32 per hour to all workers as a minimum requirement, bonuses etc. were then in addition.							
NC 19 5 Living Wages and Benefits - 4	New	It was noted that the social insurance coverage was insufficient in the facility. According to the social insurance payment receipt provided by factory management, it was noted that only 50% employees were provided with pension, accident, unemployment, medical and maternity insurance in January 2019.	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input checked="" type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Some workers came from other province refused to participate in the social insurance	It is recommended that factory management should ensure that employees receive all of their statutory welfare entitlements.	120 days	Desktop	Mr. EEE Factory Manager		
NC 20 6 Working Hours - 1	New	Overtime hours exceeded the legal requirement of 36 hours per month. According	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input checked="" type="checkbox"/> lack of workers	It is recommended that the facility should ensure that employee's overtime	60 days	Follow-Up	Mr. EEE Factory Manager		

		to the attendance records of 3 sample months, it was noted that 40 out of 42 sample workers worked 40-70 overtime hours in January 2019 (current month); 42 out of 42 sample workers worked 40-80 overtime hours in November 2018 (peak month); 20 out of 42 sample workers worked 37-50 overtime hours in May 2018 (random month).	<input type="checkbox"/> Other – please give details:	hours do not exceed the statutory limits.					
NC 21 6 Working Hours - 2	New	<p>a. Through reviewing the Broken Needle / Needle Storage Records, it was noted that 4 workers worked on 16 December 2018, 3 workers worked on 23 December 2018, but the attendance records provided by the facility indicated that those workers rested on the corresponding mentioned days.</p> <p>b. Through reviewing the production records of moulding and painting workshop, it was noted that there were production records on 23 December 2018, but the attendance records provided by the facility indicated that all workers in moulding and</p>	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: The cause of inconsistencies was workers who wrote the dates on the production records by mistake. We will require all department heads to check the production records on a daily basis to ensure that all and attendance records are correctly completed, in order to avoid such inconsistencies in the future.	It is recommended that the factory should ensure maintain and provide accurate and complete attendance records to ensure the minimum wage, overtime wage and working hours can be verified.	60 days	Follow-Up	Mr. EEE Factory Manager		

		painting workshop rested on the above-mentioned days. The auditor was able to verify some wages and hours records, and these were detailed in wages and hours sections.							
NC 22 7 Discrimination - 1	New	It was noted that there were discrimination practices based on age during hiring process. According to recruitment poster at the main gate, only employees between the ages of 16 to 40 were allowed to be employed for the production workshops. However, factory management could not provide any evidence to prove that the jobs in the production workshops were only fit for employees between the ages of 16 to 40.	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of knowledge of legal requirements	It is recommended that management adopt practices and recruitment policy to ensure that labours are not discriminated against in employment, regardless of age.	30 days	Desktop	Mr. EEE Factory Manager		
NC 23 7 Discrimination - 2	New	It was noted that before hiring, a health examination was conducted and for female applicants the report including pregnancy test. This was a relatively new practice, which had been implemented since June 2018. A total of 15 women had done	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of code requirements and international standards	It is recommended that the facility should stop this practice to avoid any discrimination on employees.	30 days	Follow-Up	Mr. EEE Factory Manager		

		the pregnancy test and one of them had been found pregnant and had not been given a job. It was not clear if this was due to pregnancy or other circumstances.							
NC 24 7 Discrimination - 3	New	Anti-discrimination procedure on hiring, compensation, promotion and access to training was not available during the audit.	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Inadequate systems and lack of management checks	The procedure shall be developed and communicated to workers through document and training.	30 days	Desktop	Mr. EEE Factory Manager		
NC 25 8 Regular Employment - 1	New	Random checked 42 workers' labour contracts, it was noted that one worker was recruited in April 2018 and one worker was recruited in May 2018, but they both signed contract on 01 September 2018. The factory would normally sign labour contract with new recruited workers within one month after the recruitment, however, the procedure was not effective, and some workers were not given a contract until they notified the management about this.	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of knowledge of legal requirements for contracts. Inadequate systems and lack of management checks	It is recommended that the facility should sign labour contracts with the employees within one month of the start of the working relationship.	30 days	Desktop	Mr. EEE Factory Manager		

		A review of all workers employed since February 2018 (30) showed that 3 more employees had not received a contract within one month of their joining the facility, however they had received after three months (in June), and so only two employees now lacked contacts.							
NC 26 8 Regular Employment - 2	New	<p>During peak months, the facility used up to 50 temporary workers to support with orders. These workers came from the local region and were recruited through a local labour agent, Mr LLL. According to the interview with management, there were no formal system in place to manage and monitor the working conditions of these workers. According to the interview with workers and records review, which showed that workers worked the same hours and received the same pay as permanent workers. However, the personnel records for these workers were incomplete, and didn't</p>	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input type="checkbox"/> Other – please give details: Lack of knowledge of legal requirements for contracts. Inadequate systems and lack of management checks.	The factory should ensure all temporary workers are provided with personnel records, working hours and wage records and that these are kept on file for at least two years for each worker. Where possible the site should pay temporary workers by bank transfer.	30 days	Follow-Up	Mr. FFF HR Manager		

		include copies of identity cards. Furthermore, these workers were paid in cash.							
NC 27 8A Sub-Contracting and Homeworking - 1	New	From interview with the management and workers, the main client had not been informed of the subcontracting at this facility. It was noted that 2 subcontractors were used by the facility. Details please refer to Audit Report.	<input type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of customer's requirements and standards.	The site should make their main client aware of the sub-contracting units used for Assembling and moulding.	30 days	Desktop	Mr. EEE Factory Manager		
NC 28 8A Sub-Contracting and Homeworking - 2	New	From interview with management there was no system in place to manage and monitor the working conditions at the sub-contractors. There was no communication to the subcontract units concerning the ethical code of the main client or of the sites' own code and policies. Although QC personnel from the main facility visited the subcontract facilities, there was no knowledge of the hours, wages and benefits paid to the subcontract workers.	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of awareness of customer's requirements and standards. Inadequate systems for subcontracting	The site should make sub-contractors aware of the Ethical code and implement a system to monitor.	30 days	Desktop	Mr. EEE Factory Manager		
NC 29	New	Per factory policy review, it was noted that employees in all	<input checked="" type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs	It is recommended that the facility should remove the	Immediate	Follow-Up	Mr. EEE Factory Manager		

9 Harsh or Inhumane Treatment - 1		workshops would be punished to clean up applicable workshop if they violated factory rules and gained a written warning letter. Factory management represented that they only established this rule in the employee handbook to catch employees' attention and manage employees better. This practice was not adopted since the rule established till now.	<input type="checkbox"/> lack of workers <input type="checkbox"/> Other – please give details:	physical punishment rule from the handbook.					
NC 30 10B4 Environment 4– Pillar - 1	New	It was noted that the facility provided the contact to prove the waste paint slog (HW12) was disposed by ZZZ Solid Waste Dispose Co., Ltd to. And the contractor had the valid contractor's hazardous waste operation license. However, the facility management was unable to provide the hazardous waste transfer manifest for review.	<input checked="" type="checkbox"/> Training <input type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Lack of understanding of legal requirements and environmental standards. Inadequate control systems of environmental impacts	It is recommended that facility should ensure that the hazardous waste disposed by qualified contractors and the transfer manifests are well retained.	30 days	Desktop	Mr. EEE Factory Manager		
NC 31 10C Business Ethics - 1	New	The facility had not delivered formal training to employees and workers on its Whistle blowing policy. Management agreed this had not yet been	<input type="checkbox"/> Training <input checked="" type="checkbox"/> Systems <input type="checkbox"/> Costs <input type="checkbox"/> lack of workers <input checked="" type="checkbox"/> Other – please give details: Inadequate	It is recommended that facility should ensure provide training to all employees on the whistle-blowing policy and maintain	30 days	Desktop	Mr. EEE Factory Manager		

		delivered and they meant to update their training to include it.	systems and lack of management checks	records of these training sessions.					
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Corrective Action Plan – Observations

Observation Number <i>The reference number of the observation from the Audit Report, for example, Discrimination No.7</i>	New or Carried Over <i>Is this a new observation identified at the follow-up or one carried over (C) that is still outstanding</i>	Details of Observation <i>Details of Observation</i>	Root cause <i>(completed by the site)</i>	Any improvement actions discussed <i>(Not uploaded on to SEDEX)</i>
OB 1 0A: Universal Rights covering UNGP -1	New	Management is aware of the human rights statement published by the parent company, but they do not communicate it to the workforce or their suppliers.	Did not see the importance of the issue	The site should make appropriate workers aware of the human rights statement published by the parent company.
OB 2 0B Management systems and code implementation -1	New	Before the audit, it was noted that the SAQ had not been completed.	Site explained that they had not been part of Sedex for very long, and due to heavy workload, they had not managed to fill out the SAQ completely.	The site would finalise the SAQ within the next month.
OB 3 0B Management systems and code implementation -2	New	In discussion with management they confirmed that they had not communicated the code to their own suppliers/sub-contractors or conducted social assessment for suppliers/sub-contractors. In addition, they had not established the procedure of controlling their own suppliers' conformance to the code. The purchasing manager confirmed that some of their suppliers had been with them for many years and were likely to stay as supplier partners.	Lack of knowledge of the code requirements.	The HR manager suggested that they start discussions with these regular suppliers on the code content.

OB 4 2 Freedom of Association - 1	New	Minutes of the worker's committee meeting are produced but they are not shared with the total workforce.	Negligence from the Management.	Managers agreed that it would be a good idea to post them in the canteen and they will do so for the last set of minutes and future minutes.
OB 5 3 Safety and Hygienic Conditions - 1	New	During worker interviews, some workers reported that sometimes the toilets were not clean. Management reported that they cleaned the toilets regularly and the auditor saw the cleaning rota which confirmed this. On the day of the visit, the toilets were clean and hygienic.	Negligence from management/supervisors.	Management to monitor toilet cleanliness more closely and ask workers to raise it with their supervisors if toilets are unclean.
OB 6 4 Child Labour - 1	New	The factory had a minimum working age policy (at least 16 years old), but some managers were not aware of this.	Lack of code requirements. Inadequate internal training practices.	The HR manager said that as all recruitment went through their office, this had not been an issue so far. However, they would re-communicate the policy to all members of staff to ensure this was clear.
OB 7 7 Discrimination - 1	New	Some workers reported other workers found it easier to take time off as they were friendlier to supervisors and management. The auditor could not verify this through management interviews or record cross-checking.	Inadequate communication and training given to workers.	Management will investigate during next worker survey to determine if this is an issue and remind all workers and supervisors of the 1-step leave policy to ensure everyone knows the process and follows it.
OB 8 8A Sub-Contracting and Homeworking - 1	New	There was no formal contract with the 2 sub-contractors, the facility had worked with the same sub-contractors over a long time and has not seen a need for a formalised contract as the relationship had always been good; however, they were currently in the process of formalising the subcontracting and set up a written contract (on-going).	Lack of knowledge of the code requirements.	Formalize contracts with sub-contractors including control system should be prepared in this facility.
OB 9 10B4 Environment 4-Pillar - 1	New	Site had not completed the SAQ (including environmental information).	Lack of knowledge of the requirements and international standards.	The facility was in the process of finishing the SAQ.

Good examples

Good example Number <i>The reference number of the</i>	Details of good example noted	Any relevant Evidence and Comments

Commented [A7]: Please look for and report Good examples – see SMETA Guidance for definition of what constitutes a GE – do not just report compliance to local law as a GE. Please ensure anything here is also in the Report and if applicable, that relevant photos are included.

non-compliance from the Audit Report, for example, Discrimination No.7		
GE 1 0A: Universal Rights covering UNGP	The site has undergone a human rights impact assessment and has acted accordingly to improve its links and impact on the local community.	Human rights impact assessment and follow-up actions.
GE 2 0B Management systems and code implementation	The factory had an internal management system which included its own internal audits and workers surveys performed by properly trained individuals. The site showed record that two members of the quality audit team had been on a social auditing skills course and were trained to review documents. The last worker survey was delivered in November 2018 and the internal audit in December 2018. The site used findings from the survey to increase satisfaction of workers, for example by improving quality of food provided.	Internal audit reports, annual survey documentation and worker/management Interviews.
GE 3 2 Freedom of Association	Annual survey of worker's satisfaction, used to understand worker sentiment and improve working conditions.	Dormitory tour and workers interview.
GE 4 3 Safety and Hygienic Conditions	A library was provided freely on the first floor of the dormitory.	Dormitory tour and workers interview.
GE 5 5 Living Wages and Benefits	Factory provided free meals and transportation for workers. - Free meal was provided once a day, at lunch, workers had to provide food for themselves at morning and night. This benefit was given all workdays of the year and to all workers, both the workers living at site and outside. - The free transportation was given each morning and night, to workers not living at site (260). The transportation left from three local bus stations in the morning (in areas where the workers live), and took them to the site, in the evening, all workers not living at site were provided transportation back to bus stations.	Worker interview & transportation records.
GE 6 7 Discrimination	The site had policies and processes which upskilled female workers to supervisors and managers. They were still developing this process and keeping records to demonstrate its effectiveness.	Workers and managers interviews, personnel files.

Confirmation

<p>Please sign this document confirming that the above findings have been discussed with and understood by you: (site management) <i>If actual signatures are not possible in electronic versions, please state the name of the signatory in applicable boxes, as indicating the signature.</i></p>		
A: Site Representative Signature:	Mr. EEE	Title: Factory Manager Date: 26 February 2019
B: Auditor Signature:	Mr. AAA	Title: Senior Auditor Date: 26 February 2019
C: Please indicate below if you, the site management, dispute any of the findings. No need to complete D-E, if no disputes.		
D: I dispute the following numbered non-compliances: Nil		
E: Signed: (If <u>any</u> entry in box D, please complete a signature on this line)	Mr. EEE	Title: Factory Manager Date: 26 February 2019
F: Any other site Comments: Nil		

Guidance on Root Cause

Explanation of the Root Cause Column

If a non-compliance is to be rectified by a corrective action which will also prevent the non-compliance re-occurring, it is necessary to consider whether a system change is required.

Understanding the root cause of the non-compliance is essential if a site is to prevent the issue re-occurring.

The root cause refers to the specific activity/ procedure or lack of activity /procedure which caused the non-compliance to arise. Before a corrective action can rectify the situation it is important to find out the real cause of the non-compliance and whether a system change is necessary to ensure the issue will not arise again in the future.

Since this is a new addition, it is not a mandatory requirement to complete this column at this time. We hope to encourage auditors and sites to think about Root Causes and where they are able to agree, this column may be used to describe their discussion.

Some examples of finding a "root cause"

Example 1

Where excessive hours have been noted the real reason for these needs to be understood, whether due to production planning, bottle necks in the operation, insufficient training of operators, delays in receiving trims, etc.

Example 2

A non-compliance may be found where workers are not using PPE that has been provided to them. This could be the result of insufficient training for workers to understand the need for its use; a lack of follow-up by supervisors aligned to a proper set of factory rules or the fact that workers feel their productivity (and thus potential earnings) is affected by use of items such as metal gloves.

Example 3

A site uses fines to control unacceptable behaviour of workers.

International standards (and often local laws) may require that workers should not be fined for disciplinary reasons.

It may be difficult to stop fines immediately as the site rules may have been in place for some time, but to prevent the non-compliance re-occurring it will be necessary to make a system change.

The symptom is fines, but the root cause is a management system which may break the law. To prevent the problem re-occurring it will be necessary to make a system change for example the site could consider a system which rewards for good behaviour

Only by understanding the underlying cause can effective corrective actions be taken to ensure continuous compliance.

The site is encouraged to complete this section so as to indicate their understanding of the issues raised and the actions to be taken.



For more information visit: [Sedexglobal.com](https://www.sedexglobal.com)

Your feedback on your experience of the SMETA audit you have observed is extremely valuable. It will help to make improvements to future versions.

You can leave feedback by following the appropriate link to our questionnaire:

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[Click here for Supplier \(B\) members:](http://www.surveymonkey.com/s.aspx?sm=d3vYsCe48fre69DRglY_2brg_3d_3d)

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